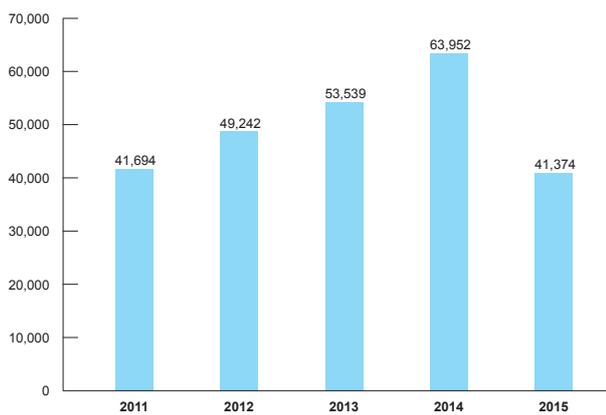


Annual Report 2015

Key Figures

Gross Turnover of Factoring České spořitelny (CZK mil.)



In 2015, the total turnover of Factoring České spořitelny, a.s., was CZK 41,4 billion.

With its 30.2 percent market share, Factoring České spořitelny, a.s., is a leading company in the Czech Republic.

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Foreword of the Chair of the Board of Directors



Radmila Jakubová
Chair 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 Factoring České spořitelny Annual Report for 2015.

After a highly successful 2011-2014 period, Factoring České spořitelny recorded a decrease in turnover in 2015, while still maintaining its leading position on the Czech factoring market.

In 2015, the Company reported a turnover of nearly CZK 41.4 billion from assigned and administered receivables, of which assigned receivables accounted for CZK 41.3 billion. This figure represents a 35% decrease year-on-year. The market share of Factoring České spořitelny dropped to 30% in 2015. Nevertheless, the Company has maintained its leading position on the market of factoring companies in the Czech Republic held since 2004.

The Company continued its efforts to deepen cooperation with the parent bank and its business network. Even though the Company terminated cooperation and decreased receivable turnover with several major factoring clients, new clients were acquired and majority of current clients retained, particularly large corporate clients.

Factoring České spořitelny continued to develop and standardize work process methodologies which, in combination with maximum use of new information technologies, allow the Company to enhance the quality of the work processes that are key to the operations of a factoring company and which are further reflected in the increasing quality of services provided to our clients.

I would like to take this opportunity to thank all our clients and business partners, the representatives of our sole shareholder, our Česká spořitelna Financial Group and Erste Bank colleagues and our employees. I very much appreciate the attitude of those who contributed to our excellent longstanding cooperation and outstanding results. I wish you all professional and personal success.

A handwritten signature in black ink, reading 'Jakubová', written in a cursive style.

Radmila Jakubová
Chair of the Board of Directors

Company's Profile

Factoring České spořitelny, a.s. was established in November 1995 as CS Factoring s.r.o. It was transformed into a joint-stock company in 1997, and Česká spořitelna acquired a 10% stake. On 20 June 2001, Česká spořitelna purchased the remaining shares from the original owners to become the Company's sole shareholder.

Since mid-2009, the Company's registered office has been located at Budějovická 1518/13B, Prague 4.

The Company's basic capital totals CZK 114 million. In 2014, the Company increased its equity to more than CZK 1.1 billion in the form of a basic capital supplement.

The main Company object is domestic, export and import factoring and the comprehensive administration and monitoring of receivables for small, medium-sized and large enterprises in various sectors of industry, trade and services.

The industries that dominate in the Company's client portfolio include metallurgy, automotive and consumer goods, chemicals, food processing, retail chain suppliers, advertising and media and fuel distribution.

Even though its market share decreased year-on-year, from 38.9% in 2014 to 30.2% at 2015 year-end, Factoring České spořitelny maintained its leading position on the Czech factoring market.

In 2015, the Company continued implementing a number of key strategic activities:

- deepening and streamlining the cooperation with the parent bank, primarily in the areas of sales and risk management,
- enhancing the services relating to the managed portfolio of client receivables,
- implementing new processes designed to improve service quality,
- systemizing and strengthening the overdue receivables collection and improving enforcement processes.

Since 1 September 2013, Factoring České spořitelny has been known as **Erste Factoring**; the Company has thus become an integral part of Erste Corporate Banking – the corporate banking brand of Česká spořitelna Financial Group.

For the brand and for its efforts and performance, the Company received the prestigious Czech Business Superbrands award in 2015 and again in 2016.

Key requirements for future success are close cooperation with the parent bank Česká spořitelna, high-quality and professional risk management, a flexible response to market needs and maintaining a high standard of client services.

Changes in key financial indicators

	2012	2013	2014	2015
Assets from clients' accounts receivable financing	8,082,296	9,228,524	9,213,168	7,376,849
Basic capital	114,000	114,000	114,000	114,000
Share premium	80,000	80,000	80,000	80,000
Capital funds	0	0	818,400	818,400
Equity	247,551	288,869	1,142,047	1,120,206
Added Value	138,566	150,787	159,044	99,733
Profit/loss before additions to/use of provisions and allowances	104,706	51,969	134,228	(53,648)
Profit/loss for the current period	58,676	62,059	65,446	8,767

Company Management Report

Following several years of recession and a slight increase of the Czech economy in 2014, 2015 was for the best year in the past eight-year period. Czech GDP grew by 4.3% year-on-year, which was due to export growth as well as household consumption. The Czech market environment with low interest rates continues to promote the opportunities for companies to make cheap investments and to finance their regular business activities.

The factoring market represented by the Association of Factoring Companies dropped down by nearly 16% in 2015. One of the reasons was the discontinued cooperation with, or a decrease in the turnover from receivables assigned by, several major corporate clients of Factoring České spořitelny. So far, the Company has remained the Czech factoring market leader. In the next period, maintaining the Company's leading market position will be the key task for both the Company management and its employees.

Even though the total turnover of assigned receivables dropped, an increase in export factoring by more than 17% and a slight increase in financial market investments by nearly 2% demonstrate positive trends.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group for 14 years. Being part of a strong financial group has helped the Company maintain its stability – in good and bad times of the Czech economy – and provide continuous financing to clients, thus providing for their growth even under deteriorated economic conditions.

In 2015, Factoring České spořitelny continued to carry out one of its key strategies of previous years, i.e. maintaining the leading Czech factoring market position held since 2004. Although the Company's turnover fell year-on-year, the 30.2% market share confirmed the fulfillment of this longstanding goal.

The year 2015 was again characterized by continued growth in credit and operational risks, particularly caused by numerous insolvencies and bankruptcies and the worsening payment discipline of a number of enterprises. These facts resulted in the creation of new allowances the amounts of which unfortunately affected the Company's financial results.

In 2015, the Company carried on with its rigorous application of the comprehensive risk management concept established in previous years to ensure optimal elimination of credit and operational risks. Another key feature of the Company's strategic management is ongoing active cooperation with credit insurance companies on

the Czech market. These processes are designed to eliminate and diversify the Company's risk and to help clients regularly assess the quality of their customer portfolios, thereby forestalling the negative impacts of non-standard situations and minimizing financial losses.

The Company management continued to focus on **business development** in 2015. The Company's business team maintained its ever-deepening cooperation with the parent bank's sales teams and focused on further improving the speed and quality of client services. A flexible and high-quality commercial network spread across the entire country allowed the Company to systematically map and respond to client requirements. A stable range of products with an emphasis on basic types of factoring means that clients can choose from a wide variety of financial and non-financial products of the Company.

In the last year, the **Risk Management Department** continued to take part in implementing the Company's plans and deepening its integration into the broader Financial Group. The process of methodological and procedural standardization coupled with the rigorous use of information technologies ensured sustained quality of activities that are key to the operations of a factoring company.

The **Operations Department** ensured that current deals were smoothly implemented and that a high standard of service quality was maintained for individual types of factoring products. This department's excellent work with the portfolio of assigned receivables greatly reduced the Company's own credit risk as well as client credit exposures arising from supplier credits provided to customers. The department has also improved the liquidity management and the stability of working capital financing for a majority of clients; both these functions are important and valuable parts of the Company's financial management.

In 2015, the **Finance Department** focused on further improving the Company's financial management, in particular on reducing operating costs, optimizing the management of financial flows, mitigating the adverse effects of foreign currency market volatility and ensuring good liquidity. Most of these processes were successfully handled thanks to excellent cooperation with Česká spořitelna.

The **Information and Telecommunications Technologies Department** assures the stability of the Company's technical and technological operations and so contributes not only to the quality and security of the Company's operations, but also to the corporate innovation process applied to products and technologies.

In 2015, Factoring České spořitelny maintained its leading position on the Czech Market. Last year's results, the combined efforts of all the Company's employees and management and the support of the sole shareholder form a basis for the Company's continued prominence and success on the Czech market.

In 2016, the Company's key tasks will be to fully implement the corporate strategy of the ČS Financial Group within the framework of "**Transaction Banking**", to maintain its leadership position on the Czech factoring market and to provide best quality services to its clients.

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Independent Auditor's Report

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

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

We have audited the accompanying financial statements of Factoring České spořitelny, a. s., which comprise the balance sheet as at 31 December 2015, the income statement, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of Factoring České spořitelny, a. s., see Note 1 to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Factoring České spořitelny, a. s., as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch Auditor,
License No. 2009

31 March 2016
Prague, Czech Republic

Balance Sheet Long Form

as at 31 December 2015

CZK ths.	31/12/2015			31/12/2014
	Gross	Allowances	Net	Net
TOTAL ASSETS	7,763,182	322,262	7,440,920	9,347,896
A. Stock subscription receivables	0	0	0	0
B. Fixed assets	23,507	20,328	3,179	3,782
B.I. Intangible assets	10,399	9,702	697	846
B.I.1. Foundation and organization expenses				
B.I.2. Research and development				
B.I.3. Software	9,623	8,926	697	824
B.I.4. Patents, royalties and similar rights	776	776	0	22
B.I.5. Goodwill				
B.I.6. Other intangible assets				
B.I.7. Intangible assets in progress				
B.I.8. Advances granted for intangible assets				
B.II. Tangible assets	13,108	10,626	2,482	2,937
B.II.1. Land				
B.II.2. Constructions				
B.II.3. Separate movable items and groups of movable items	13,108	10,626	2,482	2,937
B.II.4. Perennial crops				
B.II.5. Livestock				
B.II.6. Other tangible assets				
B.II.7. Tangible assets in progress				
B.II.8. Advances granted for tangible assets				
B.II.9. Gain or loss on revaluation of acquired property				
B.III. Non-current financial assets	0	0	0	0
B.III.1. Subsidiaries				
B.III.2. Associates				
B.III.3. Other long-term securities and interests				
B.III.4. Loans to subsidiaries and associates				
B.III.5. Other long-term investments				
B.III.6. Long-term investments in progress				
B.III.7. Advances granted for non-current financial assets				
C. Current assets	7,738,221	301,934	7,436,287	9,342,576
C.I. Inventory	0	0	0	0
C.I.1. Materials				
C.I.2. Work in progress and semi-finished production				
C.I.3. Finished products				
C.I.4. Livestock				
C.I.5. Goods				
C.I.6. Advances granted for inventory				
C.II. Long-term receivables	39,934	0	39,934	46,307
C.II.1. Trade receivables				
C.II.2. Receivables from group companies with majority control				
C.II.3. Receivables from group companies with control of 20% – 50%				
C.II.4. Receivables from partners, co-operative members and participants in association				
C.II.5. Long-term advances granted	300	0	300	220
C.II.6. Unbilled revenue				
C.II.7. Other receivables				
C.II.8. Deferred tax asset	39,634	0	39,634	46,087
C.III. Short-term receivables	7,693,420	301,934	7,391,486	9,214,854
C.III.1. Trade receivables	7,678,783	301,934	7,376,849	9,213,168

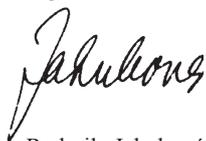
CZK ths.	31/12/2015			31/12/2014
	Gross	Allowances	Net	Net
C.III.2. Receivables from group companies with majority control				
C.III.3. Receivables from group companies with control of 20% – 50%				
C.III.4. Receivables from partners, co-operative members and participants in association				
C.III.5. Social security and health insurance				
C.III.6. Due from government – tax receivables	13,509	0	13,509	497
C.III.7. Short-term advances granted	1,128	0	1,128	1,186
C.III.8. Estimated receivables				
C.III.9. Other receivables	0	0	0	3
C.IV. Short-term financial assets	4,867	0	4,867	81,415
C.IV.1. Cash	119	0	119	111
C.IV.2. Cash at bank	4,748	0	4,748	81,304
C.IV.3. Short-term securities and interests				
C.IV.4. Short-term financial assets in progress				
D. I. Accrued assets and deferred liabilities	1,454	0	1,454	1,538
D.I.1. Prepaid expenses	1,454	0	1,454	1,538

CZK ths.	31/12/2015	31/12/2014
TOTAL EQUITY & LIABILITIES	7,440,920	9,347,896
A. Equity	1,120,206	1,142,047
A.I. Share capital	114,000	114,000
A.I.1. Registered capital	114,000	114,000
A.I.2. Own shares and own ownership interests		
A.I.3. Changes in basic capital		
A.II. Capital funds	898,400	898,400
A.II.1. Share premium	80,000	80,000
A.II.2. Other capital funds	818,400	818,400
A.II.3. Gain or loss on revaluation of assets and liabilities		
A.II.4. Gain or loss on revaluation of company transformations		
A.III. Reserve funds, indivisible fund and other funds created from profit	8,336	8,320
A.III.1. Reserve fund/Indivisible fund	7,744	7,744
A.III.2. Statutory and other funds	592	576
A.IV. Losses from previous years	90,703	55,881
A.IV.1. Retained earnings	90,703	55,881
A.IV.2. Accumulated loss of previous years		
A.V. Profit for the year	8,767	65,446
B. Liabilities	6,311,612	8,194,439
B.I. Provisions	0	0
B.I.1. Provisions created under special legislation		
B.I.2. Provision for pensions and similar obligations		
B.I.3. Provision for corporate income tax		
B.I.4. Other provisions		
B.II. Long-term liabilities	0	0
B.II.1. Trade payables		
B.II.2. Liabilities to group companies with majority control		
B.II.3. Liabilities to group companies with control of 20% – 50%		
B.II.4. Liabilities to partners, co-operative members and participants in association		
B.II.5. Advances received		
B.II.6. Bonds payable		
B.II.7. Notes payable		
B.II.8. Unbilled deliveries		
B.II.9. Other liabilities		
B.II.10. Deferred tax liability		
B.III. Current liabilities	3,147,238	5,112,765
B.III.1. Trade payables	3,115,698	5,064,894
B.III.2. Liabilities to group companies with majority control		
B.III.3. Liabilities to group companies with control of 20% – 50%		
B.III.4. Liabilities to partners, co-operative members and participants in association		
B.III.5. Liabilities to employees	2,083	1,821
B.III.6. Liabilities arising from social security and health insurance	892	718
B.III.7. Due to government – taxes and subsidies	1,421	9,374
B.III.8. Advances received	4,945	5,141
B.III.9. Bonds payable		
B.III.10. Unbilled deliveries	22,199	30,817
B.III.11. Other liabilities		

CZK ths.	31/12/2015	31/12/2014
B.IV. Bank loans and borrowings	3,164,374	3,081,674
B.IV.1. Long-term bank loans		
B.IV.2. Short-term bank loans	3,164,374	3,081,674
B.IV.3. Borrowings		
C. I. Accrued liabilities and deferred assets	9,102	11,410
C.I.1. Accruals		
C.I.2. Deferred income	9,102	11,410

Prepared on: 31/3/2016

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Income Statement Structured by the Nature of Expense Method

for the Year Ended 31 December 2015

CZK ths.	Year ended 31/12/2015	Year ended 31/12/2014
II. Production	125,161	186,529
II.1. Revenue from sale of finished products and services	125,161	186,529
B. Production related consumption	25,428	27,485
B.1. Consumption of material and energy	481	1,358
B.2. Services	24,947	26,127
+ Value added	99,733	159,044
C. Personnel expenses	47,571	43,986
C.1. Wages and salaries	25,506	24,945
C.2. Bonuses to members of company or cooperation bodies	10,239	8,857
C.3. Social security and health insurance	10,516	8,987
C.4. Other social costs	1,310	1,196
D. Taxes and charges	1,150	(31)
E. Amortization and depreciation of intangible and tangible fixed assets	1,601	2,190
III. Revenue from sale of intangible and tangible fixed assets and materials	126	248
III.1. Revenues from sale of intangible and tangible fixed assets	126	248
F. Net book value of intangible and tangible fixed assets and materials sold	0	115
F.1. Net book value of intangible and tangible fixed assets sold	0	115
G. Change in provisions and allowances relating to operations and in deferred expenses	(62,414)	68,782
IV. Other operating income	25,208	23,031
H. Other operating expenses	158,378	42,484
* Profit or loss on operating activities	(21,219)	24,796
VI. Revenue from sale of securities and interests		
J. Securities and interests sold		
VII. Revenue from long-term financial assets	0	0
VII.1. Revenue from shares in subsidiaries and associates		
X. Interest income	78,909	94,659
N. Interest expense	25,516	37,455
XI. Other financial income	155,841	333,191
O. Other financial expenses	162,493	333,964
* Profit on financial activities	46,741	56,430
Q. Tax on profit on ordinary activities	16,755	15,780
Q 1. – current	10,302	24,303
Q 2. – deferred	6,453	(8,523)
** Profit on ordinary activities after taxation	8,767	65,446
XIII. Extraordinary gains		
* Extraordinary profit or loss	0	0
*** Profit for the year	8,767	65,446
**** Profit before tax	25,522	81,226

Prepared on: 31/3/2016

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Cash Flow Statement

for the Year Ended 31 December 2015

CZK ths.	Year ended 31/12/2015	Year ended 31/12/2014
P. Cash and cash equivalents at beginning of year	81,415	107,928
Cash flows from operating activities		
Z. Profit before taxation	25,522	81,226
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	(113,085)	18,822
A.1.1. Depreciation and amortization of fixed assets	1,601	2,190
A.1.2. Change in allowances and provision	(62,414)	68,782
A.1.3. Loss on disposal of fixed assets	(126)	(132)
A.1.5. Interest expense and interest income	(53,393)	(57,204)
A.1.6. Loss on sales of shares		
Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	1,247	5,186
A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items	(87,563)	100,048
A.2. Change in working capital	(85,898)	120,658
A.2.1. Change in receivables and in prepaid expenses and unbilled revenue	1,881,937	108,911
A.2.2. Change in payables and in accruals and deferred income	(1,967,835)	11,747
A.2.3. Change in inventory		
A.** Net cash from operating activities before taxation, interest paid and extraordinary items	(173,461)	220,706
A.3. Interest paid	(25,516)	(37,455)
A.4. Interest received	78,909	94,659
A.5. Tax on profit or loss on ordinary activities paid	(10,302)	(24,768)
A.7. Dividends and shares in profit received		
A.*** Net cash used in operating activities	(130,370)	253,141
Cash flows from investing activities		
B.1. Purchase of fixed assets	997	(714)
B.2. Proceeds from sale of fixed assets	126	248
B.4. Net proceeds from equity investments		
B.*** Net cash (used in)/provided by investing activities	1,123	(466)
Cash flows from financing activities		
C.1. Change in long-term liabilities and long-term, resp. short-term, loans	82,700	(249,188)
C.2. Net effect of changes in shareholders equity	(30,000)	(30,000)
C.2.5. Payments debited to reserves		
C.2.6. Dividend paid	(30,000)	(30,000)
C.*** Net cash provided by financing activities	52,700	(279,188)
F. Net increase/(decrease) in cash and cash equivalents	(76,547)	(26,513)
R. Cash and cash equivalents at end of year	4,868	81,415

Prepared on: 31/3/2016

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Statement of Changes in Equity

for the Year Ended 31 December 2015

CZK ths.	Registe- red capital	Share premium	Gain or loss on revalua- tion of as- sets and liabilities	Reserve funds, indivisible fund and other funds created from profit	Retained earnings	Accumu- lated loss of previous years	Profit for the year	Total equity
Balance as at 31 December 2013	114,000	80,000	0	4,869	27,941	0	62,059	288,869
Profit distribution	0	0	0	4,119	27,940	0	(32,059)	0
Funds distribution	0	0	0	(668)	0	0	0	(668)
Paid dividends	0	0	0	0	0	0	(30,000)	(30,000)
Profit for the year	0	0	0	0	0	0	65,446	65,446
Increase in share capital and share premium	0	0	818,400	0	0	0	0	818,400
Balance as at 31 December 2014	114,000	80,000	818,400	8,320	55,881	0	65,446	1,142,047
Profit distribution	0	0	0	624	34,822	0	(35,446)	0
Funds distribution	0	0	0	(608)	0	0	0	(608)
Paid dividends	0	0	0	0	0	0	(30,000)	(30,000)
Profit for the year	0	0	0	0	0	0	8,767	8,767
Increase in share capital and share premium	0	0	0	0	0	0	0	0
Balance as at 31 December 2015	114,000	80,000	818,400	8,336	90,703	0	8,767	1,120,206

Prepared on: 31/3/2016

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Notes to the Financial Statements

for the year 2015

1. General information

1.1 Incorporation and Description of the Business

Factoring České spořitelny, a.s. (hereinafter the “Company”) was incorporated as a joint stock company by a Founder’s Deed on 30 May 1997 and was recorded in the Register of Companies held at the Prague Municipal Court on 4 December 1997 in Volume B, File 5075. The Company 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 and the Business registration number is 25629352.

The Company’s subscribed and paid-up share capital amounts to CZK 114,000 thousand. The issue price was CZK 1,500 thousand per share (76 pieces).

The accompanying financial statements have been prepared for the year ended 31 December 2015.

The sole shareholder of the Company is Česká spořitelna, a.s., with its registered office in Prague 4, Olbrachtova 1929/62, postal code 140 00, Business registration No. 45 24 47 82. The ultimate parent company is Erste Group Bank AG. The Company is included in the consolidated group of the parent company.

1.2 Organisational Structure

At the end of 2015, the Company had 38 employees, of which five were the Company’s managers. The Company is organised into five units as follows: management including secretariat, trading and marketing department, risk management department, operations and business development department and strategic development department.

As at 1 August 2015 one member of the Supervisory Board was exchanged and one more member appointed, Ing. Václav Plášil was replaced by Ing. Karel Nováček.

As at 31 December 2015, members of the Company’s statutory and supervisory bodies were as follows:

	Position	Name
Board of	Chair	Radmila Jakubová
Directors:	Vice Chair	Ing. Karel Machytka
	Member	Ing. Jaromír Kohout
	Member	Ing. Michael Jehlička
	Member	Ing. Karel Nováček

	Position	Name
Supervisory	Chair	Ing. Petr Witowski
Board	Member	Ing. Radka Turková
	Member	Mag. Reinhard Ortner
	Member	Roman Pařil

The Company has no foreign branch.

2. Basis of presentation of the financial statements

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2015 and 2014.

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”).

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 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 60 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. Technical improvements are put into operation annually in December and depreciation starts in the month the technical improvement is put into accounting records.

Depreciation and Amortization for Accounting Purposes

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

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

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

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

3.2 Receivables

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

The Company accounts for factoring receivables on a “gross” basis. The factoring receivables are recognized 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 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 „short-term trade receivables“ line in the balance sheet.

Allowances for impairment

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

Specific allowances are created against special workout receivables.

3.3 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.

3.4 Loans

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

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

3.5 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.

3.6 Translation of Foreign Currencies

Foreign Currencies Transactions during the year are translated using a daily exchange rate reflecting the Czech National Bank (“CNB”) exchange rate prevailing on the day in which the transaction occurred.

As at the balance sheet date, all foreign currency assets and liabilities are retranslated using the 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.

3.7 Taxation

3.7.1 Depreciation of Fixed Assets for Tax Purposes

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

3.7.2 Current Tax Payable

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

3.7.3 Deferred 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.

3.8 Cash and Cash Equivalents

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

3.9 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 claims are recognised as 'Interest income'.

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

3.10 Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management of the Company believes that the estimates and assumptions used will not significantly differ from the actual results and outcome in the following reporting periods.

3.11 Risk Management

Risks associated with the funding of ceded receivables are mitigated by using the services of insurance companies and by cooperating with partners within the international association of factoring companies (FCI). The Company places specific emphasis on the significance of diversifying the receivable portfolio which allows for the amounts recovered to sufficiently cover the partial payments made to clients and allow the Company to exercise a lien.

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

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

3.12 Subsequent Events

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

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

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

4.1 Intangible Fixed Assets

Cost

(CZK thousand)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Software	9,359	136	0	9,495	128	0	9,623
Licenses and other	776	0	0	776	0	0	776
Total	10,135	136	0	10,271	128	0	10,399

Accumulated Amortisation and Provisions

(CZK thousand)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Software	8,381	290	0	8,671	255	0	8,926
Licenses and other	731	23	0	754	22	0	776
Total	9,112	313	0	9,425	277	0	9,702

Net Book Value

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Software	697	824
Licenses and other	0	22
Total	697	846

The Company did not acquire any intangible assets that were charged directly to expenses for the years ended 31 December 2015 (in 2014 acquired intangible assets of CZK 1 thousand).

4.2 Tangible Fixed Assets

Cost

(CZK thousand)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Machinery and equipment	7,527	578	0	8,105	579	0	8,684
Vehicles	5,009	0	(583)	4,426	290	(292)	4,424
Total	12,536	578	(583)	12,531	869	(292)	13,108

Accumulated Depreciation

(CZK thousand)	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015
Machinery and equipment	6,628	679	0	7,307	184	0	7,491
Vehicles	1,558	1,197	(468)	2,287	1,140	(292)	3,135
Total	8,186	1,876	(468)	9,594	1,324	(292)	10,626

Net Book Value

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Machinery and equipment	1,193	798
Vehicles	1,289	2,139
Total	2,482	2,937

In the year ended 31 December 2015 investments in tangible assets predominantly related to hardware equipment and cars. In the year ended 31 December 2014 investments in tangible assets predominantly related to cars.

The Company acquired tangible assets of CZK 98 thousand (CZK 250 thousand) that were charged directly to expenses for the years ended 31 December 2015 and 2014, 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 Receivables

4.3.1 Long-Term Receivables – Deferred Tax Assets

For detailed information about deferred tax assets refer to Note 4.14.

4.3.2 Short-Term Receivables

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Trade receivables	7,376,849	9,213,168
– customers (factoring)	5,960,049	7,443,347
– prepayments made	1,718,734	2,134,169
– allowances	(301,934)	(364,348)
– Due from government – tax receivables	13,509	497
Short-term advances granted	1,128	1,186
Other receivables	0	3
Total	7,391,486	9,214,854

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.

4.3.3 Aging of Trade Receivables

(CZK thousand)

Year	Category	Not yet due	Overdue					Total
			0 – 30 days	31 – 60 days	61 – 90 days	91 – 365 days	Over 1 year	
2015	Trade receivables	6,620,358	432,310	96,630	19,162	1,330	508,993	7,678,783
	Allowances – specific	0	0	0	0	(6,841)	(283,013)	(289,854)
	Allowances – portfolio	(12,080)	0	0	0	0	0	(12,080)
2014	Trade receivables	7,254,959	1,391,506	247,880	22,998	78,293	581,880	9,577,516
	Allowances – specific	0	0	0	0	(39,993)	(308,816)	(348,809)
	Allowances – portfolio	0	0	0	0	0	0	(15,539)

The average maturity of receivables from customers of the Company’s factoring clients in 2015 and 2014 was 58.89 days and 49.86 days, respectively.

In accordance with the method of creating of allowances for accounting purposes on the basis of the calculation of expected loss (EL) to be incurred on funds placed with clients – see note 3.4 – the Company created portfolio allowances totaling CZK 12,080 thousand and CZK 15,539 thousand, as at 31 December 2015 and 2014, respectively.

Other accounting allowances has been created for specific purpose of workout receivables totaling CZK 188,740 thousand and CZK 217,717 thousand, respectively and tax allowances have been created at an amount of CZK 101,114 thousand and CZK 131,092 thousand in 2015 and 2014, 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.

In 2015 and 2014, the Company wrote off irrecoverable receivables not covered by the allowances for impairment of CZK 128,261 thousand and CZK 4,412 thousand, respectively.

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance at 31 Dec 2013	Allowance creation	Release of allowance	Balance at 31 Dec 2014	Allowance creation	Release of allowance	Balance at 31 Dec 2015
Receivables – legal	113,665	18,153	(726)	131,092	3,329	(33,307)	101,114
Receivables – specific	181,901	54,025	(2,670)	233,256	46,271	(78,707)	200,820
Total	295,566	72,178	(3,396)	364,348	49,600	(112,014)	301,934

4.4 Cash and Cash Equivalents

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

4.5 Accrued Assets and Deferred Liabilities

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

4.6 Equity

4.6.1 Share Capital

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

The shareholder provided the Company share premium of CZK 80,000 thousand and a contribution of CZK 818,400 thousand in excess of the share capital.

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

4.6.2 Distribution of Profit for the Year Ended 31 December 2014

On 16 June 2015, the Company's sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2014 profit totaling CZK 65,446 thousand and allocated CZK 624 thousand to the social fund, paid CZK 30,000 as dividend and transferred CZK 34,822 thousand to retained earnings the total amount of which is CZK 90,703 thousand as at 31 December 2015.

4.7 Liabilities

4.7.1 Current Liabilities

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Trade payables (factoring)	3,115,698	5,064,894
Liabilities to employees	2,083	1,821
Liabilities arising from social security and health insurance	892	718
State – tax payables and subsidies	1,421	9,374
Advances received	4,945	5,141
Unbilled deliveries	22,199	30,817
Total	3,147,238	5,112,765

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.

4.8 Bank Loans and Borrowings

2015

Bank (CZK thousand)	Purpose	Balance at 31 Dec 2015	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	27,044	1 M Libor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – SEK overdraft	0	1 M Stibor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – PLN overdraft	1,034	1 M Wribor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – CZK overdraft	243,816	1 M Pribor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – HUF overdraft	13,651	1 M Bubor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – EUR overdraft	276,154	1 M Euribor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – CZK current account	900,000	1 M Pribor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – USD overdraft	47,566	1 M Libor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – EUR current account	1,513,400	1 M Euribor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – GBP current account	92,055	1 M Libor + risk margin	31. 8. 2016	uncollateralised
Česká spořitelna	operating – USD current account	49,648	1 M Libor + risk margin	31. 8. 2016	uncollateralised
Total intercompany bank loans		3,164,368			
Komerční banka	operating – CZK current account	1			
Československá obchodní banka	operating – CZK current account	1			
Cash in transit		4			
Total external bank loans		6			
Total		3,164,374			

2014

Bank (CZK thousand)	Purpose	Balance at 31 Dec 2014	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	70,782	1 M Libor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – SEK overdraft	0	1 M Stibor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – PLN overdraft	977	1 M Wribor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – CZK overdraft	255,363	1 M Pribor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – HUF overdraft	0	1 M Bubor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – EUR overdraft	136,365	1 M Euribor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – CZK current account	900,000	1 M Pribor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – USD overdraft	56,860	1 M Libor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – EUR current account	1,247,625	1 M Euribor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – GBP current account	71,182	1 M Libor + risk margin	31. 8. 2015	uncollateralised
Česká spořitelna	operating – USD current account	342,510	1 M Libor + risk margin	31. 8. 2015	uncollateralised
Total intercompany bank loans		3,081,664			
Komerční banka	current account – CZK	10			

Total external bank loans	10
Total bank loans and borrowings	3,081,674

The average amount of the loans received from group companies was CZK 3,555,982 thousand and CZK 3,725,273 thousand in 2015 and 2014, respectively. The Company paid interest charges on these loans in the amount of CZK 25,516 thousand and CZK 37,455 thousand in 2015 and 2014, respectively.

4.9 Accrued Liabilities and Deferred Assets

Deferred liabilities predominantly include accrued loan interest and operating liabilities.

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

2015

(CZK thousand)	CZK	USD	EUR	PLN	GBP	Other	Total
Short-term receivables	4,805,959	107,178	2,627,704	2,269	121,253	29,057	7,693,420
Cash and cash equivalents	4,147	421	291	0	0	8	4,867
Accrued assets and deferred liabilities	1,454	0	0	0	0	0	1,454
Total	4,811,560	107,599	2,627,995	2,269	121,253	29,065	7,699,741
Current liabilities	2,282,025	10,226	837,528	983	1,424	15,052	3,147,238
Bank loans and borrowings	1,143,822	97,214	1,789,554	1,034	119,099	13,651	3,164,374
Accrued assets and deferred liabilities	9,102	0	0	0	0	0	9,102
Total	3,407,340	107,440	2,623,151	2,017	120,523	28,703	6,289,174

2014

(CZK thousand)	CZK	USD	EUR	PLN	GBP	Other	Total
Short-term receivables	7,097,290	561,180	1,765,068	881	150,934	3,849	9,579,202
Cash and cash equivalents	80,437	394	506	0	0	78	81,415
Accrued assets and deferred liabilities	1,324	0	214	0	0	0	1,538
Total	7,179,051	561,574	1,765,788	881	150,934	3,927	9,662,155
Current liabilities	4,577,643	158,196	366,639	(303)	6,875	3,715	5,112,765
Bank loans and borrowings	1,155,373	399,371	1,383,990	976	141,964	0	3,081,674
Accrued assets and deferred liabilities	11,237	0	173	0	0	0	11,410
Total	5,744,253	557,567	1,750,802	673	148,839	3,715	8,205,849

4.11 Details of Income by Principal Activity

(CZK thousand)	Balance at 31 Dec 2015			Balance at 31 Dec 2014		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Fee income	121,359	1,695	123,054	178,201	5,559	183,760
Advisory services	0	1,964	1,964	0	1,982	1,982
Other income	143	0	143	787	0	787
Production	121,502	3,659	125,161	178,988	7,541	186,529
Interest income	75,802	3,107	78,909	86,297	8,362	94,659
Total income from operations	197,304	6,766	204,070	265,285	15,903	281,188

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.

4.12 Services

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Legal and notarial services	3,711	2,838
Tax and other advisory	1	6
Fees for factoring services	3,274	5,274
External audit	883	882
Rental	3,971	4,289
Outsourcing costs	2,269	2,417
Marketing costs	446	303
Repairs and maintenance	3,928	3,513
Travelling	313	294
Education	161	584
Costs of other services	5,990	5,727
Total costs of services	24,947	26,127

4.13 Other Operating and Financial Expenses and Income

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Other operating income	25,208	23,031
of which: Income from the cession/sale of receivables	23,016	1,521
Insurance proceeds	246	19,128
Other	1,946	2,382
Other operating expenses	(158,378)	(42,484)
of which: Value of receivables ceded/written-off/sold	(128,261)	(5,186)
Credit insurance premiums	(27,805)	(34,955)
Other	(2,312)	(2,343)
Total other operating result	(133,170)	(19,453)

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Other financial income	155,841	333,191
of which: Foreign exchange gains	155,532	332,879
Other	309	312
Finance expense	(162,493)	(333,964)
of which: Foreign exchange losses	(161,385)	(332,773)
Other	(1,108)	(1,191)
Total other financial result	(6,652)	(773)

4.14 Current and Deferred Income Tax

Current Tax

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Current Tax	10,315	24,185
Additional tax assessment	(13)	118
Total	10,302	24,303

The tax charge for 2015 and 2014 can be reconciled to the profit per the income statement as follows:

(CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Profit before tax	25,522	81,226
Tax at the local income tax rate of 19%	4,849	15,433
Tax effect of non-deductible expenses	7,542	12,282
Tax effect of non-taxable income	(2,076)	(3,530)
Additional payment of taxes for prior periods	(13)	118
Current tax payable	10,302	24,303
Current changes in the deferred tax	6,453	(8,523)
Total tax on profit on ordinary activities	16,755	15,780

Deferred Taxation

The deferred tax asset can be analyzed as follows:

Deferred tax arising from (CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Depreciation and amortisation of fixed assets	(252)	(289)
Allowance against receivables	38,156	44,319
Estimated payables for social security and health insurance	1,730	2,057
Total	39,634	46,087

Analysis of the change in the balance (CZK thousand)	Balance at 31 Dec 2015	Balance at 31 Dec 2014
Opening balance	46,087	37,564
Current changes charged against the income statement	(6,453)	8,523
Total charges against the income statement	(6,453)	8,523
Total charges against the equity	0	0
Total	39,634	46,087

In the years ended 31 December 2015 and 2014, the Company recognised a deferred tax asset of CZK 39,634 thousand and CZK 46,087 thousand, respectively.

5. Employees, management and statutory bodies

5.1 Staff Costs and Number of Employees

The following tables summarises the average number of the Company's employees and managers and staff costs for the years ended 31 December 2015 and 2014:

2015

(CZK thousand)	Number	Wage costs	Social security and health insurance	Other costs	Personnel and related expenses
Employees	33	18,487	6,267	736	25,490
Management	5	17,258	4,249	574	22,081
Total	38	35,745	10,516	1,310	47,571

2014

(CZK thousand)	Number	Wage costs	Social security and health insurance	Other costs	Personnel and related expenses
Employees	35	18,845	5,678	972	25,495
Management	8	14,958	3,309	224	18,491
Total	43	33,803	8,987	1,196	43,986

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, five of which (2014: four persons) are also members of the Company's Board of Directors.

5.2 Loans, Borrowings, and Other Benefits Provided

In 2015 and 2014, Company's management received the following benefits in addition to their basic salaries and other personal funding:

2015

(CZK thousand)	Board of Directors	Management
Management life and pension insurance	119	65
Vehicles/other movable assets for both business and private purposes (amount increases the tax base of employees)	422	139

2014

(CZK thousand)	Board of Directors	Management
Management life and pension insurance	80	61
Vehicles/other movable assets for both business and private purposes (amount increases the tax base of employees)	377	139

6. 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 2015 and 2014, 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 2015 and 2014, receivables from CS amounted to CZK 4,128 thousand and CZK 3,131 thousand, respectively. The above predominantly includes receivables arising from current account balances.

As at 31 December 2015 and 2014, payables to the parent company amounted to CZK 3,164,367 thousand and CZK 3,081,664 thousand, respectively. These amounts mainly represent regular bank loans and balances on overdraft accounts.

For the year ended 31 December 2015 and 2014, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 35,832 thousand and CZK 43,619 thousand, respectively. They predominantly include interest on received loans, outsourcing and rental expenses. Income of CZK 2,642 thousand and CZK 2,640 thousand, respectively, relates to interest and fees received from CS.

With respect to its related the Company recognizes revenues from sales to Slovenská sporitelňa, a.s. in the amount of CZK 1,146 thousand (2014: CZK 1,156 thousand) and to Erste Factoring d.o.o. in the amount of CZK 817 thousands (2014: CZK 825 thousand).

For the year ended 31 December 2015 and 2014, the Company recorded expenses in relation to related party sAutoleasing, a.s. in the amount of CZK 4 thousand and CZK 10 thousand, respectively. In relation to related party První certifikační autorita, a.s. recorded expenses in the amount of CZK 97 thousand and CZK 131 thousand, respectively. And in relation to related party Procurement Services CZ, s.r.o. (Group purchase services) recorded expenses in the amount of CZK 84 thousand and CZK 150 thousand, respectively.

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 disputes, the outcome of which would significantly impact the Company's financial statements.

8. Subsequent events

There were no material events subsequent to the balance sheet date to be disclosed in the financial statements.

Prepared on: 31/3/2016

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Report on Relations between Related Parties

prepared pursuant to Section 82 of Act No. 90/2012 Coll. on Corporations for the year ended 31 December 2015

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

This Report on relations between the parties listed below has been prepared pursuant to the provisions of Section 82 of Act No. 90/2012 Coll. on Corporations, as amended, for the year ended 31 December 2015 (hereinafter the “fiscal year”).

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

A. Overview of the persons whose relations are described below



B. Controlling persons

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

- **Erste Group Bank AG**, with its registered office at Am Graben 21, Vienna, Austria, Business Registration Number 90003195
Relation to the Company: indirectly controlling person EGB Ceps Beteiligungen GmbH.
Description of relations – **none**
- **EGB Ceps Beteiligungen GmbH**, with its registered office at Graben 21, Vienna, Austria
Relation to the Company: indirectly controlling person, a wholly-owned subsidiary of Erste Group Bank AG.
Description of relations – **none**
- **EGB Ceps Holding GmbH**, with its registered office at Graben 21, Vienna, Austria
Relation to the Company: indirectly controlling person, a wholly-owned subsidiary of EGB Cesp Beteiligungen GmbH.
Description of relations – **none**

C. Other related parties

Companies controlled by other members of the ERSTE Group

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

- **Factoring Slovenskej sporiteľne, a.s.**, with its registered office at Tomášikova 48, Bratislava, 832 67, Slovak Republic, Business Registration Number (IČO) 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 office at Ivana Lučica 2, Zagreb, postal code 10 000, Croatia, VAT 080558484
Relation to the Company: related party directly controlled by Erste & Steiermarkische Bank
Description of relations – see **Annex 1**

- **Procurement Services CZ, s.r.o.**, with its registered office at Budějovická 1912/64b, postal code 140 00, Prague 4 (“Procurement Services CZ”)
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 listed in Sections B and C and summarized them in the following categories:

Related party transactions on the debit side of Factoring ČS’s balance sheet

Receivables from banks

Factoring České spořitelny, a.s. deposited cash totaling CZK 4.1 million in current and deposit accounts maintained by Česká spořitelna under contracts on the opening of a current account and loan agreements. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Other assets

Balance sheet caption Other assets includes other trade receivables and advance payments provided to related parties. There are no such items in the fiscal year 2015.

Related party transactions on the credit side of Factoring ČS’s balance sheet

Liabilities to banks

Factoring České spořitelny, a.s. received funds from by Česká spořitelna, a.s. in the total amount of 3,164.4 million under loan agreements and bank overdraft contracts. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Related party transactions with effect on Factoring ČS’s income statement

Interest and similar income

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

Interest and similar expense

Factoring České spořitelny, a.s. incurred interest expense of CZK 26.0 million within the scope of related party transactions executed on an arm’s-length basis in the fiscal year. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Income from fees and commissions

Factoring České spořitelny, a.s. received income from fees and commissions within the scope of related party transactions executed on an arm’s-length basis in the fiscal year, including particularly income from a cooperation agreement with Česká spořitelna a.s., in the total amount of CZK 2.6 million. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

General administrative expenses

Factoring České spořitelny, a.s. spent CZK 10.0 million on general administrative expenses within the scope of related party transactions executed on an arm’s-length basis in the fiscal year, particularly rental charges and the purchase of advisory, professional, consultancy and other services. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Other operating revenues and costs

Factoring České spořitelny, a.s. had a positive balance of other operating revenues and costs of CZK 2.0 million within the scope of other related party transactions executed on an arm’s-length basis in the fiscal year. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Net profit/loss from financial operations

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

Contractual relations

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

Contract	Counterparty	Performance	Detriment, if any
Agreement on outsourcing of financial accounting, controlling, asset management, sales support, human resources, internal audit, marketing, internal communication and IS/IT security services (31 December 2015)	Česká spořitelna, a.s.	Outsourcing	None
Service agreement (9 December 2002)	Česká spořitelna, a.s.	Authorization to exercise the right of use of company logo	None
Confidentiality agreement (7 August 2003)	Česká spořitelna, a.s.	Protection of confidential information	None
Service agreement (5 September 2004)	Česká spořitelna, a.s.	Access to Intranet ČS	None
Cooperation agreement (2 October 2007)	Česká spořitelna, a.s.	Data transfer to DWH	None
Lease agreement (24 November 2009)	Česká spořitelna, a.s.	Lease of a strongbox	None
License agreement (23 September 2009)	Factoring Slovenskej Sporitelne	HoC II information system implementation	None
Cooperation agreement (12 December 2005)	Pojišťovna České spořitelny, a.s.	Private life insurance with employer's contribution	None
Cooperation agreement (1 October 2009)	Česká spořitelna, a.s.	Doubtful receivable treatment	None
Cooperation agreement (24 September 2009)	Česká spořitelna, a.s.	Exchange of information through the KLIENT application	None
Cooperation agreement (30 January 2009)	Česká spořitelna, a.s.	Cooperation in restructuring factoring	None
Contract for the provision of services (18 March 2009)	Česká spořitelna, a.s.		None
License agreement (12 July 2010)	Erste Factoring	HoC II information system implementation	None
Contract for the provision of services (1 October 2010)	Česká spořitelna, a.s.	System environment for Linux server farm used to operate the eFactoring application	None
Confidentiality agreement (15 February 2010)	Factoring Slovenskej Sporitelne	Confidentiality and personal data protection	None
Confidentiality agreement (16 August 2011)	Slovenská sporitelna	Confidentiality and personal data protection	None
Contract for the provision of services (30 December 2011)	Procurement Services CZ	Provision of services	None
Cooperation agreement (14 October 2013)	Česká spořitelna, a.s.	Client/pledgor monitoring, verification and assessment (Clients – Monitoring)	None
Agreement on capital contribution paid in excess of share capital (19 November 2014)	Česká spořitelna, a.s.	Contribution paid in excess of share capital	None
Lease agreement (28 February 2014)	Česká spořitelna, a.s.	Lease of non-residential premises – Trianon	None
Lease agreement (15 October 2014)	Česká spořitelna, a.s.	Lease of business premises – Antala Staška Street	None
Contract for the provision of services (25 June 2014)	Česká spořitelna, a.s.	IT services – Telefonie	None
Contract for the provision of services (25 June 2014)	Česká spořitelna, a.s.	IT services – Telefonie	None
Cooperation agreement (4 August 2014)	Česká spořitelna, a.s.	Tel. Verification – verification of pledged invoices	None

D. Other legal actions

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

E. Other measures

Factoring České spořitelny, a.s. is a party to group projects of the Erste Group Bank. Factoring České spořitelny, a.s. suffered no detriment from collaboration in the group projects. The Submitter assessed the relations between the Related Parties and has determined that they are favorable for Factoring České spořitelny, a.s. and bear low risk.

F. Conclusion

With regard to the relations between the Submitter and the Related Parties reviewed by us, the Submitter appears to have suffered no detriment as a result of the foregoing contracts, other legal actions or other measures entered into, undertaken or adopted by the Submitter for the benefit or at the request of the Related Parties in the fiscal year 2015.

This Report was discussed and approved by the Company's Board of Directors on 31/3/2016.

Prague, 31/3/2016

Factoring České spořitelny, a.s.



Radmila Jakubová
Chairwoman of the Board of
Directors



Ing. Karel Machytka
Vice-chairman of the Board
of Directors

Factoring České spořitelny, a. s.

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