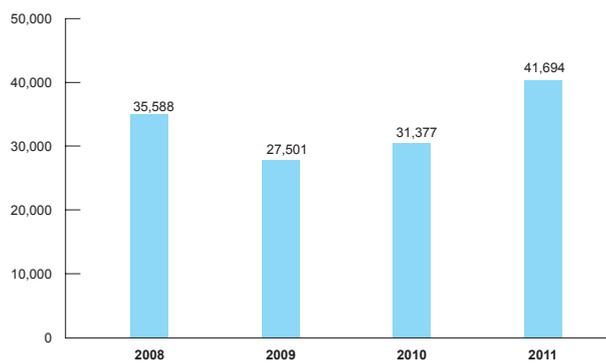


Annual Report 2011

Key Figures

Gross Turnover of Factoring České spořitelny (CZK mil.)



In 2011, the total turnover of Factoring České spořitelny, a.s., was nearly CZK 41.7 billion.

With its 31.8 percent market share, Factoring České spořitelny, a.s., is a leading company in the Czech Republic.

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Foreword of the Chairwoman of the Board of Directors



Radmila Jakubová

Chairwoman of the Board of Directors

**Dear Shareholders, dear Business Partners,
dear Colleagues,**

On behalf of the Board of Directors it is my pleasure to present to you the Annual Report of Factoring České spořitelny for 2011.

While 2011 was for the Czech economy in the sign of slight growth, Factoring České spořitelny, a. s., was strengthening its leading position on the Czech factoring market, reached significant increase in the turnover and best financial results ever.

In 2011 the company reached the turnover of assigned, administered, and monitored receivables of 41.7 billion CZK, from which the volume of assigned receivables represented 40.3 billion CZK. Compared to last year, this figure represents a dramatic increase of nearly 38 %. The market share of Factoring České spořitelny, a. s., increased to 31.8 % in 2011.

The results of our business strategy showed in the eco-

nomical results of the company, which reached the profit of 34.1 million CZK. The positive economic result was influenced by the significant increase of turnover, higher value of funds placed on the market and resulting growing margins. The profit was also influenced by lower need for rectifying items compared to past years and sale of the share in the daughter company in Croatia.

The Company also managed to develop close cooperation with the home bank and its business network, to enter new client's segments, especially among large corporate clients, to fund many domestic medium-size and small companies, and thus support their further development.

Factoring České spořitelny, a. s., continued to develop and standardize the methodology of work processes which enables, along with intense use of information technologies, to increase the quality of processes that are important for good working of a factoring company and that are also shown in increased quality standards of services for our clients.

I would like to thank to all our business partners, representatives of our only shareholder, fellow workers in the Financial Group of Česká spořitelna as well as Erste Bank, and colleagues in our Company. I appreciate the approach of those who contributed to good cooperation and positive sides of our results. Let me now wish you good luck at work as well as in your personal lives.

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. In 1997 the Company was transformed into a joint-stock company while Česká spořitelna got a share of 10 %. On 20th June 2001 it bought the rest of shares from original owners and it became a 100 % owner of the Company.

Since 2009 the seat of the Company has been Budějovická 1518/13B, Prague 4.

The basic capital reaches 114 million CZK.

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

Among industries that dominate in the portfolio of our clients are mainly companies working in metallurgy, car and consumer industry, chemical industry, food industry, suppliers of various range or products to chain stores, advertising and media industry, distributors of fuels, etc.

After 2010 market recovery, 2011 brought significant development

to factoring market; nevertheless, it still does not reach figures as before the crisis in 2008. **Factoring České spořitelny, a.s., grew much more vigorously than the average market rate was; it increased its market share from 27.3 % in 2010 to 31.8 % at the end of 2011, and thus strengthened its leading position on the factoring market in the Czech Republic.**

In 2011 the company also continued in realization of several fundamental strategic projects:

- deepening the system of cooperation with home bank and making it more effective, especially in the field of trade and risk management;
- increasing the care of administered portfolio of client's receivables;
- implementing new processes aimed at quality of services;
- systemization and deepening work with collecting overdue receivables and elaborating and improving processes of enforcement.

One of the fundamental requirements for future success stays a close cooperation with the home bank – Česká spořitelna, high-quality and professional risk management, flexible reaction to market needs, and keeping a high standard of services provided to the Company's clients.

Development of the most important economic indicators

	2008	2009	2010	2011
Assets from clients' receivables	6,626,482	5,576,339	6,235,806	6,885,724
Basic capital	84,000	84,000	114,000	114,000
Share premium			80 000	80 000
Equity	137,377	46,969	155,242	189,451
Added value	61,469	58,322	76,346	113,952
Business result before clearing and creating reserves and rectifying items	38,290	18,744	36,966	91,230
Business result for the accounting period	20,067	-89,586	-1,556	34,144

Directors and Officers

Board of Directors

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

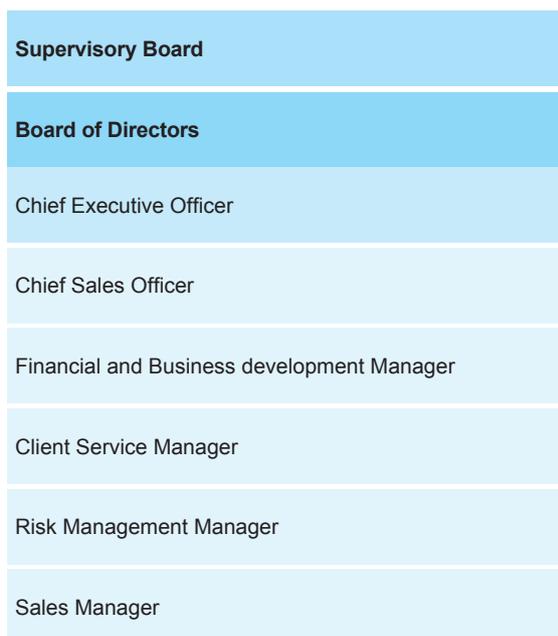
Supervisory Board

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

Company Management

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

Organizational Chart of the Company



Company Management Report

2011 was for the global and Czech economy a year of moderate growth still affected of impacts of economic crisis of previous period. Economic recovery showed in growth of assigned and financed/sold receivables, and in overall improvement of economy of Factoring České spořitelny, a.s., which despite adverse climate in the Czech economy recorded best results ever. The growth of economic activities of many business subjects, among which major part of the Company's clients, foreshadows further potential of factoring market growth in the Czech Republic in years to come.

Significant growth of annual turnover was influenced by positive financial results of the Company, keeping its most prosperous clients and activating business activities supporting increase of new deals, and compared to last year, a smaller amount of reserves for rectifying items. The Company also managed to place more funds on the market so needed for growth of firms from the segment of small, medium, and large corporate companies.

For a decade now Factoring České spořitelny, a.s., has represented a stable part of Financial Group of Česká spořitelna, which enabled and still enables it to solve many problems which in the Czech economy emerged due to the financial and economic crisis, and actively respond to them. The membership in the strong financial group guaranteed the ability of keeping stable funding of clients despite general deterioration in access of business subjects to credit sources on the Czech market. Factoring České spořitelny undoubtedly helped to keep favourable conditions for enterprise to many of its older as well as new clients and enabled them to grow in uneasy economic conditions.

Factoring České spořitelny also in 2011 fulfilled its principal strategy from past years which was focused on keeping the leading position on the Czech market of factoring services gained already in 2004. The Company's turnover of 41.7 billion achieved in 2011 and the market share of 31.8% confirmed achieving this goal and maintaining the first place on the factoring market in the Czech Republic, which can be considered as great success of the strategic management of the Company.

Also year 2011 was characterized by on-going growth of credit and operational risks, especially numerous insolvencies, bankruptcies, and restructuring in the economy. These aspects had influence on creating new rectifying items whose amount, however, does not reach values of past years. The Positive economic result thus affected a significant growth of margins and savings of part of operational costs and last but not least the sale of share in Erste Factoring Croatia d. o. o.

In 2011 the Company continued in more strict use of the complete concept of risk management created in past years, which

was built up with regard to maximum possible elimination of emerging credit as well as operation risks. In relation to possible hedging, the structure and volume of funds in individual product groups changed, sale of main and additional services focused on work with of clients with receivables in the stage before and after financing grew. Another distinct aspect fitting in the strategic management of the Company is development of active cooperation with three, or more precisely four since the beginning of 2012 credit insurance companies on the Czech market. The goal of these processes is to eliminate and diversify our own risks and an effort to help clients assess the quality of their customer's portfolio, prevent negative impacts of non-standard situations, and minimize financial losses.

The Company's management paid attention to the development of business activity. This activity was focused mainly on deepening co-operation with the home bank as well as development of its own business network in order to improve client service, its quickness and quality. A flexible and high-quality business network which covers the area of the whole republic enabled us to map and cover requirements of clients and to keep the client portfolio at the level comparable to previous years. The fact of slight growth in the number of processed and funded receivables proves the stability of client base and economic recovery of the factoring portfolio.

A stable offer of products of the Company with an accent on basic types of factoring enables clients to use a wide range of financial as well as non-financial products which they were used to in the past. These modern and flexible financial instruments helped to stabilization and growth of their business in the after-crisis economic environment of last year.

Risk management department also in last year, affected by the crisis, took part in realization of intentions of the Company and its deeper integration within the whole Financial Group. The process of methodology and working procedure standardization along with intense use of information technologies enabled us to keep high quality of those activities considered key for good running of a factoring firm. Good prevention and well-timed response to non-standard situations, enabled to minimize losses. A long-term process of quality improvement of risk management started in the past thus showed in stabilization of portfolio quality and in higher effectiveness of collecting, enforcing, structuring, and closing more risky exposures.

Operation department ensured smooth realization of current deals and providing a high-quality client service, accompanying individual types of factoring products. Quality work of this department with the portfolio of assigned receivables significantly

decreases both the credit risk of the Company and client credit exposures formed by provided supplier's credits to their customer's. At the same time it improves the liquidity management and stability of funded work capital of most of the clients which are important and beneficial functions of financial management of the Company.

Financial department in 2011 focused on improvement of financial management of the Company, aiming at decreasing operational costs, optimization of financial flows management, decreasing negative impacts of volatility of foreign exchange markets, and ensuring its stable liquidity. Most of these processes were successfully managed based on great cooperation with Česká spořitelna.

IT and Telecommunication Technologies department provides a stable technical and technological operation of the Company and contributes not only to the high quality and safe operation of the Company, but also to corporate innovative process as for products, as for technologies. In 2011 a backup department was established enabling a smooth operation of the Company in case of unexpected situation, technical infrastructure was improved as well as the quality and safety of work with the data processed.

In 2011 Factoring České spořitelny, a.s., strengthened its leading position on the market and achieved the best financial results ever. The results achieved of last year, common effort of members of the whole team, all members of the Company management, and support from its only shareholder allow us to be optimistic for the years to come.

Supervisory Board Report

The Supervisory Board of Factoring České spořitelny, a.s., just as in previous years, in accordance with its scope of authority, which is defined by the Commercial Code and Articles of Association, in the accounting period of January to December 2011 performed the role of supervisory and controlling body of the Company. The Supervisory Board supervised the activities of the Board of Directors and economic situation and business activities of the Company.

In accordance with requirements set by the Articles of Association the Supervisory Board realized four meetings in 2011. The Supervisory Board was concerned with questions of business and economic strategy and policy of the Company.

In accordance with its powers under legal provisions and Articles of Association, the Supervisory Board discussed the Report on Business Activities and Condition of Assets for 2011, and oversaw the financial statements of Factoring České spořitelny, a.s., submitted by the Board of Directors. In accordance with the auditor's statement of Ernst & Young Audit, s.r.o., the Supervisory

Board believes that the financial statements fairly and faithfully reflects the state of assets, liabilities, equity, and financial situation of Factoring České spořitelny, a.s., in all respects as of 31 December 2011, and are reported according to the Act on accountancy and related rules of the Czech Republic. Therefore, the Supervisory Board recommends approving the 2011 annual financial statements of Factoring České spořitelny, a.s., and the proposal to settlement of the profit submitted by the Board of Directors.

The Supervisory Board reviewed the Report on Relations in accordance to the Section 66a paragraph 9 of the Commercial Code and states that information in it is correct and complete.



Petr Witowski
Chairman of the Supervisory Board

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Independent Auditor's Report

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

I. We have audited the financial statements of Factoring České spořitelny, a. s. („the Company“) as at 31 December 2011 presented in the annual report of the Company on pages 12 - 29 and our audit report dated 25 February 2012 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 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of Factoring České spořitelny, a. s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Factoring České spořitelny, a. s. as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.“

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

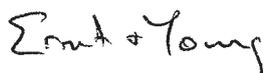
We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 2–7 is consistent with that contained in the audited financial statements as at 31 December 2011. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

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

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of Factoring České spořitelny, a. s. for the year ended 31 December 2011 presented in the annual report of the Company on pages 30–32. The management of Factoring České spořitelny, a. s. is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Factoring České spořitelny, a. s. for the year ended 31 December 2011 is materially misstated.



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

Represented by



Martin Zuba
Partner



Magdalena Souček
Auditor, License No. 1291

4 June 2012
Prague, Czech Republic

Balance Sheet

as at 31 December 2011

CZK ths.	31. 12. 2011			31. 12. 2010
	Gross	Allowances	Net	Net
Total assets	7,278,609	278,668	6,999,941	6,357,963
B. Fixed assets	24,286	19,042	5,244	6,342
B.I. Intangible assets	9,793	9,448	345	661
B.I.3. Software	9,017	8,764	253	568
B.I.4. Patents, royalties and similar rights	776	684	92	93
B.II. Tangible assets	14,493	9,594	4,899	5,257
B.II.3. Separate movable items and groups of movable items	14,459	9,594	4,865	5,223
B.II.6. Other tangible assets	34	0	34	34
B.III. Non-current financial assets	0	0	0	424
B.III.3. Other long-term securities and interests	0	0	0	424
C. Current assets	7,252,728	259,626	6,993,102	6,350,711
C.I. Inventory	39	0	39	77
C.I.1. Materials	39	0	39	77
C.II. Long-term receivables	46,151	0	46,151	38,794
C.II.5. Long-term advances granted	178	0	178	183
C.II.8. Deferred tax asset	45,973	0	45,973	38,611
C.III. Short-term receivables	7,147,273	259,626	6,887,647	6,237,902
C.III.1. Trade receivables	7,145,350	259,626	6,885,724	6,235,806
C.III.6. Due from government – tax receivables	497	0	497	498
C.III.7. Short-term advances granted	1,424	0	1,424	1,598
C.III.9. Other receivables	2	0	2	0
C.IV. Short-term financial assets	59,265	0	59,265	73,938
C.IV.1. Cash	108	0	108	30
C.IV.2. Cash at bank	59,157	0	59,157	73,908
D. I. Accrued assets and deferred liabilities	1,595	0	1,595	910
D.I.1. Prepaid expenses	1,595	0	1,595	910

CZK ths.	31. 12. 2011	31. 12. 2010
Total equity & liabilities	6,999,941	6,357,963
A. Equity	189,451	155,243
A.I. Share capital	114,000	114,000
A.I.1. Registered capital	114,000	114,000
A.II. Capital funds	80,000	79,936
A.II.1. Share premium	80,000	80,000
A.II.3. Gain or loss on revaluation of assets and liabilities	0	(64)
A.III. Reserve funds, indivisible fund and other funds created from profit	33	33
A.III.2. Statutory and other funds	33	33
A.IV. Losses from previous years	(38,726)	(37,170)
A.IV.1. Retained earnings	4,620	4,620
A.IV.2. Accumulated loss of previous years	(43,346)	(41,790)
A.V. Profit/(Loss) for the year (+/-)	34,144	(1,556)
B. Liabilities	6,804,286	6,191,608
B.III. Current liabilities	3,967,893	3,686,322
B.III.1. Trade payables	3,918,852	3,657,874
B.III.5. Liabilities to employees	1,288	1,207
B.III.6. Liabilities arising from social security and health insurance	626	663
B.III.7. Due to government – taxes and subsidies	10,977	4,160
B.III.8. Advances received	3,560	3,468
B.III.10. Unbilled deliveries	32,216	18,950
B.III.11. Other liabilities	374	0
B.IV. Bank loans and borrowings	2,836,393	2,505,286
B.IV.2. Short-term bank loans	2,836,393	2,505,286
C. I. Accrued liabilities and deferred assets	6,204	11,112
C.I.2. Deferred income	6,204	11,112

Prepared on: 25. 2. 2012.

Signature of accounting entity's statutory body:


Radmila Jakubová


Karel Machytka

Income Statement

for the Year Ended 31 December 2011

CZK ths.		Year, ended 31. 12. 2011	Year, ended 31. 12. 2010
II.	Production	145,056	104,362
II.1.	Revenue from sale of finished products and services	145,056	104,362
B.	Production related consumption	31,104	28,016
B.1.	Consumption of material and energy	1,394	731
B.2.	Services	29,710	27,285
+	Value added	113,952	76,346
C.	Personnel expenses	40,645	38,353
C.1.	Wages and salaries	29,680	27,607
C.2.	Bonuses to members of company or cooperation bodies	270	255
C.3.	Social security and health insurance	9,671	9,529
C.4.	Other social costs	1,024	962
D.	Taxes and charges	934	347
E.	Amortization and depreciation of intangible and tangible fixed assets	2,713	3,115
III.	Revenue from sale of intangible and tangible fixed assets and materials	488	265
III.1.	Revenues from sale of intangible and tangible fixed assets	488	265
F.	Net book value of intangible and tangible fixed assets and materials sold	149	69
F.1.	Net book value of intangible and tangible fixed assets sold	149	69
G.	Change in provisions and allowances relating to operations and in deferred expenses	57,086	38,522
IV.	Other operating income	19,099	10,235
H.	Other operating expenses	39,045	39,328
*	Profit or loss on operating activities	(7,033)	(32,888)
VI.	Revenue from sale of securities and interests	9,650	0
J.	Securities and interests sold	503	0
VII.	Revenue from long-term financial assets	1,470	0
VII.1.	Revenue from shares in subsidiaries and associates	1,470	0
X.	Interest income	97,255	76,935
N.	Interest expense	53,608	41,938
XI.	Other financial income	261,622	129,622
O.	Other financial expenses	263,901	130,610
*	Profit or loss on financial activities	51,985	34,009
Q.	Tax on profit or loss on ordinary activities	10,808	2,677
Q 1.	– current	18,185	10,765
Q 2.	– deferred	(7,377)	(8,088)
**	Profit/(Loss) on ordinary activities after taxation	34,144	(1,556)
***	Profit/(Loss) for the year (+/-)	34,144	(1,556)
****	Profit before taxation	44,952	1,121

Prepared on: 25. 2. 2012.

Signature of accounting entity's statutory body:


Radmila Jakubová


Karel Machytka

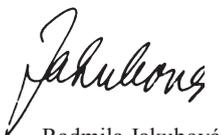
Cash Flow Statement

for the Year Ended 31 December 2011

CZK ths.	Year, ended 31. 12. 2011	Year, ended 31. 12. 2010
P. Cash and cash equivalents at beginning of year	73,938	63,439
Cash flows from operating activities		
Z. Profit before taxation	44,952	1,121
A.1. Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	15,602	24,640
A.1.1. Depreciation and amortization of fixed assets	2,713	3,115
A.1.2. Change in allowances and provision	57,086	38,522
A.1.3. Loss on disposal of fixed assets	-338	-196
A.1.4. Revenue from dividends or profit sharing	-1,470	0
A.1.5. Interest expense and interest income	-43,647	-34,998
A.1.6. Loss on sales of shares	-9,650	0
A.1.7. Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	10,908	18,197
A.* Net cash from operating activities before taxation, changes in working capital and extraordinary items	60,554	25,761
A.2. Change in working capital	-448,326	-224,129
A.2.1. Change in receivables and in prepaid expenses and unbilled revenue	-646,115	-717,469
A.2.2. Change in payables and in accruals and deferred income	197,751	493,275
A.2.3. Change in inventory	38	65
A.** Net cash from operating activities before taxation, interest paid and extraordinary items	-387,772	-198,368
A.3. Interest paid	-53,608	-41,937
A.4. Interest received	97,255	76,935
A.5. Tax on profit or loss on ordinary activities paid	-11,577	-285
A.7. Dividends and shares in profit received	1,470	0
A.*** Net cash used in operating activities	-354,232	-163,655
Cash flows from investing activities		
B.1. Purchase of fixed assets	-1,765	-2,047
B.2. Proceeds from sale of fixed assets	488	265
B.4. Net proceeds from equity investments	9,650	0
B.*** Net cash provided by/(used in) investing activities	8,373	-1,782
Cash flows from financing activities		
C.1. Change in long-term liabilities and long-term, resp. short-term, loans	331,122	65,958
C.2. Net effect of changes in shareholders equity	64	109,978
C.2.1. Effect of changes in basic capital on cash	0	30,000
C.2.3. Additional capital paid in by members	0	80,000
C.2.5. Payments debited to reserves	64	-22
C.2.6. Dividend paid	0	0
C.*** Net cash provided by financing activities	331,186	175,936
F. Net (decrease)/increase in cash	-14,673	10,499
R. Cash and cash equivalents at end of year	59,265	73,938

Prepared on: 25. 2. 2012.

Signature of accounting entity's statutory body:



Radmila Jakubová



Karel Machytka

Statement of Changes in Equity

for the Year Ended 31 December 2011

CZK ths.	Registe- red capital	Share pre- mium	Gain or loss on revalu- ation of assets and liabilities	Reserve funds, indivisible fund and other funds created from profit	Retained earnings	Accumu- lated loss of previous years	Profit (loss) for the year (+/-)	Total equity
Balance as at 31 December 2009	84,000	0	-42	7,621	44,976	0	-89,586	46,969
Profit distribution				-7,439	-40,357	-41,790	89,586	0
Funds distribution				-149				-149
Loss on revaluation of financial investment			-22					-22
Loss for the year							-1,556	-1,556
Registered capital and share premium increase	30,000	80,000						110,000
Balance as at 31 December 2010	114,000	80,000	-64	33	4,620	-41,790	-1,556	155,243
Profit distribution						-1,556	1,556	0
Profit on revaluation of financial investment			64					64
Profit for the year							34,144	34,144
Balance as at 31 December 2011	114,000	80,000	0	33	4,620	-43,346	34,144	189,451

Notes to the Financial Statements

for the Year 2011

1. General Information

1.1 Incorporation and Description of the Business

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

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

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

The accompanying financial statements have been prepared for the year ended 31 December 2011.

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

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

1.2 Organisational Structure

At the end of 2011, the Company had 39 employees, of which 6 were the Company’s managers. The Company is organised into 8 units as follows: management including secretariat, sales (representation) department, operations department (cross-border and in-country clients), customer service department, risk management department, legal and workout department, IT department and finance and controlling department.

As at 31 December 2011, members of the Company’s statutory and supervisory bodies were as follows:

	Position	Name
Board of Directors	Chair	Radmila Jakubová
	Vice Chair	Karel Machytko
	Member	vacant
Supervisory Board	Chair	Dr. Heinz Knotzer
	Member	Karel Mourek
	Member	Alois Barthuber

2. Basis of Accounting and General Accounting Principles

The Company’s accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended. The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis, the accruals principle, the prudence concept and the going concern assumption.

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

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

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

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 13 thousand on an individual basis. Tangible fixed assets also include selected low value tangible assets with an estimated useful life greater than 1 year and an acquisition cost lower than CZK 13 thousand.

Intangible fixed assets include identifiable assets without physical substance with an estimated useful life greater than 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 13 thousand which are not included in selected low-value fixed assets, technical improvements with a cost below CZK 40 thousand and intangible assets with a cost below CZK 60 thousand are charged to expenses in the period in which they were acquired.

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

Depreciation for Accounting Purposes

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

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

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

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

3.2 Non-Current Financial Assets

Valuation

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

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

As at the balance sheet date, the Company records:

- Equity investments in subsidiaries and associates at cost;
- Debt securities held to maturity at cost increased to reflect interest income (including amortisation of premium or discount, if any); and
- Securities and equity investments available-for-sale at fair

value if determinable. If it is not possible to determine the fair value, the acquisition cost valuation is used. The change in the fair value is recorded in equity through the “gain or loss on revaluation of assets and liabilities” line item.

Valuation approach

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

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

3.3 Inventory

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

3.4 Receivables

Upon origination, receivables are stated at their nominal value. Doubtful and irrecoverable 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 end customers.

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

Method of allowance creation

Effective from 2010 the Company has been creating allowances for accounting purposes on the basis of the calculation of expected loss to be incurred on funds placed with clients, using probability of default testing and taking into account clients’ and their customers ratings.

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

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

Specific allowances are created against special workout receivables.

3.5 Equity

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

3.6 Bank Loans and Borrowings

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

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

3.7 Provisions

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

3.8 Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated using a fixed exchange rate reflecting the Czech National Bank (“CNB”) exchange rate prevailing on the last day of the calendar month preceding the month in which the transaction occurred.

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

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

3.9 Taxation

3.9.1 Depreciation of Fixed Assets for Tax Purposes

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

3.9.2 Current Tax Payable

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

3.9.3 Deferred Taxation

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

3.10 Cash and Cash Equivalents

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

3.11 Revenues

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

Interest claims are recognised as “Interest income”.

Revenues are recognised on an accrual 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.

3.12 Use of Estimates

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

3.13 Risk Management

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

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

The Company performs a regular assessment of the impact of exchange rate risks and takes appropriate steps on an ongoing basis to

balance assets and liabilities denominated in foreign currencies. The lending method in the form of overdraft foreign exchange accounts enables the Company to manage the balancing of foreign exchange assets and liabilities and mitigate foreign exchange risks.

With regard to interest rate risk, the Company uses one-month rates both for assets and liabilities; therefore there is no need for hedging of interest rate risks.

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

4.1 Intangible Fixed Assets

Cost

(CZK thousand)	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Software	8,753	0	0	8,753	264	0	9,017
Licenses, know-how	682	0	0	682	94	0	776
Total	9,435	0	0	9,435	358	0	9,793

Accumulated Amortisation and Allowances

(CZK thousand)	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Software	7,252	933	0	8,185	579	0	8,764
Licenses, know-how	418	170	0	588	96	0	684
Total	7,670	1,103	0	8,773	675	0	9,448

Net Book Value

(CZK thousand)	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Software	568	253
Licenses, know-how	93	92
Total	661	345

The Company acquired no intangible assets charged directly to expenses in 2011 (2010: CZK 5 thousand).

4.2 Tangible Fixed Assets

Cost

(CZK thousand)	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Individual movable assets	12,871	2,075	(1,401)	13,545	1,830	(882)	14,493
– Machinery and equipment	6,897	1,783	(121)	8,559	572	(113)	9,018
– Vehicles	5,974	292	(1,280)	4,986	1,258	(769)	5,475
Total	12,871	2,075	(1,401)	13,545	1,830	(882)	14,493

Accumulated Depreciation

(CZK thousand)	Balance at 31 Dec 2009	Additions	Disposals	Balance at 31 Dec 2010	Additions	Disposals	Balance at 31 Dec 2011
Individual movable assets	7,609	2,011	(1,332)	8,288	2,039	(733)	9,594
– Machinery and equipment	4,692	898	(86)	5,504	1,144	(114)	6,534
– Vehicles	2,917	1,113	(1,246)	2,784	895	(619)	3,060
Total	7,609	2,011	(1,332)	8,288	2,039	(733)	9,594

Net Book Value

(CZK thousand)	Balance at 31 Dec 2010	Balance at 31 Dec 2011
Individual movable assets	5,257	4,899
– Machinery and equipment	3,055	2,484
– Vehicles	2,202	2,415
Total	5,257	4,899

In the years ended 31 December 2011 and 2010, respectively, investments in tangible assets predominantly related to hardware equipment and cars.

The Company acquired tangible assets of CZK 83 thousand and CZK 80 thousand that were charged directly to expenses for the years ended 31 December 2011 and 2010, respectively. These assets are low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported within fixed assets. These assets are expensed.

4.3 Non-Current Financial Assets

ERSTE FACTORING d. o. o.

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

4.4 Inventory

As at 31 December 2011 and 2010, the Company recorded materials inventory of CZK 39 thousand and CZK 77 thousand, respectively, comprising chip cards used to record specimen signatures.

4.5 Receivables

4.5.1 Long-Term Receivables – Deferred Tax Assets

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

4.5.2 Short-Term Receivables

(CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Trade receivables	6,885,724	6,235,806
– customers	5,524,974	4,698,201
– prepayments made	1,620,376	1,740,145
– allowances	(259,626)	(202,540)
State – tax receivables	497	498
Short-term prepayments made	1,424	1,598
Other receivables	2	0
Total	6,887,647	6,237,902

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

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

4.5.3 Aging of Trade Receivables

Year	Category	Not yet due					Overdue	Total
			0–30 days	31–60 days	61–90 days	91–365 days	1 year and greater	
2011	Short-term	5,898,547	639,088	99,096	5,244	35,327	468,047	7,1453,50
	Allowances				9,805	39,154	210 667	(259,626)
2010	Short-term	5,365,237	516,138	84,709	21,204	73,985	377,073	6,438,346
	Allowances				19,490	20,000	163,050	(202,540)

The average maturity of receivables from customers of the Company’s factoring clients in 2011 and 2010 was 49.30 days and 51.83 days, respectively.

In accordance with the method of creating of allowances for accounting purposes on the basis of calculation of expected loss to be incurred on funds placed with clients (see note 3.4.) the Company created portfolio allowances totaling CZK 9,805 thousand, other accounting allowances have been created for the specific purpose of workout receivables totaling CZK 223,008 thousand and tax-deductible allowances have been created at an amount of CZK 26,813 thousand in 2011.

Of the aggregate amount of allowances, CZK 26,813 thousand and CZK 0 thousand were tax-deductible in 2011 and 2010, respectively. Tax deductible allowances have been created against transferred receivables from clients’ customers and the Company’s own receivables from clients in the instance of bankruptcy proceedings of these entities.

During 2011 and 2010, the Company wrote off receivables of CZK 9,908 thousand and CZK 13,797 thousand, respectively, due to their irrecoverability.

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance at 31 Dec 2009	Allowance creation	Release of allowance	Balance at 31 Dec 2010	Allowance creation	Release of allowance	Balance at 31 Dec 2011
Receivables – legal	3,433	0	(3,433)	0	26,813	0	26,813
Receivables – other	160,585	73,067	(31,112)	202,540	40,135	(9,862)	232,813

4.6 Cash and Cash Equivalents

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

4.7 Accrued Assets

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

4.8 Equity

4.8.1 Share Capital

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

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

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

4.8.2 Compensation of the 2010 Loss

In 2011 the Company's sole shareholder, exercising the powers of the general meeting, approved the compensation of the 2010 loss of CZK 1,556 thousand. The loss was transferred to the accumulated loss of previous years, the current balance of which is CZK 43,346 thousand.

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

In 2011 the revaluation gain (2010: CZK 64 thousand) from foreign exchange rate gains and losses relating to securities available for sale was realised.

4.9 Payables

4.9.1 Short-Term Payables

(CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Trade payables	3,918,852	3,657,874
Payables to employees	1,288	1,207
Payables arising from social security and health insurance	626	663
State – Tax payables and subsidies	10,977	4,160
Advances received	3,560	3,468
Unbilled deliveries	32,216	18,950
Other payables	374	0
Total	3,967,893	3,686,322

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

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

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

4.10 Bank Loans and Borrowings

2011

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

2010

Bank/creditor (CZK thousand)	Purpose	Balance at 31 Dec 2010	Interest rate	Maturity	Collateral form
Česká spořitelna	operating – GBP overdraft	38,956	1 M Libor + risk margin	31. 7. 2011	uncollateralised
Česká spořitelna	operating – SEK overdraft	12,347	1 M Libor + risk margin	31. 7. 2011	uncollateralised
Česká spořitelna	operating – PLN overdraft	27,477	1 M Wibor + risk margin	31. 7. 2011	uncollateralised
Česká spořitelna	operating – CZK current account	1,650,000	1 M Pribor + risk margin	31. 7. 2011	uncollateralised
Česká spořitelna	operating – EUR current account	476,140	1 M Euribor + risk margin	31. 7. 2011	uncollateralised
Česká spořitelna	operating – PLN current account	37,848	1 M Wribor + risk margin	31. 7. 2011	uncollateralised
Česká spořitelna	operating – USD current account	262,514	1 M Libor + risk margin	31. 7. 2011	uncollateralised
Total intercompany bank loans		2,505,282			
Komerční banka	operating – CZK current account	4			
Total external bank loans		4			
Total bank loans and borrowings		2,505,286			

The average amount of the loans received from Group entities was CZK 2,900,957 and CZK 2,382,979 thousand in 2011 and 2010, respectively. The Company paid interest charges on these loans in the amount of CZK 53,608 thousand and CZK 38,010 thousand in 2011 and 2010, respectively.

4.11 Accrued Liabilities

Accrued liabilities predominantly include accrued loan interest and operating liabilities.

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

2011

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

2010

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

4.13 Details of Income by Principal Activity

(CZK thousand)	Balance at 31 Dec 2011			Balance at 31 Dec 2010		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Fee income	136,388	5,946	142,334	96,677	4,444	101,121
Advisory services	0	2,666	2,666	0	2,984	2,984
Other income	56	0	56	257	0	257
Production	136,444	8,612	145,056	96,934	7,428	104,362
Interest income	88,714	8,541	97,255	68,202	8,733	76,935
Total income from operations	225,158	17,153	242,311	165,136	16,161	181,297

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

Interest income includes interest on prepayments made under factoring arrangements.

4.14 Services

(CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Fees for factoring services	4,086	5,769
Costs of outsourcing	43	3,657
Rental	5,159	4,605
Legal and notarial services	1,175	3,646
Repair and maintenance	4,825	3,925
Marketing costs	2,841	466
External audit	557	393
Tax and other advisory	3,392	132
Costs of other services	7,632	4,692
Total costs of services	29,710	27,285

4.15 Other Operating and Financial Income and Expenses

(CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Other operating income	19,099	10,234
of which: Income from the cession/sale of a receivable	1,240	4,372
Insurance proceeds	15,734	4,702
Other	2,125	1,160
Other operating expenses	(39,045)	(39,329)
of which: Cost of ceded/written-off/sold receivables	(10,908)	(18,197)
Credit insurance	(25,832)	(16,873)
Other	(2,305)	(4,259)
Total other operating result	(19,946)	(29,095)

(CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Other financial income	271,272	129,622
of which: Foreign exchange gains	261,275	129,323
Revenue from sale of securities and equity investments	9,650	0
Other	347	299
Other financial expense	(264,404)	(130,610)
of which: Foreign exchange losses	(262,605)	(129,305)
Cost of securities and equity investments sold	(503)	0
Other	(1,296)	(1,305)
Total other financial result	6,868	(988)

4.16 Current and Deferred Income Tax

Current Tax

(CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Current tax	17,799	11,661
Additional tax assessment	386	(896)
Total	18,185	10,765

The tax charge for 2011 and 2010 can be reconciled to the profit per the income statement as follows:

(CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Profit before tax	44,952	1,121
Tax at the local income tax rate of 19% (2010: 19%)	8,540	213
Tax effect of tax non-deductible items	10,148	11,896
Tax effect of tax-deductible items	(889)	(382)
Additional payment/recovery of taxes for prior periods	386	(896)
Tax paid abroad	0	(66)
Current Tax Payable	18,185	10,765
Current changes in the deferred tax asset	(7,377)	(8,088)
Total income tax on ordinary and extraordinary activities	10,808	2,677

Deferred Taxation

The deferred tax asset can be analysed as follows:

Deferred tax arising from (CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Depreciation and amortisation of fixed assets	(448)	(522)
Revaluation of the financial investment	0	15
Allowances against receivables	44,234	38,483
Estimated payables for social security and health insurance	2,186	635
Total	45,973	38,611

Analysis of the change in the balance (CZK thousand)	Balance at 31 Dec 2011	Balance at 31 Dec 2010
Opening balance	38,611	30,518
Total charges against profit or loss	7,377	8,088
Total charges against equity	(15)	5
Total	45,973	38,611

In the years ended 31 December 2011 and 2010, the Company recognised a deferred tax asset of CZK 45,973 thousand and CZK 38,611 thousand, respectively.

5. Employees, Management and Statutory Bodies

5.1 Staff Costs and Number of Employees

The average number of employees and management and staff costs for the years ended 31 December 2011 and 2010 are as follows:

2011

(CZK thousand)	Number	Wage costs	Social and health insurance	Other costs	Personnel expenses Total
Employees	33	18,988	6,461	848	26,297
Management	6	10,961	3,211	176	14,348
Total	39	29,949	9,672	1,024	40,645

2010

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

The number of employees is based on the average re-calculated headcount. Staff costs of management comprise the costs of the Company's managing directors, two of which (2010: two persons) are also members of the Company's Board of Directors.

5.2 Loans, Borrowings, and Other Benefits Provided

During the years ended 31 December 2011 and 2010, the members of the Company's management received the following benefits in addition to their basic salaries and other personal funding:

2011

	Board of Directors	Management
Management life and pension insurance	55	62
Cars/other movable assets for both business and private purposes (amount increases the tax base of employees)	156	234

2010

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

6. Summary of Relations with Related Parties

Given that the Company is a member of the Česká spořitelna, a. s. Group, its cooperation with the parent company continued during 2011 and 2010, 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 2011 and 2010, receivables from Česká spořitelna amounted to CZK 23,449 thousand and CZK 55,692 thousand, respectively. The above predominantly include receivables arising from current account balances.

As at 31 December 2011 and 2010, payables to the parent company amounted to CZK 2,836,387 thousand and CZK 2,505,282 thousand, respectively. These amounts mainly represent regular bank loans and balances on overdraft accounts.

For the year ended 31 December 2011 and 2010, the Company recorded expenses in relation to Česká spořitelna in the aggregate amount of CZK 61,522 thousand and CZK 50,840 thousand, respectively. They predominantly include interest on received loans, outsourcing and rent. The income in the aggregate amount of CZK 1,200 thousand and CZK 1,218 thousand, respectively, related to interest and fees received from Česká spořitelna.

With respect to its related parties, Factoring Slovenskej sporitel'ne, a. s. and ERSTE FACTORING d. o. o., the Company recognises receivables arising from factoring cooperation in the amount of CZK 738 thousand and CZK 5,366 thousand, respectively. In 2010, such receivables totalled CZK 5,366 thousand and CZK 1,731 thousand, respectively. In addition, the Company also has a receivable from Slovenská sporiteľňa, a.s at an amount of CZK 67 thousand as at 31 December 2011 (2010: CZK 0 thousand).

The Company sold its 2.5% shareholding in the factoring company ERSTE FACTORING d.o.o., Croatia to related party ERSTE&STEIERMAERKISCHE BANK d.d. for a profit of CZK 9,147 thousand. Before the sale of the ownership interest in ERSTE FACTORING d. o. o. the Company received a dividend of CZK 1,470 thousand as its share in the profit of 2010 (2010: CZK 0 thousand).

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

Overview of Supplies provided to the Company:

(CZK thousand)	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Procurement Services GmbH	40	81
Procurement Services CZ, s.r.o.	81	67
Factoring Slovenskej sporitel'ne, a. s.	0	39
Total	121	187

Overview of Supplies provided by the Company:

(CZK thousand)	Year ended 31 Dec 2011	Year ended 31 Dec 2010
Erste Factoring, d. o. o.	562	1,627
Slovenská sporiteľňa, a. s.	1,299	0
Factoring Slovenskej sporitel'ne, a. s.	366	1,262
Total	2,227	2,889

7. Contingent Liabilities and Off Balance Sheet Commitments

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

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

7.1 Post Balance Sheet Events

No post balance sheet events requiring adjustment to or disclosure in these financial statements took place between year end and the date on which the financial statements were approved.

Prepared on 25 February 2012.



Radmila Jakubová



Karel Machytka

Report on Related Parties

Pursuant to Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code for the year ended 31 December 2011

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

This Report on relations between the persons listed below has been prepared in compliance with the provisions of Section 66a (9) of Act No. 513/1991 Coll., the Commercial Code, as amended, for the year ended 31 December 2011 (hereinafter the “**fiscal year**”).

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

A. Overview of the Persons whose Relations are Described Below



B. Controlling Persons

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

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

C. Other Related Parties

Companies controlled by other members of the ERSTE Group

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

- **Factoring Slovenskej sporiteľne, a. s.**,
with its registered address at Tomášikova 48, Bratislava,
post code 832 67, Slovak Republic,
Business Registration Number 35849665
Relation to the Company: related party of the Submitter
directly controlled by Slovenská sporiteľňa.
Description of relations – see **Annexure**
- **ERSTE FACTORING d. o. o.**,
with its registered address at Zagreb, Ivana Lučica 2,
post code 10 000 Croatia, VAT 080558484
Relation to the Company: related party directly controlled by
Erste & Steiermarkische Bank
Description of relations – see **Annexure**
- **Procurement Services CZ, s. r. o.**,
with its registered address at Želetavská 1449/9,
post code 140 00, Prague 4
Relation to the Company: related party directly controlled by
Procurement Services GmbH
Description of relations – see **Annexure**

Annexure – Transactions with Related Parties

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

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

Receivables from banks

Factoring České spořitelny, a. s. deposited its cash totalling CZK 23.4 million on current and deposit accounts maintained by Česká spořitelna pursuant to contracts on the opening of a current account and credit contracts. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Other Assets

Balance sheet caption Other assets includes other trade receivables and advance payments provided to related parties at a total amount of CZK 2.5 million. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

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

Liabilities to banks

Factoring České spořitelny, a. s. received funding by Česká spořitelna, a. s. at a total amount of 2,836 million in accordance with credit and bank overdraft contracts. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

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

Interest and similar income

Factoring České spořitelny, a. s. received dividend income from abroad of CZK 1.5 million on ordinary market or business terms within the related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Interest and similar expense

Factoring České spořitelny, a. s. incurred interest expense of CZK 53.6 million on ordinary market or business terms within the related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Income from fees and commissions

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

General administrative expenses

Factoring České spořitelny, a. s. spent CZK 4.7 million on general administrative expenses, particularly rental charges and the purchase of advisory, professional, consultancy and other services on ordinary market or business terms within the related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Other operating revenues and costs

Factoring České spořitelny, a. s. had a negative balance of other operating revenues and costs of CZK 1.1 million on ordinary market or business terms within the other related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Net income/loss from financial operations

Factoring České spořitelny, a. s. received income from trading with securities at a total volume of CZK 9.1 million on ordinary market or business terms within the related party transactions in the fiscal year. Factoring České spořitelny, a. s. suffered no detriment from these transactions in the fiscal year.

Contractual Relations

In prior years Factoring České spořitelny, a. s. entered into contracts with the related parties listed in Sections B and C. The amount of performance for the fiscal year is included in Annexure. In the fiscal year Factoring České spořitelny, a. s. entered into contracts with the related parties listed in Sections B and C. The amount of funding for the fiscal year is included in Annexure. The

below mentioned list includes significant related party contracts that were in force in the fiscal year. Insignificant contractual relations on the basis of which Factoring České spořitelny, a. s. received or rendered services from/to related parties the amount of which is included in Annexure and the company suffered no detriment therefrom, are not included in this report.

Contract Name	Contracting party	Performance description	Detriment, if any
Licence agreement on the implementation of the HoC II information system for the support of comprehensive factoring services	Slovenská sporiteľňa, a. s.	Software implementation	none
Licence agreement on the implementation of the HoC II information system	ERSTE FACTORING d.o.o	Software implementation	none
Licence agreement on the implementation of the Monitoring of Receivables system	Slovenská sporiteľňa, a. s.	Monitoring of Receivables	none
Agreement on the Rendering of Services	Procurement Services CZ, s. r. o.	Rendering of services	none

D. Other Legal Acts

The Submitter accepted or rendered no other legal acts in the interest or at the initiative of the Related Parties in the 2011 fiscal year.

This Report was discussed with and approved by the Company's Board of Directors on 10 April 2012.

In Prague, on 10 April 2012.

Factoring České spořitelny, a. s.

E. Other Distinct Measures

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



Radmila Jakubová
Chairwoman of the Board of Directors

F. Conclusion

Considering the relations between the Submitter and the Related Parties reviewed by us the Submitter appears to have suffered no detriment as a result of the contracts, other legal acts or other measures entered into, made or received by the Submitter in the interest or at the initiative of the Related Parties in the 2011 fiscal year.



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

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