
Annual Report 2015

Factoring KB, a.s.

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029

2015

NA PARTNERSTVÍ ZÁLEŽÍ



KB
Factoring

Factoring KB, a.s. provides a range of factoring services comprising purchase, administration, collection and financing of accounts receivable, including the assumption of risks related to the insolvency or recalcitrance of domestic or foreign debtors.

Selected economic indicators

- Company turnover reached CZK 35,481 million in 2015, which represents a year on year increase of 4%.
- Profit after tax was CZK 76.2 million in 2015.
- The company's market share expanded to 25.9% in 2015.

Contacts

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Komerční banka, a.s.

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E-mail: mojebanka@kb.cz
Internet: www.kb.cz

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Turnover of domestic factoring (CZK million)

2012	14,418
2013	17,234
2014	22,563
2015	24,916

Turnover of international factoring (CZK million)

2012	5,113
2013	9,306
2014	11,551
2015	10,565

	UNIT	2015	2014	2013	2012	2011
Total assets	CZK million	12,027.9	12,214.3	9,456.3	7,747.7	7,150.3
Registered capital	CZK million	1,184.0	1,184.0	1,184.0	1,184.0	1,184.0
Equity	CZK million	1,626.2	1,598.3	1,628.8	1,590.4	1,489.9
Profit/loss before taxes	CZK million	86.5	31.2	73.7	29.7	77.6
Profit after tax	CZK million	76.2	26.6	63.1	16.7	69.7
Market share	CZK million	25.9	20.8	18.3	15.0	12.6
Total turnover*	CZK million	35,480.5	34,113.9	26,540.2	19,531.1	16,096.0
Turnover of domestic factoring	CZK million	24,915.7	22,562.6	17,234.1	14,417.8	13,273.9
Turnover of international factoring	CZK million	10,564.7	11,551.2	9,306.1	5,113.3	2,822.1
Level of provisions	CZK million	217.0	206.4	165.5	182.4	175.5
Total revenues*	CZK million	547.5	341.8	430.1	280.6	332.4
Total costs**	CZK million	461.0	310.6	356.4	250.9	254.8
Average number of employees	number	44	42	42	40	38

* The amount does not include revenues associated with the sale of re-assignment of account receivables.

** The amount does not include costs associated with the sale of re-assignment of account receivables and tax costs.

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Company Profile

Business name

Factoring KB, a.s.

Legal form

Joint-stock company

Business Registration No. (IČ)

25148290

Registered office

náměstí Junkových 2772/1
155 00 Prague 5

Date of incorporation

4 August 1997

Registered capital

CZK 1,184,000,000

Factoring KB, a.s. was established with the aim to provide a range of factoring services comprising purchase, administration, collection and financing of accounts receivable, including the assumption of risks related to the insolvency or recalcitrance of domestic or foreign debtors. The Company offers its services predominantly to Czech businesses, and, through its membership in Factors Chain International (the largest network of factoring organisations in the world), it also provides selected services to other members of this international group.

Factoring KB, a.s., was founded as a fully owned subsidiary of Komerční banka, a.s. It has been a member of the Komerční banka Financial Group since its foundation, and an active member of the Société Générale Banque financial group (hereinafter "Société Générale") since 2002. Membership in both financial groups has significantly influenced the Company's overall development and has brought new impetus for developing cooperation with other members of the group at home and abroad.

Membership of associations

- Factors Chain International (hereinafter "FCI") since 30 June 2000
- Asociace faktoringových společností ČR (hereinafter "AFS") since November 2000
- Česká leasingová a finanční asociace (hereinafter "ČLFA") since June 2005

Share in turnover of Factoring KB, a.s. on the Czech factoring market (%)

2012	15
2013	18
2014	21
2015	26

Report of the Board of Directors

The Czech economy recorded exceptional output expansion in 2015, as real GDP growth reached 4.3% and was the fastest since 2007. Given that the Czech economy's rate of growth was twice as fast as the euro zone's rate, its pace of convergence with the euro area average accelerated significantly. That growth is built on stable foundations because it can rely on strong domestic demand. Investment activity and household consumption last year reached their quickest growth rates since 2007. In terms of gross value added, the driver was industry, where production increased by 4.4% in real terms. The automotive industry contributed most to industrial growth, expanding by 11.5%, followed by manufacture of rubber and plastic products (+9.8%) and the metalworking industry (+6.7%). On the other hand, sinking prices for energy commodities and shutdown of the nuclear power plant at Dukovany reflected negatively in the production and distribution of electricity, gas, hot water and steam, whose output fell by 2.2% last year. The chemical and mining industries also experienced a slight fall as, their production declined by 5.7%, and 1.7%, respectively.

Despite the Czech economy's substantial growth, the factoring market diminished year on year by 16.5% from an annual turnover of CZK 164.4 billion in 2014 to CZK 137.2 billion in 2015. According to information provided by the Czech Association of Factoring Companies, the year-on-year decline in factoring utilisation relates to one-off large-scale transactions of two members of the Association. Factoring KB performed well even in 2015. Following the extraordinary results in 2014, when the turnover in accounts receivable purchased by our Company increased by 28.5% year on year, we strengthened our position on the market even in 2015. Factoring KB achieved the turnover of CZK 35,480 million in 2015, representing further year-on-year growth of 4%. This best business result in the Company's history enabled us to capture a market share of 25.9% and thereby strengthen our position as the second largest player on the factoring market.

The Company's continuing growth was mainly due to an intensive sales co-operation with Komerční banka. These joint efforts enabled Factoring KB to acquire new clients and to maintain business relationships with existing clients. Growth in 2015 was

driven by transactions in domestic accounts receivable, which grew by 10.4% year on year, reflecting the growth in domestic demand. In contrast, transactions with cross-border accounts receivable decreased by 9%. In 2015, we also stabilised the values of accounts receivable purchased by discounting, which had grown significantly in 2014 after their inclusion in the offer in 2013.

Further expansion of the sales potential and the client portfolio places strong demands on the employees. The Company has benefited from the stability, experience and professionalism of its employees, and their ranks have been steadily strengthened. As of 31 December 2015, the company had 39 employees and 3 members of the Board of Directors.

Again in 2015, KB Factoring used the services of commercial insurers Atradius and Coface. Through these partnerships, Factoring KB was able to provide its clients with so-called non-recourse factoring, which enabled the Company to offer its clients not just financing services but also insurance against insolvency of their customers.

In addition to insuring against insolvency of foreign debtors, the Company has been ever more actively securing against risks together with partner factoring companies in the Factors Chain International (FCI) network. Such security provides another alternative to non-recourse export factoring while at the same time broadening the offer of factoring services. Factoring KB continued to deepen its active co-operation with partner factoring companies and established new and active collaboration with several additional partners within the FCI. This collaboration is important not only in providing export factoring but also for so-called import factoring through which the Company provides security for Czech importers purchasing goods from abroad.

Again in 2015, Factoring KB co-operated intensively also with its parent company Komerční banka in areas other than sales. These included mainly credit and operational risk management, compliance, human resources, and IT.

Most Significant Events of 2015

At the end of 2015, after five years, Miloslav Kukla concluded his successful mission at Factoring KB. Under his leadership, the Company nearly doubled its business activity and advanced from the fourth to the second place on the market. In January 2016, the position of CEO was taken over by Ing. Adam Fiedler, a former member of Factoring KB's Supervisory Board, where he was replaced by Milan Dobeš.

Within the sales area, and even without introducing a new product in 2015, Factoring KB endeavoured to respond flexibly to clients' requirements and adjust its products to suit their needs. This contributed particularly to the Company's success in acquiring larger clients. In co-operation with its parent company, Factoring KB participated in numerous marketing activities which raised awareness among the general business public regarding factoring products and how they add value. These activities included seminars on support for exporters, seminars for suppliers to municipalities and the KB Academy educational programme. Participation of the Company's representatives at the Bread Basket International Agricultural Fair and International Engineering Fair in Brno is already an established tradition. At the end of the year, KB Factoring organized its traditional gathering for clients and business partners at the Divadlo Na Fidlovačce theatre where they enjoyed the classic musical My Fair Lady.

Within risk management, we focused on maintaining high portfolio quality with the objective being to prevent or minimise losses. In the environment of ever-increasing regulatory requirements, we also worked on improvements in reporting. In the IT area, after completing integration of the Company's computer network into the structures of Komerční banka, we focused on improving service quality for external and internal users. In the Customer Service Department, activities to improve the efficiency of internal processes continued again in 2015, particularly with regard to preventing fraudulent transactions and accelerating client service.

Strategic Targets for 2016

As in previous years, Factoring KB's main objectives for 2016 are to maintain good relationships with clients across all segments and to ensure services are provided at a high level.

The Company will continue to develop its activities in the corporate clients segment which comprises the majority of its portfolio, and it also intends to strengthen its position in the top corporate clients segment in co-operation with Komerční banka. In 2016, KB Factoring will also continue to focus on deepening its sales activities in the segment of small and medium-sized enterprises. Within the sales area, the Company aims to maintain the market share and the position it achieved in 2015.

In 2016, we will be facing relatively demanding preparations for the implementation of IFRS 9 and for compliance with other regulatory requirements, which will challenge the capacities of both the Finance Department and the Risk Management Department.

Commentary on the Company's Financial Position and Performance

In 2015, KB Factoring's financial performance improved substantially in comparison to 2014. The Company's net profit increased year on year by 186%, amounting to CZK 76.2 million. This increase in net profit was positively influenced by the growth in interest income, on the contrary, commission income in 2015 decreased despite the growth in turnover of purchased accounts receivable as a result of heightened market pressure on the prices of factoring services. In addition to other savings on operating expenses, we also reduced the cost of risk after it had risen notably in 2014 as a result of harmonising the provisioning methodology with that of Komerční banka.

Corporate Governance as at 31 December 2015

Board of Directors

Miloslav Kukla

Chairman of the Board of Directors and CEO

Eva Březinová

Member of the Board of Directors

Věra Jahnová

Member of the Board of Directors

Supervisory Board

Iveta Ocásková

Chairwoman of the Supervisory Board

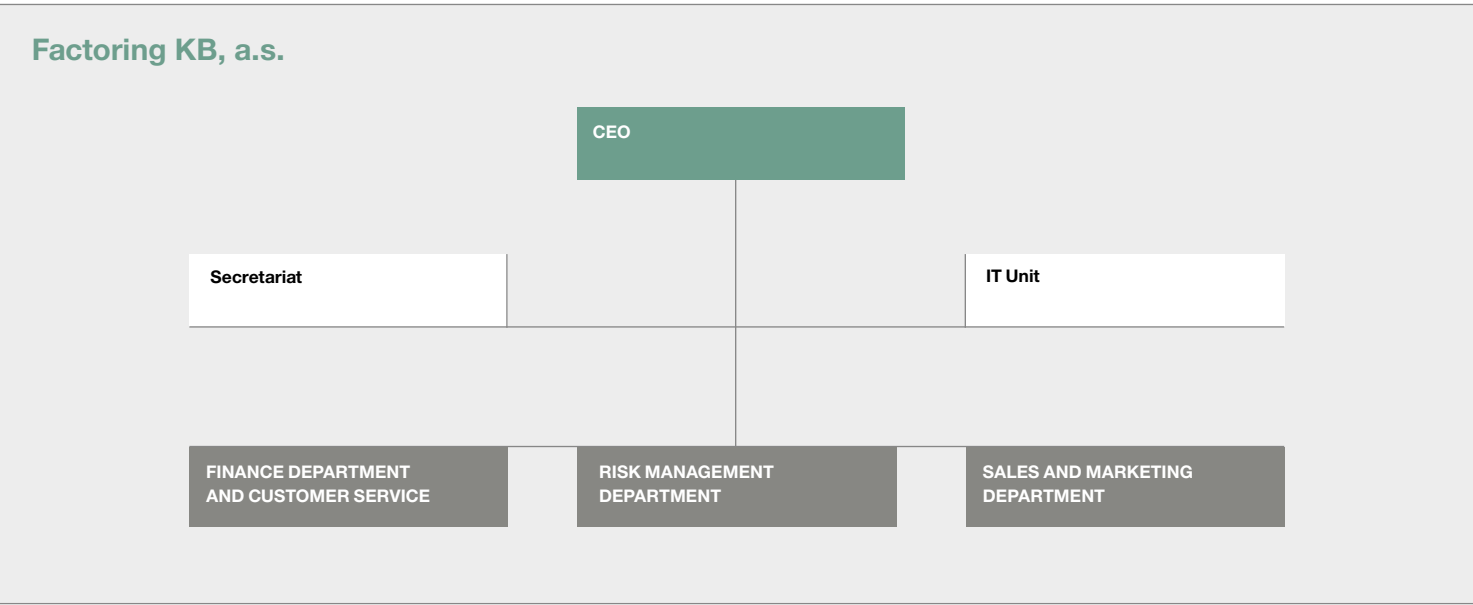
Jiří Šperl

Member of the Supervisory Board

Milan Dobeš

Member of the Supervisory Board

Organisational Chart as at 1 January 2016



Ownership Structure

The annual general meeting was held on 16 April 2015. The general meeting approved the Report of the Board of Directors on its Business Activities and the State of its Assets for 2014 as well as the financial statements for 2014. It also decided on the distribution of the company's profits from 2014, and the Report of the Supervisory Board and Report on Relations among Related Entities were taken into consideration. The company appointed Deloitte Audit s.r.o. as its external auditor for 2015.

Shareholder

Komerční banka, a.s.
100% ownership interest

Sworn Declaration

Factoring KB, a.s. hereby confirms that all information and data included in this Annual Report are accurate and complete. The Company also confirms that the document comprises all events that might have a material impact on investors' decisions. Furthermore, Factoring KB, a.s. confirms that no subsequent events have occurred that might adversely affect the Company's financial position, or other changes that might influence a fair and accurate assessment of the financial position of Factoring KB, a.s.

Prague, 16 April 2016

Signed on behalf of the Board of Directors:



ADAM FIEDLER

Chairman of the Board of Directors
and Chief Executive Officer



EVA BŘEZINOVÁ

Member of the Board of Directors



VĚRA JAHNOVÁ

Member of the Board of Directors

2015 Supervisory Board's Report

The Supervisory Board of Factoring KB, a.s. carried out on ongoing basis tasks assigned to it by the Commercial Code and the Company's Articles of Association. The Supervisory Board performed regular supervision of the Company's activities, approved strategic plans of the Company and presented its proposals and suggestions to the Board of Directors in order to improve the Company's operations.

Having examined the Company's annual financial statements for the period from 1 January to 31 December 2015, the Supervisory Board states that the accounting records and evidence were maintained in a conclusive manner and in accordance with the generally applicable rules regulating accounting of non-financial institutions. The accounting records express truly, in all material respects, the Company's financial situation as at 31 December 2015.

The Supervisory Board further reviewed the Report on Related Parties for the period from 1 January to 31 December 2015 prepared by the Company as the controlled entity under Section 66a, Subsection 9 of the Commercial Code. The Supervisory Board states that on the basis of its review it has not found any materially incorrect information disclosed in that Report and that the Board of Directors of the Company has not identified, based on its evaluation of the relationships, any damage caused to the Company in its relations with the controlling entity.

Having reviewed the proposal of the Board of Directors for the profit appropriations, the Supervisory Board recommends to the sole shareholder approve the BoD proposal for the profit appropriations as follows:

After tax profit	CZK 76,214,911.22
Dividend payout	CZK 76,214,911.22

The Supervisory Board recommends the General Meeting approve the Company's annual financial statements for 2015.

Prague, 11 April 2016



IVETA OCÁSKOVÁ

Chairman of the Supervisory Board

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Tax Id. Nr.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Factoring KB, a.s.

Having its registered office at: náměstí Junkových 2772/1, Stodůlky, 155 00 Praha 5
Identification number: 251 48 290

We have audited the accompanying financial statements of Factoring KB, a.s. prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2015, and the profit and loss account, 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.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable 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 and the related application guidelines issued by 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 about 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 the 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 give a true and fair view of the financial position of Factoring KB, a.s. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Other Matter

The separate financial statements of Factoring KB, a.s. for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2015.

Other information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

Report on Related Party Transactions Report

We have reviewed the factual accuracy of the information included in the accompanying related party transactions report of Factoring KB, a.s. for the year ended 31 December 2015 which is included in this annual report on pages 29 to 36. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Factoring KB, a.s. for the year ended 31 December 2015 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

In Prague on 2 May 2016

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

David Batal
registration no. 2147



Balance Sheet as of 31 December 2015

IN CZK THOUSAND		CURRENT YEAR			PRIOR YEAR 2014
		GROSS	ALLOWANCES	NET	NET
	TOTAL ASSETS	12,327,427	(299,496)	12,027,931	12,214,295
B.	FIXED ASSETS	1,502,959	(82,448)	1,420,511	1,440,128
B. I.	Intangible assets	86,849	(77,340)	9,509	6,839
3	Software	86,849	(77,340)	9,509	6,839
B. II.	Tangible assets	6,324	(5,108)	1,216	1,338
3	Separate movable items and groups of movable items	5,612	(5,108)	504	626
6	Other tangible assets	712	0	712	712
B. III.	Financial investments	1,409,786	0	1,409,786	1,431,951
3	Other long-term securities and interests	1,409,786	0	1,409,786	1,431,951
C.	CURRENT ASSETS	10,823,479	(217,048)	10,606,431	10,772,841
C. II.	Long-term receivables	511,826	0	511,826	295,093
C. II. 1	Trade receivables	490,441	0	490,441	281,268
8	Deferred tax asset	21,385	0	21,385	13,825
C. III.	Short-term receivables	10,310,838	(217,048)	10,093,790	10,477,222
C. III. 1	Trade receivables	6,378,730	(110,014)	6,268,716	6,964,810
7	Short-term advances granted	3,932,104	(107,034)	3,825,070	3,512,412
9	Other receivables	4	0	4	0
C. IV.	Short-term financial assets	815	0	815	526
C. IV. 1	Cash	44	0	44	18
2	Bank accounts	771	0	771	508
D. I.	Accrued assets and deferred liabilities	989	0	989	1,326
D. I. 1	Prepaid expenses	989	0	989	1,326

IN CZK THOUSAND		CURRENT YEAR	PRIOR YEAR 2014
TOTAL EQUITY & LIABILITIES		12,027,931	12,214,295
A.	EQUITY	1,626,201	1,598,329
A. I.	Basic capital	1,184,000	1,184,000
A. I. 1	Registered capital	1,184,000	1,184,000
A. II.	Capital funds	118,101	139,845
A. II. 1	Share premium (agio)	6,000	6,000
A. II. 3	Gain or loss on revaluation of assets and liabilities	112,101	133,845
A. III.	Funds created from profit	16,417	16,369
A. III. 1	Reserve fund	15,791	15,791
A. III. 2	Statutory and other funds	626	578
A. IV.	Profit (loss) for the previous years	231,468	231,468
A. IV. 1	Retained earnings for the previous years	231,468	231,468
A. V. 1.	Profit (loss) for the year (+/-)	76,215	26,647
B.	LIABILITIES	10,358,480	10,580,520
B. I.	Provisions	11,280	10,102
B. I. 4	Other provisions	11,280	10,102
B. II.	Long-term liabilities	40,424	25,489
B. II. 1	Trade payables	40,424	25,409
B. II. 9	Other liabilities	0	80
B. III.	Current liabilities	5,199,525	5,143,064
B. III. 1	Trade payables	5,172,230	5,113,456
B. III. 5	Liabilities to employees	1,885	1,971
B. III. 6	Liabilities arising from social security and health insurance	845	825
B. III. 7	Due to government – taxes and subsidies	7,990	12,984
B. III. 10	Unbilled deliveries	4,403	5,024
B. III. 11	Other liabilities	12,172	8,804
B. IV.	Bank loans and borrowings	5,107,251	5,401,865
B. IV. 1	Long-term bank loans	367,871	204,097
B. IV. 2	Short-term bank loans	4,739,380	5,197,768
C. I.	Accrued liabilities and deferred assets	43,250	35,446
C. I. 1	Accruals	1,979	2,185
C. I. 2	Deferred income	41,271	33,261

Profit and Loss Account for the Year Ended 31 December 2015

IN CZK THOUSAND		CURRENT YEAR	PRIOR YEAR 2014
+	Gross margin	0	0
II.	Production	117,587	123,524
II.	1 Revenue from sale of finished products and services	117,587	123,524
B.	Production related consumption	32,501	35,653
B.	1 Consumption of material and energy	2,740	2,912
B.	2 Services	29,761	32,741
+	Value added	85,086	87,871
C.	Personnel expenses	41,994	38,265
C.	1 Wages and salaries	25,269	23,887
C.	2 Bonuses to members of corporation management	4,218	2,061
C.	3 Social security and health insurance	10,787	10,629
C.	4 Other social costs	1,720	1,688
D.	Taxes and charges	52	74
E.	Amortization and depreciation of intangible and tangible fixed assets	3,421	1,993
G.	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	11,841	44,725
IV.	Other operating revenues	298,938	104,395
H.	Other operating expenses	322,723	147,832
*	Profit or loss on operating activities	3,993	(40,623)
VII.	Income from financial investments	23,646	26,039
2	Income from other long-term securities and interests	23,646	26,039
X.	Interest income	82,224	81,038
N.	Interest expense	18,365	30,585
XI.	Other finance income	115,823	100,840
O.	Other finance cost	120,773	105,508
*	Profit or loss on financial activities	82,555	71,824
Q.	Tax on profit or loss on ordinary activities	10,334	4,554
Q.	1 – due	17,893	16,037
Q.	2 – deferred	(7,559)	(11,483)
**	Profit or loss on ordinary activities after taxation	76,214	26,647
XIII.	Extraordinary gains	4	4
R.	Extraordinary losses	3	4
*	Extraordinary profit or loss	1	0
***	Profit or loss for the year (+/-)	76,215	26,647
****	Profit or loss before taxation	86,549	31,201

Cash Flow Statement for the Year Ended 31 December 2015

IN CZK THOUSAND			CURRENT YEAR	PRIOR YEAR 2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Z.		Profit or loss on ordinary activities before taxation (+/-)	86,548	31,201
A. 1.		Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	(53,486)	29,339
A. 1. 1.		Depreciation and amortization of fixed assets and write-off of receivables	27,309	43,086
A. 1. 2.		Change in allowances	(10,663)	40,881
A. 1. 3.		Change in provisions	1,178	3,844
A. 1. 4.		Foreign exchange differences	16,195	18,020
A. 1. 6.		Interest expense and interest income	(63,859)	(50,453)
A. 1. 7.		Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	(23,646)	(26,039)
A *		Net cash from operating activities before taxation, changes in working capital and extraordinary items	33,062	60,540
A. 2.		Change in non-cash components of working capital	227,602	(1,827,735)
A. 2. 2.		Change in trade receivables	457,501	(2,008,702)
A. 2. 3.		Change in other receivables and in prepaid expenses and unbilled revenue	(313,045)	(827,284)
A. 2. 4.		Change in trade payables	73,789	1,014,954
A. 2. 5.		Change in other payables, short-term loans and in accruals and deferred income	9,357	(6,703)
A **		Net cash from operating activities before taxation, interest paid and extraordinary items	260,664	(1,767,195)
A. 3. 1.		Interest paid	(18,741)	(28,796)
A. 4. 1.		Interest received	82,944	81,038
A. 5. 1.		Tax paid	(21,384)	(9,884)
A. 6. 1.		Gains and losses on extraordinary items	1	0
A ***		Net cash provided by (used in) operating activities	303,484	(1,724,837)
CASH FLOWS FROM INVESTING ACTIVITIES				
B. 1. 1.		Purchase of fixed assets	(5,969)	(5,751)
B. 5. 1.		Dividends received	23,646	26,039
B ***		Net cash provided by (used in) investing activities	17,677	20,288
CASH FLOWS FROM FINANCING ACTIVITIES				
C. 1.		Change in long-term liabilities and long-term, resp. short-term, loans	(294,694)	1,768,488
C. 2. 2.		Profit shares paid	(25,848)	(63,096)
C. 2. 3.		Effect of other changes in basic capital on cash	(330)	(707)
C ***		Net cash provided by (used in) financing activities	(320,872)	1,704,685
F.		Net increase (decrease) in cash	289	136
P.		Cash and cash equivalents at beginning of year	526	390
R.		Cash and cash equivalents at end of year	815	526

Financial Statements for the year ended 31 December 2015

1. Corporate information

Factoring KB, a.s. (hereinafter the "Company") is a joint stock company incorporated on 4 August 1997; its registered office is in Prague 5, nám. Junkových 2772/1, Czech Republic, Business registration number (IČ) is 25148290. The Company's core business comprises the provision of factoring and forfaiting services.

Entities holding share capital:

Komerční banka, a.s. 100%.

Factoring KB, a.s. is a member of the financial group of Komerční banka, a.s. and the international financial group of Société Générale. Société Générale S. A. is the ultimate parent company of the Company.

Members of statutory bodies as at 31 December 2015:

BOARD OF DIRECTORS

Chairman:	Miloslav Kukla
Member:	Eva Březinová
Member:	Věra Jahnová

SUPERVISORY BOARD

Member:	Iveta Ocásková
Member:	Jiří Šperl
Member:	Milan Dobeš

During the reporting period there were changes in the composition of the Supervisory Board. Jiří Šperl became a member of the Supervisory Board effective from 3 April 2015 and replaced Libor Löfler. Milan Dobeš became a member of the Supervisory Board effective from 13 December 2015 and replaced Adam Fiedler.

The Company has no foreign affiliate.

2. Basis of preparation of the financial statements

The Company's accounting books and records have been maintained and the attached financial statements have been prepared pursuant to Act No. 563/1991 Coll., on Accounting, in wording valid for 2015 and 2014; Decree No. 500/2002 Coll., implementing some provisions of Act No. 563/1991 Coll., on Accounting, for reporting entities that are businesses maintaining double-entry accounting records, in wording valid for 2015 and 2014; and Czech Accounting Standards for Businesses, in wording valid for 2015 and 2014.

Explanation added for Translation into English

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

3. Summary of significant accounting policies

The accounting books and records have been maintained in accordance with general accounting principles, in particular the historical cost valuation convention, the accruals principle, the prudence concept, and the going concern assumption.

In preparing the financial statements for 2015 and 2014, the Company used the following valuation methods:

a) Intangible fixed assets

Intangible fixed assets are recorded at cost, comprising acquisition cost and acquisition-related costs.

Intangible fixed assets with an acquisition cost of more than CZK 60 thousand are amortised on a straight-line basis over their estimated useful life.

Amortisation

Amortisation is calculated on the basis of the acquisition cost and estimated useful life. The estimated useful life is determined as follows:

	YEARS
Software	3

b) Tangible fixed assets

Tangible fixed assets are recorded at cost, comprising acquisition cost, transport, customs and other acquisition-related costs.

Tangible fixed assets with an acquisition cost of more than CZK 40 thousand are depreciated for the period of their useful lives.

The cost of technical improvements of tangible fixed assets increases the initial acquisition cost. Repairs and maintenance are expenses as incurred.

Depreciation

Depreciation of tangible fixed assets is calculated on the basis of the acquisition cost and estimated useful life. The estimated useful life is determined as follows:

	YEARS
Machinery and equipment	3–10
Fixtures and fittings	5

c) Financial assets

Current financial assets comprise stamps and vouchers, cash on hand and cash in bank.

Non-current financial assets comprise available-for-sale securities and equity investments.

Upon acquisition, securities and equity investments are valued at acquisition cost. The acquisition cost of securities and equity investments comprises the purchase price and direct acquisition-related costs, such as fees and commissions paid to brokers, advisors and stock exchanges.

Available-for-sale securities and equity investments are carried at fair value at the balance sheet date. Any change in the fair value of available-for-sale securities and equity investments is recognised as gains or losses on revaluation of assets and liabilities within equity.

The Company applies the market value of the securities as at the balance sheet date as fair value.

d) Receivables

Upon origination, receivables are carried at their nominal value. Receivables are reported at carrying amounts less respective allowances for doubtful and uncollectable amounts.

Factoring involves purchasing receivables at their nominal values before their due dates, arising from the supply of goods or services to several regular customers. The factor pays the supplier an advance - pre-financing, which represents a partial payment for the assignment of the receivable and may account for up to 100 percent of the nominal value of the receivable. Amounts due from the purchased receivables are recognised as trade receivables in the Company's balance sheet, and advances paid are recognised as advances granted. Amounts payable arising from the purchased receivables are recognised as trade payables in the balance sheet. Following payment by the customer, the remaining balance of the receivable is paid to the supplier.

The Company has offered a discounted purchase of short and long-term receivables since 2013, which is recognised in the balance sheet on a net basis – only a nominal amount of the unsettled receivable that was purchased is recognised in the balance sheet.

Reassignment of receivables is recognised in the Income statement.

e) Method of determining allowances and provisions

Additions to allowances are charged based on inventory taking to the extent that the valuation of assets does not correspond with the actual balance. Allowances to receivables are created on the basis of an assessment of the risk level of the respective receivable.

f) Equity

The Company's share capital is stated in the amount recorded in the Commercial Register maintained by the Municipal Court. Any increase or decrease in the share capital based on the decision of the General Meeting that has not been recorded as at the reporting date is recognised as changes in equity. Deposits exceeding share capital are recognised as share premium.

The Company can create financial funds. The Board of Directors decides on the establishment of these funds and also defines rules for their creation and drawing. If these funds are created or supplemented from profit, the allocation to these funds is approved by the General Meeting.

g) Provisions and liabilities

The Company creates legal provisions pursuant to the Act on Provisions, and provisions for losses and risks if the related purpose, amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term and current liabilities are recognised at nominal values.

Long-term and short-term loans are recognised at nominal values. Any portion of long-term loans due within one year from the balance sheet date is deemed a short-term loan.

h) Foreign currency translation

Assets and liabilities denominated in foreign currencies are valued in the Czech crowns by the exchange rate valid at the date of their origination and at the balance sheet date, cash items were translated by the exchange rate published by ČNB as at 31 December.

Realised and unrealised foreign exchange gains and losses are accounted to financial revenues or financial expenses for the current year.

i) Revenue and expense recognition

Revenues and expenses are recognised on an accrual basis, i.e. in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

The Company realises its revenues primarily from remuneration (commissions) for each purchased receivable, and from interest on advances granted for payment of the purchase price. Other revenues comprise charges for changes in contractual terms and conditions, applications for factoring services, and other fees.

The Company reports factoring commissions in revenues from the sale of goods and services; interest received from provided financing is recognised in interest income. Price for the discounted purchase is recognised in revenues from the sale of goods and services and is accrued through deferred income.

j) Income taxes

The corporate income tax expense is calculated based on the statutory tax rate from the book value of profit less or plus permanently or temporarily tax non-deductible expenses and non-taxable revenues (e.g. creation and recognition of other provisions and allowances, entertainment expenses, difference between write-offs for accounting and tax purposes, etc.). Furthermore, tax deductible items (gifts), deductions and income tax credits are taken into the account.

Deferred income tax reflects the tax impact of temporary differences between carrying amounts of assets and liabilities in the balance sheet and determining the income tax base with regard to the period of realisation.

k) 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 the actual results achieved in future periods.

l) Subsequent events

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

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

4. Fixed assets

a) Intangible fixed assets (in CZK thousand)

Cost

	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFERS	CLOSING BALANCE
Software	80,994	0	(11)	5,866	86,849
Intangible fixed assets in progress	0	5,866	0	5,866	0
Total in 2015	80,994	5,866	(11)	0	86,849
Total in 2014	76,073	5,406	(485)	0	80,994

Accumulated amortisation

	OPENING BALANCE	AMORTISATION CHARGE	DISPOSALS	CLOSING BALANCE	NET BOOK VALUE
Software	(74,155)	(3,196)	11	(77,340)	9,509
Intangible fixed assets in progress	0	0	0	0	0
Total in 2015	(74,155)	(3,196)	11	(77,340)	9,509
Total in 2014	(72,992)	(1,648)	485	(74,155)	6,839

Total low-value intangible assets not included in the balance sheet amounted to CZK 177 thousand as at 31 December 2015 and CZK 153 thousand as at 31 December 2014 at cost.

b) Tangible fixed assets (in CZK thousand)

Cost

	OPENING BALANCE	ADDITIONS	DISPOSALS	TRANSFERS	CLOSING BALANCE
Machinery and equipment	5,459	0	0	104	5,562
Fixtures and fittings	30	0	0	0	30
Low-value tangible assets	20	0	0	0	20
Works of art	712	0	0	0	712
Tangible fixed assets in progress	0	104	0	(104)	0
Total in 2015	6,221	104	0	0	6,324
Total in 2014	11,594	345	(5,718)	0	6,221

Accumulated amortisation

	OPENING BALANCE	DEPRECIATION CHARGE	DISPOSALS	CLOSING BALANCE	NET BOOK VALUE
Machinery and equipment	(4,833)	(225)	0	(5,058)	504
Fixtures and fittings	(30)	0	0	(30)	0
Low-value tangible assets	(20)	0	0	(20)	0
Works of art	0	0	0	0	712
Tangible fixed assets in progress	0	0	0	0	0
Total in 2015	(4,883)	(225)	0	(5,108)	1,216
Total in 2014	(10,256)	(345)	5,718	(4,883)	1,338

Total low-value tangible assets not included in the balance sheet amounted to CZK 679 thousand as at 31 December 2015 and CZK 675 thousand as at 31 December 2014 at cost.

c) Financial investments (in CZK thousand)

On the basis of a Contract for the Transfer of Securities for Consideration concluded between Factoring KB, a.s. and Komerční banka, a.s., in 2007, Factoring KB, a.s. purchased non-current financial assets in the amount of CZK 1,298,106 thousand. The non-current financial asset in this case is a 10% share in a closed unit-linked fund, Protos, uzavřený investiční fond, a.s. (hereinafter "Protos"), with its registered office in Prague, Dlouhá 34. Protos is a subsidiary of Komerční banka, a.s. In 2015 the share of Factoring KB, a.s. in Protos increased to 16% to the extent that newly issued shares of Protos were subscribed by the Company and paid by the premium on Protos shares already owned by the Company before the shares issuance. The difference between the share premium paid and the cost of newly subscribed Protos shares issued amounted to CZK 421 thousand.

Movement of non-current financial assets:

	BALANCE AS AT 31 DECEMBER 2013	REVALUATION	BALANCE AS AT 31 DECEMBER 2014	REVALUATION	BALANCE AS AT 31 DECEMBER 2015
Other long-term securities and equity investments	1,425,311	(6,640)	1,431,951	(22,165)	1,409,786
Total	1,425,311	(6,640)	1,431,951	(22,165)	1,409,786

5. Receivables

Long-term receivables

As at 31 December 2015, the Company had long-term receivables amounting to CZK 490,441 thousand (2014: CZK 295,093 thousand), comprising trade receivables in the amount of CZK 479,077 thousand (2014: CZK 281,268 thousand) and a deferred tax asset of CZK 21,385 thousand (2014: CZK 13,825 thousand). The Company had receivables with maturity longer than 5 years in the amount CZK 82,628 thousand (2014: CZK 62,463 thousand). Long-term trade receivables included receivables acquired through discounted purchase. No long-term receivables are overdue.

Short-term receivables (in CZK thousand)

	AS AT 31 DECEMBER 2015	OUT OF WHICH OVERDUE*)	AS AT 31 DECEMBER 2014	OUT OF WHICH OVERDUE*)
Trade receivables (gross)	6,378,730		7,080,045	
out of which:				
– purchased receivables	6,252,559	120,896	6,937,362	76,115
– commissions from purchased receivables	5,710	1,311	6,311	1,061
– interest on pre-financing	12,351	3,470	12,924	3,659
– reassignments	100,621	84,933	115,478	100,244
– receivables from accession to debts	6,146	6,146	6,450	6,450
Allowances for trade receivables	(110,014)		(115,235)	
Trade receivables (net)	6,268,716		6,964,810	
Receivables from pre-financing	3,931,648		3,602,908	
Operating advances	456		654	
Allowances for advances granted	(107,034)		(91,150)	
Total advances granted net	3,825,070		3,512,412	
Other short-term receivables	4		0	
Total short-term receivables	10,093,790		10,477,222	

*) A purchased receivable is overdue if it is after its contractual maturity for at least 90 days.

Amounts due arising from purchased receivables, for which the Company also records a liability to the supplier, represent nominal values of receivables purchased within the scope of factoring services provided.

Maturity of receivables from pre-financing is determined on the basis of specific factoring agreements with respective clients. The standard maturity period is 90 days.

The standard due date for commission invoices, interest invoices, and reassignments is 30 days.

The Company records no receivables from related parties.

Due to uncollectability, rejection of bankruptcy proceedings, and settlement or non-settlement of receivables in bankruptcy proceedings, etc., the Company charged to expenses CZK 23,095 thousand in 2015 (2014: CZK 41,468 thousand).

6. Allowances

Allowances reflect temporary impairment of assets (listed in Note 5).

Changes in allowances (in CZK thousand):

ALLOWANCES FOR:	BALANCE AS AT 31 DECEMBER 2013	CREATION OF ALLOWANCES	RECOGNITION OF ALLOWANCES	BALANCE AS AT 31 DECEMBER 2014	CREATION OF ALLOWANCES	RECOGNITION OF ALLOWANCES	BALANCE AS AT 31 DECEMBER 2015
receivables – statutory	64,191	9,218	22,198	51,211	5,280	11,874	44,617
receivables – other	101,313	94,961	41,100	155,174	53,764	36,507	172,431

Statutory allowances are created pursuant to the Act on Reserves.

7. Other assets

Prepaid expenses in the amount of CZK 989 thousand (2014: CZK 1,326 thousand) represent primarily items related to operational services. Unbilled revenues were not accounted for in the 2015 and 2014 reporting periods.

8. Equity

The Company's share capital consists of 400 shares with a nominal value of CZK 100,000 per share, 4,400 ordinary shares with a nominal value of CZK 10,000, and 1,100 ordinary shares with a nominal value of CZK 1,000,000. There was no change in the amount of the Company's share capital in 2015.

The shares of Factoring KB, a.s. are not publicly tradeable; they are fully transferable bearer shares and carry voting rights.

The share premium in the amount of CZK 6,000 thousand represents the difference between the issue and nominal values of the shares.

Changes in equity in 2015 and 2014 (in CZK thousand):

	BALANCE AS AT 31 DECEMBER 2013			BALANCE AS AT 31 DECEMBER 2014			BALANCE AS AT 31 DECEMBER 2015
		INCREASE	DECREASE		INCREASE	DECREASE	
Number of shares	5,900	0	0	5,900	0	0	5,900
Share capital	1,184,000	0	0	1,184,000	0	0	1,184,000
Share premium (agio)	6,000	0	0	6,000	0	0	6,000
Gain or loss on revaluation of assets and liabilities	127,205	6,640	0	133,845	0	21,744	112,101
Reserve fund	15,791	0	0	15,791	0	0	15,791
Statutory and other funds	1,285	0	707	578	800	752	626
Profit (loss) for the previous years	231,468	0	0	231,468	0	0	231,468
Profit (loss) for the year (+/-)	63,096	26,647	63,096	26,647	76,215	26,647	76,215

Based on the decisions of the General Meetings held on 16 April 2015 and 15 April 2014, the following distribution of profits for 2014 and 2013 was approved (in CZK thousand):

2013 profit		63,096	2014 profit		26,647
Allocation to –			Allocation to –		
– reserve fund		0	– reserve fund		0
– other funds		0	– other funds		800
Dividend payments and profit shares		63,096	Dividend payments and profit shares		25,848
Transfer of retained earnings		0	Transfer of retained earnings		0
Retained earnings as at 31 December 2014		231,468	Retained earnings as at 31 December 2015		231,468

9. Provisions

Movements in provisions (in CZK thousand):

PROVISIONS	BALANCE AS AT 31 DECEMBER 2013	CREATION OF RESERVES	RECOGNITION OF RESERVES	BALANCE AS AT 31 DECEMBER 2014	CREATION OF RESERVES	RECOGNITION OF RESERVES	BALANCE AS AT 31 DECEMBER 2015
Other	6,258	11,573	7,729	10,102	13,195	12,017	11,280

The Company creates provisions for unutilised vacation, reserve for bonuses and related social and health insurance and reserve to cover future losses related to the bank risks.

10. Current liabilities

Long-term liabilities

As at 31 December 2015, the Company had long-term liabilities amounting to CZK 40,424 thousand (2014: CZK 25,489 thousand), comprising in particular long-term trade payables related to purchased long-term receivables. No long-term liabilities are overdue.

Current liabilities

As of 31 December 2015 the Company had the following current liabilities (in CZK thousand):

	AS AT 31 DECEMBER 2015	AS AT 31 DECEMBER 2014
Trade payables		
– suppliers	1,118	135
– purchased receivables	5,171,112	5,113,321
Other liabilities		
– liabilities to employees	1,885	1,971
– liabilities arising from social security and health insurance	845	825
– due to government – taxes and subsidies	7,990	12,984
– unbilled deliveries	4,403	5,024
– other liabilities	12,172	8,804
Total	5,199,525	5,143,064

Liabilities to Company suppliers are before their due dates.

Current liabilities mostly arise from receivables purchased by the Company within the scope of factoring services provided.

11. Bank loans and borrowings

BANK	INTEREST RATE	2015		2014	
		AMOUNT IN A FOREIGN CURRENCY	AMOUNT IN CZK THOUSAND	AMOUNT IN A FOREIGN CURRENCY	AMOUNT IN CZK THOUSAND
KB (CZK)	PRIBOR ON ACTUAL + f.v.	2,631,124	2,631,124	2,598,303	2,598,303
KB (USD)	ON LIBOR USD ACTUAL + f.v.	4,045	100,420	6,553	149,633
KB (EUR)	ON LIBOR EUR ACTUAL + f.v.	69,629	1,881,730	81,698	2,265,083
KB (GBP)	ON LIBOR GBP ACTUAL + f.v.	21	756	16	585
KB (PLN)	ON WIBOR PLN ACTUAL + f.v.	2,096	13,290	1,313	8,521
KB (CZK)	Fixed interest rate	479,931	479,931	379,740	379,740
Total			5,107,250		5,401,865

Note: f. v. – fixed variance

Short-term loans amounted to CZK 4,739,380 thousand and CZK 5,197,768 thousand as of 31 December 2015 and 31 December 2014, respectively. The Company had long-term loans in the amount of CZK 367,871 thousand as of 31 December 2015 (CZK 204,097 thousand as of 31 December 2014).

Interest expense related to bank loans amounted to CZK 18,365 thousand and CZK 30,585 thousand as of 31 December 2015 and 2014, respectively.

12. Other liabilities

Other liabilities comprise accruals in the amount of CZK 1,979 thousand (2014: CZK 2,185 thousand) and deferred income in the amount of CZK 41,271 thousand (2014: CZK 33,261 thousand). Deferred income represents in particular accrued price for the discount purchase of receivables.

13. Income taxes

IN CZK THOUSAND	2015	2014
Profit before taxes	86,549	31,201
Non-taxable revenue	(23,879)	(30,514)
Difference between accounting and tax depreciation	(3,642)	(1,355)
Non-deductible costs	33,061	85,157
– net creation of allowances	17,257	53,861
– provisions	1,410	4,561
– written off receivables	11,424	23,943
– other (e.g. entertainment expenses, deficits and damage)	2,970	2,792
Taxable income	92,089	84,489
Income tax rate	19%	19%
Tax	17,497	16,053
Adjustment in respect of income tax of previous years	396	(16)
Tax relief	0	0
Tax due	17,893	16,037

The Company has calculated deferred tax as follows (in CZK thousand):

DEFERRED TAX ITEMS	2015		2014	
	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY	DEFERRED TAX ASSET	DEFERRED TAX LIABILITY
Difference between net book value of fixed assets for accounting and tax purposes		1,086		549
Other temporary differences:				
Allowances for receivables	20,328		12,455	
Provisions	2,143		1,919	
Total	22,471	1,086	14,374	549
Net	21,385		13,825	

14. Leases

Assets in the form of operating leases as at 31 December 2015 and 31 December 2014 (in CZK thousand):

DESCRIPTION	LEASE PERIOD IN MONTHS	LEASE AMOUNT IN 2015	LEASE AMOUNT IN 2014	OWNER'S ACQUISITION COST
13 passenger cars	48	1,860	2,059	7,433

15. Commitments and contingencies

The Company recorded commitments from import factoring in the amount of CZK 14,458 thousand (2014: CZK 20,644 thousand).

16. Fee of the statutory auditor

Fees paid to the Company's statutory auditor for annual audit of financial statements and other assurance services amounted to CZK 673 thousand as of 31 December 2015 (2014: CZK 678 thousand).

17. Other operating expenses and income

Other operating expenses totalled CZK 322,723 thousand as at 31 December 2015 (2014: CZK 147,832 thousand). The most significant items of Other operating expenses consist of expenses from the sale of receivables in total amount of CZK 199,827 thousand (2014: CZK 0), expenses related to receivables reassignments in the total amount of CZK 90,716 thousand (2014: CZK 94,063 thousand) and the receivables write-offs in total amount of CZK 23,095 thousand (2014: CZK 41,468 thousand).

Other operating income totalled CZK 298,938 thousand as at 31 December 2015 (2014: CZK 104,395 thousand). The most significant items of Other operating income consist of revenues from the sale of receivables in the total amount of CZK 198,965 thousand (2014: CZK 0), revenues related to receivables reassignments in the total amount of CZK 90,716 thousand (2014: CZK 94,063 thousand), income from contractual penalties in the total amount of CZK 57 thousand (2014: CZK 571 thousand), charges related to changes in contractual terms, applications for the provision of factoring services, entry and monitoring fees and other income amounting to CZK 9,131 thousand (2014: CZK 9,385 thousand).

18. Financial expenses and income

Financial expenses primarily comprise the following items (in CZK thousand):

	AS AT 31 DECEMBER 2015	AS AT 31 DECEMBER 2014
Interest expense from loan facilities	18,365	30,585
Other financial expenses	120,773	105,508
– Exchange rate losses	116,053	100,851
– Operating insurance	1,035	967
– Banking expenses	3,420	3,558
– Other charges	265	132
Total financial expenses	139,138	136,093

Financial income primarily comprises the following items (in CZK thousand):

	AS AT 31 DECEMBER 2015	AS AT 31 DECEMBER 2014
Interest on pre-financed purchased receivables	82,224	81,038
Exchange rate gains	115,823	100,840
Income from financial investments (Protos – dividend)	23,646	26,039
Total financial income	221,693	207,917

19. Personnel expenses

The average headcount, management members and personnel expenses for 2015 and 2014 are as follows:

Overview of personnel expenses (in CZK thousand):

	2015		2014	
	TOTAL HEADCOUNT	MANAGEMENT	TOTAL HEADCOUNT	MANAGEMENT
Average headcount	41	3	42	3
Wages and salaries	29,487	5,858	25,948	5,899
Social security and health insurance	10,787	1,584	10,629	2,202
Other social costs	1,720	1,272	1,688	1,114
Total personnel expenses	41,994	8,714	38,265	9,215

The headcount is based on the average adjusted number of employees.

Based on an agreement with the Company, the Board of Directors members use company cars.

20. Transactions with related parties

The Company reported revenue in the form of dividends paid by Protos totalling CZK 23,646 thousand in 2015 (2014: CZK 26,039 thousand).

The services rendered by Komerční banka, a.s. to the Company in 2015 primarily comprised (in CZK thousand):

	AS AT 31 DECEMBER 2015	AS AT 31 DECEMBER 2014
Financial expenses	21,833	34,176
Fee for using KB's distribution network	6,300	6,167
Trademark use	1,500	2,892
Other services provided by Komerční banka, a.s.	8,527	6,768

Financial expenses comprise primarily the interest on loans provided in the amount of CZK 18,365 thousand (2014: CZK 30,585 thousand), banking fees in the amount of CZK 3,420 thousand (2014: CZK 3,558 thousand), and other services provided by Komerční banka, a.s. in the amount of CZK 49 thousand (2014: CZK 33 thousand).

Other Komerční banka services comprise mainly expenses related to leases of premises for regional offices, such as energy, water supply, heating, telephone charges and lease payments, and expenses related to advisory and consulting services, training and IT services.

The Company realised no fixed asset purchase from or a sale to Komerční banka, a.s. in 2015 and 2014.

21. Post balance sheet events

The position of the Chairman of the Board of Directors was changed after the balance sheet date. Adam Fiedler became Chairman of the Board of Directors effective from 11 January 2016, replacing Miloslav Kukla in the position.

22. Cash flow statement (see Appendix 1)

The cash flow statement was prepared by indirect method.

23. Statement of changes in equity (see Note 8)

Prepared on:
29 February 2016

Signature of the reporting entity's
statutory body:



Adam Fiedler



Eva Březinová

Person responsible
for bookkeeping:



Ivana Náprstková

Person responsible for preparation
of the financial statements:



Ivana Náprstková

Report on Relations Among Related Entities for the Year Ended 31 December 2015

(hereinafter the “**Report on Relations**”)

Factoring KB a.s., with its registered office in Prague 5, náměstí Junkových 2772/1., 155 00, Corporate ID:25148290, incorporated in the Register of Companies maintained by the Municipal Court in Prague, Section B, File 4861, (hereinafter “the Company” or “FKB”), is part of a business group (holding company) in which the following relations between FKB and its controlling entity and further between FKB and other entities controlled by the same controlling entity (hereinafter “related entities”) exist.

This report on relations was worked out in accordance with the provision of Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act) for the year ended 31 December 2015, that is, from 1 January 2015 to 31 December 2015 (hereinafter the “reporting period”).

I. Introduction

The structure of the relations between the entities of the business group

In the period from 1 January 2015 to 31 December 2015, the Company was a member of the Société Générale S.A. Group, with its registered office at 29, BLD Haussmann, 75009 Paris, France, registration number in the French Register of Companies: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter “SG” or “SG Paris”). The structure of the relations between the members of the business group is as follows:

SOCIÉTÉ GÉNÉRALE GROUP*			
RETAIL BANKING FRANCE	INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP
FRANCE			
<ul style="list-style-type: none"> ▶ Société Générale* ▶ Compagnie Générale d'Affacturage 100% ▶ Généfim 100% ▶ Généfimmo Holding 100% ▶ Group Boursorama 100% ▶ Groupe Crédit du Nord 100% ▶ Group Franfinance 99.99% ▶ La Banque Postale Financement 35% ▶ Sogébail 100% ▶ Sogéfinmur 100% ▶ Sogéfinancement 100% ▶ Sogelease France 100% ▶ Sogéprom 100% ▶ SG Capital Développement 100% ▶ SG Capital Partenaires 100% ▶ SG Services 100% ▶ SGPI Société Générale de Participations Industrielles 100% 	<ul style="list-style-type: none"> ▶ Banque Française Commerciale Océan Indien 50% ▶ Banque de Polynésie 72.1% ▶ Société Générale Calédonienne de Banque 90.1% ▶ Group CGL 100% ▶ Sogécap Group 100% ▶ SG de Banque aux Antilles 100% ▶ Temsys 100% 	<ul style="list-style-type: none"> ▶ Société Générale* ▶ Amundi Group 20% ▶ CALIF 100% ▶ Inter Europe Conseil (IEC) 100% ▶ Lyxor Asset Management 100% ▶ Lyxor International Asset Management 100% ▶ Newedge Group 50% ▶ Parel 100% ▶ Sogefinerg 100% ▶ Société Générale Securities Services France 100% ▶ SG Option Europe 100% ▶ SG Securities (Paris) SAS 100% 	

SOCIÉTÉ GÉNÉRALE GROUP*

RETAIL BANKING FRANCE	INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP
EUROPE			
			Companies with KB's qualified interest
► SG Factoring SPA Italy 100%	► Bank Republic Georgia 93.64%	► Société Générale Newedge UK Ltd United Kingdom 100%	► Komerční pojišťovna, a.s., 48.96%
	► Banka Société Générale Albania 88.64%	► Lyxor Asset Management UK LLP 100%	► CBCB – Czech Banking Credit Bureau, a.s., 20%
	► BRD – Groupe SG Romania 60.17%	► SG Hambros Limited United Kingdom 100%	
	► Eurobank Pologne 99.5%	► SG ImmoBel Belgium 100%	
	► Groupe ALD International 100%	► SG Investments (U.K.) Ltd United Kingdom 100%	
	► Groupe Fidelity Spa Italy 100%	► SG Issuer Luxembourg 100%	
	► Groupe GEFA Bank Germany 100%	► SG Private Banking Belgium 100%	
	► Groupe Rosbank Russia 99.49%	► SG Private Banking (Monaco) 100%	
	► SG Equipment Finance Group 99.99%	► SG Private Banking (Suisse SA) 100%	
	► Hanseatic Bank Germany 75%	► SGCMF 100%	
	► ALD Lease Finanz 100%	► SGSS Deutschland Kapitalanlagegesellschaft Germany 100%	
	► Mobiasbanca Moldavia 87.9%	► SGSS Spa Italy 100%	
	► Ohridska Banka AD Skopje Macedonia 71.85%	► Société Générale Bank & Trust Luxembourg 100%	
	► SKB Banka Slovenia 99.73%	► Société Générale branches in: Frankfurt, Germany; Dublin, Ireland; London, United Kingdom; Madrid, Spain; Milan, Italy Zurich, Switzerland	
	► SG Banka SRBIJA Serbie 100%		
	► SG Express Bank Bulgarie 99.74%		
	► SG-Splitska Banka Croatie 100%		
	► Société Générale Banka Monténégro 90.56%		
	► Komerční banka, a.s., Czech Republic 60.35%		
			Companies controlled by KB
			► Modrá pyramida stavební spořitelna, a.s., 100%
			► Bastion European Investments S.A. 99.98%
			► Protos, uzavřený investiční fond, a.s., 100%
			► KB Penzijní společnost, a.s., 100%
			► Factoring KB, a.s., 100%
			► ESSOX s.r.o. 50.9%
			► SG Equipment Finance Czech Republic s.r.o. 50.1%
			► KB Real Estate, s.r.o. 100%
			► VN 42, s.r.o. 100%
			► NP 33, s.r.o. 100%
			► Cataps, s.r.o. 100%

SOCIÉTÉ GÉNÉRALE GROUP*			
RETAIL BANKING FRANCE	INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP
AFRICA – MIDDLE EAST			
<ul style="list-style-type: none"> ▶ BFV SG Madagascar 70% ▶ Eqdom Morocco 53.72% ▶ SG Algérie 100% ▶ SG de Banques au Bénin 83.85% ▶ SG de Banques au Cameroun 58.1% ▶ SG de Banques en Côte d'Ivoire 73.25% ▶ SG de Banque en Guinée 57.94% ▶ SG de Banque en Guinée Equatoriale 57.23% ▶ SG de Banque au Liban 16.8% ▶ SG de Banques au Sénégal 64.87% ▶ SG Congo 87% ▶ SG Marocaine de Banques 57.01% ▶ SG Tchad 66.16% ▶ Société Générale Burkina Faso 52.61% ▶ Société Générale Ghana Limited 52.24% ▶ Société Générale Mauritanie 91.0% ▶ Union Internationale de Banques Tunisia 52.34% 			
AMERICA			
<ul style="list-style-type: none"> ▶ Banco Cacique S.A. Brazil 100% ▶ Banco Pecunia Brazil 100% ▶ Banco SG Brazil SA 100% ▶ Lyxor Asset Management Inc USA 100% ▶ Société Générale Capital Canada Inc 100% ▶ SG Americas, Inc. USA 100% ▶ SG Americas Securities, LLC USA 100% ▶ Société Générale* branches in: New York, United States; Montréal, Canada 			

SOCIÉTÉ GÉNÉRALE GROUP*			
RETAIL BANKING FRANCE	INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES	GLOBAL BANKING AND INVESTMENT SERVICES	KOMERČNÍ BANKA GROUP
ASIA + AUSTRALIA			
	<ul style="list-style-type: none"> ▶ SG Leasing and Renting Co Ltd China 100% 	<ul style="list-style-type: none"> ▶ Fortune SG Fund Management China 49% ▶ Lyxor Asset Management Japan Co Ltd 100% ▶ Newedge Japan Inc 100% ▶ Newedge Group branch Hong Kong 100% ▶ SG Asia Ltd (Hong-Kong) 100% ▶ SG Securities Asia International Holdings Ltd (Hong Kong) 100% ▶ SG Securities Korea Co. 100% ▶ SG Securities North Pacific, Tokyo Branch Japan 100% ▶ Société Générale (China) Ltd 100% ▶ Société Générale branches in: Singapore; Tokyo Japan; Seoul South Korea; Hong Kong; Taipei Taiwan; Mumbai India; 	

* Source: 2015 REGISTRATION DOCUMENT SG, Simplified organisational chart as of 30 June 2015 and CONSOLIDATED FINANCIAL STATEMENTS as of 31 December 2015

During the course of the 2015 reporting period, FKB entered into arrangements with the following related entities: ¹⁾

COMPANY	REGISTERED OFFICE	SG'S SHARE OF VOTING POWER
Komerční banka, a.s.	Na Příkopě 33, Prague 1, 114 07, Czech Republic	60.735%
Modrá pyramida stavební spořitelna, a.s.	Bělehradská 128, No.p. 222, Prague 2, 120 21, Czech Republic	100%
ALD Automotive s.r.o.	U Stavoservisu 527/1, Prague 10, 100 40, Czech Republic	100%
Protos, uzavřený investiční fond, a.s.	Dlouhá 34, Prague 1, 110 15, Czech Republic	100%
Compagnie Générale d'Affacturage	92532 Levallois-Perron Cedex, 70, rue de Villiers, France	100%
BRD – Groupe Société Générale	011171 Bucuresti, Bd.Ion Michalache, nr 1-7, Turn BRD, Romania	60.17%

¹⁾ These are companies controlled by SG Paris, both in direct and indirect line within the meaning of Section 74 (1) of the Business Corporations Act. The only owner of ALD Automotive s.r.o. is the company ALD International S.A., French Republic, which is a 100% subsidiary of Société Générale S.A.

The role of the Company within the Group

Factoring KB, a.s. (hereinafter "the Company" or "FKB") is a fully owned subsidiary of Komerční banka, a.s. (hereinafter "KB"). KB is the parent company of the Komerční banka financial group (hereinafter also the "Group") and an active member of the Société Générale Banque financial group (hereinafter the "SG Group"). Within the Group, FKB provides a range of factoring services comprising purchase, administration, collection and financing of account receivables, including the takeover of risks related to the insolvency or protracted default of domestic or foreign debtors. The Company offers its services predominantly to Czech businesses and, through its membership in Factors Chain International (the largest network of factoring organizations in the world), it also provides selected services to other members of this international coalition.

As part of the Group, KB provides FKB trade mark licenses, which FKB uses for its business activities. KB also provides FKB with universal banking and financing services, IT services, data processing and consultancy in the area of human resources and risk management, including credit financial risks, rental and sub rental of buildings and parking places. FKB products are sold using KB's sales network. As part of its management and control system applied by the Group, FKB provides KB with data, which are used for preparation of consolidated financial statements, consolidated reporting to regulators or for publication, budgets, business plans, business continuity plan, and anti-money laundering measures.

Within the framework of the international association Factors Chain International (hereinafter also the "FCI"), the Company provides services to other companies - members of the Société Générale Group including CGA – Compagnie Generale d'Affacturage based in France and BRD – Groupe Société Générale with the seat in Romania, with whom the Company has signed a bilateral FCI Interfactor agreement. Under this agreement, the Company acts both in the role of the so-called Import factor, providing dunning and collection services and guarantees against insolvency or protracted default of domestic debtors (or debtors based in the Slovak Republic), and in the role of the so-called Export factor, when it uses the same services provided by Import factors in the countries of debtors, who cooperate with the Company's clients using FCI Export factoring.

Method and Means of Control

Komerční banka, a.s., as the 100% shareholder, exerts its influence on the activity of FKB through the general meeting; KB had three representatives in the three-member Supervisory Board of FKB in 2015.

Within the meaning of Section 79 of the Business Corporations Act, KB is the controlling entity in respect of FKB. The control is formally exercised by the implementation of KB's methodologies, in particularly in the area of risk management and reporting. Controlling is also exercised on an informal level, in the form of consultancy on individual areas of the Company's activities.

II. Arrangements within the Group

A. Important Arrangements Made during the Reporting Period at the Initiative or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity and Relating to Assets Exceeding 10% of Equity

The Annual General Meeting of Protos, closed-end investment fund, Inc. held on 7 December 2015, approved the distribution of the agio fund. The Annual General Meeting also approved an increase of Protos' share capital by CZK 358 million.

Factoring KB subscribed the new shares in the total value of the increased share capital, and its shareholding in Protos has increased from 10.36% to 16.35%.

B. An Overview of Mutual Contracts Between the Controlled Entity and the Controlling Entity or Between Controlled Entities

TITLE OF THE CONTRACT (OR SUBJECT MATTER OF THE CONTRACT – IF NOT CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT CONCLUSION
Framework Contract on the Providing of Financial Services Reg. No. 9900021839000, incl. its amendment (2)	Komerční banka, a.s.	31 March 2014, 2 June 2014, 20 May 2015
Change of interest rate on overdraft – Framework Contract on Rendering of Financial Services Reg. No. 9900021839000, (11)	Komerční banka, a.s.	26 January 2015, 27 February 2015, 20 March 2015, 23 April 2015, 22 May 2015, 19 June 2015, 24 July 2015, 25 September 2015, 26 October 2015, 20 November 2015, 22 December 2015
Contract on Opening and Maintaining of Current Accounts in CZK with Komerční banka, a.s., incl. amendments (6)	Komerční banka, a.s.	5 August 1997
Contract on Opening and Maintaining of Current Accounts in CZK with Komerční banka, a.s., incl. amendments (7)	Komerční banka, a.s.	28 August 1998
Contract on Opening and Maintaining of Current Accounts in USD with Komerční banka, a.s., incl. amendments (7)	Komerční banka, a.s.	24 September 1998
Contract on Opening and Maintaining of Current Accounts in EUR with Komerční banka, a.s., incl. amendments (8)	Komerční banka, a.s.	25 February 1999
Contract on Opening and Maintaining of Current Accounts in GBP with Komerční banka, a.s., incl. amendments (6)	Komerční banka, a.s.	4 June 2002
Contract on Opening and Maintaining of Current Accounts in PLN with Komerční banka, a.s., incl. amendments (5)	Komerční banka, a.s.	24 August 2005
Contract on Opening and Maintaining of Current Accounts in CHF with Komerční banka, a.s., incl. an amendment (1)	Komerční banka, a.s.	6 June 2013
Contract on Opening and Maintaining of Current Accounts in EUR with Komerční banka, a.s., incl. an amendment (1)	Komerční banka, a.s.	28 February 2012
Contract on Opening and Maintaining of Current Accounts in EUR with Komerční banka, a.s., incl. amendments (3)	Komerční banka, a.s.	7 June 2012
Framework Contract for Dealing on the Financial Market	Komerční banka, a.s.	22 December 2011
Contract on using the direct banking services, incl. amendments (6)	Komerční banka, a.s.	31 October 2002
Contract on Individual Pricing, incl. amendments (2)	Komerční banka, a.s.	31 July 2012
Framework Agreement on the Rental of Employee-driven Motor Vehicles	Komerční banka, a.s.	22 September 2014
Contract on Providing of Postal Services and the Disposal of Duplicate Documentation	Komerční banka, a.s.	31 October 2013
Contract on Providing of Services – BI	Komerční banka, a.s.	27 December 2012
Agreement – services: data transfer – current accounts	Komerční banka, a.s.	1 August 2013
Framework Service Agreement – IT Infrastructure	Komerční banka, a.s.	8 September 2010
License Agreement on Usage of Database	Komerční banka, a.s.	1 April 2011
Separate Agreement No. 1, Connectivity Services, (IT Process Procedure)	Komerční banka, a.s.	1 December 2012
Partial Agreement No. 2, Physical Hosting of Equipment, (IT Process Procedure)	Komerční banka, a.s.	1 December 2012
Partial Agreement No. 3, IT Infrastructure Hosting (IT Process Procedure)	Komerční banka, a.s.	1 December 2012
Partial Agreement No. 4, VoIP (IT Process Procedure)	Komerční banka, a.s.	31 December 2012
Partial Agreement No. 5, Email (IT Process Procedure)	Komerční banka, a.s.	25 May 2015
Partial Agreement No. 6, Fileshare (IT Process Procedure)	Komerční banka, a.s.	1 January 2015
Partial Agreement No. 7, End User Workplace (EUV), (IT Process Procedure)	Komerční banka, a.s.	1 January 2015
Partial Agreement No. 8, Service Desk, (IT Process Procedure)	Komerční banka, a.s.	1 January 2015
Partial Agreement No. 9, Identity and Access, (IT Process Procedure)	Komerční banka, a.s.	1 January 2015
Partial Agreement No. 10, Platform hosting, (IT Process Procedure)	Komerční banka, a.s.	1 January 2015
Partial Agreement No. 11, Disaster Recovery, (IT Process Procedure)	Komerční banka, a.s.	1 September 2015
Contract on Provision of services – Information Security Services	Komerční banka, a.s.	27 October 2015
Cooperation Agreement No. 0000020447/0000 + amendment (1)	Komerční banka, a.s.	31 December 2012
Service Level Agreement – cooperation in the area of accounting and reporting	Komerční banka, a.s.	26 November 2014
Contract on Custody Services	Komerční banka, a.s.	29 August 2007

TITLE OF THE CONTRACT (OR SUBJECT MATTER OF THE CONTRACT – IF NOT CLEAR FROM THE TITLE)	CONTRACTING PARTY	DATE OF CONTRACT CONCLUSION
Contracts on Usage of KB Safe-deposit Box (8), terminated (1)	Komerční banka, a.s.	11 November 2003, 30 June 2004, 31 January 2006, 2 April 2008, 26 May 2009, 5 June 2009, 16 June 2009, 13 August 2009, 23 November 2015
Contracts on Issue and Usage of a Payment Cards (6), incl. amendments (5)	Komerční banka, a.s.	30 March 2011, 16 January 2012, 10 June 2013, 18 September 2014, 16 December 2014
Contract on Complementary Services – Profi Merlin	Komerční banka, a.s.	16 July 2010
Contract on Rental of Non-residential Premises, Movables and Payment of Relating Services (3) + amendment (1), terminated (1), new (1)	Komerční banka, a.s.	8 June 2006, 18 June 2008, 5 January 2009, 19 December 2011, 30 September 2015
Contract on Rental of Non-residential Premises, Movables and Payment of Relating Services + amendment (1)	Komerční banka, a.s.	30 August 2012, 30 December 2014
Contract on Sublease of Parking Place (3) + amendments (2), terminated (1), new (1)	Komerční banka, a.s.	28 August 2012, 1 September 2012, 1 January 2013, 31 December 2013, 31 December 2014, 23 March 2015
License Agreement – Logo + amendment (1)	Komerční banka, a.s.	20 December 2004, 29 January 2015
Agreement on Framework Insurance contract No. 7720802024, amendment No. 4	Komerční banka, a.s.	6 March 2015
Agreement on Cooperation in the Performance of Contract on Employees Group Risk Insurance No. 3280000000, in the wording of Amendment No. 1	Komerční banka, a.s.	24 August 2012
Agreement on Cooperation in the Implementation of Group Insurance Agreement of Work-related Accident and Occupational Disease Insurance form Members of Board No. 333000000	Komerční banka, a.s.	23 March 2015
Mutual Cooperation Agreement+ amendment (1) – providing banking services to employees	Komerční banka, a.s.	1 August 2007, 1 July 2010
Agreement – Outsourcing of HR Services (excluding Payroll) KB Agr.No. 20596/0000 + amendment (1)	Komerční banka, a.s.	1 January 2013, 1 October 2013
Service Contract – Outsourcing (HR services)	Komerční banka, a.s.	4 January 2010
Cooperation Agreement – job vacancies	Komerční banka, a.s.	28 April 2010
Distribution Agreement + amendment (1)	Komerční banka, a.s.	1 December 2008, 10 January 2013
Framework Agreement on Personal Data Processing	Komerční banka, a.s.	1 December 2008
Confidentiality Agreement	Komerční banka, a.s.	9 August 2010
Rules for cooperation between KB and members of the group in the field of sourcing and purchasing	Komerční banka, a.s.	4 October 2010
Agreement on the Organization of Periodic Control (internal audit services) + amendment (1)	Komerční banka, a.s.	5 May 2011
Contract on Providing of Services – Access to the C4M, incl. amendment (1)	Komerční banka, a.s.	24 May 2011, 29 May 2012
Contract on Providing of Services in the Area of Work Safety, Environmental Protection and Fire Protection	Komerční banka, a.s.	30 January 2015
Framework Contract – Rental of Movables	ALD Automotive s.r.o.	21 April 2008
Contracts on Rental of Movable Property (14), terminated (1)	ALD Automotive s.r.o.	19 April 2010, 7 October 2011, 24 November 2011, 10 May 2012, 18 July 2013, 8 January 2014, 10 April 2014, 14 May 2015, 10 December 2015
Contract on Providing of Preferential Conditions for the Employees of Factoring KB, a.s. – Participants in the Housing Savings Scheme in MPSS	Modrá pyramida stavební spořitelna, a.s.	1 November 2013
FCI Interfactor Agreement	Compagnie Générale d'Affacturage	2 April 2003
FCI Interfactor Agreement	BRD – Groupe Société Générale	21 April 2015

C. An Assessment of the Advantages and Disadvantages Arising from the Relations within the Group and an Assessment of Injury

The advantages and disadvantages arising from the relations within the business group

The whole Group takes advantage of mutual synergistic effects including product pooling, a strong brand and know-how. In the business area FKB benefits from its participation in KB's network, which is one of the distributors of FKB's products. In the area of financial, credit and operational risks management, the processes and tools developed within the Group represent advanced solutions that enable an efficient response to market changes. The advantages of the Company's integration in the business group contribute to the Company's positive financial results.

Injury assessment

The Company's Board of Directors has reviewed all arrangements put in place between the Company and the companies that were part of the Group during the 2015 reporting period and states that the Company incurred no injury as a result of any contracts, agreements or any other legal acts made or implemented by the Company or as a result of any other influence otherwise exerted by KB in the reporting period.

In Prague on 29 February 2016

FACTORING KB, a.s.



Adam Fiedler
Chairman of the Board



Věra Jahnová
Member of the Board



Eva Březinová
Member of the Board

www.factoringkb.cz

1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2009 2011

NA PARTNERSTVÍ ZÁLEŽÍ



KB

Factoring