

Factoring České spořitelny, a.s.
Annual Report 2021

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Foreword by the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

hereby, I present to you the annual report of Factoring České spořitelny for the year 2021, in which, despite the ongoing coronavirus pandemic, our company recorded some of the best business results in its history. It is especially important to confirm that we have been able to successfully adapt to the rapidly changing conditions in the external environment. This was mainly due to the adaptability of our employees, who were able to flexibly cope with a number of new internal measures, as well as with the ongoing digitization of processes, which helps streamline the work of both us and our clients.

Despite the difficult conditions resulting from the ongoing coronavirus pandemic, Factoring České spořitelny recorded a year-on-year growth in the turnover of ceded and managed receivables by 65% in 2021 to CZK 61.2 billion, which is the second best result in the entire history of the Company. The volume of financing provided to our clients also increased significantly. At the end of 2021, it reached CZK 8.4 billion, which represents a growth of more than 46%. The market share increased by less than six percentage points year-on-year to 26.1%, and the company thus significantly strengthened its position on the Czech factoring market.

In 2021, the Company continued to implement its mid-term strategy aimed at providing a comprehensive solution to the financing of supplier-customer relationships (also known as Supply Chain Financing). It focused on the development of electronic onboarding solutions, further development of electronic communication of clients via the digital platform eFactoring, and last but not least the planned introduction of electronic signing of documents.

I have long appreciated the excellent cooperation with the parent bank Česká spořitelna, not only in the area of business activities or a common approach in the area of risk management, but also in the coordination of internal processes and procedures related to the impacts of the coronavirus pandemic on the Company's activities.



Karel Nováček

Chairman of the Board of Directors

I would like to say big 'thank you' to all our clients and other business partners for their continued trust and support. In addition to my work commitment, I would also like to appreciate the determination of all employees of our Company to adapt to the new working conditions and to manage all procedural changes that affect their way of working. I would also like to thank all my colleagues in the Česká spořitelna Financial Group and Erste Group for their excellent cooperation, which was one of the important factors in achieving our excellent results in 2021.

I wish you good luck in the future!

A handwritten signature in blue ink, appearing to be 'K. Nováček', written over a light blue background.

Karel Nováček
Chairman of the Board of Directors

Company's Profile

Company

Factoring České spořitelny, a.s.
Business Identification Number
(IČO): 25629352
incorporated by the Municipal Court
in Prague, Section B, File No. 5075

Registered Office

Budějovická 1912/64b,
140 00 Prague 4 – Krč

Date of incorporation

4 December 1997

Shareholders

Česká spořitelna, a.s. (100%)

Members of the Board of Directors

Karel Nováček, chairman
Pavel Chlumský, member

Members of the Supervisory Board

Jan Seger, chairman
Jan Jašek, vice-chairman
Roman Pařil, member

Main field of business / Products

Domestic factoring
Export factoring
Import factoring
Reverse factoring
Post Financing
ed/Factoring
Administration, collection and monitoring
of receivables

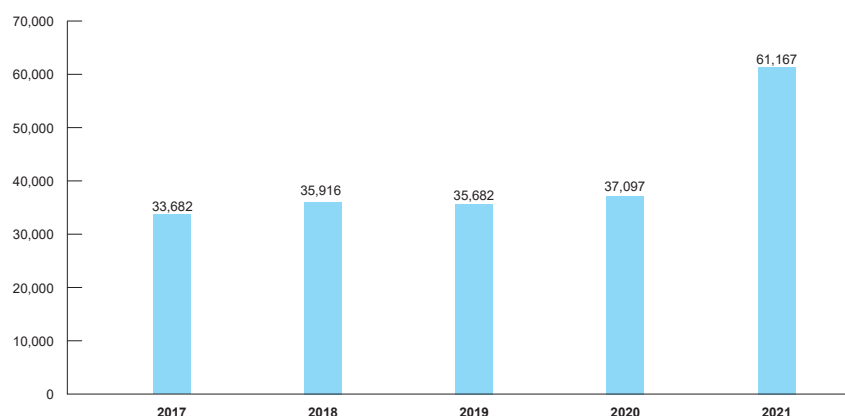
Membership in associations

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

Changes in key financial indicators

In CZK thousand	2017	2018	2019	2020	2021
Assets from clients' accounts receivable financing (Total net Current assets)	7,575,543	8,039,813	7,336,285	8,141,314	10,927,063
Share capital	114,000	114,000	114,000	114,000	114,000
Share premium	80,000	80,000	80,000	80,000	80,000
Capital funds	818,400	818,400	818,400	818,400	818,400
Equity	1,201,330	1,198,788	1,234,354	1,277,617	1,326,421
Added value	81,856	85,924	81,387	86,066	105,145
Profit before tax	75,266	66,612	58,530	60,328	71,915
Profit for the current period	56,406	53,679	36,321	44,123	49,757

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



Management Report

After the largest year-on-year decline in gross domestic product in the history of the independent Czech Republic by 5.8% in 2020, the Czech economy improved in 2021, growing by 3.3%. According to a preliminary estimate, it increased by 3.3%, however, despite this growth, the performance of the pre-crisis year 2019 was not achieved. Economic growth in the second year of the coronavirus pandemic was driven mainly by domestic demand, with groups in the trade, transport, accommodation and hospitality sectors doing well. However, the lack of chips and other materials showed the limits of the Czech economy and caused an overall decline in industry, because production in the Czech Republic is highly dependent on intermediate products and high import intensity. Automotive manufacturing and related industries played a key role in this result, where companies faced supply chain problems and rising material and energy prices.

However, the factoring market in the Czech Republic, represented by the Association of Factoring Companies, performed significantly better than the entire Czech economy throughout the year and recorded more than a quarter increase of 27.7%.

Factoring České spořitelny contributed significantly to the overall market growth, increasing its total trade turnover from ceased and managed receivables by 65% year-on-year to CZK 61.2 billion. Dynamic growth was recorded mainly by domestic and export non-recourse factoring, which helps clients solve, in addition to financing, administration and collection of receivables from their customers, also insurance against the reluctance or insolvency of their business partners. The reason for the high growth rate of the Company's turnover was the continued development of the client portfolio, especially in the segment of large corporate companies, the lower impact of anti-epidemic government restrictions on the business sector and, last but not least, rising prices of some financed commodities.

Factoring České spořitelny has been a member of the Česká spořitelna Financial Group. Membership in a strong financial group guarantees the Company with the long-term financial stability for continuing financing of mutual and other clients and delivers significant synergic effects particularly in the business area, risk management policies and monitoring of receivables.

After the implementation of a number of measures responding to the pandemic situation in the first year of the coronavirus crisis, the Company's management continued in 2021 to change processes and increase client comfort by maximizing electronic work system using state-of-the-art technologies to streamline the Company's internal workflow. The Company expanded the possibilities of communication between clients and the factoring information system and, in cooperation with FinTech Signi, ensured the simplification of signing contracts thanks to electronic signatures.

The Company continued to pay significant attention to the further **development of business activities and the supportive approach to affected companies**, to which the coronavirus crisis caused the breakdown of well-established supplier-customer relationships, extended maturity of issued invoices. Close cooperation with the parent bank's business units, consistent segmentation of clients with a focus on individualized solutions for more demanding clients across the economy continues to help fulfil the Company's strategy to bring clients significant financial and business effects thanks to Supply Chain Finance programs structured according to their needs. It has long been confirmed that factoring products are no more perceived by economic entities only as an aid in cases where companies were unable to obtain the necessary financial frameworks of traditional operating financing due to poorer creditworthiness, and therefore used factoring financing thanks to their quality customer portfolio and long maturities. The advantages of Supply Chain Finance programs are increasingly recognized by medium-sized and large, financially strong corporate companies, which, thanks to the effects of financing receivables or payables, make even better use of their working capital and are able to work effectively with off-balance sheet financing methods. The added value of individual solutions is further multiplied by the overall automation of processes and electronic document transmission in factoring stores, either in the form of electronic document transmission EDI (Electronic Data Interchange) or digital data transmission via the eFactoring internet application.

In 2021, the **risk management department** continued to use the comprehensive risk management concept developed in previous years and to further expand the integration of data on factoring clients and their customers into Česká spořitelna's systems. This closer cooperation with the parent bank led to the minimization of emerging credit and operational risks. The risk management department has also fully adapted to the possibilities of working remotely. Thanks to a consistent approach to risk management, the quality of the loan portfolio improved and diversified in 2021, at the same time NPL items decreased (non-performing loans). Individual problems of clients and their customers were solved individually, requests for postponements of deferred maturities associated with the covid-19 pandemic were minimal compared to 2020.

The **operation department** concentrated on the processing of executed transactions and on providing high quality client service connected to the individual factoring products also in 2021. High quality of the department's work with the portfolio of ceded receivables significantly reduces the Company's own credit risk and simultaneously enhances the liquidity management and stability of financing of the clients' working capital.

In 2021, the **financial department** continued to focus on cost management, compliance with planned criteria and securing financial flows. At the same time, due to the transition of the work method to the remote mode, it participated in the modifications of the internal factoring or accounting system respectively, especially to simplify the processes and minimize the printing of documents. The Company will continue the trend of digitization. The department is also involved in long-term projects within Česká spořitelna.

The IT department was an important element for the smooth functioning of the Company in the new conditions caused by the coronavirus pandemic in 2021 as well. During the year, the user technology was significantly strengthened both in terms of HW and SW equipment, so that remote work was even more efficient than in the first months of the lockdown. The IT department continues to

enable stable technical and technological operation of the Company and thus contributes not only to its quality and secure operation, but also to the Company's innovation process in both products and technologies. It is not only by strengthening servers as such, but also, in addition to the already existing electronic signature based on I.CA, for example by introducing the clients with the possibility to use the electronic signature PostSign according to the conditions of EIDAS.

One of the basic assumptions for the future success is the Company's ability to adapt quickly to new conditions and to respond efficiently and effectively to ongoing changes. Other important factors of fulfilling the Company's strategy are the close cooperation with the parent bank Česká spořitelna, quality and professional risk management, an innovative approach to use of the technologies and keeping a high standard of services provided to the Company's clients.

Financial Statements

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Translation note

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



English translation

Independent auditor's report

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

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Factoring České spořitelny, a.s., with its registered office at Budějovická 1912/64b, Praha 4 (the "Company") as at 31 December 2021, of the Company's financial performance and cash flows for the year ended 31 December 2021 in accordance with Czech accounting legislation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2021,
- the income statement for the year ended 31 December 2021,
- the statement of changes in equity for the year ended 31 December 2021,
- the statement of cash flows for the year ended 31 December 2021, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

Other information

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, www.pwc.com/cz

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

or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

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

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

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

Responsibilities of the board of directors and supervisory board of the Company for the financial statements

The board of directors is responsible for the preparation of the financial statements that give true and fair view in accordance with Czech accounting legislation and for such internal control as the board of directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board of the Company is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Audit regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.



- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

31 March 2022

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

Eva Loulová
Statutory Auditor, Licence No. 1981

Translation note

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

Balance Sheet

at 31 December 2021

CZK ths.	31. 12. 2021			31. 12. 2020
	Gross	Allowances	Net	Net
Total assets	11,167,029	(233,720)	10,933,308	8,148,814
B. Fixed assets	31,749	(27,327)	4,421	5,668
B.I. Intangible fixed assets	15,086	(13,134)	1,952	2,214
B.I.2. Valuable rights	15,086	(13,134)	1,952	2,214
B.I.2.1. Software	14,311	(12,359)	1,952	2,214
B.I.2.2. Other valuable rights	776	(776)	-	-
B.II. Tangible fixed assets	16,662	(14,193)	2,469	3,454
B.II.2. Movable assets and sets of movable assets	16,662	(14,193)	2,469	3,454
C. Current assets	11,133,456	(206,393)	10,927,063	8,141,314
C.II. Receivables	11,130,362	(206,393)	10,923,969	8,121,098
C.II.1. Long-term receivables	34,177	-	34,177	36,232
C.II.1.4. Deferred tax asset	34,107	-	34,107	36,112
C.II.1.5. Other receivables	70	-	70	120
C.II.1.5.2. Long-term advances granted	70	-	70	120
C.II.2. Short-term receivables	11,096,185	(206,393)	10,889,792	8,084,866
C.II.2.1. Trade receivables	11,093,675	(206,393)	10,887,282	8,077,562
C.II.2.4. Other receivables	2,510	-	2,510	7,304
C.II.2.4.3. Due from government - tax receivables	1,741	-	1,741	6,520
C.II.2.4.4. Short-term advances granted	769	-	769	784
C.IV. Cash	3,094	-	3,094	20,216
C.IV.1. Cash in hand	3,094	-	3,094	20,216
D.I. Prepaid expenses and accrued income	1,824	-	1,824	1,832
D.I.1. Prepaid expenses	1,824	-	1,824	1,832

CZK ths.	31. 12. 2021	31. 12. 2020
TOTAL EQUITY & LIABILITIES	10,933,308	8,148,814
A. Equity	1,326,421	1,277,617
A.I. Share capital	114,000	114,000
A.I.1. Share capital	114,000	114,000
A.II. Share premium and revaluation reserve	898,400	898,400
A.II.1. Share premium	80,000	80,000
A.II.2. Capital funds	818,400	818,400
A.II.2.1. Other capital funds	818,400	818,400
A.III. Reserves from profit	9,415	9,386
A.III.1. Other reserves	7,744	7,744
A.III.2. Statutory and other reserves	1,671	1,642
A.IV. Profit (loss) brought forward (+/-)	254,850	211,708
A.IV.1. Retained earnings	254,850	211,708
A.V.1. Profit (loss) for the year (+/-)	49,757	44,123
B.+C. Provisions and liabilities	9,596,239	6,859,306
B.I. Provisions	4,685	4,685
B.I.4. Other provisions	4,685	4,685
C. Liabilities	9,591,554	6,854,621
C.II. Current liabilities	9,591,554	6,854,621
C.II.2. Amounts owed to credit institutions	6,355,757	4,004,987
C.II.3. Short-term advances received	4,002	4,176
C.II.4. Trade payables	3,199,484	2,821,221
C.II.8. Other liabilities	32,311	24,237
C.II.8.3. Liabilities to employees	2,135	2,149
C.II.8.4. Liabilities arising from social security and health insurance	893	981
C.II.8.5. Due to government – taxes and subsidies	5,569	2,730
C.II.8.6. Unbilled deliveries	23,714	18,377
D.I. Accruals and deferred income	10,648	11,891
D.I.2. Deferred income	10,648	11,891

Prepared on: 21. 3. 2022

Signature of entity's statutory body:

Person responsible
for accounting:

Person responsible
for financial statements:




Karel Nováček

Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

Income Statement

for the year ended 31 December 2021

CZK ths.	Period ended 31.12.2021	Period ended 31.12.2020
I. Revenue from sale of finished products and services	125,851	100,602
A. Production-related consumption	20,707	21,727
A.2. Consumption of material and energy	972	1,826
A.3. Services	19,735	19,901
D. Personnel expenses	53,454	52,902
D.1. Wages and salaries	39,398	39,247
D.2. Social security and health insurance costs and other costs	14,056	13,655
D.2.1. Social security and health insurance costs	12,491	12,122
D.2.2. Other costs	1,565	1,533
E. Value adjustments in respect of operating activities	(77,862)	659
E.1. Value adjustments in respect of intangible and tangible fixed assets	2,343	2,359
E.1.1. Value adjustments in respect of intangible and tangible fixed assets – permanent	2,343	2,359
E.3. Value adjustments in respect of receivables	(80,205)	(1,700)
III. Other operating income	2,429	6,207
III.1. Income from sale of fixed assets	93	-
III.3. Other operating income	2,336	6,207
F. Other operating expenses	132,472	35,349
F.3. Taxes and charges relating to operations	76	58
F.5. Other operating expenses	132,397	35,291
* Profit or loss on operating activities (+/-)	(490)	(3,828)
VI. Interest income and similar income	109,250	88,205
VI.2. Other interest income and similar income	109,250	88,205
J. Interest expense and similar expenses	31,180	21,056
J.1. Interest expense and similar expenses – subsidiaries or parents	31,180	21,056
VII. Other finance income	296	85
K. Other finance cost	5,961	3,078
* Profit or loss on financial activities (+/-)	72,405	64,156
** Profit or loss before taxation (+/-)	71,915	60,328
L. Income tax	22,158	16,205
L.1. Income tax due	20,153	12,371
L.2. Income tax deferred (+/-)	2,005	3,834
** Profit or loss after taxation (+/-)	49,757	44,123
*** Profit or loss for the year (+/-)	49,757	44,123
* Net turnover	237,826	195,099

Prepared on: 21. 3. 2022

Signature of entity's statutory body:

Person responsible
for accounting:

Person responsible
for financial statements:



Karel Nováček



Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

Cash Flow Statement

for the year ended 31 December 2021

CZK ths.	Period ended 31.12.2021	Period ended 31.12.2020	
CASH FLOWS FROM OPERATING ACTIVITIES			
Z.	Profit or loss on ordinary activities before taxation (+/-)	71,915	60,328
A.1.	Adjustments for non-cash movements	116,214	(54,801)
A.1.1.	Depreciation and amortization of fixed assets and write-off of receivables	110,576	11,030
A.1.2.	Change in allowances	82,016	1,318
A.1.4.	Exchange rate differences	1,786	-
A.1.5.	(Gain)/Loss on disposal of fixed assets	(93)	-
A.1.6.	Interest expense and interest income	(78,070)	(67,149)
A*	Net cash from operating activities before taxation, changes in working capital and extraordinary items	188,129	5,527
A.2.	Change in non-cash components of working capital	(2,611,577)	(405,399)
A.2.2.	Change in trade receivables	(3,001,755)	(797,815)
A.2.3.	Change in other receivables and in prepaid expenses	(79)	671
A.2.4.	Change in trade payables	378,263	394,222
A.2.5.	Change in other payables, and in accruals and deferred income	11,994	(2,477)
A**	Net cash from operating activities before taxation, interest paid and extraordinary items	(2,423,448)	(399,872)
A.3.1.	Net interest received (+) / paid (-) except for interest included in the valuation of fixed assets	72,733	67,149
A.4.1.	Income tax paid	(15,222)	(16,307)
A***	Net cash provided by (used in) operating activities	(2,365,937)	(349,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
B.1.1.	Purchase of fixed assets	(1,096)	(888)
B.2.1.	Proceeds from sale of fixed assets	93	-
B***	Net cash provided by (used in) investing activities	(1,002)	(888)
CASH FLOWS FROM FINANCING ACTIVITIES			
C.1.	Change in long-term liabilities, and long-term and short-term loans	2,350,770	368,541
C.2.3.	Effect of other changes in equity on cash	(953)	(860)
C***	Net cash provided by (used in) financing activities	2,349,818	367,681
F.	Net increase (decrease) in cash	(17,122)	17,763
P.	Cash and cash equivalents at beginning of year	20,216	2,453
R.	Cash and cash equivalents at end of year	3,094	20,216

Prepared on: 21. 3. 2022

Signature of entity's statutory body:

Person responsible
for accounting:

Person responsible
for financial statements:



Karel Nováček



Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

Statement of Changes in Equity

for the year ended 31 December 2021

CZK ths.	Share Capital	Share Premium	Other Capital Funds	Reserve fund, indivisible fund, other funds from profit	Retained Earnings	Profit for the Period	Total
As at 1 January 2020	114,000	80,000	818,400	9,239	176,394	36,321	1,234,354
Distribution of profit	-	-	-	1,007	35,314	(36,321)	-
Distribution of funds	-	-	-	(860)	-	-	(860)
Profit for the period	-	-	-	-	-	44,123	44,123
As at 31 December 2020	114,000	80,000	818,400	9,386	211,708	44,123	1,277,617
As at 1 January 2021	114,000	80,000	818,400	9,386	211,708	44,123	1,277,617
Distribution of profit	-	-	-	981	43,142	(44,123)	-
Distribution of funds	-	-	-	(953)	-	-	(953)
Profit for the period	-	-	-	-	-	49,757	49,757
As at 31 December 2021	114,000	80,000	818,400	9,414	254,850	49,757	1,326,421

Prepared on: 21. 3. 2022

Signature of entity's statutory body:

Person responsible for accounting:

Person responsible for financial statements:



Karel Nováček



Pavel Chlumský



Lada Jendrichovská



Lada Jendrichovská

Notes to the Financial Statements

for the year ended 31 December 2021

1. General information

1.1 Incorporation and Description of the Business

Factoring České spořitelny, a.s. (hereinafter the "Company") was incorporated as a joint stock company by a Founder's Deed on 30 May 1997 and was recorded in the Register of Companies held at the Prague Municipal Court on 4 December 1997 in Volume B, File 5075. The Company's primary business activities are: factoring and forfeiting services which account for most of the Company's revenues.

The Company's registered office is located at Budějovická 1912/64B, 140 00 Prague 4.

The Company's subscribed and paid-up share capital amounts to CZK 114,000 thousand.

The accompanying financial statements have been prepared as at 31 December 2021.

The sole shareholder of the Company is Česká spořitelna, a.s., with its registered office in Prague 4, Olbrachtova 1929/62, postal code 140 00, Business registration No. 45244782. The ultimate parent company is Erste Group Bank AG. The Company is included in the consolidated group of the sole shareholder and the ultimate parent. The consolidated financial statements under International Accounting Standards for the smallest group in the Erste Bank Group (Česká spořitelna Financial Group), of which the Company forms a part, are prepared by the parent company Česká spořitelna, a.s. and published on its website. The consolidated financial statements for whole and the largest Erste Group Bank are prepared by Erste Group Bank AG, headquartered in Austria and published on its website.

The existence of the novel coronavirus causing the COVID-19 disease was confirmed in early 2020 and has spread globally. The pandemic continued also in 2021.

Due to the actual development during 2021, when the maturity of trade receivables was shortened and the provision for these receivables was reduced, the pandemic did not have a negative effect on the Company's financial results in 2021.

The pandemic had a negative effect only on items denominated in foreign currencies, in the financial result as a net foreign exchange loss.

1.2 Organisational Structure

At the end of 2021, the Company had 40 employees including two executive directors and two Board of Directors members by virtue of performing their duties.

The Company is organized into four units as follows: Management including Secretariat, Sales and Marketing department, Risk Management department, Operations and Business development department.

During 2021, Mr. Jan Seger was re-elected as a Chairman of the Supervisory Board, its function was restored on 13 April 2021.

As at 31 December 2021, members of the Company's statutory bodies were as follows:

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

2. Summary of significant accounting policies

The accompanying financial statements (non-consolidated) were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2021.

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

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

These financial statements are presented in thousands of Czech crowns ("CZK"), unless stated otherwise.

2.1 Tangible and Intangible Fixed Assets

Valuation

Tangible fixed assets include assets with an estimated useful life greater than 1 year and an acquisition cost higher than CZK 40 thousand on an individual basis.

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

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

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

The cost of technical improvements exceeding CZK 40 thousand in aggregate for tangible and CZK 60 thousand for intangible assets, for the period increases the acquisition cost of the related fixed asset, if completed. Technical improvements are put into operation once a year in December and depreciation starts in the month the technical improvement is recognised.

Depreciation and Amortization for Accounting Purposes

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

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

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

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

2.2 Receivables

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

The Company accounts for factoring receivables on a "gross" and "net" basis depending on the product and specific terms of contracts. Gross method is used in cases where the Company provides financial instruments as short-term financial borrowings to the client (recourse factoring). Net method is used in cases where provided financial instruments represent payment for the cession of receivables (non-recourse factoring).

Factoring receivables accounted on "gross" basis are recognized in nominal value as short-term trade receivables. The nominal value of receivables is also recognised as trade receivables. The related payables to suppliers, the clients of the Company, are recognized as short-term trade payables.

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

Allowances for receivables

The Company has created portfolio allowances for receivables on the expected loss basis (EL), considering client and customer ratings to determine the probability of default used in the model.

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

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

Specific allowances are created against individual workout receivables.

2.3 Equity

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

2.4 Loans

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

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

2.5 Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits, where 'probable' means a probability of greater than 50%, and a reasonably reliable estimate can be made of the amount of the obligation. Provisions are used exclusively for the purposes they were created for. Provision balances are reviewed annually, and provisions are released, adjusted or carried forward based on the review results.

2.6 Translation of Foreign Currencies

Foreign Currencies Transactions during the year are translated using a daily exchange rate reflecting the Czech National Bank ("CNB").

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

2.7 Taxation

2.7.1 Current Tax Payable

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

2.7.2 Deferred Tax

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

2.8 Cash

Cash is defined as cash in hand, cash in bank or deposits payable on demand within 3 months.

2.9 Revenues

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

Interest from provided financing is recognised as Interest income.

Revenues are recognised on an accruals basis, that is, they are recognized in the periods in which it relates in substance and time.

2.10 Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management of the Company made these estimates and assumptions based on all available relevant data. However, since they are still estimates and actual results and outcome in the following reporting periods may be different.

2.11 Subsequent Events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves recognised in the financial statements.

3. Risk management

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

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

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

Regarding interest rate risk, the Company uses monthly rates both for assets and liabilities.

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

4.1 Intangible Fixed Assets

Cost

CZK thousand	Balance at 01.01.2020	Additions	Disposals	Balance at 31.12.2020	Additions	Disposals	Balance at 31.12.2021
Software	13,153	718	-	13,871	439	-	14,310
Licenses and other	776	0	-	776	-	-	776
Total	13,929	718	-	14,647	439	-	15,086

Accumulated Amortisation and Provisions

CZK thousand	Balance at 01.01.2020	Additions	Disposals	Balance at 31.12.2020	Additions	Disposals	Balance at 31.12.2021
Software	10,980	677	-	11,657	701	-	12,358
Licenses and other	776	0	-	776	0	-	776
Total	11,756	677	-	12,433	701	-	13,134

Net Book Value

CZK thousand	Balance at 01.01.2020	Balance at 31.12.2020	Balance at 31.12.2021
Software	2,173	2,214	1,952
Licenses and other	-	-	-
Total	2,173	2,214	1,952

4.2 Tangible Fixed Assets

Cost

CZK thousand	Balance at 01.01.2020	Additions	Disposals	Balance at 31.12.2020	Additions	Disposals	Balance at 31.12.2021
Machinery and equipment	10,674	170	-	10,844	281	-	11,125
Vehicles	5,452	-	-	5,452	374	(289)	5,537
Total	16,126	170	-	16,296	655	(289)	16,662

Accumulated Depreciation

CZK thousand	Balance at 01.01.2020	Additions	Disposals	Balance at 31.12.2020	Additions	Disposals	Balance at 31.12.2021
Machinery and equipment	9,090	669	-	9,759	597	-	10,356
Vehicles	2,070	1,013	-	3,083	1,043	(289)	3,837
Total	11,160	1,682	-	12,842	1,640	(289)	14,193

Net Book Value

CZK thousand	Balance at 01.01.2020	Balance at 31.12.2020	Balance at 31.12.2021
Machinery and equipment	1,584	1,085	769
Vehicles	3,382	2,369	1,700
Total	4,966	3,454	2,469

The Company acquired tangible assets of CZK 230 thousand that were charged directly to expenses in 2021 (2020: CZK 732 thousand). These assets are low value tangible assets up to CZK 40 thousand.

4.3 Receivables

4.3.1 Long-Term Receivables - Deferred Tax Assets

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

4.3.2 Short-Term Receivables

CZK thousand	Balance at 31.12.2020	Balance at 31.12.2021
Trade receivables	8,077,562	10,887,282
- customers (factoring)	6,958,710	9,553,591
- recourse factoring	2,318,903	2,469,672
- non-resource factoring	4,479,737	6,938,984
- other	160,070	144,935
- prepayments made	1,407,261	1,540,084
- allowances	(288,409)	(206,393)
Due from government – (+) tax receivables /(-) payables	6,520	1,741
Short-term advances granted	784	769
Total	8,084,866	10,889,792

The above receivables represent mainly 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.

In 2021, several insolvency proceedings were completed and the Company wrote off fully settled receivables in the amount of CZK 78,208 thousand for reasons of irrecoverability (2020: CZK 14,581 thousand) and sold receivables in the amount of CZK 33,009 thousand (2020: CZK 315 thousand).

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

4.3.3 Aging of Trade Receivables

CZK thousand							Overdue	Total
Year	Kategorie	Not yet due	1–30 days	31–60 days	61–90 days	91–365 days	Over 365 dní	
2021	Trade receivables	9,814,699	823,921	117,986	48,313	13,147	276,447	11,094,514
	Allowances – specific	(7,760)	-	(370)	(370)	(3,899)	(112,636)	(125,036)
	Allowances – portfolio	(81,357)						(81,357)
2020	Trade receivables	7,055,628	689,641	151,519	4,080	72,990	393,016	8,366,875
	Allowances – specific	(12,657)	(130)	(500)	(500)	(10,132)	(221,615)	(245,535)
	Allowances – portfolio	(42,874)						(42,874)

The average maturity of receivables from customers of the Company's factoring clients in 2021 was 60 days (2020: 70 days).

In accordance with the method of creating of allowances for accounting purposes, which are a part of the accounting allowances listed below, based on calculation of expected loss (EL) from the financing placed with clients – see note 2.2. – as at 31 December 2021 portfolio provisions 81,357 thousand CZK (2020: CZK 42,874 thousand). Rated correction items as at 31 December 2021 amounted to 125,036 thousand CZK (2020: CZK 245,536 thousand).

Total balance of non-deductible tax allowances amounting to CZK 172,196 thousand as at 31 December 2021 (2020: CZK 204,717 thousand). Deductible tax allowances have been set aside of CZK 34,197 thousand as at 31 December 2021 (2020: CZK 83,693 thousand). Deductible tax allowances are created against receivables from customers of the Company's clients which have been ceded to the Company as well as the Company's own receivables from clients, in cases of bankruptcy proceedings of these entities.

In 2021, allowances were used in the amount of CZK 112,114 thousand (2020: CZK 13,347 thousand) for the write-off of receivables written off due to completed insolvency proceedings and sold receivables.

Changes in allowance accounts

CZK thousand									
Allowances against:	Balance at 01.01.2020	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2020	Allowance creation	Allowance used	Release of allowance	Balance at 31.12.2021
Receivables – legal	91,603	3,725	(12,695)	(965)	81,667	-	(47,013)	(1,208)	33,445
Receivables – other	195,488	27,067	(652)	(18,181)	203,722	39,444	(65,101)	(6,327)	171,738
Revaluation	22				3,020				1,210
Total	287,091	30,792	(13,347)	(19,146)	288,409	39,444	(112,114)	(7,535)	206,393

4.4 Cash

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

4.5 Prepayments and accrued income

Prepayments and accrued income consist of deferred expenses, in particular due to bank guarantee fees, and are recognised in the period to which they relate.

4.6 Equity

4.6.1 Share Capital

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

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

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

4.6.2 Distribution of Profit for 2020

On 19 May 2021, the Company's sole shareholder, exercising the powers of the General Meeting, approved the distribution of the 2020 profit totalling CZK 44,123 thousand and allocated CZK 981 thousand to the social fund and transferred CZK 43,142 thousand to retained earnings, that amounted to CZK 254,850 thousand as at 31 December 2021. The Company did not pay any profit share in 2021.

4.7 Provisions

The Company recognizes only a provision for potential legal disputes in the amount of CZK 4,685 thousand (2020: CZK 4,685 thousand).

4.8 Liabilities

4.8.1 Current Liabilities

CZK thousand	Balance at 31.12.2020	Balance at 31.12.2021
Amount due to credit institutions	4,004,987	6,355,757
Trade payables (factoring)	2,821,221	3,199,484
- Recourse factoring	2,332,819	2,488,987
- Non-recourse factoring	451,579	615,786
- Other	36,823	94,711
Short-term advances received	4,176	4,002
Other liabilities:	24,237	32,311
- Liabilities to employees	2,149	2,135
- Liabilities arising from social security and health insurance	981	893
- Due to government - taxes and subsidies	2,730	5,569
- Estimated payables	18,377	23,714
Total	6,854,621	9,591,554

Amounts due to credit institutions represent in particular bank loans and overdrafts. For more details – see Note 4.8.2.

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

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

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

There are no liabilities with material guarantees and with maturity over 5 years.

The Management of the Company is not aware of any contingent liabilities of the Company as at 31 December 2021.

4.8.2 Bank Loans and Borrowings

2021

CZK thousand Bank	Purpose	Balance at 31.12.2021	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	5,615	1 M Libor + risk margin	31.12.2021	uncollateralised
Česká spořitelna	operating – overdraft JPY	9,093	1 M Libor + risk margin	31.12.2021	uncollateralised
Česká spořitelna	operating – overdraft PLN	10,715	1 M Wibor + risk margin	31.12.2021	uncollateralised
Česká spořitelna	operating – current account CZK	1,700,000	1 M Pribor + risk margin	31.12.2021	uncollateralised
Česká spořitelna	operating – overdraft CZK	522,727	1 M Pribor + risk margin	31.12.2021	uncollateralised
Česká spořitelna	operating – overdraft USD	95,101	1 M Libor + risk margin	31.12.2021	uncollateralised
Česká spořitelna	operating – current account EUR	3,853,300	1 M Euribor + risk margin	31.12.2021	uncollateralised
Česká spořitelna	operating – overdraft EUR	159,206	1 M Euribor + risk margin	31.12.2021	uncollateralised
Total intercompany bank loans		6,355,757			
Total bank loans and borrowings		6,355,757			

2020

CZK thousand Bank	Purpose	Balance at 31.12.2020	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – overdraft GBP	15,554	1 M Libor + risk margin	31.08.2021	uncollateralised
Česká spořitelna	operating – overdraft PLN	28,470	1 M Wibor + risk margin	31.08.2021	uncollateralised
Česká spořitelna	operating – current account CZK	900,000	1 M Pribor + risk margin	31.08.2021	uncollateralised
Česká spořitelna	operating – overdraft CZK	147,476	1 M Pribor + risk margin	31.08.2021	uncollateralised
Česká spořitelna	operating – overdraft USD	72,214	1 M Libor + risk margin	31.08.2021	uncollateralised
Česká spořitelna	operating – current account EUR	2,755,725	1 M Euribor + risk margin	31.08.2021	uncollateralised
Česká spořitelna	operating – current account USD	85,548	1 M Libor + risk margin	31.08.2021	uncollateralised
Total intercompany bank loans		4,004,987			
Total bank loans and borrowings		4,004,987			

The Company paid interest from these loans of CZK 31,180 thousand (2020: CZK 21,056 thousand).

4.9 Accruals and deferred income

Accruals and deferred income mainly include accrued interest on repayment schedules, which are paid by debtors only after the payment of principal due (these are older work-out cases) and operating liabilities.

4.10 Assets and Liabilities in Foreign Currencies (Gross)

31.12.2021

CZK thousand	CZK	USD	EUR	PLN	GBP	Ostatní	Celkem
Short term receivables	5,759,639	110,275	5,184,287	22,793	9,819	9,373	11,096,185
Short-term financial assets	2,911	-	182	-	-	-	3,094
Prepayments and accrued income	1,824	-	-	-	-	-	1,824
Total	5,764,374	110,275	5,184,469	22,793	9,819	9,373	11,101,103
Current liabilities	2,129,958	26,479	1,074,493	3,215	1,652	-	3,235,797
Bank loans and borrowings	2,222,727	95,101	4,012,506	10,715	5,615	9,093	6,355,757
Accruals and deferred income	10,648	-	-	-	-	-	10,648
Total	4,363,333	121,580	5,087,000	13,930	7,266	9,093	9,602,202

31.12.2020

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

4.11 Income from ordinary activity by principal activity

CZK thousand	2020			2021		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Income from fees	96,316	2,622	98,938	121,686	3,178	124,864
Advisory services	-	1,552	1,552	-	987	987
Other income	112	-	112	-	-	-
Production	96,428	4,174	100,602	121,686	4,165	125,851

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

4.12 Production consumption

CZK thousand	2020	2021
Consumption of material	1,100	597
Consumption of energy and fuel	726	375
Total costs of material, energy and fuels	1,826	972
Legal and notarial services	2,243	1,810
Factoring fee	3,941	3,871
External audit	566	551
Rent	4,106	4,280
Outsourcing expenses	2,643	3,023
Marketing expenses	10	308
Repairs and maintenance	3,171	2,468
Travelling	132	43
Training	153	84
Other services	2,936	3,297
Total costs of services	19,901	19,735

4.13 Wages and salaries

4.13.1 Wages and salaries and Number of Employees

The following tables summarize the average number of the Company's employees and managers and staff costs for the years 2021 and 2020:

2021

CZK thousand	Number	Wages	Social security and health insurance	Other expenses	Personnel and related expenses
Employees	38	32,091	10,280	1,287	43,658
Management	4	7,307	2,211	278	9,796
Total	42	39,398	12,491	1,565	53,454

2020

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

The number of employees is based on the average number. Wages and salaries include remuneration to the members of statutory bodies and executive directors. Personnel expenses of management of the Company include expenses on members of the Board of Directors and for the executive directors of the Company, who are also Proxy holders.

In 2021, the Company entered a new Erste employee share program, where each employee will be provided with a number of Erste bank AG shares. In this connection, the Company recorded a provision in the amount of CZK 663 thousand.

4.13.2 Loans, Borrowings, and Other Benefits Provided

In 2021 and 2020, Company's management received the following benefits in addition to their basic salaries and other personal funding that are not included in the statements but are part of personnel costs:

Management, Members of BoD, Proxy holders	CZK thousand	2020	2021
Vehicles/other assets for both business and private purposes, Management life and pension insurance, cafeteria (amount increases the tax base of employees)		320	264

4.14 Other Operating Income and Expenses

CZK thousand	2020	2021
Other operating income	6,207	2,429
Income from sale of fixed assets	-	93
Other operating income	6,207	2,336
Other operating expenses	35,349	132,472
Taxes and charges relating to operations	58	76
Other operating expenses	35,291	132,397
Total other operating result	(29,142)	(130,043)

Other operating expenses include, in particular, trade receivables ceded and written off in the amount of CZK 111,217 thousand (2020: CZK 14,896 thousand). Use of related provisions in the amount of CZK 112,114 thousand is reported in the line Provision for impairment of receivables and further details are described in Note 4.3.2.

4.15 Interest and Other Financial Income and Expenses

CZK thousand	2020	2021
Interest income	88,205	109,250
Interest expense to related parties	(21,056)	(31,180)
Other financial income	85	296
Other financial expense	(1,292)	(1,654)
Foreign exchange gains/losses (+/-)	(1,786)	(4,307)
Total other financial result	(2,993)	(5,665)
Total result of financial activities	64,156	72,405

Interest income includes interest from prepayments made under factoring arrangements.

The Company realised interest expenses only with related parties.

4.16 Current and Deferred Income Tax

Current Tax

CZK thousand	2020	2021
Current Tax	12,392	20,143
Tax assessment for previous accounting period	(21)	10
Total	12,371	20,153

The tax charge for 2021 and 2020 can be reconciled to the profit per the income statement as follows:

CZK thousand	2020	2021
Profit before tax	60,328	71,915
Tax at the local income tax rate of 19% (2020: 19%)	11,462	13,664
Tax effect of non-deductible expenses	4,354	8,625
Tax effect of non-taxable income	(3,425)	(2,146)
Additional assessment / tax refund of taxes for prior periods	(21)	10
Current tax payable	12,371	20,153
Deferred tax	3,834	2,005
Total tax	16,205	22,158

Deferred Tax

The deferred tax asset can be analysed as follows:

CZK thousand	Balance at 31.12.2020	Balance at 31.12.2021
Deferred tax arising from:		
Depreciation and amortization of fixed assets	(525)	(459)
Allowance for receivables	34,168	31,967
Accrued expenses for wages, social security and health insurance	2,469	2,599
Total deferred tax asset	36,112	34,107

CZK thousand	Balance at 31.12.2020	Balance at 31.12.2021
Balance change analysis		
Opening balance	39,946	36,112
Current changes charged against the income statement	(3,834)	(2,005)
Total deferred tax asset	36,112	34,107

5. Related party information

5.1 Mutual relations with the parent company

As the Company is a member of the Česká spořitelna, a.s. Group, its cooperation with the parent company continued during 2021 and 2020, both with respect to acquisitions and to raising finance from entities outside the Group to provide funding for other transactions.

As at 31 December 2021, assets from Česká spořitelna, a.s. amounted to CZK 4,144 thousand (2020: CZK 20,761 thousand). These are mainly receivables from the active balance on the overdraft account and also balances on current accounts and business relations – provided advances and others.

As at 31 December 2021, payables to the parent company amounted to CZK 6,356,711 thousand (2020: CZK 4,006,669 thousand). These amounts mainly represent bank loans and balances on overdraft accounts and unbilled deliveries.

For the year 2021, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 39,882 thousand (2020: CZK 28,977 thousand). These predominantly included interest on received loans, outsourcing and rental expenses.

Revenues of CZK 2,932 thousand (2020: CZK 2,892 thousand), relate to interest and fees received from Česká spořitelna.

5.2 Mutual relations with other related parties

Bank and trade receivables to Slovenská sporiteľňa, a.s. amounted to CZK 81 thousand (2020: CZK 631 thousand) and to Erste & Steiermärkische Bank amounted to CZK 5 thousand (2020: CZK 31 thousand). In 2021, liabilities to Procurement Services CZ which arise from the business relationship, amounted to CZK 8 thousand (in 2020: CZK nil thousand).

With respect to related party Slovenská sporiteľňa, a.s., the Company recognised revenues from the rental of the information system amounted to CZK 925 thousand (2020: CZK 1,127 thousand). With respect to related party Erste & Steiermarkische Bank recognised revenues amounted to CZK 62 thousand (2020: CZK 428 thousand).

For the year 2021, the Company recorded expenses in relation to related party Slovenská sporiteľňa, a.s. amounted to CZK 5 thousand (2020: CZK nil thousand) and to Procurement Services CZ, s.r.o. (Group procurement services) recorded expenses of CZK 93 thousand (2020: CZK 69 thousand). In relation to Erste & Steiermärkische Bank recorded expenses amounted to CZK 1 thousand (in 2020: CZK 3 thousand).

6. Contingent liabilities and off-balance sheet commitments

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

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

7. Subsequent events

In late February 2022 ongoing political tension between Russia and Ukraine escalated in a conflict with a military invasion of Russian forces in Ukraine. The worldwide reaction to Russia's violation of international law and aggression against Ukraine was the imposition of extensive sanctions and limitations on business activity. We consider these acts as non-adjusting post balance sheet events. Overall effect of the recent development is increased volatility in the financial and commodity markets, as well as consequences on the economy in general. The Company has assessed direct business risks comprising adverse effects of economic sanctions imposed on Russia, business interruptions (including supply chain), increased occurrences of cyber-attacks, legal and regulatory compliance risk and many other, and assessed that direct implications are currently unknown. However, as of the date of preparation of the financial statements, the Company's management has not identified any material impact on the Company.

No other significant events have been known to the Company, subsequent to year-end that would have a material impact on the financial statements as at 31 December 2021.

Prepared on 21. 3. 2022

Signature of accounting entity's statutory body:



Karel Nováček
Chairman of the Board



Pavel Chlumský
Member of the Board

Report on Relations

between Related Parties prepared pursuant to §82 of Act No. 90/2012 Coll., on Corporations for the accounting period from 1 January 2021 to 31 December 2021

Factoring České spořitelny, a.s., with its registered office at Budějovická 1912/64b, Prague 4, postal code 140 00, Business Registration Number (IČO) 25629352, incorporated in the Commercial Register, Section B, File No. 5075, maintained by the Municipal Court in Prague (hereinafter also the “**Submitter**”) is a member of a group (concern) in which the following relations exist between the Submitter and the controlling persons and between the Submitter and other persons controlled by the same controlling persons (hereinafter the “**Related Parties**”).

This Report on relations between the parties listed below has been prepared pursuant to the provisions of §82 of Act No. 90/2012 Coll. on Corporations, as amended, for the accounting period from 1 January 2021 to 31 December 2021 (hereinafter the “**fiscal year**”).

The Submitter and the persons listed below entered into the following contracts and undertook or adopted the following legal actions and other measures during the period:

A. Overview of the persons whose relations are described below

Erste Group Bank AG	
(100%) Česká spořitelna, a.s.	subsidiaries – controlling interests
	Factoring České spořitelny, a.s.
	associates – shares in affiliated undertakings
	Procurement Services CZ, s.r.o.
(100%) Slovenská sporiteľňa, a.s.	
(69,3%) Erste & Steiermärkische Bank, d.d.	
(99,9%) Procurement Services GmbH	
	Procurement Services CZ, s.r.o.

B. Controlling parties

- **Erste Group Bank AG**, with its registered office at Am Belvedere 1, Vienna, Austria, Business Registration Number (IČO): 90003195
Relation to the Company: indirectly controlling party – party controlling EGB Ceps Beteiligungen GmbH.
Description of relations – none
- **Česká spořitelna, a. s.**, with its registered office at Olbrachtova 1929/62, postal code 140 00, Prague 4, Czech Republic, Business Registration Number (IČO): 45244782
Relation to the Company: directly controlling party
Description of relations – see **Annex 1**

C. Other related parties

Companies controlled by other members of the ERSTE Group

- **Slovenská sporiteľňa, a.s.**, with its registered office at Tomášikova 48, 832 37 Bratislava, Slovak Republic, Business Registration Number (IČO): 00151653
Relation to the Company: related party directly controlled by Erste Group Bank
Description of relations – see **Annex 1**
- **Erste & Steiermärkische Bank d.d.**, with its registered office at Jadranski Trg 3a, 510 00 Rijeka, Rijeka, Croatia, Business Registration Number (IČO)/ID No.: 3337367
Relation to the Company: related party directly controlled by the Company
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 – see **Annex 1**

Annex 1 Transactions with Related Parties

Factoring České spořitelny, a.s. identified the relations with the related parties listed in Sections B and C and summarized them in the following categories:

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

Receivables from banks

Factoring České spořitelny, a.s. deposited cash totalling CZK 3.1 million in current and deposit accounts maintained by Česká spořitelna under contracts on a current account and loan agreements. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Other assets

The balance of Other assets includes other trade receivables and advance payments provided to related parties. In 2021, the Company recognizes receivables and advance payments in the total amount of CZK 1.1 million to Česká spořitelna and receivables of CZK 1.1 million to other related parties.

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

Liabilities to banks

Factoring České spořitelny, a.s. received funds from Česká spořitelna, a.s. in the total amount of CZK 6,355.8 million particularly under loan agreements and bank overdraft contracts.

Other liabilities

Unbilled deliveries and payables to Česká spořitelna, a.s. amounted to CZK 1.0 million. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

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

Interest and similar income

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

Interest and similar expense

Factoring České spořitelny, a.s. incurred interest expense of CZK 31.2 million from related party transactions executed on an arm's-length basis in the fiscal year. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Income from fees and commissions

Factoring České spořitelny, a.s. received income from fees and commissions from related party transactions executed on an arm's-length basis in the fiscal year, including particularly income from a cooperation agreement with Česká spořitelna, a.s., in the total amount of CZK 2.8 million. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

General administrative expenses

Factoring České spořitelny, a.s. paid CZK 8.6 million for general administrative expenses within related party transactions executed on an arm's-length basis in the fiscal year, particularly for rent, advisory, professional consultancy and other services. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Other operating revenues and costs

Factoring České spořitelny, a.s. had a negative balance of other operating income and expenses of CZK 0.9 million from related party transactions executed on an arm's-length basis in the period. Factoring České spořitelny, a.s. suffered no detriment from these transactions in the fiscal year.

Contractual relations

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

Description of relations with Česká spořitelna, a.s.

Contract	Counterparty	Description	Year of contract	Detriment, if any
Current account agreement	Česká spořitelna, a.s.	Contract for current accounts (CZK, EUR, USD, GBP, CHF, PLN, NOK, HUF, RON, JPY, SEK, DKK, HRK) with amendments	2001–2019	None
Service agreement	Česká spořitelna, a.s.	Direct electronic banking agreement with amendments	2002	None
Personal data processing agreement	Česká spořitelna, a.s.	Personal Data Processing Agreement – GDPR in relation to receivables and leases monitoring	2018	None
Outsourcing	Česká spořitelna, a.s.	Use of „Sparkassen“ brand name	2017	None
Licence agreement	Česká spořitelna, a.s.	Agreement on terms of license and software support – Tableau server	2019	None
Lease agreement	Česká spořitelna, a.s.	Lease of a safe deposit box – ČS Jugoslávská	2019	None
Debit cards contract	Česká spořitelna, a.s.	Debit cards contracts with amendments	2017–2020	None
Loan contract	Česká spořitelna, a.s.	Loan contract with amendments (Appendix No.41 to 27.08.2021)	2003–2021	None
Sub-participation agreement	Česká spořitelna, a.s.	Participation on risk of selected customers with amendments	2005–2020	None
Sub-participation agreement	Česká spořitelna, a.s.	Sub-Participation Framework Contract for reverse factoring	2018–2020	None
Lease agreement	Česká spořitelna, a.s.	Sublease of parking spaces – Trianon (Rent adjustment for inflation from 28.7.2021)	2021	None
Lease agreement	Česká spořitelna, a.s.	Sublease of business premises with amendments – Budějovická 1912/64b (Appendix No. 4 – replacement of the original agreement by a sublease agreement of 10.12.2021)	2019 – 2021	None
Lease agreement	Česká spořitelna, a.s.	Lease non-residential premises with amendments – Antala Staška Street (Rent adjustment for inflation 14.06.2021)	2014–2021	None
Service agreement	Česká spořitelna, a.s.	Authorization to exercise the right of use of company logo with amendments	2002–2006	None
Contract for contribution outside of the Share Capital	Česká spořitelna, a.s.	Contribution outside of the Share Capital	2014	None
Service agreement	Česká spořitelna, a.s.	Outsourcing services (Appendix to 13.12.2021)	2021	None
Service agreement	Česká spořitelna, a.s.	Agreement for the use of the ISIR_CS application and its development, support and operation	2009	None
Service agreement	Česká spořitelna, a.s.	System environment for Linux server farm	2010	None
Service agreement	Česká spořitelna, a.s.	IT services – IP Telefonie with amendment No. 1 (TEL Internet access)	2014–2016	None
Cooperation agreement	Česká spořitelna, a.s.	Risky receivables management	2009	None
Cooperation agreement	Česká spořitelna, a.s.	Restructuring Factoring Cooperation Agreement	2020	None
Cooperation agreement	Česká spořitelna, a.s.	Exchange of information using the KLIENT application with amendments (Appendix No.12 to 16.12.2021)	2009–2021	None
Cooperation agreement	Česká spořitelna, a.s.	Monitoring of receivables	2013–2017	None
Cooperation agreement	Česká spořitelna, a.s.	Verification of ceded invoices; Monitoring of clients/pledges	2015	None
Cooperation agreement	Česká spořitelna, a.s.	Cooperation in approval of factoring deals	2017	None
Cooperation agreement	Česká spořitelna, a.s.	Agreement on sharing IT costs for data deliveries to Erste Group, processing of related calculations at the group level, provision of data discovery services and statutory and risk reporting (Signed 17.12.2021)	2021	None

Description of relations with other related parties

Contract	Counterparty	Description	Year of contract	Detriment, if any
Current account agreement	Slovenská sporiteľňa, a.s.	Current account agreement (EUR)	2020	None
Service agreement	Slovenská sporiteľňa, a.s.	Electronic banking agreement	2020	None
Licence agreement	Slovenská sporiteľňa, a.s.	Agreement on transfer of rights and obligations of information system HoC	2011	None
Licence agreement	Slovenská sporiteľňa, a.s.	Implementation of information system HoC with amendments	2009–2021	None
Licence agreement	Erste&Steiermärkische Bank d.d.	Implementation of information system HoC with amendments including licence transfer from Erste Factoring d.o.o. to Erste&Steiermärkische Bank d.d. due to the merger	2010–2021	None
Service agreement	Procurement Services CZ, s.r.o.	Master Agreement, Service Level Agreement, Personal Data Processing Agreement, Bank Outsourcing. (Appendix No. 1 to 21.01.2021)	2018–2021	None

D. Other legal actions

In the fiscal year, the Submitter received or undertook no additional legal or other actions for the benefit or at the request of the Related Parties that would exceed 10% of the Submitter's equity based on the latest financial statements other than those described in the Note Liabilities to Banks above.

E. Other measures

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

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 2021.

This Report was discussed and approved by the Company's Board of Directors on 21 March 2022.

Prague, 21 March 2022

Factoring České spořitelny, a.s.



Karel Nováček
Chairman of the Board



Pavel Chlumský
Member of the Board.

Factoring České spořitelny, a.s.

Budějovická 1912/64b, 140 00 Praha 4, Czech Republic
Business Registration Number (IČO): 25629352, VAT: CZ25629352

Phone: +420 956 770 711

E-mail: info@factoringcs.cz
Internet: www.factoringcs.cz

Member of Factors Chain International



Annual Report 2021

Production: Omega Design, s.r.o.

