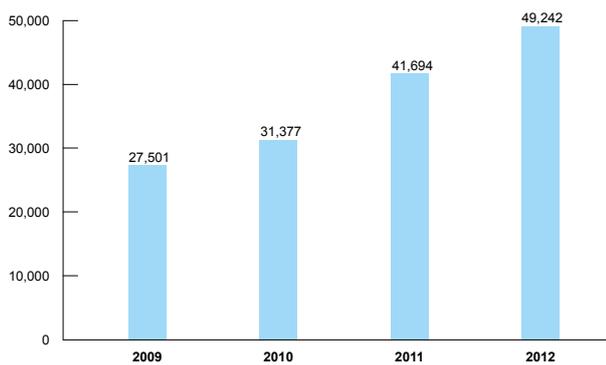


# Annual Report 2012

## Key Figures

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



In 2012, the total turnover of Factoring České spořitelny, a.s., was nearly CZK 49.2 billion.

With its 34.5 percent market share, Factoring České spořitelny, a.s., 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, Business Partners and Colleagues,

On behalf of the Board of Directors it is my pleasure to present the Annual Report of Factoring České spořitelny for 2012 to you.

While the Czech economy fell into moderate recession during 2012, Factoring České spořitelny, following the very successful year of 2011, achieved another significant increase in turnover and excellent financial results in 2012 as well and further strengthened its leading position in the Czech factoring market.

**In 2012, the turnover of assigned and administered receivables reached CZK 49.2 billion, of which the turnover of assigned receivables represented almost CZK 48 billion.** This figure represents a year-on-year increase of 19%. Factoring České spořitelny's market share increased to 34.5% in 2012.

**The results of the correctly chosen business strategy were reflected in the Company's economic results which showed a profit of CZK 58.7 million.** The best economic result in Company history was affected by another significant increase of turnover and the higher value of funds placed on the market by more than 1 billion Czech crowns. The profit level was also influenced by a lower need for allowances in comparison to prior years.

**The Company also managed to further develop close cooperation with the parent bank and its business network, attain new clients and retain existing accounts, especially among large corporate clients.**

Factoring České spořitelny, a. s., continued to develop and standardize the processes which improved, along with the intense use of information technologies, the quality of processes that are important to the optimal performance of a factoring company and that are also demonstrated through the increased quality standards of services to our clients.

**Factoring České spořitelny celebrated the 15th anniversary of its foundation in 2012 and, to celebrate the jubilee, it donated almost half million Czech crowns to Palata a home for visually impaired people.**

I would like to use this opportunity to thank our clients, our business partners, representatives of our sole shareholder, our colleagues in the Financial Group of Česká spořitelna as well as Erste Bank, and our colleagues within the Company. I very much appreciate the approach of those who contributed to the good, long-standing cooperation and their contribution to our excellent results. Let me to wish you success in both work and your personal lives.

A handwritten signature in black ink, appearing to read 'Jakubová'.

Radmila Jakubová

Chairwoman of the Board of Directors

# Company's Profile

**Factoring České spořitelny, a.s. was established in November 1995 as CS Factoring s.r.o. In 1997, the Company was transformed into a joint-stock company while Česká spořitelna acquired a 10% shareholding. On 20 June 2001 it purchased the rest of shares from the original owners and became the Company's sole shareholder.**

The Company's registered address has been located at Budějovická 1518/13B, Prague 4 from mid-2009.

**The basic capital amounts to CZK 114 million.**

**Activities are focused mainly on domestic, export, and import factoring, complete administration and monitoring of receivables for small, medium, and large corporate clients in various sectors of industry and trade.**

Industries that are dominant in our portfolio of clients mainly include metallurgy, automotive and consumer, chemical, food, suppliers of various ranges or products to chain stores, advertising and media, fuels distributors, etc.

After the 2010-11 market recovery, 2012 brought a significant increase to the factoring market in the Czech Republic and exceeded

the figure attained prior to the crisis of 2008 by one billion Czech crowns. **Factoring České spořitelny, a.s., grew twofold compared to the average increase of the entire factoring market; it increased its market share from 31.8 % in 2011 to 34.5% at the end of 2012, and thus strengthened its leading position on the factoring market in the Czech Republic.**

**In 2012 the Company also continued the implementation of several fundamental strategic projects:**

- Deepening and streamlining the system of cooperation with the parent bank, especially in the area of trade and risk management;
- Increasing the care of the administered portfolio of client receivables;
- Implementing new processes aimed at improving the quality of services; and
- Systemizing and strengthening overdue receivables collection and improving enforcement processes.

Close cooperation with the parent bank, Česká spořitelna, high-quality and professional risk management, flexible response to market needs, and maintaining a high standard of services provided to the Company's clients remain fundamental requirements for future success.

## Significant Financial Indicators

	2009	2010	2011	2012
Assets from clients' receivables	5,576,339	6,235,806	6,885,724	8,082,296
Basic capital	84,000	114,000	114,000	114,000
Share premium		80,000	80,000	80,000
Equity	46,969	155,242	189,451	247,551
Value added	58,322	76,346	113,952	138,566
Profit before release/creation of provisions and allowances	18,744	36,966	91,230	104,706
Profit/loss for the year	(89,586)	(1,556)	34,144	58,676

# Directors and Officers

## Supervisory Board

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

## Board of Directors

- **Radmila Jakubová**, Chairwoman
- **Karel Machytka**, Vice-chairman

## Company Management

- **Radmila Jakubová**, Chief Executive Officer
- **Karel Machytka**, Chief Sales Officer
- **Michael Jehlička**, Financial and Business development Manager
- **Luboš Kroulík**, Risk Management Manager
- **Petra Nováková**, Client Service Manager
- **Martin Štěpka**, Sales Manager

## Organizational Chart of the Company

<b>Supervisory Board</b>
<b>Board of Directors</b>
Chief Executive Officer
Chief Sales Officer
Financial and Business development Manager
Risk Management Manager
Client Service Manager
Sales Manager

# Company Management Report

**2012 was a year of recession still affected by the impact of the recent economic crisis on the Czech economy. Irrespective of this fact, Factoring České spořitelny recorded another increase of turnover and an improvement of financial results which were the best in the Company's history.** Continuing interest from existing as well as new clients in factoring services proved the further potential of factoring market growth in the Czech Republic in the years to come.

The excellent financial results are mainly attributable to a significant increase of assigned and financed/sold receivables, retention of existing clients and winning of new accounts as well as a reduced need of provision for allowances. A higher volume of financial placements on the market was another significant factor.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group for 11 years. Membership in this strong financial group guarantees stability in difficult times and the ability to maintain continuous funding of clients who are thus enabled to grow despite deteriorating economic conditions.

In 2012, Factoring České spořitelny continued to fulfill its principal strategy from prior years which was focused on keeping its leading position in the Czech factoring market initially obtained in 2004. The Company's turnover of 49.2 billion achieved in 2012 and the market share of 34.5% confirmed that this long-term target was met.

2012 was also characterized by the on-going growth of credit and operational risks, highlighted by numerous insolvencies, bankruptcies, and the worsening payment morals of a number of business entities. Although these aspects had an impact on the creation of allowances, they did not reach prior year levels. The reported profit was affected by significant growth of revenues related to an increase in turnover and savings of a portion of the operating costs.

In 2012, the Company continued with its consistent use of a comprehensive concept of risk management created in prior years, which was established to ensure the maximum possible elimination of emerging credit and operating risks. Another distinct aspect related to the strategic management of the Company is the continuous active cooperation with all four credit insurance companies in the Czech market. These processes are aimed at eliminating and diversifying the Company's own risks and attempting to help clients assess the quality of their customer's portfolio, prevent negative impacts of non-standard situations and minimize financial losses.

The Company's management paid continuous attention to the development of business activities in 2012. The Company's business

team further deepened cooperation with the sales teams of the parent bank and focused on improving client service, its speed and quality. A flexible and high-quality business network which covers the territory of the whole country enabled systematic mapping and coverage of clients' requirements.

A stable product offering with an accent on basic types of factoring enables clients to use a wide range of financial as well as non-financial products. These modern and flexible financial instruments helped to stabilize and grow their businesses in the worsened recession period of the Czech economy, the gross domestic product of which fell further and further in each successive quarter of 2012.

**The Risk Management Department**, as in the prior year, participated in the implementation of the intentions of the Company and its deeper integration within the whole Financial Group. The process of standardizing the methodology and work processes, along with intense use of information technologies, enabled the quality of those processes that are important to the effective functioning of a factoring company to be maintained. Good prevention of and timely responses to non-standard situations, enabled the minimization of losses. A long-term process of quality improvement of risk management begun in the past thus presented itself in the stabilization of portfolio quality and in the higher effectiveness of collecting, enforcing, structuring and closing more risky exposures.

**The Operating Department** arranged the smooth accomplishment of current deals and provided a high-quality client service accompanying individual types of factoring products. The quality work of this department with the portfolio of assigned receivables significantly decreases both the credit risk of the Company and client credit exposures created by supplier's credit provided to their customers. At the same time it improves liquidity management and the stability of funded working capital of a majority of clients which are important and beneficial functions of the financial management of the Company.

**In 2012, the Financial Department** focused on further improvement of financial management of the Company, particularly aimed at decreasing operating costs, optimization of financial flow management, decreasing negative impacts of volatility of foreign exchange markets, and ensuring stable liquidity. Thanks to the excellent cooperation with Česká spořitelna the Company successfully managed a majority of these processes.

**The IT and Telecommunication Technologies Department** provided for the stable technical and technological operation of the Company and contributed not only to the high quality and safe op-

eration of the Company, but also to an innovative corporate process in both the field of products and technologies. In 2012 a backup department was put into operation enabling the smooth operation of the Company in case of emergency, technical infrastructure was improved as well as the quality and safety of work with the data processed.

**In 2012, Factoring České spořitelny strengthened its leading position in the Czech market and achieved the best financial results ever.** Last year's results, the combined efforts of members of the whole team, all members of the Company management, and support extended by the sole shareholder form the basis for further significant growth of the Company in the Czech market.

# Supervisory Board Report

As in prior years, in compliance with its scope of authority defined by the Commercial Code and the Company's Articles of Association, the Supervisory Board of Factoring České spořitelny, a. s. performed the role of supervisory and controlling body of the Company in the year ended 31 December 2012. The Supervisory Board supervised the activities of the Board of Directors and the financial position and business activities of the Company.

In accordance with the requirements set by the Articles of Association the Supervisory Board had four meetings in 2012. The Supervisory Board mainly discussed the principal issues of business and economic strategy and the policy of the Company.

In accordance with its legal powers and Articles of Association, the Supervisory Board discussed the Report on Business Activities and the Status of Assets for 2012, and reviewed the financial statements of Factoring České spořitelny, a. s., for 2012 as submitted by the Board of Directors. In accordance with the opinion of the audit firm Ernst & Young Audit, s. r. o., the Supervisory Board believes that the financial statements for the year ended

31 December 2012 present fairly, in all material respects, the assets, liabilities, equity, and financial position of Factoring České spořitelny, a. s., and are reported according to the Act on Accounting and relevant legislation of the Czech Republic. Therefore, the Supervisory Board recommends approving the financial statements of Factoring České spořitelny, a. s., for the year ended 31 December 2012 and the proposal for profit distribution submitted by the Board of Directors.

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



Petr Witowski  
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 2012 presented in the annual report of the Company on pages 11–28 and our audit report dated 15 March 2013 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 2012, 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 2012, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

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

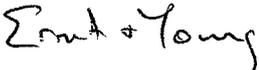
We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 2–7 is consistent with that contained in the audited financial statements as at 31 December 2012. 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 2012 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 2012 is materially misstated.



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

Represented by



Martin Zuba  
Partner



Magdalena Souček  
Auditor, License No. 1291

7 June 2013  
Prague, Czech Republic

# Balance Sheet

as at 31 December 2012

CZK ths.	31. 12. 2012			31. 12. 2011
	Gross	Allowances	Net	Net
<b>Total assets</b>	<b>8,553,449</b>	<b>323,447</b>	<b>8,230,002</b>	<b>6,999,941</b>
<b>B. Fixed assets</b>	<b>22,274</b>	<b>17,791</b>	<b>4,483</b>	<b>5,244</b>
<b>B.I. Intangible assets</b>	<b>10,201</b>	<b>9,561</b>	<b>640</b>	<b>345</b>
B.I.3. Software	9,425	8,854	571	253
B.I.4. Patents, royalties and similar rights	776	707	69	92
<b>B.II. Tangible assets</b>	<b>12,073</b>	<b>8,230</b>	<b>3,843</b>	<b>4,899</b>
B.II.3. Separate movable items and groups of movable items	12,039	8,230	3,809	4,865
B.II.6. Other tangible assets	34	0	34	34
<b>C. Current assets</b>	<b>8,529,466</b>	<b>305,656</b>	<b>8,223,810</b>	<b>6,993,102</b>
<b>C.I. Inventory</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39</b>
C.I.1. Materials	0	0	0	39
<b>C.II. Long-term receivables</b>	<b>41,862</b>	<b>0</b>	<b>41,862</b>	<b>46,151</b>
C.II.5. Long-term advances granted	320	0	320	178
C.II.8. Deferred tax asset	41,542	0	41,542	45,973
<b>C.III. Short-term receivables</b>	<b>8,392,733</b>	<b>305,656</b>	<b>8,087,077</b>	<b>6,887,647</b>
C.III.1. Trade receivables	8,387,952	305,656	8,082,296	6,885,724
C.III.6. Due from government – tax receivables	3,211	0	3,211	497
C.III.7. Short-term advances granted	1,561	0	1,561	1,424
C.III.9. Other receivables	9	0	9	2
<b>C.IV. Short-term financial assets</b>	<b>94,871</b>	<b>0</b>	<b>94,871</b>	<b>59,265</b>
C.IV.1. Cash	98	0	98	108
C.IV.2. Cash at bank	94,773	0	94,773	59,157
<b>D. I. Accrued assets and deferred liabilities</b>	<b>1,709</b>	<b>0</b>	<b>1,709</b>	<b>1,595</b>
D.I.1. Prepaid expenses	1,709	0	1,709	1,595

CZK ths.	31. 12. 2012	31. 12. 2011
<b>Total equity &amp; liabilities</b>	<b>8,230,002</b>	<b>6,999,941</b>
<b>A. Equity</b>	<b>247,551</b>	<b>189,451</b>
<b>A.I. Share capital</b>	<b>114,000</b>	<b>114,000</b>
A.I.1. Registered capital	114,000	114,000
<b>A.II. Capital funds</b>	<b>80,000</b>	<b>80,000</b>
A.II.1. Share premium	80,000	80,000
<b>A.III. Reserve funds, indivisible fund and other funds created from profit</b>	<b>1,906</b>	<b>33</b>
A.III.1. Legal reserve fund/Indivisible fund	1,707	0
A.III.2. Statutory and other funds	199	33
<b>A.IV. Losses from previous years</b>	<b>(7,031)</b>	<b>(38,726)</b>
A.IV.1. Retained earnings	4,620	4,620
A.IV.2. Accumulated loss of previous years	(11,651)	(43,346)
<b>A.V. Profit for the year</b>	<b>58,676</b>	<b>34,144</b>
<b>B. Liabilities</b>	<b>7,978,958</b>	<b>6,804,286</b>
<b>B.III. Current liabilities</b>	<b>4,208,463</b>	<b>3,967,893</b>
B.III.1. Trade payables	4,170,416	3,918,852
B.III.5. Liabilities to employees	6,258	1,288
B.III.6. Liabilities arising from social security and health insurance	1,353	626
B.III.7. Due to government – taxes and subsidies	2,947	10,977
B.III.8. Advances received	3,478	3,560
B.III.10. Unbilled deliveries	24,005	32,216
B.III.11. Other liabilities	6	374
<b>B.IV. Bank loans and borrowings</b>	<b>3,770,495</b>	<b>2,836,393</b>
B.IV.2. Short-term bank loans	3,770,495	2,836,393
<b>C. I. Accrued liabilities and deferred assets</b>	<b>3,493</b>	<b>6,204</b>
C.I.2. Deferred income	3,493	6,204

Prepared on: 15. 3. 2013.

Signature of accounting entity's statutory body:

  
Radmila Jakubová

  
Karel Machytka

# Income Statement

## for the Year Ended 31 December 2012

	Year ended 31. 12. 2012	Year ended 31. 12. 2011
II. Production	169,582	145,056
II.1. Revenue from sale of finished products and services	169,582	145,056
B. Production related consumption	31,016	31,103
B.1. Consumption of material and energy	1,383	1,394
B.2. Services	29,633	29,709
<b>+ Value added</b>	<b>138,566</b>	<b>113,953</b>
C. Personnel expenses	39,864	40,646
C.1. Wages and salaries	30,802	29,680
C.2. Bonuses to members of company or cooperation bodies	490	270
C.3. Social security and health insurance	7,476	9,672
C.4. Other social costs	1,096	1,024
D. Taxes and charges	458	934
E. Amortization and depreciation of intangible and tangible fixed assets	2,033	2,713
III. Revenue from sale of intangible and tangible fixed assets and materials	446	488
III.1. Revenues from sale of intangible and tangible fixed assets	446	488
F. Net book value of intangible and tangible fixed assets and materials sold	256	149
F.1. Net book value of intangible and tangible fixed assets sold	256	149
G. Change in provisions and allowances relating to operations and in deferred expenses	46,030	57,086
IV. Other operating income	17,404	19,099
H. Other operating expenses	40,876	39,045
<b>* Profit or loss on operating activities</b>	<b>26,899</b>	<b>(7,033)</b>
VI. Revenue from sale of securities and interests	0	9,650
J. Securities and interests sold	0	503
VII. Revenue from long-term financial assets	0	1,470
VII.1. Revenue from shares in subsidiaries and associates	0	1,470
X. Interest income	93,016	97,255
N. Interest expense	43,662	53,608
XI. Other financial income	278,974	261,622
O. Other financial expenses	279,684	263,901
<b>* Profit on financial activities</b>	<b>48,644</b>	<b>51,985</b>
Q. Tax on profit on ordinary activities	16,867	10,808
Q 1. – current	12,436	18,185
Q 2. – deferred	4,431	(7,377)
<b>** Profit on ordinary activities after taxation</b>	<b>58,676</b>	<b>34,144</b>
<b>*** Profit for the year</b>	<b>58,676</b>	<b>34,144</b>
<b>**** Profit before tax</b>	<b>75,543</b>	<b>44,952</b>

Prepared on: 15. 3. 2013.

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

# Cash Flow Statement

for the Year Ended 31 December 2012

	Year ended 31. 12. 2012	Year ended 31. 12. 2011
<b>P. Cash and cash equivalents at beginning of year</b>	<b>59,265</b>	<b>73,938</b>
<b>Cash flows from operating activities</b>		
Z. Profit before taxation	75,543	44,952
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	11,324	15,602
A.1.1. Depreciation and amortization of fixed assets	2,033	2,713
A.1.2. Change in allowances and provision	46,030	57,086
A.1.3. Loss on disposal of fixed assets	(190)	(338)
A.1.5. Interest expense and interest income	(49,354)	(43,647)
A.1.6. Loss on sales of shares	0	(9,650)
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	12,805	10,908
<b>A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items</b>	<b>86,867</b>	<b>60,554</b>
A.2. Change in working capital	(1,008,442)	(448,326)
A.2.1. Change in receivables and in prepaid expenses and unbilled revenue	(1,183,399)	(646,115)
A.2.2. Change in payables and in accruals and deferred income	174,918	197,751
A.2.3. Change in inventory	39	38
<b>A.** Net cash from operating activities before taxation, interest paid and extraordinary items</b>	<b>(921,575)</b>	<b>(387,772)</b>
A.3. Interest paid	(43,662)	(53,608)
A.4. Interest received	93,016	97,255
A.5. Tax on profit or loss on ordinary activities paid	(24,618)	(11,577)
A.7. Dividends and shares in profit received	0	1,470
<b>A.*** Net cash used in operating activities</b>	<b>(896,839)</b>	<b>(354,232)</b>
<b>Cash flows from investing activities</b>		
B.1. Purchase of fixed assets	(1,527)	(1,765)
B.2. Proceeds from sale of fixed assets	446	488
B.4. Net proceeds from equity investments	0	9,650
<b>B.*** Net cash (used in)/provided by investing activities</b>	<b>(1,081)</b>	<b>8,373</b>
<b>Cash flows from financing activities</b>		
C.1. Change in long-term liabilities and long-term, resp. short-term, loans	933,526	331,122
C.2. Net effect of changes in shareholders equity	0	64
C.2.5. Payments debited to reserves	0	64
C.2.6. Dividend paid	0	0
<b>C.*** Net cash provided by financing activities</b>	<b>933,526</b>	<b>331,186</b>
<b>F. Net increase/(decrease) in cash and cash equivalents</b>	<b>35,606</b>	<b>(14,673)</b>
<b>R. Cash and cash equivalents at end of year</b>	<b>94,871</b>	<b>59,265</b>

Prepared on: 15. 3. 2013.

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

# Statement of Changes in Equity

## for the Year Ended 31 December 2012

	Registe- red capital	Share pre- mium	Gain or loss on revalu- ation of assets and liabilities	Reserve funds, indivisible fund and other funds created from profit	Retained earnings	Accumu- lated loss of previous years	Profit (loss) for the year (+/-)	Total equity
<b>Balance as at 31 December 2010</b>	<b>114,000</b>	<b>80,000</b>	<b>(64)</b>	<b>33</b>	<b>4,620</b>	<b>(1,790)</b>	<b>(1,556)</b>	<b>155,243</b>
Loss distribution						(1,556)	1,556	0
Loss on revaluation of financial investment			64					64
Profit for the year							<b>34,144</b>	<b>34,144</b>
<b>Balance as at 31 December 2011</b>	<b>114,000</b>	<b>80,000</b>	<b>0</b>	<b>33</b>	<b>4,620</b>	<b>(43,346)</b>	<b>34,144</b>	<b>189,451</b>
Profit distribution				2,449		31,695	(34,144)	0
Funds distribution				(576)				(576)
Profit for the year							58,676	58,676
<b>Balance as at 31 December 2012</b>	<b>114,000</b>	<b>80,000</b>	<b>0</b>	<b>1,906</b>	<b>4,620</b>	<b>(11,651)</b>	<b>58,676</b>	<b>247,551</b>

Prepared on: 15. 3. 2013.

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

# Notes to the Financial Statements

## for the Year 2012

### 1. General Information

#### 1.1 Incorporation and Description of the Business

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

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

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

The accompanying financial statements have been prepared for the year ended 31 December 2012.

The sole shareholder of the Company is Česká spořitelna, a.s. (“CS”), with its registered office at Olbrachtova 1929/62, 140 00 Prague 4, Corporate ID 45 24 47 82. The ultimate parent is Erste Group Bank AG.

The Company has no foreign branch.

#### 1.2 Organizational Structure

At the end of 2012, the Company had 40 employees, of which 6 were the Company’s managers. The Company is organized into eight units as follows: management including secretariat, sales (representation) department, operations department (cross-border and in-country clients), customer service department, risk management department, legal and workout department, IT department and finance and controlling department.

As at 31 December 2012, the members of the Company’s statutory and supervisory bodies were as follows:

	Funkce	Jméno
Board of Directors	Chair	Radmila Jakubová
	Vice Chair	Ing. Karel Machytka
	Member	vacant
Supervisory Board until 28 February 2012	Chair	Dr. Heinz Knotzer
	Vice Chair	Ing. Karel Mourek
Supervisory Board from 1 March 2012	Chair	Ing. Petr Witowski
	Vice Chair	Mag. Alois Barthuber
	Member	Ing. Radka Turková

Ing. Jaromír Kohout was elected as a member of the Board of Directors as of 1 January 2013.

### 2. Basis of Presentation of the Financial Statements

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 basis, the accrual principle, the prudence concept and the going concern assumption.

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

Information presented in the accompanying financial statements has been included in the 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 1 year and an acquisition cost greater than CZK 40 thousand (2011: CZK 13 thousand) on an individual basis.

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

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

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

The cost of fixed asset improvements exceeding CZK 40 thousand and CZK 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 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 period.

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

Category of assets	Period in years
Software, licenses and know-how	4
Vehicles	4
Machinery and equipment	4–6
Other equipment	4–12
Technical improvements to leased buildings	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 categorizes 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 amortization 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 ‘gain or loss on revaluation of assets and liabilities’ line item.

#### 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 recognized 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 irrecoverable amounts are subsequently reduced by the relevant allowances.

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

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

#### Allowances for impairment

Since 2010 the Company has created portfolio allowances for impairment for accounting purposes on the expected loss basis, taking into account client and customer ratings to determine the probability of default used in the model.

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

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

Specific allowances are created against receivables which have been transferred to the workout department.

Additions to the portfolio and specific allowances for impairment are charged to income.

### 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 should allocate 20% of profit after tax (however, not more than 10% of basic 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 basic capital. 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 year.

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 recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reasonably reliable estimate can be made of the amount of the obligation. Provisions are used exclusively for the purposes they were created for. Provision balances are reviewed annually, and 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 daily exchange rate reflecting the Czech National Bank ("CNB") exchange rate prevailing on the day in which the transaction occurred.

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

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

### 3.9 Taxation

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

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

#### 3.9.2 Current Tax Payable

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

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

### 3.10 Cash and Cash Equivalents

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

### 3.11 Revenues

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

Interest received is recognized as 'Interest income'.

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

### 3.12 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 the estimates and assumption employed will not differ significantly from actual results achieved in future periods.

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

### 4.1 Intangible Fixed Assets

#### Cost

CZK thousand	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Software	8,753	264	0	9,017	408	0	9,425
Licenses, know-how	682	94	0	776	0	0	776
<b>Total</b>	<b>9,435</b>	<b>358</b>	<b>0</b>	<b>9,793</b>	<b>408</b>	<b>0</b>	<b>10,201</b>

#### Accumulated Amortization

CZK thousand	Balance at 31 Dec 2010	Additions to acc. amortization	Disposals	Balance at 31 Dec 2011	Additions to acc. amortization	Disposals	Balance at 31 Dec 2012
Software	8,185	579	0	8,764	90	0	8,854
Licenses, know-how	588	96	0	684	23	0	707
<b>Total</b>	<b>8,773</b>	<b>675</b>	<b>0</b>	<b>9,448</b>	<b>113</b>	<b>0</b>	<b>9,561</b>

#### Net Book Value

CZK thousand	Balance at 31 Dec 2011	Balance at 31 Dec 2012
Software	253	571
Licenses, know-how	92	69
<b>Total</b>	<b>345</b>	<b>640</b>

The Company acquired intangible assets of CZK 282 thousand and CZK 0 thousand that were charged directly to expenses for the years ended 31 December 2012 and 2011, respectively.

### 4.2 Tangible Fixed Assets

#### Cost

CZK thousand	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011	Additions	Disposals	Balance at 31 Dec 2012
Individual movable assets	13,545	1,830	(882)	14,493	1,209	(3,629)	12,073
– Machinery and equipment	8,559	572	(113)	9,018	53	(1,719)	7,352
– Vehicles	4,986	1,258	(769)	5,475	1,156	(1,910)	4,721
<b>Total</b>	<b>13,545</b>	<b>1,830</b>	<b>(882)</b>	<b>14,493</b>	<b>1,209</b>	<b>(3,629)</b>	<b>12,073</b>

#### Accumulated Depreciation

CZK thousand	Balance at 31 Dec 2010	Additions to acc. depreciation	Disposals	Balance at 31 Dec 2011	Additions to acc. depreciation	Disposals	Balance at 31 Dec 2012
Individual movable assets	8,288	2,039	(733)	9,594	1,919	(3,283)	8,230
– Machinery and equipment	5,504	1,144	(114)	6,534	936	(1,629)	5,841
– Vehicles	2,784	895	(619)	3,060	983	(1,654)	2,389
<b>Total</b>	<b>8,288</b>	<b>2,039</b>	<b>(733)</b>	<b>9,594</b>	<b>1,919</b>	<b>(3,283)</b>	<b>8,230</b>

## Net Book Value

CZK thousand	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Individual movable assets	3,843	4,899
– Machinery and equipment	1,511	2,484
– Vehicles	2,332	2,415
<b>Total</b>	<b>3,843</b>	<b>4,899</b>

In the years ended 31 December 2012 and 2011, respectively, investments in tangible assets predominantly related to computer hardware and vehicles.

The Company acquired tangible assets of CZK 120 thousand and CZK 83 thousand that were charged directly to expenses for the years ended 31 December 2012 and 2011, respectively.

### 4.3 Non-Current Financial Assets

The Company was a 2.5% shareholder in ERSTE FACTORING d.o.o., a factoring company based in Zagreb, Croatia, with the share capital of HRK 5,000 thousand. The Company sold its shareholding to ERSTE&STEIERMAERKISCHE BANK d.d. Croatia for a net profit of CZK 9,147 thousand in 2011.

### 4.4 Inventory

The Company reported no inventory as at 31 December 2012 (2011: CZK 39 thousand).

### 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 2012	Balance at 31 Dec 2011
Trade receivables	8,082,296	6,885,724
– customers	6,517,247	5,524,974
– prepayments made	1,870,705	1,620,376
– allowances	(305,656)	(259,626)
State – tax receivables	3,211	497
Short-term prepayments made	1,561	1,424
Other receivables	9	2
<b>Total</b>	<b>8,087,077</b>	<b>6,887,647</b>

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

The ‘Customers’ caption includes the 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
			0–30 days	31–60 days	61–90 days	91–365 days	Over 1 year	
2012	Trade receivables	6,901,774	785,047	152,065	45,125	39,632	464,309	<b>8,387,952</b>
	Impairment allowances				7,542	983	297,131	<b>(305,656)</b>
	Net receivables	6,901,774	785,047	152,065	37,583	38,649	167,178	<b>8,082,296</b>
2011	Trade receivables	5,898,548	639,088	99,096	5,244	35,327	468,047	<b>7,1453,50</b>
	Impairment allowances				1,805	1,154	256,667	<b>(259,626)</b>
	Net receivables	5,898,548	639,088	99,096	3,439	34,173	219,380	<b>6,885,724</b>

The average maturity of receivables from customers of the Company's factoring clients in 2012 and 2011 was 47.92 days and 49.30 days, respectively.

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance at 31 Dec 2010	Allowance creation	Release of allowance	Balance at 31 Dec 2011	Allowance creation	Release of allowance	Balance at 31 Dec 2012
Receivables – legal	0	26,813	0	26,813	63,462	0	90,275
Receivables – specific	183,050	40,135	177	223,008	25,643	40,812	207,829
Receivables – portfolio	19,490	0	9,685	9,805	0	2,263	7,542
<b>Total</b>	<b>202,540</b>	<b>66,948</b>	<b>9,862</b>	<b>259,626</b>	<b>89,105</b>	<b>43,075</b>	<b>305,656</b>

The Company has total portfolio allowances of CZK 7,542 thousand and CZK 9,805 thousand and specific allowances against receivables in workout of CZK 207,829 thousand and CZK 223,008 thousand in 2012 and 2011, respectively.

Of the aggregate amount of allowances, allowances of CZK 90,275 thousand and CZK 26,813 thousand were tax-deductible in 2012 and 2011, respectively. Tax deductible allowances are created against receivables from customers of the Company's clients which have been transferred to the Company as well as the Company's own receivables from clients in the instance of these entities entering bankruptcy proceedings.

During 2012 and 2011, the Company wrote off irrecoverable receivables not covered by the allowances for impairment of CZK 11,255 thousand and CZK 9,908 thousand, respectively.

### 4.6 Cash and Cash Equivalents

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

### 4.7 Accrued Assets and Deferred Liabilities

Accrued assets primarily comprise prepaid expenses arising from fees for bank guarantees and are recognized 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 sole shareholder has provided the Company with share premium of CZK 80 million in excess of the share capital.

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

#### 4.8.2 Distribution of Profit for the Year Ended 31 December 2011

In 2012, the Company's sole shareholder, exercising the powers of the general meeting, approved the distribution of the 2011 profit totaling CZK 34,144 thousand and allocated CZK 1,707 thousand to the legal reserve fund, CZK 742 thousand to the social fund and reduced the accumulated loss by CZK 31,695 thousand to CZK 11,651 thousand as at 31 December 2012.

#### 4.8.3 Gains and Losses Arising from the Revaluation of Assets and Liabilities

In 2012 and 2011, the revaluation gain from foreign exchange rate gains and losses relating to securities available-for-sale was realized.

### 4.9 Payables

#### 4.9.1 Short-Term Payables

CZK thousand	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Trade payables	4,170,416	3,918,852
Liabilities to employees	6,258	1,288
Liabilities arising from social security and health insurance	1,353	626
State – tax payables and subsidies	2,947	10,977
Short-term advances received	3,478	3,560
Unbilled deliveries	24,005	32,216
Other payables	6	374
<b>Total</b>	<b>4,208,463</b>	<b>3,967,893</b>

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

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

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

### 4.10 Bank Loans and Borrowings

2012

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

2011

Bank/creditor CZK thousand	Purpose	Balance at 31 Dec 2011	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	59,342	1 M Libor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – SEK overdraft	13,144	1 M Bribor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – PLN overdraft	13,756	1 M Wribor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – GBP overdraft	80,325	1 M Pribor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – USD overdraft	16,935	1 M Libor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – CZK current account	1,450,000	1 M Pribor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – EUR current account	954,600	1 M Euribor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – PLN current account	28,945	1 M Wribor + risk margin	30/8/2012	uncollateralised
Česká spořitelna	operating – USD current account	219,340	1 M Libor + risk margin	30/8/2012	uncollateralised
<b>Total intercompany bank loans</b>		<b>2,836,387</b>			
Komerční banka	operating – CZK current account	6			
<b>Total external bank loans</b>		<b>6</b>			
<b>Total</b>		<b>2,836,393</b>			

The average amount of the loans received from CS was CZK 2,989,481 thousand and CZK 2,900,957 thousand in 2012 and 2011, respectively.

The Company paid interest charges on these loans in the amount of CZK 43,662 thousand and CZK 53,608 thousand in 2012 and 2011, respectively.

#### 4.11 Accrued Liabilities and Deferred Assets

Accrued liabilities predominantly include accrued loan interest and operating liabilities.

#### 4.12 Details of Income by Principal Activity

CZK thousand	Balance at 31 Dec 2012			Balance at 31 Dec 2011		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Fee income	158,927	7,177	166,104	136,388	5,946	142,334
Advisory services	0	2,931	2,931	0	2,666	2,666
Other income	547	0	547	56	0	56
<b>Production</b>	<b>159,474</b>	<b>10,108</b>	<b>169,582</b>	<b>136,444</b>	<b>8,612</b>	<b>145,056</b>
Interest income	83,907	9,109	93,016	88,714	8,541	97,255
<b>Total income from operations</b>	<b>243,381</b>	<b>19,217</b>	<b>262,598</b>	<b>225,158</b>	<b>17,153</b>	<b>242,311</b>

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

Interest income includes interest on prepayments made under factoring arrangements.

#### 4.13 Services

CZK thousand	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Fees for factoring services	4,438	4,086
Costs of outsourcing	0	43
Rental	7,615	5,159
Legal and notarial services	577	1,175
Repairs and maintenance	4,879	4,825
Marketing costs	2,592	2,841
External audit	614	557
Tax and other advisory	2,918	3,392
Costs of other services	6,000	7,631
<b>Total costs of services</b>	<b>29,633</b>	<b>29,709</b>

#### 4.14 Other Operating and Financial Expenses and Income

CZK thousand	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>Other operating income</b>	<b>17,404</b>	<b>19,099</b>
of which: Income from the cession/sale of receivables	1,550	1,240
Insurance proceeds	11,265	15,734
Other	4,589	2,125
<b>Other operating expenses</b>	<b>(40,876)</b>	<b>(39,045)</b>
of which: Value of receivables ceded/written-off/sold	(12,805)	(10,908)
Credit insurance	(24,708)	(25,832)
Other	(3,363)	(2,305)
<b>Total other operating result</b>	<b>(23,472)</b>	<b>(19,946)</b>

CZK thousand	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>Financial income</b>	<b>278,974</b>	<b>271,272</b>
of which: Foreign exchange gains	278,649	261,275
Income from sale of securities and equity investments	0	9,650
Other	325	347
<b>Finance expense</b>	<b>(279,684)</b>	<b>(264,404)</b>
of which: Foreign exchange losses	(278,434)	(262,605)
Securities and interests sold	0	(503)
Other	(1,250)	(1296)
<b>Total other financial result</b>	<b>(710)</b>	<b>6,868</b>

#### 4.15 Current and Deferred Income Tax

##### Current Tax

CZK thousand	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Current tax charge	12,234	17,799
Additional tax assessment	202	386
<b>Total</b>	<b>12,436</b>	<b>18,185</b>

The tax charge for 2012 and 2011 can be reconciled to the profit per the income statement as follows:

CZK thousand	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Profit before tax	75,543	44,952
Tax at the local income tax rate of 19% (2011: 19%)	14,354	8,540
Tax effect of non-deductible expenses	2,752	10,148
Tax effect of non-taxable income	(4,783)	(889)
Additional payment of taxes for prior periods	202	386
Tax paid abroad	(89)	0
Current Tax Payable	12,436	18,185
Current changes in the deferred tax	4,431	(7,377)
<b>Total tax on profit on ordinary activities</b>	<b>16,867</b>	<b>10,808</b>

## Deferred Tax

The deferred tax asset can be analyzed as follows:

<b>Deferred tax arising from CZK thousand</b>	<b>Balance at 31 Dec 2012</b>	<b>Balance at 31 Dec 2011</b>
Depreciation and amortization of fixed assets	(396)	(448)
Provisions against receivables	40,923	44,235
Estimated payables for social security and health insurance	1,015	2,186
<b>Total</b>	<b>41,542</b>	<b>45,973</b>

<b>Analysis of the change in the balance CZK thousand</b>	<b>Balance at 31 Dec 2012</b>	<b>Balance at 31 Dec 2011</b>
Opening balance	45,973	38,611
Current changes charged against the income statement	(4,431)	7,377
<b>Total charges against the income statement</b>	<b>(4,431)</b>	<b>7,377</b>
<b>Total charges against equity</b>	<b>0</b>	<b>(15)</b>
<b>Total</b>	<b>41,542</b>	<b>45,973</b>

## 5. Employees, Management and Statutory Bodies

### 5.1 Staff Costs 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 2012 and 2011:

2012

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

2011

<b>CZK thousand</b>	<b>Number</b>	<b>Wage costs</b>	<b>Social security and health insurance</b>	<b>Other social costs</b>	<b>Total staff costs</b>
Employees	33	18,989	6,461	848	26,298
Management	6	10,961	3,211	176	14,348
<b>Total</b>	<b>39</b>	<b>29,950</b>	<b>9,672</b>	<b>1,024</b>	<b>40,646</b>

The number of employees is based on the average re-calculated headcount. Staff costs of management comprise the costs of the Company's managing directors, two of which (2011: two persons) are also members of the Company's Board of Directors.

## 5.2 Loans, Borrowings, and Other Benefits Provided

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

2012

	Management	
Board of Directors		
Management life and pension insurance	50	69
Vehicles/other movable assets for both business and private purposes (amount increases the tax base of employees)	182	232
<b>Total</b>	<b>232</b>	<b>301</b>

2011

	Management	
Board of Directors		
Management life and pension insurance	55	62
Vehicles/other movable assets for both business and private purposes (amount increases the tax base of employees)	156	234
<b>Total</b>	<b>211</b>	<b>296</b>

## 6. 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 receivables portfolio which allows for the amounts recovered to sufficiently cover the partial payments made to clients and allow the Company to exercise a lien.

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

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

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

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

2012

CZK thousand	CZK	USD	EUR	PLN	GBP	Other	Total
Short-Term receivables	6,195,430	602,884	1,425,310	790	124,907	43,412	8,392,733
Cash and cash equivalents	85,585	9,118	168	0	0	0	94,871
Accrued assets	1,513	0	196	0	0	0	1,709
<b>Total</b>	<b>6,282,528</b>	<b>612,002</b>	<b>1,425,674</b>	<b>790</b>	<b>124,907</b>	<b>43,412</b>	<b>8,489,313</b>
Current liabilities	3,700,363	227,445	273,209	155	5,136	2,155	4,208,463
Bank loans and borrowings	2,078,969	381,100	1,149,435	612	119,398	40,981	3,770,495
Accrued liabilities	3,282	0	211	0	0	0	3,493
<b>Total</b>	<b>5,782,614</b>	<b>608,545</b>	<b>1,422,855</b>	<b>767</b>	<b>124,534</b>	<b>43,136</b>	<b>7,982,451</b>

2011

CZK thousand	CZK	USD	EUR	PLN	GBP	Other	Total
Short-Term receivables	5,454,393	367,705	1,202,375	42,938	64,513	15,349	7,147,273
Cash and cash equivalents	40,723	366	18,176	0	0	0	59,265
Accrued assets	1,444	0	151	0	0	0	1,595
<b>Total</b>	<b>5,496,560</b>	<b>368,071</b>	<b>1,220,702</b>	<b>42,938</b>	<b>64,513</b>	<b>15,349</b>	<b>7,208,133</b>
Current liabilities	3,670,531	18,857	267,240	3	3,767	7,495	3,967,893
Bank loans and borrowings	1,530,330	236,276	954,600	42,701	59,342	13,144	2,836,393
Accrued liabilities	5,993	0	211	0	0	0	6,204
<b>Total</b>	<b>5,206,854</b>	<b>255,133</b>	<b>1,222,051</b>	<b>42,704</b>	<b>63,109</b>	<b>20,639</b>	<b>6,810,490</b>

## 7. Related Party Information

Given that the Company is a member of the Česká spořitelna, a. s. Group, its cooperation with the parent company continued during 2012 and 2011, 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 2012 and 2011, receivables from CS amounted to CZK 12,412 thousand and CZK 23,449 thousand, respectively. The above predominantly includes receivables arising from current account balances.

As at 31 December 2012 and 2011, payables to the parent company amounted to CZK 3,770,489 thousand and CZK 2,836,387 thousand, respectively. These amounts mainly represent regular bank loans and balances on overdraft accounts.

For the year ended 31 December 2012 and 2011, the Company recorded expenses in relation to CS in the aggregate amount of CZK 51,036 thousand and CZK 61,522 thousand, respectively. They predominantly include interest on received loans, outsourcing and rent expenses. Income of CZK 1,112 thousand and CZK 1,200 thousand, respectively, relates to interest and fees received from CS.

With respect to its related parties, Factoring Slovenskej sporiteľne, a. s. and ERSTE FACTORING d.o.o., the Company recognizes receivables arising from factoring cooperation in the amount of CZK 0 thousand (2011: 738 thousand) and CZK 0 thousand (2011: CZK 1,667 thousand), respectively. In addition, the Company also has a receivable from Slovenská sporiteľňa, a. s. at an amount of CZK 0 thousand as at 31 December 2012 (2011: CZK 67 thousand).

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 2012	Year ended 31 Dec 2011
Procurement Services GmbH	0	40
Procurement Services CZ, s. r. o.	0	81
<b>Total</b>	<b>0</b>	<b>121</b>

Overview of Supplies provided by the Company:

CZK thousand	Year ended 31 Dec 2012	Year ended 31 Dec 2011
ERSTE FACTORING, d.o.o.	0	562
Slovenská sporiteľňa, a. s.	0	1,299
Factoring Slovenskej sporiteľne, a. s.	0	366
<b>Total</b>	<b>0</b>	<b>2,227</b>

## 8. Contingent Liabilities and off-balance Sheet Commitments

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

The Company is not involved in any legal disputes, the outcome of which would significantly impact the Company's financial statements.

## 9. Subsequent Events

Jaromír Kohout was appointed as a member of the Board of Directors on 1 January 2013.

Prepared on 15 March 2013.



Radmila Jakubová



Karel Machytka

# Report on Relations between Related Parties

Pursuant to Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code for the year ended 31 December 2012

Factoring České spořitelny, a. s. with its registered address located in Prague 4, Budějovická 1518/13 B, postal code 140 00, Business Registration Number (IČ) 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 2012 (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 Ceps 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 – **none**
- **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 – **none**
  
- **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 – **none**
  
- **Procurement Services CZ, s. r. o.**,  
with its registered address at Budějovická 1912/64b,  
post code 14000, Prague 4 („Procurement Services CZ“)  
Relation to the Company: related party directly controlled by  
Procurement Services GmbH  
Description of relations – **none**

## Annex 1 – Transactions with Related Parties

Factoring České spořitelny, a. s. identified the relations with the related parties 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 12.4 million on 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. There are no such items in fiscal year 2012.

### 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 3,770.5 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 and similar income

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

#### Interest and similar expense

Factoring České spořitelny, a. s. incurred interest expense of CZK 43.7 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 1.1 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 6.9 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 -0.4 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.

#### Net income/loss from financial operations

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

### 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
Agreement on the outsourcing of financial accounting, controlling, asset management, sale promotion, human resources, internal audit, marketing, internal communication and IT security	Česká spořitelna, a. s.	Outsourcing	none
Agreement on rent of non-residential places	Česká spořitelna, a. s.	Rent	none

## D. 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 2012 fiscal year.

This Report was discussed with and approved by the Company's Board of Directors on 15 May 2013.

In Prague, on 26 February 2013.

## E. 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.

Factoring České spořitelny, a. s.



Radmila Jakubová  
Chairwoman of the Board of Directors

## F. 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 2012 fiscal year.



Karel Machytka  
Vice-chairman of the Board of Directors

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

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