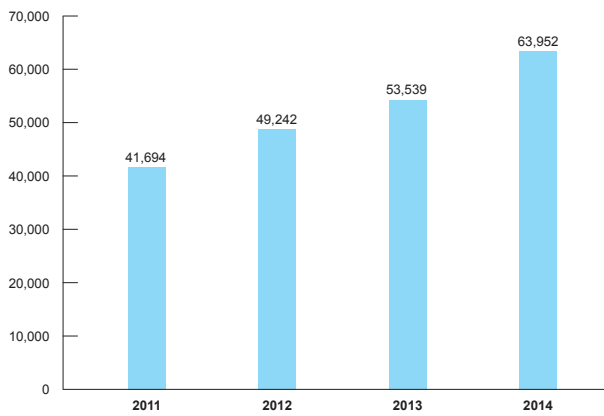


Annual Report 2014

Key Figures

Gross Turnover of Factoring České spořitelny (CZK mil.)



In 2014, the total turnover of Factoring České spořitelny, a.s., was nearly CZK 64 billion.

With its 38.9 percent market share, Factoring České spořitelny, a.s., is a leading company in the Czech Republic.

Contents

< Key Figures

Foreword of the Chairwoman of the Board of Directors	2
Company's Profile	3
Directors and Officers	4
Company Management Report	5
Supervisory Board Report	8
Financial Section	9
Independent Auditor's Report	10
Balance Sheet Long Form	12
Income Statement	16
Cash Flow Statement	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19
Report on Relations between Related Parties	31

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 Factoring České Annual Report for 2014.

After a highly successful 2011-2013, Factoring České spořitelny once again achieved significant turnover growth and excellent financial results in 2014 while continuing to strengthen its leading position on the Czech factoring market.

In 2014, the Company reported turnover of nearly CZK 64 billion from assigned and administered receivables, of which assigned receivables accounted for CZK 63.8 billion. This figure represents a 20% increase year on year. The market share of Factoring České spořitelny grew to 38.9% in 2014.

The Company's financial results – a profit of CZK 65.4 million – were testament to its sound choice of business strategy.

These financial results, the best in the Company's history, were helped by the continued significant increase in turnover, primarily in non-regressive factoring with insured claims.

The Company continued its efforts to deepen cooperation with the parent bank and its business network while focusing on client acquisition and retention, especially of large corporate clients.

Factoring České spořitelny continued to develop and standardize its work processes. Together with maximum utilization of new information technologies, this enables the Company to enhance the quality of processes key to factoring company operations and that is further demonstrated in a higher standard of service quality for 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 much professional and personal success.

A handwritten signature in black ink, appearing to read 'Jakubová', written in a cursive style.

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. 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.

In 2014, Factoring České spořitelny increased its market share from 36.7% to 38.9% at the 2014 year-end, thus strengthening its leading position on the Czech factoring market.

In 2014, the Company continued with a number of key strategic activities:

- deepening and streamlining the system in place to work with the parent bank,
- primarily in the areas of sales and risk management,
- enhancing the care given to the managed portfolio of client receivables,
- implementing new processes designed to improve service quality,
- systematizing and strengthening overdue receivables collection and improving enforcement processes.

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

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.

Key financial indicators

	2011	2012	2013	2014
Assets from client receivables	6,885,724	8,082,296	9,228,524	9,213,168
Basic capital	114,000	114,000	114,000	114,000
Share premium	80,000	80,000	80,000	80,000
Other capital funds	0	0	0	818,400
Equity	189,451	247,551	288,869	1,142,047
Value added	113,952	138,566	150,787	159,044
Profit before release/creation of provisions and allowances	91,230	104,706	51,969	134,228
Profit/loss for the year	34,144	58,676	62,059	65,446

Directors and Officers

Supervisory Board

- **Petr Witowski**, Chairman
- **Radka Turková**, Vice-chairwoman
- **Roman Pařil**, Member
- **Reinhard Ortner**, Member

Board of Directors

- **Radmila Jakobová**, Chairwoman
- **Karel Machytka**, Vice-chairman
- **Michael Jehlička**, Member
- **Jaromír Kohout**, Member
- **Václav Plášil**, Member

Company Management

- **Radmila Jakobová**, Chief Executive Officer
- **Karel Machytka**, Chief Sales Officer
- **Michael Jehlička**, Operational and Business Development Officer
- **Jaromír Kohout**, HR and Strategic Development Officer
- **Luboš Kroulík**, Risk Management Manager
- **Petra Nováková**, Client Service Manager
- **Martin Štěpka**, Sales Manager

Organizational Chart of the Company

Supervisory Board
Board of Directors
Chief Executive Officer
Chief Sales Officer
Operational and Business Development Officer
HR and Strategic Development Officer
Risk Management Manager
Client Service Manager
Sales Manager

Company Management Report

After two years of recession, the Czech economy finally showed signs of recovery in 2014, growing in all four quarters. Industrial production and retail sales for the first time surpassed the peak of the 2008 boom. Renewed economic growth in the eurozone together with a weaker Czech currency, which increased the competitiveness of domestic exporters, had a highly favorable impact on exports of goods and services from the CR.

The factoring market grew significantly in 2014, by nearly 13%. In this period, Factoring České spořitelny reported further growth in turnover and continued improvement in its financial results, which were the best in the Company's history. The ongoing interest of new and existing clients in factoring services once again pointed to the potential for continued factoring market growth in the Czech Republic.

The Company's excellent financial results are primarily attributed to the continued increase in assigned and financed receivables and client acquisition and retention. Another key factor was the higher volume of financial market investments.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group for 13 years. Belonging to a strong financial group has ensured Company stability – even in a difficult Czech economy – and the ability to maintain client financing, providing for growth even in more difficult economic conditions.

In 2014, Factoring České spořitelny continued to carry out one of its key strategies of previous years, i.e. to maintain the leading Czech factoring market position it has held since 2004. The Company's 2014 turnover of nearly CZK 64 billion and 38.9% market share attest to its fulfillment of this longstanding goal.

The year 2014 was again characterized by continued growth in credit and operational risk, highlighted by numerous insolvencies and bankruptcies and the worsening payment discipline of a number of enterprises. These facts had an impact on the creation of allowances, though their amounts did not affect the Company's excellent financial result, which can be primarily attributed to a marked increase in revenues associated with growth in turnover and financial market investment.

In 2014, 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 operating risk. Another key feature of the Company's strategic management is ongoing active cooperation with all the credit insurance companies on the Czech market. These processes are designed to eliminate and

diversify the Company's risk and help clients assess the quality of their portfolios, forestall the negative impacts of atypical situations and minimize financial losses.

The Company's management continued to devote significant attention to **business development** in 2014. 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 spanning 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 enables clients to use a wide range of financial and non-financial products.

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 provided for the sustained quality of activities that are key to factoring company operation. Successful prevention and timely response to atypical situations allowed the Company to minimize losses. The long-term process of improving risk management begun in past years was expressed in portfolio quality stabilization, more effective receivable collection, enforcement and restructuring and the closing of riskier exposures.

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 credit risk as well as client credit exposures arising from supplier credit. The department also improves liquidity management and the stability of working capital financing for a majority of clients, both of which are important and beneficial functions of the Company's financial management.

In 2014, the **Finance Department** focused on further improving the Company's financial management, in particular reducing operating costs, optimizing the management of financial flows, mitigating the adverse effects of foreign exchange 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 Company operation, but also to the corporate innovation process applied to products and technologies.

In 2014, Factoring České spořitelny significantly strengthened its leading position on the Czech Market and achieved the best financial results in its history. Last year's results, the combined efforts of all the Company's employees and management and the support of the sole shareholder form the basis for the Company's continued prominence and success on the Czech market.

The Act on Accounting , Section 21, paragraph 2b) – future trends of the entity’s business

In April 2015, we detected unfair activities of one of our long-standing clients. These activities included the client’s close and fraudulent link with all its customers leading to beguiling them of their money. The client’s owner suddenly terminated activities, sold the firm and all the customers submitted credits to their liabilities to FČS. As FČS is insured against operational risks the impact in the results of operations is expected at an amount of co-insurance, i.e. EUR 1 million (CZK 29 million). Therefore a provision for future allowance was charged to expenses in the above amount in April 2015.

Supervisory Board Report

As in prior years, in compliance with its scope of authority defined by the Corporations Act 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 during the year ended 31 December 2014. 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 2014. 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 the Articles of Association, the Supervisory Board discussed the Report on Business Activities and the Status of Assets for 2014 and reviewed the financial statements of Factoring České spořitelny, a.s., for the year ended 31 December 2014 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 2014 present fairly, in all material respects, the assets, liabilities, equity, and financial position of Factoring České spořitelny, a.s., and are reported in compliance with 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 2014 and the proposal for profit distribution submitted by the Board of Directors.

The Supervisory Board reviewed the Report on Relations prepared in accordance with Section 82 of Act No. 90/2012 Coll., the Corporations Act and states that the information contained therein is correct and complete.



Ing. Petr Witowski
Chairman of the Supervisory Board

Financial Section

Independent Auditor's Report	10
Balance Sheet Long Form	12
Income Statement	16
Cash Flow Statement	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19
Report on Relations between Related Parties	31

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.)

I We have audited the financial statements of Factoring České spořitelny, a.s. ("the Company") as at 31 December 2014 presented in the annual report of the Company on pages 12–30 and our audit report dated 17 March 2015 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 2014, 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 information. 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 2014, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic."

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.

- II. 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 2–8 and 31–34 is consistent with that contained in the audited financial statements as at 31 December 2014. 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.

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

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



Roman Hauptfleisch Auditor,
License No. 2009

17 June 2015
Prague, Czech Republic

Balance Sheet Long Form

as at 31 December 2014

CZK ths.	31/12/2014			31/12/2013
	Gross	Allowances	Net	Net
Total assets	9,731,263	383,367	9,347,896	9,382,941
A. Stock subscription receivables				
B. Fixed assets	22,801	19,019	3,782	5,373
B.I. Intangible assets	10,271	9,425	846	1,023
B.I.1. Foundation and organization expenses				
B.I.2. Research and development				
B.I.3. Software	9,495	8,671	824	978
B.I.4. Patents, royalties and similar rights	776	754	22	45
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	12,531	9,594	2,937	4,350
B.II.1. Land				
B.II.2. Constructions				
B.II.3. Separate movable items and groups of movable items	12,531	9,594	2,937	4,350
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				
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	9,706,924	364,348	9,342,576	9,376,195
C.I. Inventory				
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	46,307		46,307	37,784
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	220		220	220
C.II.6. Unbilled revenue				
C.II.7. Other receivables				
C.II.8. Deferred tax asset	46,087		46,087	37,564
C.III. Short-term receivables	9,579,202	364,348	9,214,854	9,230,483
C.III.1. Trade receivables	9,577,516	364,348	9,213,168	9,228,524

CZK ths.	31/12/2014			31/12/2013
	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	497		497	497
C.III.7. Short-term advances granted	1,186		1,186	1,462
C.III.8. Estimated receivables				
C.III.9. Other receivables	3		3	
C.IV. Short-term financial assets	81,415		81,415	107,928
C.IV.1. Cash	111		111	216
C.IV.2. Cash at bank	81,304		81,304	107,712
C.IV.3. Short-term securities and interests				
C.IV.4. Short-term financial assets in progress				
D. I. Accrued assets and deferred liabilities	1,538		1,538	1,373
D.I.1. Prepaid expenses	1,538		1,538	1,373

CZK ths.	31/12/2014	31/12/2013
Total equity & liabilities	9,347,896	9,382,941
A. Equity	1,142,047	288,870
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	80,000
A.II.1. Share premium	80,000	80,000
A.II.2. Other capital funds	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	8,320	4,869
A.III.1. Reserve fund/Indivisible fund	7,744	4,641
A.III.2. Statutory and other funds	576	228
A.IV. Losses from previous years	55,881	27,941
A.IV.1. Retained earnings	55,881	27,941
A.IV.2. Accumulated loss of previous years		
A.V. Profit for the year	65,446	62,059
B. Liabilities	8,194,439	9,090,898
B.I. Provisions		
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		
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	5,112,765	4,942,304
B.III.1. Trade payables	5,064,894	4,891,254
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	1,821	1,701
B.III.6. Liabilities arising from social security and health insurance	718	760
B.III.7. Due to government – taxes and subsidies	9,374	9,685
B.III.8. Advances received	5,141	4,178
B.III.9. Bonds payable		
B.III.10. Unbilled deliveries	30,817	34,726
B.III.11. Other liabilities		
B.IV. Bank loans and borrowings	3,081,674	4,148,594
B.IV.1. Long-term bank loans		
B.IV.2. Short-term bank loans	3,081,674	4,148,594

CZK ths.	31/12/2014	31/12/2013
B.IV.3. Borrowings		
C. I. Accrued liabilities and deferred assets	11,410	3,174
C.I.1. Accruals		
C.I.2. Deferred income	11,410	3,174

Prepared on: 17/3/2015

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka


Income Statement

for the Year Ended 31 December 2014

	Year ended 31/12/2014	Year ended 31/12/2013
II. Production	186,529	183,362
II.1. Revenue from sale of finished products and services	186,529	183,362
B. Production related consumption	27,485	32,574
B.1. Consumption of material and energy	1,358	1,797
B.2. Services	26,127	30,777
+ Value added	159,044	150,787
C. Personnel expenses	43,986	55,943
C.1. Wages and salaries	24,945	40,637
C.2. Bonuses to members of company or cooperation bodies	8,857	840
C.3. Social security and health insurance	8,987	13,278
C.4. Other social costs	1,196	1,188
D. Taxes and charges	(31)	271
E. Amortization and depreciation of intangible and tangible fixed assets	2,190	2,112
III. Revenue from sale of intangible and tangible fixed assets and materials	248	647
III.1. Revenues from sale of intangible and tangible fixed assets	248	647
F. Net book value of intangible and tangible fixed assets and materials sold	115	65
F.1. Net book value of intangible and tangible fixed assets sold	115	65
G. Change in provisions and allowances relating to operations and in deferred expenses	68,782	(10,090)
IV. Other operating income	23,031	24,591
H. Other operating expenses	42,484	94,514
* Profit or loss on operating activities	24,796	33,211
VI. Revenue from sale of securities and interests		
J. Securities and interests sold		
VII. Revenue from long-term financial assets		
VII.1. Revenue from shares in subsidiaries and associates		
X. Interest income	94,659	93,517
N. Interest expense	37,455	37,433
XI. Other financial income	333,191	258,655
O. Other financial expenses	333,964	259,484
* Profit on financial activities	56,430	55,255
Q. Tax on profit on ordinary activities	15,780	26,412
Q 1. – current	24,303	22,434
Q 2. – deferred	(8,523)	3,978
** Profit on ordinary activities after taxation	65,446	62,054
XIII. Extraordinary gains		5
* Extraordinary profit or loss		5
T. Transfer of share of profit or loss to partners (+/-)		
*** Profit for the year	65,446	62,059
**** Profit before tax	81,226	88,471

Prepared on: 17/3/2015

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Cash Flow Statement

for the Year Ended 31 December 2014

	Year ended 31/12/2014	Year ended 31/12/2013
P. Cash and cash equivalents at beginning of year	107,928	94,871
Cash flows from operating activities		
Z. Profit before taxation	81,226	88,466
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	18,822	3,542
A.1.1. Depreciation and amortization of fixed assets	2,190	2,112
A.1.2. Change in allowances and provision	68,782	(10,090)
A.1.3. Loss on disposal of fixed assets	(132)	(582)
A.1.5. Interest expense and interest income	(57,204)	(56,084)
A.1.6. Loss on sales of shares	0	0
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	5,186	68,186
A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items	100,048	92,008
A.2. Change in working capital	120,658	(477,514)
A.2.1. Change in receivables and in prepaid expenses and unbilled revenue	108,911	(1,122,364)
A.2.2. Change in payables and in accruals and deferred income	11,747	644,850
A.2.3. Change in inventory		
A.** Net cash from operating activities before taxation, interest paid and extraordinary items	220,706	(385,506)
A.3. Interest paid	(37,455)	(37,433)
A.4. Interest received	94,659	93,517
A.5. Tax on profit or loss on ordinary activities paid	(24,768)	(12,463)
A.7. Dividends and shares in profit received		
A.*** Net cash used in operating activities	253,141	(341,880)
Cash flows from investing activities		
B.1. Purchase of fixed assets	(714)	(3,067)
B.2. Proceeds from sale of fixed assets	248	647
B.4. Net proceeds from equity investments		
B.*** Net cash (used in)/provided by investing activities	(466)	(2,420)
Cash flows from financing activities		
C.1. Change in long-term liabilities and long-term, resp. short-term, loans	(249,188)	377,358
C.2. Net effect of changes in shareholders equity	(30,000)	(20,000)
C.2.5. Payments debited to reserves		
C.2.6. Dividend paid	(30,000)	(20,000)
C.*** Net cash provided by financing activities	(279,188)	357,358
F. Net increase/(decrease) in cash and cash equivalents	(26,513)	13,057
R. Cash and cash equivalents at end of year	81,415	107,928

Prepared on: 17/3/2015

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Statement of Changes in Equity

for the Year Ended 31 December 2014

	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 2012	114,000	80,000	0	1,906	4,620	(11,651)	58,676	247,551
Profit distribution				3,704	23,321	11,651	(38,676)	0
Funds distribution				(741)				(741)
Paid dividends							(20,000)	(20,000)
Profit for the year							62,059	62,059
Balance as at 31 December 2013	114,000	80,000	0	4,869	27,941	0	62,059	288,869
Profit distribution				4,119	27,940		(32,059)	0
Funds distribution				(668)				(668)
Paid dividends							(30,000)	(30,000)
Profit for the year							65,446	65,446
Increase in share capital and share premium			818,400					818,400
Balance as at 31 December 2014	114,000	80,000	818,400	8,320	55,881	0	65,446	1,142,047

Prepared on: 17/3/2015

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Notes to the Financial Statements

for the year 2014

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 5,500 thousand per share for the last issue of 20 shares in the year 2010.

On 14 November 2014, the sole shareholder executing the powers of the general meeting decided about granting a contribution of CZK 818,400 thousand in excess of the basic capital. The contribution was paid on 27 November 2014.

The accompanying financial statements have been prepared for the year ended 31 December 2014.

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 2014, the Company had 43 employees, of which 8 were the Company’s managers. The Company is organised into eight units as follows: management including secretariat, sales (representation) department, operations department (cross-border and in-country clients), customer service department, risk management department, legal and workout department, IT department and finance and controlling department.

As at 1 January 2014 one member of the Supervisory Board was exchanged and one more member appointed.

As at 31 December 2014, members of the Company’s statutory and supervisory bodies were as follows:

	Position	Name
Board of Directors:	Chair	Radmila Jakubová
	Vice Chair	Ing. Karel Machytka
	Member	Ing. Jaromír Kohout
	Member	Ing. Michael Jehlička
Supervisory Board	Member	Ing. Václav Plášil
	Chair	Ing. Petr Witowski
	Member	Ing. Radka Turková
	Member	Ing. Reinhard Ortner
	Member	Ing. 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 2014 and 2013.

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

The depreciation/amortisation 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 recognised in the nominal amount through assets as short-term trade receivables and the related payables to suppliers and the Company’s clients, as appropriate, are recognised through liabilities as short-term trade payables. The short-term receivables represent the nominal amount of the Company’s receivables from 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.

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 share capital. These funds can only be used to offset losses. In 2014 the Company is no longer required to create a reserve fund.

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

3.6 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 realised. The deferred tax asset is recognised 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 in-

come from know-how and other income relating to re-invoicing of services.

Interest claims are recognised as ‘Interest income’.

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

3.10 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 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Software	9,425	590	(656)	9,359	136	0	9,495
Licenses and other	776	0	0	776	0	0	776
Total	10,201	590	(656)	10,135	136	0	10,271

Accumulated Amortisation and Provisions

(CZK thousand)	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Software	8,854	182	(655)	8,381	290	0	8,671
Licenses and other	707	24	0	731	23	0	754
Total	9,561	206	(655)	9,112	313	0	9,425

Net Book Value

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Software	824	978
Licenses and other	22	45
Total	846	1,023

The Company acquired intangible assets of CZK 1 thousand and CZK 11 thousand that were charged directly to expenses for the years ended 31 December 2014 and 2013, respectively.

4.2 Tangible Fixed Assets

Cost

(CZK thousand)	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Machinery and equipment	7,352	209	(34)	7,527	578	0	8,105
Vehicles	4,721	2,303	(2,015)	5,009	0	(583)	4,426
Total	12,073	2,512	(2,049)	12,536	578	(583)	12,531

Accumulated Depreciation

(CZK thousand)	Balance at 31 Dec 2012	Additions	Disposals	Balance at 31 Dec 2013	Additions	Disposals	Balance at 31 Dec 2014
Machinery and equipment	5,841	787	0	6,628	679	0	7,307
Vehicles	2,389	1,119	(1,950)	1,558	1,197	(468)	2,287
Total	8,230	1,906	(1,950)	8,186	1,876	(468)	9,594

Net Book Value

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Machinery and equipment	798	899
Vehicles	2,139	3,451
Total	2,937	4,350

In the year ended 31 December 2014 investments in tangible assets predominantly related to cars. In the year ended 31 December 2013 investments in tangible assets predominantly related to hardware equipment and cars.

The Company acquired tangible assets of CZK 250 thousand and CZK 864 thousand that were charged directly to expenses for the years ended 31 December 2014 and 2013, 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 2014	Balance at 31 Dec 2013
Trade receivables	9,213,168	9,228,524
– customers (factoring)	7,443,347	7,418,026
– prepayments made	2,134,169	2,106,064
– allowances	(364,348)	(295,566)
– Due from government – tax receivables	497	497
Short-term advances granted	1,186	1,462
Other receivables	3	0
Total	9,214,854	9,230,483

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

Year	Category	Not yet due						Overdue Over 1 year	Total
			0–30 days	31–60 days	61–90 days	91–365 days			
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)	
2013	Trade receivables	8,037,567	722,864	199,378	39,194	89,261	435,826	9,524,090	
	Allowances – specific	0	0	0	0	(25,627)	(255,825)	(281,452)	
	Allowances – portfolio	0	0	0	0	0	0	(14,114)	

The average maturity of receivables from customers of the Company’s factoring clients in 2014 and 2013 was 49.86 days and 49.08 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 totalling CZK 15,539 thousand and CZK 14,114 thousand, as at 31 December 2014 and 2013, respectively.

Other accounting allowances has been created for specific purpose of workout receivables totalling CZK 217,717 thousand and CZK 167,788 thousand, respectively and tax allowances have been created at an amount of CZK 131,092 thousand and CZK 113,665 thousand in 2014 and 2013, respectively.

Of the aggregate amount of allowances, allowances of CZK 131,092 thousand and CZK 113,665 thousand were tax deductible in 2014 and 2013, 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 2014 and 2013, the Company wrote off irrecoverable receivables not covered by the allowances for impairment of CZK 4,412 thousand and CZK 67,113 thousand, respectively.

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance at 31 Dec 2012	Allowance creation	Release of allowance	Balance at 31 Dec 2013	Allowance creation	Release of allowance	Balance at 31 Dec 2014
Receivables – legal	90,275	25,657	(2,267)	113,665	18,153	(726)	131,092
Receivables – specific	215,381	27,394	(60,874)	181,901	54,025	(2,670)	233,256
Total	305,656	53,051	(63,141)	295,566	72,178	(3,396)	364,348

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 has provided the Company share premium of CZK 80 million in excess of the share capital.

On 14 November 2014 the sole shareholder executing the powers of the general meeting decided about granting a contribution of CZK 818,400 thousand in excess of the basic 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 2013

On 4 June 2014, the Company's sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2013 profit totalling CZK 62,059 thousand and allocated CZK 3,103 thousand to the legal reserve fund, CZK 1,016 thousand to the social fund, paid CZK 30,000 as dividend and transferred CZK 27,940 thousand to retained earnings the total amount of which is CZK 55,881 thousand as at 31 December 2014.

4.7 Liabilities

4.7.1 Current Liabilities

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Trade payables (factoring)	5,064,894	4,891,254
Liabilities to employees	1,821	1,701
Liabilities arising from social security and health insurance	718	760
State – tax payables and subsidies	9,374	9,685
Advances received	5,141	4,178
Unbilled deliveries	30,817	34,726
Other payables	0	0
Total	5,112,765	4,942,304

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

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 Bribor+ 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	operating – CZK current account	10			
Total external bank loans		10			
Total		3,081,674			

2013

Bank (CZK thousand)	Purpose	Balance at 31 Dec 2013	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	49,892	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – SEK overdraft	0	1 M Bribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – PLN overdraft	1,028	1 M Wribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – CZK overdraft	310,183	1 M Pribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – HUF overdraft	19,945	1 M Bubor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – EUR overdraft	241,946	1 M Euribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – CZK current account	2,000,000	1 M Pribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – USD overdraft	130,181	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – EUR current account	1,014,725	1 M Euribor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – GBP current account	82,277	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Česká spořitelna	operating – USD current account	298,410	1 M Libor+ risk margin	31. 8. 2014	uncollateralised
Total intercompany bank loans		4,148,587			
Komerční banka	current account – CZK	7			
Total external bank loans		7			
Total bank loans and borrowings		4,148,594			

The average amount of the loans received from group companies was CZK 3,725,273 thousand and CZK 3,520,707 thousand in 2014 and 2013, respectively. The Company paid interest charges on these loans in the amount of CZK 37,455 thousand and CZK 37,433 thousand in 2014 and 2013, 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)

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

2013

(CZK thousand)	CZK	USD	EUR	PLN	GBP	Other	Total
Short-term receivables	7,231,751	595,398	1,543,218	1,003	131,638	23,041	9,526,049
Cash and cash equivalents	107,161	351	389	0	0	27	107,928
Accrued assets and deferred liabilities	1,373	0	0	0	0	0	1,373
Total	7,340,285	595,749	1,543,607	1,003	131,638	23,068	9,635,350
Current liabilities	4,482,247	163,452	293,733	(181)	48	3,005	4,942,304
Bank loans and borrowings	2,310,190	428,591	1,256,671	1,028	132,169	19,945	4,148,594
Accrued assets and deferred liabilities	3,174	0	0	0	0	0	3,174
Total	6,795,611	592,043	1,550,404	847	132,217	22,950	9,094,072

4.11 Details of Income by Principal Activity

(CZK thousand)	Balance at 31 Dec 2014			Balance at 31 Dec 2013		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Fee income	178,201	5,559	183,760	174,421	6,535	180,956
Advisory services	0	1,982	1,982	0	2,165	2,165
Other income	787	0	787	241	0	241
Production	178,988	7,541	186,529	174,662	8,700	183,362
Interest income	86,297	8,362	94,659	84,471	9,046	93,517
Total income from operations	265,285	15,903	281,188	259,133	17,746	276,879

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 2014	Balance at 31 Dec 2013
Legal and notarial services	2,838	3,137
Tax and other advisory	6	0
Fees for factoring services	5,274	6,748
External audit	882	1,252
Rental	4,289	5,219
Outsourcing costs	2,417	2,919
Marketing costs	303	452
Repairs and maintenance	3,513	3,379
Travelling	294	454
Education	584	530
Costs of other services	5,727	6,687
Total costs of services	26,127	30,777

4.13 Other Operating and Financial Expenses and Income

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Other operating income	23,031	24,591
of which: Income from the cession/sale of receivables	1,521	1,313
Insurance proceeds	19,128	21,476
Other	2,382	1,802
Other operating expenses	(42,484)	(94,514)
of which: Value of receivables ceded/written-off/sold	(5,186)	(68,186)
Credit insurance premiums	(34,955)	(23,567)
Other	(2,343)	(2,761)
Total other operating result	(19,453)	(69,923)

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Other financial income	333,191	258,655
of which: Foreign exchange gains	332,879	258,324
Other	312	331
Finance expense	(333,964)	(259,484)
of which: Foreign exchange losses	(332,773)	(258,283)
Other	(1,191)	(1,201)
Total other financial result	(773)	(829)

4.14 Current and Deferred Income Tax

Current Tax

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Current Tax	24,185	22,434
Additional tax assessment	118	0
Total	24,303	22,434

The tax charge for 2014 and 2013 can be reconciled to the profit per the income statement as follows:

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Profit before tax	81,226	88,471
Tax at the local income tax rate of 19% (2013: 19%)	15,433	16,809
Tax effect of non-deductible expenses	12,282	13,047
Tax effect of non-taxable income	(3,530)	(7,422)
Additional payment of taxes for prior periods	118	0
Tax paid abroad	0	0
Current tax payable	24,303	22,434
Current changes in the deferred tax	(8,523)	3,978
Total tax on profit on ordinary activities	15,780	26,412

Deferred Taxation

The deferred tax asset can be analysed as follows:

Deferred tax arising from (CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Depreciation and amortisation of fixed assets	(289)	(337)
Allowance against receivables	44,319	34,561
Estimated payables for social security and health insurance	2,057	3,340
Total	46,087	37,564

Analysis of the change in the balance (CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2013
Opening balance	37,564	41,542
Current changes charged against the income statement	8,523	(3,978)
Total charges against the income statement	8,523	(3,978)
Total charges against the equity	0	0
Total	46,087	37,564

In the years ended 31 December 2014 and 2013, the Company recognised a deferred tax asset of CZK 46,087 thousand and CZK 37,564 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 2014 and 2013:

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

2013

(CZK thousand)	Number	Wage costs	Social security and health insurance	Other costs	Personnel and related expenses
Employees	35	28,751	9,928	957	39,636
Management	8	12,726	3,350	231	16,307
Total	43	41,477	13,278	1,188	55,943

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, four of which (2013: three persons) are also members of the Company's Board of Directors.

5.2 Loans, Borrowings, and Other Benefits Provided

In 2014 and 2013, Company's management received the following benefits in addition to their basic salaries and other personal funding:

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

2013

(CZK thousand)	Board of Directors	Management
Management life and pension insurance	68	79
Vehicles/other movable assets for both business and private purposes (amount increases the tax base of employees)	258	227

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 2014 and 2013, 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 2014 and 2013, receivables from CS amounted to CZK 3,131 thousand and CZK 37,794 thousand, respectively. The above predominantly includes receivables arising from current account balances.

As at 31 December 2014 and 2013, payables to the parent company amounted to CZK 3,081,664 thousand and CZK 4,148,587 thousand, respectively. These amounts mainly represent regular bank loans and balances on overdraft accounts.

For the year ended 31 December 2014 and 2013, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 43,619 thousand and CZK 44,785 thousand, respectively. They predominantly include interest on received loans, outsourcing and rental expenses. Income of CZK 2,640 thousand and CZK 2,440 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 1,156 thousand (2013: CZK 1,095 thousand).

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

7. Contingent liabilities and off balance sheet commitments

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

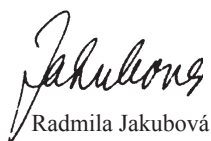
The Company is involved in no legal disputes, the outcome of which would significantly impact the Company's financial statements.

8. Subsequent events

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

Prepared on 17 March 2015.

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Report on Relations between Related Parties

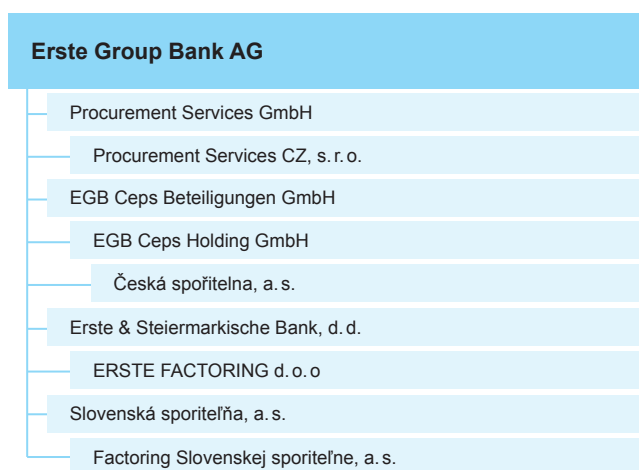
prepared pursuant to Section 82 of Act No. 90/2012 Coll. on Corporations for the year ended 31 December 2014

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 2014 (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 asset side of Factoring ČS’s balance sheet

Receivables from banks

Factoring České spořitelny, a. s. deposited cash totaling CZK 3.1 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 2014.

Related party transactions on the liability 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 3,081.7 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 37.5 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 6.2 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 1.2 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 (13 December 2013)	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 (12.12.2005)	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 (28 February 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

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.

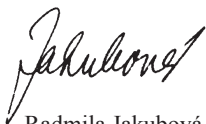
F. Conclusion

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 2014.

This Report was discussed and approved by the Company's Board of Directors on 25th March 2015.

Prague, 25th March 2015

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.

Budějovická 1518/13B, 140 00 Prague 4, Czech Republic

IČ: 25629352, **DIČ:** CZ25629352

Phone: +420 956 770 711

Fax: +420 224 641 614

E-mail: factoring@factoringcs.cz

Internet: www.factoringcs.cz

Member of the Factors Chain International



Annual Report 2014

Production: Omega Design, s. r. o.

