

Factoring KB, a.s.

ANNUAL REPORT

2019



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

Selected economic indicators

- Company turnover reached CZK 54,020 million in 2019, which represents an 8% gain year on year.
- Profit after tax was CZK 61.6 million in 2019.
- The Company's market share reached 29.4% in 2019.

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Komerční banka, a.s.

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Turnover of domestic factoring (CZK mil.)

2015	24,916
2016	25,796
2017	29,632
2018	35,296
2019	35,902

Turnover of international factoring (CZK mil.)

2015	10,565
2016	11,966
2017	13,206
2018	14,872
2019	18,118

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	Unit	2019	2018	2017	2016	2015
Total assets	CZK million	16,411.3	16,315.3	14,713.6	13,976.7	12,027.9
Registered capital	CZK million	1,184.0	1,184.0	1,184.0	1,184.0	1,184.0
Equity	CZK million	1,581.8	1,620.6	1,598.3	1,609.7	1,626.2
Profit/loss before taxes	CZK million	79.1	141.7	100.8	91.3	86.5
Profit after tax	CZK million	61.6	115.1	86.5	78.1	76.2
Market share	%	29.4	28.7	27.4	28.7	25.9
Total turnover*	CZK million	54,019.8	50,168.0	42,838.0	37,761.7	35,480.5
Turnover of domestic factoring	CZK million	35,902.3	35,295.8	29,632.0	25,795.7	24,915.7
Turnover of international factoring	CZK million	18,117.6	14,872.2	13,206.0	11,966.0	10,564.7
Level of provisions	CZK million	228.3	218.9	275.4	252.6	217.0
Total revenues*	CZK million	503.7	447.4	443.1	287.8	547.5
Total costs**	CZK million	424.6	305.7	342.3	196.5	461.0
Average number of employees	number	44	44	45	45	44

* 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.

| Company Profile

Business name

Factoring KB, a.s.

Legal form

Joint-stock company

Business Registration No. (IČO)

25148290

Registered office

náměstí Junkových 2772/1, 155 00 Prague 5

Date of incorporation

4 August 1997

Registered capital

CZK 1,184,000,000

Membership in 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

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 risk 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 coalition.

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 (hereinafter “FG of KB”) 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.

Share in turnover on the Czech factoring market (%)

2015	26	
2016	29	
2017	27	
2018	29	
2019	29	

| Report of the Board of Directors

Economic and Monetary Environment in 2019

The year 2019 was marked by a slowdown in the dynamism of growth in the light of geopolitical uncertainty and weakening foreign demand.

The strength of domestic demand, in particular household consumption, thanks to the tense situation on the labour market, had an effect in terms of price developments. For most of the year, total inflation remained in the upper part of the CNB tolerance band, at the end it was even above three per cent. Whereas the two-week repo rate was raised five times in 2018, this only happened once in 2019, when it was increased to 2.0%. All this with relatively stable foreign exchange trends.

The economy slowed down as a whole and saw growth of 2.4% measured as the growth of real gross domestic product in 2019, after the 2.8% reported in 2018. A more marked slowdown arrived in the second half of the year and, in particular, in the final quarter. The recession in German industry affected the Czech economy, focused on exports and industry. Automotive production, which recorded a year-on-year double-digit fall (-10.3%) in December 2019 was particularly under pressure, although for the whole of the year it was only 0.7% weaker.

Industrial production fell as a whole last year (-0.5%), which was the first fall after five years of constant growth. The mechanical engineering (-2.6%) and metalworking (-1.9%) industries contributed the most to the year-on-year fall. On the contrary, production rose in the electrical equipment (+5.7%) and pharmaceutical (+19.3%) industries. The worsening of the situation in the sector is shown by a reduction in employment by 1.1%. With regard to the ongoing stress on the labour market, salary growth in industry was a robust 6.2%.

Thanks to household consumption, domestic demand more than compensated for weakening foreign demand. Consumer sentiment only fell slightly over the whole of 2019, but the mood of Czech households remained relatively high. After the extreme 2018, the following year was marked by only minimal relief on the labour market. The unemployment rate reached its bottom in the second quarter of 2019 at a rate of 1.9% and the average for the whole year was 2.0%. Whereas household consumption held up, the second element in domestic demand—investment—markedly slowed in the second half of 2019. The reason was the aforementioned uncertainty in the external environment. Despite this, the construction sector did well, although it is still having trouble with insufficient production capacity. Construction production grew year-on-year by 2.3% in real terms in 2019.

Situation on the Factoring Market and Position of Factoring KB

The Association of Factoring Companies of the Czech Republic reported a total turnover of assigned receivables of CZK 184 bn in 2019. The factoring market continued to grow, although the tempo of growth in comparison with previous years slowed from 19% in 2017 and just under 12% in 2018 to 5.5% for 2019. As far as concerns the regional breakdown of receivables purchased, domestic receivables rose more slowly than foreign ones, which was a change compared to 2018. The volume of foreign receivables in 2019 rose year-on-year by 16%, whereas the volume of domestic receivables remained unchanged. The same as last year, however, there was a marked strengthening of non-recourse factoring, which rose by 13% year on year, whereas recourse factoring stagnated and its share of the total volume of receivables assigned fell from 62% in 2017 to 58% in 2018 and to the final 55% in 2019.

Factoring KB managed to grow faster than the whole market and, thanks to the almost 8% growth achieved in receivables purchased, strengthened its leading position on the Czech factoring market, with a market share of 29.4%. Factoring KB has been generating increases in turnover constantly since 2011, and in this time it has managed to move up from fourth place on the market, with a market share of 12.3%, to first, with a market share of more than 29%. In addition to the extraordinary hard work of company employees, our business success is based, over the long term, on intensive co-operation with the Komerční banka distribution network, which supplements factoring products with its own range of banking products.

In 2019, the Company worked with commercial insurance companies and partner factoring companies as part of the Factors Chain International (FCI), of which it has been a member since 2000. This co-operation enabled it to offer non-recourse products where Factoring KB accepts the risk of customer insolvency, as well as to support exporters and importers in business co-operation with their foreign partners.

The same as in previous years, Komerční banka remains a key partner of the Company also in areas other than the distribution of our products. Komerční banka, for example, provides Factoring KB with support and professional experience in the area of management of operating risks, compliance, human resources and IT.

Most Important Events in 2019

The dynamic business growth of Factoring KB broke several records. In addition to the aforementioned increase in the market share in the whole of 2019, December was the first month in which a monthly turnover of purchased receivables totalling CZK 5 bn was reached. This growth was achieved primarily thanks to exemplary co-operation with all segments of Komerční banka, primarily thanks to the strengthening of the position of Factoring KB in the segment of large and multinational companies.

In November 2019, Factoring KB held a Factoring Seminar in Prague for all factoring companies in the whole Société Générale group. Factoring KB participated in the preparation of several international transactions in co-operation with the global Société Générale Factoring team, and the development of synergies in the SG Group for the global service of clients remains our priority.

Factoring KB's marked success not only on the Czech market was recognised at the international level by the award "Best Factoring Company Czech Republic 2019" from the international organisation Global Banking and Finance Review.

Commentary on Financial Situation and Financial Results

In 2019, the Company's profit before taxation and risk costs reached a record of almost CZK 110 m. The Company profited from excellent business results and it managed to increase interest and commission revenues by 1.9% year on year, where net interest revenues rose by 3.2%, whereas commission revenues increased by 1.2%. This mix of trends was caused partially by continuing pressure on prices and partially by an increased share of the volume of transactions in the large and multinational companies segment. The excellent result in 2019 was boosted by extraordinary emphasis on cost control concerning both operating costs, which showed a year-on-year fall, and risk costs, although there was no repeat of the extraordinary release of provisions that was seen in the previous year.

Company Strategic Aims for 2020

The main aim of Factoring KB is to maintain the high quality of our services for clients and new acquisitions in co-operation with the Komerční banka retail network. By doing this we want to maintain the Company's leading position on the Czech factoring market.

We will continue to develop our information systems, so that we can respond to new technology trends and make use of them in the continuing digitalisation of our processes and therefore bring a simpler, faster and innovative solution for the satisfaction of clients and employees. Primarily in the segment of very small enterprises and entrepreneurs we look for ways to simplify and automate our procedures as much as possible, thereby offering a factoring product to an even larger number of clients.

Principles of Social Responsibility

Responsible actions in relation to the society in which we are active is one of the strategic priorities of Factoring KB. Responsibility is the basis of every partnership and also a condition for the long-term success of business. Factoring KB acts responsibly in relation to clients, employees, shareholders, society and the environment and is of the opinion that this is in accordance with the interests and expectations of all the main partners, as well as legal regulations.

Only an ethical approach to business and the provision of financial services can lead to long-term maintenance and improvement of the position of Factoring KB on the market. One of the basic conditions for the Company's successful development is the professional behaviour and conduct of its employees, which is based on building direct and open relations with clients and on mutual trust. Factoring KB expects all its employees to fully realise the obligation to act always in accordance with the ethical standards expressed in the FKB Ethical Code.

The same as in previous years, Factoring KB donated assistance and a financial amount to the Jistota Komerční banky Foundation. Our contribution for 2019 totalling CZK 75,000 was used to support the Centrum Rosa organisation and its project, as part of which senior citizen memory training lessons were financed. In the same way, we are proud of our lasting partnership with the Alzheimer endowment fund, which helps improve care for patients with dementia.

Customer Satisfaction

Conditions for maintaining and developing partnerships with customers include a professional approach and quality services. Therefore all Factoring KB employees work for customers, and the customer experience is reflected in all of our company's activities. Although we get feedback from our clients about their satisfaction over the course of the whole year, last year we decided, for the first time, to systematically measure the satisfaction of our customers using an independent agency and the Net Promoter Score (NPS) method. The NPS is calculated as the difference between the share of promoters and critics. The results of the measurement for 2019 showed a great value of 80.3. This excellent result is, for us all, not only the highest reward that our work can provide, but also an obligation to maintain and further improve this standard in future years.

Subsequent events

At the time of publishing this annual report, the baseline assumptions for the development of business in 2020 have been put under review, due to a rapid evolution related to the outbreak of COVID-19, which threatens the health of employees and clients and disrupts economic activity in the country.

In accordance with prepared operational risk management procedures and business continuity plans, Factoring KB has adopted a set of measures to ensure proper operations. The measures comprise rules for quarantine and work from home for employees who are vulnerable due to health conditions and for those colleagues who have returned from epicentres of the infection, replacing face-to-face meetings with telecommunications, adjusting the customary etiquette of personal contact, including with the clients, as well as the rules of hygiene, physical separation of teams, providing workplace backup, increased intensity of cleaning and disinfection of spaces, and other measures.

The economic impacts will depend on the intensity and duration of the epidemic phase of spreading of the coronavirus causing COVID-19. It is expected that slowdown of economic activity will lead to lower transaction activity of clients and a decrease in the volume of assigned receivables. Consequently, revenues in 2020 will be lower than previously expected. Operating expenditures will reflect various measures and adjustments in operations linked to protection of health and facilitation of distance working. However, the increase in total operating expenditures will not be significant. During 2020, FKB will carefully follow the impact of the COVID-19 outbreak on the credit risk profile. On a regular basis, FKB will update (i) its provisioning models while taking into account the current assumptions and outlook, and (ii) provisioning for those clients that are assessed individually. Cost of risk will be higher due to the impact of a worsened macroeconomic environment on the risk profile of the loan portfolio. It will be necessary to create provisions for exposures with postponed payments due to the deteriorated payment ability of the customers. Factoring KB assumes that a part of the newly created provisions might be reversed later, once the extraordinary economic situation fades away.

Corporate Governance

as at 31 December 2019

Board of Directors

Jan Kotík

Chairman of the Board of Directors and CEO

Eva Březinová

Member of the Board of Directors

David Rožek

Member of the Board of Directors until 31 May 2019

Supervisory Board

Jitka Haubová

Chairwoman of the Supervisory Board

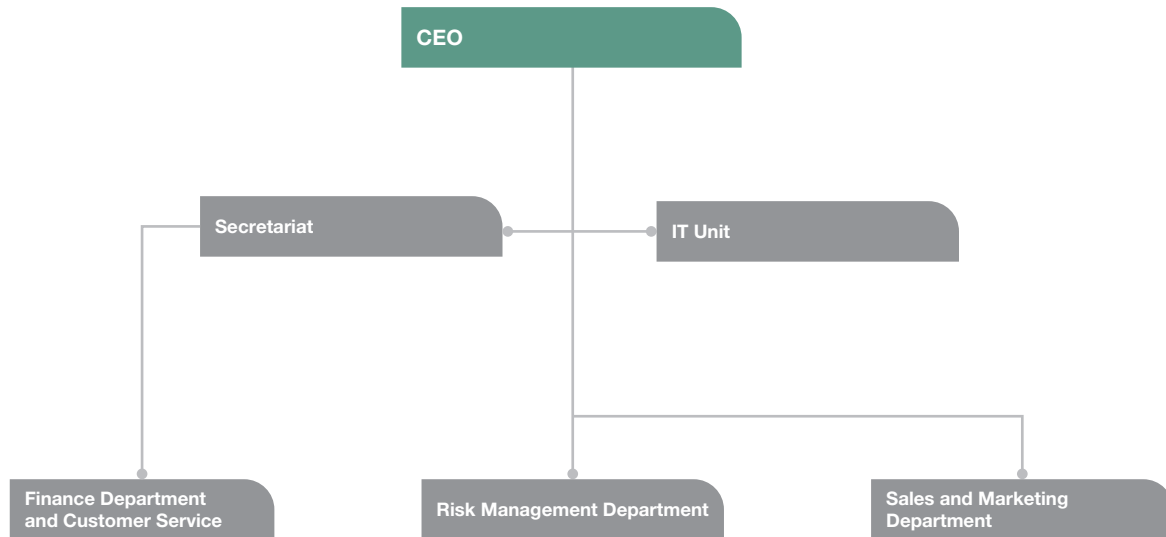
Jiří Šperl

Member of the Supervisory Board

Milan Dobeš

Member of the Supervisory Board

Organisational Chart as at 31 December 2019



| Ownership Structure

The annual general meeting was held on 23 April 2019. The general meeting approved the Report of the Board of Directors on its Business Activities and the State of its Assets for 2018 as well as the financial statements for 2018. It also decided on distribution of the Company's earnings from 2018, 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 2019.

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 is 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, 21 April 2020

Signed on behalf of the Board of Directors:



Jan Kotík

Chairman of the Board of Directors and Chief Executive Officer



Eva Březinová

Member of the Board of Directors

| 2019 Supervisory Board's Report

The Supervisory Board of Factoring KB, a.s. carried out on ongoing basis tasks assigned to it by the Business Corporations Act and the Company's Article 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 2019, considering the preliminary external auditor's opinion on the annual financial statements, 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 2019.

The Supervisory Board further reviewed the Report on Related Parties for the period from 1 January to 31 December 2019 prepared by the Company as the controlled entity under Section 83, Subsection 1 of the Business Corporations Act. 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 damages caused to the Company in its relations with controlling entity.

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

After tax profit	CZK 61,633 thousand
Retained earnings for 2019	CZK 61,633 thousand

The Supervisory Board recommends to the General Meeting to approve the Company's annual financial statements for 2019.

Prague, 31 March 2020



Jitka Haubová
Chairwoman of the Supervisory Board

FINANCIAL SECTION

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Independent Auditor's Report to the Shareholders of Factoring KB, a.s.



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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

Opinion

We have audited the accompanying financial statements of Factoring KB, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Factoring KB, a.s. as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

In Prague on 22 April 2020

Audit firm:

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



Statutory auditor:

Daniela Hynštová
evidenční číslo 2235



| Financial Statements

Balance Sheet in full as of 31 December 2019

(in CZK thousand)		31. 12. 2019			31. 12. 2018
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	16,738,899	327,568	16,411,331	16,315,332
B.	Fixed assets	1,124,674	99,305	1,025,369	1,009,825
B. I.	Intangible fixed assets	110,589	98,118	12,471	11,363
B. I. 2.	Valuable rights	110,589	98,118	12,471	11,363
B. I. 2.1.	Software	110,589	98,118	12,471	11,363
B. II.	Tangible fixed assets	2,881	1,187	1,694	1,984
B. II. 2.	Tangible movable assets and sets of tangible movable assets	2,169	1,187	982	1,272
B. II. 4.	Other tangible fixed assets	712	0	712	712
B. II. 4.3.	Other tangible fixed assets	712	0	712	712
B. III.	Non-current financial assets	1,011,204	0	1,011,204	996,478
B. III. 5.	Other non-current securities and investments	1,011,204	0	1,011,204	996,478
C.	Current assets	15,612,976	228,263	15,384,713	15,303,802
C. II.	Receivables	15,589,577	228,263	15,361,314	15,273,189
C. II. 1.	Long-term receivables	743,030	1,385	741,645	952,194
C. II. 1.1.	Trade receivables	718,153	1,385	716,768	931,427
C. II. 1.4.	Deferred tax asset	24,877	0	24,877	20,767
C. II. 2.	Short-term receivables	14,846,547	226,878	14,619,669	14,320,995
C. II. 2.1.	Trade receivables	9,787,686	154,912	9,632,774	8,992,215
C. II. 2.4.	Receivables – other	5,058,861	71,966	4,986,895	5,328,780
C. II. 2.4.4.	Short-term prepayments made	5,058,649	71,966	4,986,683	5,328,297
C. II. 2.4.6.	Sundry receivables	212	0	212	483
C. IV.	Cash	23,399	0	23,399	30,613
C. IV. 1.	Cash on hand	23	0	23	2
C. IV. 2.	Cash at bank	23,376	0	23,376	30,611
D.	Other assets	1,249	0	1,249	1,705
D. 1.	Deferred expenses	1,249	0	1,249	1,705

(in CZK thousand)			31. 12. 2019	31. 12. 2018
TOTAL LIABILITIES & EQUITY			16,411,331	16,315,332
A.	Equity		1,581,849	1,620,585
A.	I.	Share capital	1,184,000	1,184,000
A.	I. 1.	Share capital	1,184,000	1,184,000
A.	II.	Share premium and capital funds	46,506	31,781
A.	II. 1.	Share premium	6,000	6,000
A.	II. 2.	Capital funds	40,506	25,781
A.	II. 2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	40,506	25,781
A.	III.	Funds from profit	16,357	16,357
A.	III. 1.	Other reserve funds	15,791	15,791
A.	III. 2.	Statutory and other funds	566	566
A.	IV.	Retained earnings (+/-)	273,353	273,353
A.	IV. 1.	Accumulated profits or losses brought forward (+/-)	273,353	273,353
A.	V.	Profit or loss for the current period (+/-)	61,633	115,094
B.+C.	Liabilities		14,797,387	14,651,311
B.	Reserves		13,919	12,458
B.	IV.	Other reserves	13,919	12,458
C.	Payables		14,783,469	14,638,853
C.	I.	Long-term payables	353,304	446,582
C.	I. 2.	Payables to credit institutions	353,304	435,492
C.	I. 4.	Trade payables	0	11,090
C.	II.	Short-term payables	14,430,164	14,192,271
C.	II. 2.	Payables to credit institutions	7,186,151	6,857,561
C.	II. 3.	Short-term prepayments received	105	0
C.	II. 4.	Trade payables	7,214,690	7,284,026
C.	II. 8.	Other payables	29,219	50,684
C.	II. 8.3.	Payables to employees	2,098	1,926
C.	II. 8.4.	Social security and health insurance payables	998	967
C.	II. 8.5.	State – tax payables and subsidies	7,785	7,159
C.	II. 8.6.	Estimated payables	3,975	4,210
C.	II. 8.7.	Sundry payables	14,362	36,422
D.	Other liabilities		32,095	43,436
D.	1.	Accrued expenses	1,302	2,909
D.	2.	Deferred income	30,793	40,527

Profit and Loss Account in full format as of 31 December 2019

(in CZK thousand)		Year ended 31. 12. 2019	Year ended 31. 12. 2018
I.	Sales of products and services	125,075	123,616
A.	Purchased consumables and services	32,731	35,152
A.	2. Consumed material and energy	1,738	1,825
A.	3. Services	30,994	33,327
D.	Staff costs	49,482	50,189
D.	1. Payroll costs	34,671	35,173
D.	2. Social security and health insurance costs and other charges	14,811	15,016
D.	2.1. Social security and health insurance costs	12,754	12,870
D.	2.2. Other charges	2,057	2,146
E.	Adjustments to values in operating activities	15,814	(50,275)
E.	1. Adjustments to values of intangible and tangible fixed assets	6,415	6,272
E.	1.1. Adjustments to values of intangible and tangible fixed assets – permanent	6,415	6,272
E.	3. Adjustments to values of receivables	9,398	(56,547)
III.	Other operating income	283,837	256,486
III.	3. Sundry operating income	283,837	256,486
F.	Other operating expenses	307,455	276,043
F.	3. Taxes and charges	74	339
F.	4. Reserves relating to operating activities and complex deferred expenses	1,460	(242)
F.	5. Sundry operating expenses	305,922	275,946
*	Operating profit or loss (+/-)	3,430	68,993
VI.	Interest income and similar income	161,966	125,863
VI.	2. Other interest income and similar income	161,966	125,863
J.	Interest expenses and similar expenses	83,558	49,871
J.	1. Interest expenses and similar expenses – controlled or controlling entity	82,524	48,921
J.	2. Other interest expenses and similar expenses	1,034	950
VII.	Other financial income	200,514	187,582
K.	Other financial expenses	203,206	190,833
*	Financial profit or loss (+/-)	75,716	72,741
**	Profit or loss before tax (+/-)	79,146	141,734
L.	Income tax	17,513	26,640
L.	1. Due income tax	21,623	19,864
L.	2. Deferred income tax (+/-)	(4,110)	6,776
**	Profit or loss net of tax (+/-)	61,633	115,094
***	Profit or loss for the current period (+/-)	61,633	115,094
*	Net turnover for the current period	771,391	693,547

Cash Flow Statement as of 31 December 2019

(in CZK thousand)		Year ended 31. 12. 2019	Year ended 31. 12. 2018
P.	Opening balance of cash and cash equivalents	30,613	756
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss before tax	79,146	141,734
A. 1.	Adjustments for non-cash transactions	(30,740)	(110,780)
A. 1.1.	Depreciation of fixed assets	6,415	24,786
A. 1.2.	Change in provisions and reserves	10,859	(56,789)
A. 1.5.	Interest expense and interest income	(78,408)	(75,992)
A. 1.6.	Adjustments for other non-cash transactions	30,394	(2,785)
A. *	Net operating cash flow before changes in working capital	48,406	30,954
A. 2.	Change in working capital	(224,214)	(1,405,519)
A. 2.1.	Change in operating receivables and other assets	(123,829)	(1,540,554)
A. 2.2.	Change in operating payables and other liabilities	(100,385)	135,035
A. **	Net cash flow from operations before tax	(175,808)	(1,374,565)
A. 3.	Interest paid	(85,210)	(49,669)
A. 4.	Interest received	161,806	119,191
A. 5.	Income tax paid from ordinary operations	(20,985)	(15,618)
A. ***	Net operating cash flows	(120,197)	(1,320,661)
	Cash flows from investing activities		
B. 1.	Fixed assets expenditures	(7,234)	(7,390)
B. ***	Net investment cash flows	(7,234)	(7,390)
	Cash flow from financial activities		
C. 1.	Change in payables from financing	235,312	1,444,443
C. 2.	Impact of changes in equity	(115,095)	(86,535)
C. 2.6.	Profit shares paid	(115,095)	(86,535)
C. ***	Net financial cash flows	120,217	1,357,908
F.	Net increase or decrease in cash and cash equivalents	(7,214)	29,857
R.	Closing balance of cash and cash equivalents	23,399	30,613

Statement of Changes in Equity as of 31 December 2019

(in CZK thousand)	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2017	1,184,000	38,073	16,362	273,353	86,535	1,598,323
Profit shares paid					(86,535)	(86,535)
Payments from capital funds			(5)			(5)
Gains or losses from the revaluation of assets and liabilities		(6,292)				(6,292)
Profit or loss for the current period					115,094	115,094
Balance at 31 December 2018	1,184,000	31,781	16,357	273 353	115,094	1,620,585
Profit shares paid					(115,094)	(115,094)
Payments from capital funds		14,725				14,725
Profit or loss for the current period					61,633	61,633
Balance at 31 December 2019	1,184,000	46,506	16,357	273 353	61,633	1,581,849

Notes to the Financial Statements for the Year Ended 31 December 2019

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, náměstí 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 2019:

Board of Directors	
Chairman:	Jan Kotík
Member:	Eva Březinová

Supervisory Board	
Chairwoman:	Jitka Haubová
Member:	Jiří Šperl
Member:	Milan Dobeš

The position of the Chairman of the Board of Directors of the Company changed during the reporting period. Adam Fiedler was replaced on this position by Jan Kotík. Jan Kotík became a new member of the Board of Directors on 1 February 2019 and was elected Chairman on 4 February 2019. David Rožek, as a member of the Board of Directors, resigned on 31 May 2019. This position was not filled at the balance sheet date.

The Company has no organisational branch abroad.

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, as amended for 2019 and 2018; 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, as amended for 2019 and 2018; and Czech Accounting Standards for Businesses, as amended for 2019 and 2018.

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 2019 and 2018, 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	3–6

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 expensed 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 provisions 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% 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 short-term prepayments made. 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 profit and loss account.

e) Method of determining provisions

For the creation of provisions, the Company use one of the two methods. For receivables which are not in the default, the Company creates portfolio provisions based on models using probability of default and loss given default.

For receivables in default the Company creates individual provisions based on evaluation of the debtor's ability to repay, expected revenues from realised collateral, expected time of collection, etc.

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 provisions, 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.

m) Cash Flows Statement

Cash Flows Statement was prepared by indirect method. Cash equivalents represent short-term liquid assets, which can be easily and promptly convert to a known amount of cash.

Cash and cash equivalents can be analysed as follows:

(in CZK thousand)	As at 31 December 2019	As at 31 December 2018
Cash and cash in transit	23	2
Accounts in banks	23,376	30,611
Debit balance of current account included in short-term bank loans	0	0
Cash and cash equivalents total	23,399	30,613

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

4. Fixed assets

a) Intangible fixed assets (in CZK thousand)

Cost

	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	105,438	0	(1,883)	7,034	110,589
Intangible fixed assets under construction	0	7,034	0	(7,034)	0
Total in 2019	105,438	7,034	(1,883)	0	110,589
Total in 2018	98,461	6,977	0	0	105,438

Accumulated amortisation

	Opening balance	Amortisation charge	Disposals	Closing balance	Net book value
Software	(94,075)	(5,926)	1,883	(98,118)	12,471
Intangible fixed assets under construction	0	0	0	0	0
Total in 2019	(94,075)	(5,926)	1,883	(98,118)	12,471
Total in 2018	(88,261)	(5,814)	0	(94,075)	11,363

Total low-value intangible assets not included in the balance sheet amounted to CZK 125 thousand as at 31 December 2019 and CZK 114 thousand as at 31 December 2018 at cost.

b) Tangible fixed assets (in CZK thousand)

Cost

	Opening balance	Additions	Disposals	Transfers	Closing balance
Machinery and equipment	2,674	0	(751)	199	2,122
Fixtures and fittings	30	0	0	0	30
Low-value tangible assets	17	0	0	0	17
Works of art	712	0	0	0	712
Tangible fixed assets under construction	0	199	0	(199)	0
Total in 2019	3,433	199	(751)	0	2,881
Total in 2018	3,019	414	0	0	3,433

Accumulated depreciation

	Opening balance	Depreciation charge	Disposals	Closing balance	Net book value
Machinery and equipment	(1,402)	(489)	751	(1,140)	982
Fixtures and fittings	(30)	0	0	(30)	0
Low-value tangible assets	(17)	0	0	(17)	0
Works of art	0	0	0	0	712
Tangible fixed assets under construction	0	0	0	0	0
Total in 2019	(1,449)	(489)	751	(1,187)	1,694
Total in 2018	(990)	(459)	0	(1,449)	1,984

Total low-value tangible assets not included in the balance sheet amounted to CZK 480 thousand as at 31 December 2019 and CZK 443 thousand as at 31 December 2018 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, Rohanské nábřeží 693/10, Karlín. 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 2017	Revaluation	Balance as at 31 December 2018	Revaluation	Balance as at 31 December 2019
Other non-current securities and investments	1,002,770	(6,292)	996,478	14,726	1,011,204
Total	1,002,770	(6,292)	996,478	14,726	1,011,204

5. Receivables

Long-term receivables

As at 31 December 2019, the Company had long-term receivables amounting to CZK 741,645 thousand (2018: CZK 952,194 thousand), comprising trade receivables in the amount of CZK 716,768 thousand (2018: CZK 931,427 thousand) and a deferred tax asset of CZK 24,877 thousand (2018: CZK 20,767 thousand). The Company had receivables with maturity longer than 5 years in the amount CZK 98,173 thousand (2018: CZK 144,493 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 2019	Out of which overdue ¹	As at 31 December 2018	Out of which overdue ¹
Trade receivables (gross)	9,787,686		9,131,127	0
out of which:				
– purchased receivables	9,505,371	193,444	8,953,134	129,590
– commissions from purchased receivables	10,752	1,374	11,420	1,897
– interest on pre-financing	22,136	4,406	21,969	4,934
– reassignments	245,449	100,790	139,077	116,846
– receivables from accession to debts	2,998	2,998	4,435	4,435
– other receivables	980	454	1,093	431
Provisions for trade receivables	(154,912)		(138,912)	0
Trade receivables (net)	9,632,774		8,992,215	0
Receivables from pre-financing	5,058,609		5,405,548	0
Operating advances	40		40	0
Provisions for advances granted	(71,966)		(77,291)	0
Total advances granted net	4,986,683		5,328,297	0
State – tax receivables	0		0	0
Other short-term receivables	212		483	0
Total short-term receivables	14,619,669		14,320,995	0

¹ 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 14 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 27,068 thousand in 2019 (2018: CZK 18,810 thousand).

6. Provisions

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

Changes in provisions (in CZK thousand):

Provisions for:	Balance as at 31 December 2017	Creation of provisions	Recognition of provisions	Balance as at 31 December 2018	Creation of provisions	Recognition of provisions	Balance as at 31 December 2019
receivables – statutory	61,934	16,010	20,248	57,696	5,623	11,736	51,583
receivables – other	213,478	31,957	84,267	161,168	66,536	51,024	176,680

Statutory provisions are created pursuant to the Act on Reserves.

7. Other assets

Deferred expenses in the amount of CZK 1,249 thousand (2018: CZK 1,705 thousand) represent primarily items related to operational services. Accrued income was not accounted for in the 2019 and 2018 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 2019.

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 2019 and 2018 (in CZK thousand):

	Balance as at 31 December 2017	Increase	Decrease	Balance as at 31 December 2018	Increase	Decrease	Balance as at 31 December 2019
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
Gains or losses from the revaluation of assets and liabilities	32,073	0	6,292	25,781	14,725	0	40,506
Reserve fund	15,791	0	0	15,791	0	0	15,791
Other funds	571	0	5	566	0	0	566
Retained earnings	273,353	0	0	273,353	0	0	273,353
Profit (loss) for the current period (+/-)	86,535	115,094	86,535	115,094	61,633	115,094	61,633

Based on the decisions of the General Meetings held on 23 April 2019 and 24 April 2018, the following distribution of profits for 2018 and 2017 was approved (in CZK thousand):

2017 profit	86,535	2018 profit	115,094
Allocation to –		Allocation to –	
reserve fund	0	reserve fund	0
other funds	0	other funds	0
Dividend payments and profit shares	86,535	Dividend payments and profit shares	115,094
Transfer of retained earnings	0	Transfer of retained earnings	0
Retained earnings as at 31 December 2018	273,353	Retained earnings as at 31 December 2019	273,353

No decision on the distribution of 2019 profit has been made yet.

9. Reserves

Movements in reserves (in CZK thousand):

Reserves	Balance as at 31 December 2017	Creation of reserves	Recognition of reserves	Balance as at 31 December 2018	Creation of reserves	Recognition of reserves	Balance as at 31 December 2019
Other	12,700	33,340	33,582	12,458	33,786	32,325	13,919

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

The creation and recognition of reserves includes a reserve for income tax. This reserve is equal to zero at the balance sheet date. The amount of the reserve created in the reporting period is released as of balance sheet date and the income tax is subsequently recognised in the respective balance sheet accounts. In 2019, the creation and recognition of the reserve for income tax amounted to CZK 20,287 thousand. (2018: CZK 20,865 thousand).

10. Payables

Long-term payables

As at 31 December 2019, the Company had long-term payables amounting to CZK 353,304 thousand (2018: CZK 446,582 thousand). This item comprises mainly trade payables related to purchased long-term receivables and payables to credit institutions. No long-term payables are overdue.

As at 31 December 2019 the Company had the following long-term payables (in CZK thousand):

	As at 31 December 2019	As at 31 December 2018
Payables to credit institutions	353,304	435,492
Trade payables	0	11,090
Total	353,304	446,582

The interest expenses related to long-term payables to credit institutions in 2019 amounted to CZK 6,424 thousand (2018: CZK 6,617 thousand). Long-term payables to credit institutions were bore interest at a fixed rate.

Short-term payables

As at 31 December 2019, the Company had short-term payables in the amount of CZK 14,430,164 thousand (2018: CZK 14,192,271 thousand). Short-term payables mostly arise from receivables purchased by the Company within the scope of factoring services provided, and payables to financial institutions. No short-term payables are overdue.

As at 31 December 2019 the Company had the following short-term payables (in CZK thousand)

	As at 31 December 2019	As at 31 December 2018
Payables to credit institutions	7,186,151	6,857,561
Short-term prepayments received	105	0
Trade payables		
– suppliers	1,901	280
– purchased receivables	7,212,789	7,283,746
Other payables		
– payables to employees	2,098	1,926
– social security and health insurance payables	998	967
– State – tax payables and subsidies	7,785	7,159
– estimated payables	3,975	4,210
– sundry payables	14,362	36,422
Total	14,430,164	14,192,271

As at 31 December 2019 the Company had the following short-term payables to credit institutions (in CZK thousand):

		2019		2018	
Bank	Interest rate	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.	3,680,354	3,680,354	3,762,645	3,762,645
KB (USD)	ON LIBOR USD ACTUAL + f. v.	1,149	25,985	1,487	33,404
KB (EUR)	ON LIBOR EUR ACTUAL + f. v.	103,318	2,625,300	88,327	2,272,210
KB (GBP)	ON LIBOR GBP ACTUAL + f. v.	18	551	22	631
KB (PLN)	ON WIBOR PLN ACTUAL + f. v.	10,083	60,196	5,100	30,500
KB (CZK)	Fixed interest rate	158,515	158,515	272,704	272,704
KB (EUR)	Fixed interest rate	0	0	871	22,417
UniCredit Bank	Fixed interest rate	25,000	635,250	18,000	463,050
Total			7,186,151		6,857,561

Note.: f. v. – fixed variance

Interest expenses related to payables to financial institutions amounted to CZK 77,134 thousand in 2019 (2018: CZK 43,254 thousand).

11. Other liabilities

Other liabilities comprise accrued expenses in the amount of CZK 1,302 thousand (2018: CZK 2,909 thousand) and deferred income in the amount of CZK 30,793 thousand (2018: CZK 40,527 thousand). Deferred income represents in particular the deferred price for the discount purchase of receivables.

12. Income taxes

	2019	2018
	in CZK thousand	in CZK thousand
Profit before taxes	79,146	141,734
Difference between accounting and tax depreciation	(671)	(1,080)
Non-deductible costs	35,629	(36,364)
– net creation of provisions	15,511	(52,309)
– reserves	1,460	(242)
– written off/sold receivables	11,780	13,864
– non-tax deductible interest (low capitalisation test)	3,697	0
– other (e.g. entertainment expenses, deficits and damage)	3,181	2,323
Other adjustments	(304)	0
Taxable income	113,800	104,291
Income tax rate	19%	19%
Tax	21,623	19,815
Adjustment in respect of income tax of previous years	0	0
Tax relief	0	0
Tax due	21,623	19,815

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

	2019		2018	
Deferred tax items	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	0	990	0	861
Other temporary differences:	0	0	0	0
Provisions for receivables	23,222	0	19,261	0
Reserves	2,645	0	2,367	0
Total	25,867	990	21,628	861
Net	24,877	0	20,767	0

13. Leases

Assets in the form of operating leases as at 31 December 2019 and 31 December 2018 (in CZK thousand):

Description	Lease period in months	Lease amount in 2019	Lease amount in 2018	Owner's acquisition cost
12 passenger cars	48	1,403	1,572	6,550

14. Commitments and contingencies

The Company recorded commitments from import factoring in the amount of CZK 5,160 thousand (2018: CZK 8,229 thousand).

15. Fee of the statutory auditor

Fees paid to the Company's statutory auditor for the annual audit of financial statements and other assurance services amounted to CZK 709 thousand as at 31 December 2019 (2018: CZK 680 thousand).

16. Other operating expenses and income

Other operating expenses totalled CZK 305,922 thousand as at 31 December 2019 (2018: CZK 275,946 thousand). The most significant items of Other operating expenses consist insurance expenses in the total amount of CZK 10,693 thousand (2018: CZK 10,487 thousand), expenses related to receivable reassignments in the total amount of CZK 267,653 thousand (2018: CZK 246,160 thousand) and the receivable write-offs or sale in total amount of CZK 27,068 thousand (2018: CZK 18,810 thousand) and other operating expenses in total amount of CZK 508 thousand (2018: CZK 489 thousand).

Other operating income totalled CZK 283,837 thousand as at 31 December 2019 (2018: CZK 256,486 thousand). The most significant items of Other operating income consist of revenues from the sale and write-off of receivables in the total amount of CZK 6,106 thousand (2018: CZK 296 thousand), revenues related to receivable reassignments in the total amount of CZK 267,653 thousand (2018: CZK 246,160 thousand), income from contractual penalties in the total amount of CZK 632 thousand (2018: CZK 164 thousand), charges related to changes in contractual terms, applications for provision of factoring services, entry and monitoring fees and other income amounting to CZK 9,446 thousand (2018: CZK 9,866 thousand).

17. Financial expenses and income

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

Financial expenses	As at 31 December 2019	As at 31 December 2018
Interest expense from loan facilities	83,558	49,871
Other financial expenses	203,206	190,833
– Exchange rate losses	200,409	187,930
– Operating insurance	264	266
– Banking expenses	2,525	2,628
– Other charges	8	9
Total financial expenses	286,764	240,704

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

Financial income	As at 31 December 2019	As at 31 December 2018
Interest on pre-financed purchased receivables	161,966	125,863
Exchange rate gains	200,514	187,582
Total financial income	362,480	313,445

The Company did not record revenue in the form of dividends paid in relation to the Protos fund in 2019 and 2018.

18. Staff costs

The average headcount, management members and staff costs for 2019 and 2018 are as follows:

Overview of staff costs (in CZK thousand):

	2019		2018	
	Total headcount	Management	Total headcount	Management
Average headcount	44	2	44	3
Wages and salaries	34,671	6,126	35,173	6,652
Social security and health insurance	12,754	1,846	12,870	2,088
Other social costs	2,057	728	2,146	476
Total staff costs	49,482	8,700	50,189	9,216

The headcount is based on the average number of employees and includes members of the Board of Directors. Due to the resignation of a member of the Board of Directors, the Board of Directors of the Company worked for a part of the year with two members.

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

19. Transactions with related parties

The Company did not report revenue in the form of dividends paid by Protos in 2019 and 2018.

The services rendered by Komerční banka, a.s. to the Company in 2019 primarily comprised (in CZK thousand):

	As at 31 December 2019	As at 31 December 2018
Financial expenses	85,010	51,521
Fee for using KB's distribution network	8,167	8,234
Trademark use	1,500	1,500
Other services provided by Komerční banka, a.s.	7,863	7,609

Financial expenses comprise primarily the interest on payables to credit institutions in the amount of CZK 82,524 thousand (2018: CZK 48,920 thousand), banking fees in the amount of CZK 1,956 thousand (2018: CZK 2,049 thousand), cost of a bank guarantee in the amount of CZK 522 thousand (2018: CZK 543 thousand) and other services provided by Komerční banka in the amount of CZK 8 thousand (2018: CZK 9 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 IT services, advisory and consulting services and training.

The Company realised no fixed asset purchase from or a sale to Komerční banka, a.s. in 2019 and 2018.

20. Subsequent events

No changes occurred subsequent to the balance sheet date.

21. Cash flow statement

The cash flow statement was prepared using the indirect method.

Prepared on:
16 March 2020

Signature of the reporting entity's statutory body:



Jan Kotík



Eva Březinová

Person responsible for bookkeeping (name, signature):



Ivana Náprstková

Person responsible for preparation of the financial statements (name, signature):



Ivana Náprstková

Report on Related Party Transactions for the Year Ended 31 December 2019

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

Factoring KB, a.s., with its registered office in Prague 5, náměstí Junkových 2772/1, Stodůlky, 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 2019, that is, from 1 January 2019 to 31 December 2019 (hereinafter the “reporting period”).

I. Introduction

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

In the period from 1 January 2019 to 31 December 2019, 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 KB Group and SG Group is shown in the annex 1 and 2. During the course of the 2019 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.	Prague 1, Na Příkopě 33, 114 07, Czech Republic	60.735%
Modrá pyramida stavební spořitelna, a.s.	Prague 2, Bělehradská 128, No.p. 222, 120 21, Czech Republic	100%
ALD Automotive s.r.o.	Prague 10, U Stavoservisu 527/1, 108 00, Czech Republic	100%
Protos, uzavřený investiční fond, a.s.	Prague 8, Rohanské nábřeží 693/10, 186 00, Czech Republic	100%
Société Générale S. A.	Paris, 29, BLD Hausmann, 75009, France	-
Société Générale Factoring	Levallois-Perron Cedex, rue de Villiers 70, 92532, France	100%
SG FACTORING SPA	Milano, Via Trivulzio 7, 20146, Italy	100%
BRD – Groupe Société Générale	Bucuresti, Bd.Ion Michalache, nr 1–7, Turn BRD, 011171, Romania	60.17%
Société Générale Factoring SLLC	Sofia, Al. Stambolyiski Blvd 73, 1303, Bulgaria	100% ²⁾
Compagnie Générale D'Affecturage	Wuppertal, Robert-Daum Platz 5, 42117, Germany	100%
Société Générale Banka Srbija AD	Belgrade, Bulevar Zorana Dindića 50 a/b, 11070, Serbia	100% ²⁾

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.

²⁾ These companies were not part of the SG Group as of 31 December 2019; SG's share of voting rights was zero percent.

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”) which is 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 organisations in the world, hereinafter “FCI”), 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 – Société Générale Factoring based in France, SG FACTORING SPA with the seat in Italy, BRD – Groupe Société Générale with the seat in Romania, Société Générale Factoring SLLC with the seat in Bulgaria, Compagnie Générale D’Affacturage with the seat in Germany and Société Générale Banka Srbija AD with the seat in Serbia, with which 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. Two of the cooperating companies, Société Générale Factoring SLLC with the seat in Bulgaria and Société Générale Banka Srbija AD with the seat in Serbia, were sold in 2019 and they do not belong to SG Group anymore.

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 2019.

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 company drew overdraft loans and term loans exceeding 10% of its equity (as of December 31, 2019) from Komerční banka in 2019. Term loans were drawn in the total amount of CZK 172 million and EUR 612 thousand. The balance of the overdraft facilities as at 31 December 2019 was CZK 3,680 million and EUR 103 million.

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
Contract on Operational Memorandum for Provision of Gems Tool	Société Générale S. A.	4 October 2019
Framework Contract on the Providing of Financial Services Reg. No. 9900021839000, incl. amendment (12)	Komerční banka, a.s.	31 March 2014
Change of interest rate on overdraft- Framework Contract on Rendering of Financial Services Reg. No. 9900021839000 (13)	Komerční banka, a.s.	25 January 2019, 25 February 2019, 22 March 2019, 30 April 2019, 31 May 2019, 28 June 2019, 2 August 2019, 28 August 2019, 27 September 2019, 25 October 2019, 29 November 2019, 23 December 2019
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 Maintaining of Current (Overdraft) Account 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. 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. amendment (1)	Komerční banka, a.s.	28 February 2012

Title of the contract (or subject matter of the contract – if not clear from the title)	Contracting Party	Date of contract conclusion
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
Contract on Opening and Maintaining of Current Accounts in EUR with Komerční banka, a.s.	Komerční banka, a.s.	26 January 2018
Contract on Opening and Maintaining of Current Accounts in CZK with Komerční banka, a.s.	Komerční banka, a.s.	26 January 2018
Framework Contract for Dealing on the Financial Market	Komerční banka, a.s.	22 December 2011
Contract on using direct banking services, incl. amendments (2) ³⁾	Komerční banka, a.s.	31 October 2002
Contracts on Individual Pricing (1), incl. amendment (1)	Komerční banka, a.s.	31 August 2017, 9 March 2018
Contract on Provision of Bank Guarantee, incl. amendments (2)	Komerční banka, a.s.	23 October 2017, 20 September 2018, 19 September 2019
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, incl. amendment (1)	Komerční banka, a.s.	31 October 2013, 22 December 2017
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
Partial Agreement No. 1, Connectivity Services, (IT Process Procedure), incl. amendment (1)	Komerční banka, a.s.	1 December 2012, 9 January 2019
Partial Agreement No. 2, Physical Hosting of Equipment, (IT Process Procedure), incl. amendment (2)	Komerční banka, a.s.	1 December 2012, 25 October 2016, 21 November 2019
Partial Agreement No. 3, IT Infrastructure Hosting (IT Process Procedure), incl. amendment (1)	Komerční banka, a.s.	1 December 2012, 23 May 2017
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.	29 February 2016
Partial Agreement No. 7, End User Support (EUS), (IT Process Procedure)	Komerční banka, a.s.	18 January 2016
Partial Agreement No. 8, Service Desk, (IT Process Procedure)	Komerční banka, a.s.	18 January 2016
Partial Agreement No. 9, Identity and Access, (IT Process Procedure)	Komerční banka, a.s.	18 January 2016
Partial Agreement No. 10, Platform hosting, (IT Process Procedure)	Komerční banka, a.s.	18 January 2016
Partial Agreement No. 11, Disaster Recovery, (IT Process Procedure)	Komerční banka, a.s.	18 January 2016
Partial Agreement No. 12, SOC Vulnerability Detection (VD) (IT Process Procedure)	Komerční banka, a.s.	28 August 2017
Contract on Provision of services – Information Security Services	Komerční banka, a.s.	27 October 2015
Cooperation Agreement No. 0000020447/0000, incl. amendments (2)	Komerční banka, a.s.	31 December 2012, 23 May 2015
Agreement on Services – eDoceo	Komerční banka, a.s.	1 April 2018
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
Contracts on Usage of KB Safe – deposit Box (3)	Komerční banka, a.s.	11 November 2003, 2 April 2008, 13 August 2009
Contracts on Issue and Usage of a Payment Cards (6), incl. amendments (5), terminated (2)	Komerční banka, a.s.	16 January 2012, 10 June 2013, 16 December 2014, 8 January 2016, 1 January 2018, 1 April 2018, 7 February 2019
Contract on Complementary Services – Profi Merlin (1), terminated (1)	Komerční banka, a.s.	8 January 2016, 6 February 2019
Contract on Rental of ground	Komerční banka, a.s.	26 April 2018
Contracts on Rental of Non-residential Premises, Movables and Payment of Relating Services (4), incl. amendments (5)	Komerční banka, a.s.	18 June 2008, 19 December 2011, 30 September 2015, 1 April 2017, 14 December 2017, 27 March 2019, 1 April 2019, 3 April 2019
Contract on Rental of Non-residential Premises, Movables and Payment of Relating Services, incl. amendments (6)	Komerční banka, a.s.	30 August 2012, 30 December 2014, 21 February 2017, 4 May 2017, 28 December 2017, 26 March 2018, 29 April 2019
Contract on Sublease of Parking Place (3), incl. amendments (5)	Komerční banka, a.s.	28 August 2012, 1 January 2013, 23 March 2015, 21 February 2017, 28 December 2017, 17 September 2019
License Agreement – Logo, incl. amendment (1)	Komerční banka, a.s.	20 December 2004, 29 January 2015

Title of the contract (or subject matter of the contract – if not clear from the title)	Contracting Party	Date of contract conclusion
Contract for the payment of premiums and payment of compensation insurance broker	Komerční banka, a.s.	20 March 2018
Agreement on Cooperation in the Performance of Contract on Employees Group Risk Insurance No. 3280000000	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 for Members of Board of Directors and Administrators of the Financial Group of Komerční banka/Société Générale No. 3340000000	Komerční banka, a.s.	26 September 2016
Mutual Cooperation Agreement, incl. 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, incl. amendments (2)	Komerční banka, a.s.	1 January 2013, 1 October 2013, 31 March 2016
Service Contract – Outsourcing (HR services), incl. amendment (1)	Komerční banka, a.s.	4 January 2010, 1 April 2016
Cooperation Agreement – job vacancies (staffing)	Komerční banka, a.s.	28 April 2010
Distribution Agreement, incl. amendments (2)	Komerční banka, a.s.	1 December 2008, 10 January 2013, 26 February 2019
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), incl. 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, incl. amendment (1)	Komerční banka, a.s.	30 January 2015, 22 December 2017
Agreement – outsourcing of DPO services	Komerční banka, a.s.	26 April 2018
Framework Contract – Rental of Movables (full service leasing)	ALD Automotive s.r.o.	21 April 2008
Contracts on Rental of Movable Property – full service leasing (12)	ALD Automotive s.r.o.	10 December 2015, 18 December 2015, 20 April 2016, 1 September 2017, 5 January 2018, 12 April 2018, 18 May 2018
Framework Contract – Rental of cars	ALD Automotive s.r.o.	25 January 2016
Contract on Providing of Preferential Conditions for the Employees of Factoring KB, a.s. – Participants in the Housing Savings Scheme in MPSS, amendment (1)	Modrá pyramida stavební spořitelna, a.s.	1 November 2013, 11 September 2019
FCI Interfactor Agreement	Société Générale Factoring	2 April 2003
FCI Interfactor Agreement	Société Générale Factoring SLLC	9 December 2009
FCI Interfactor Agreement	SG FACTORING SPA	22 May 2013
FCI Interfactor Agreement	Société Générale Banka Srbija AD	1 July 2014
FCI Interfactor Agreement	BRD – Groupe Société Générale	21 April 2015
FCI Interfactor Agreement	Compagnie Générale D'Affacturage	17 December 2015

³⁾ Not including technical amendments to increase the limit.

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

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.

Harm 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 2019 reporting period and states that the Company incurred no harm 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 16 March 2020

Factoring KB, a.s.



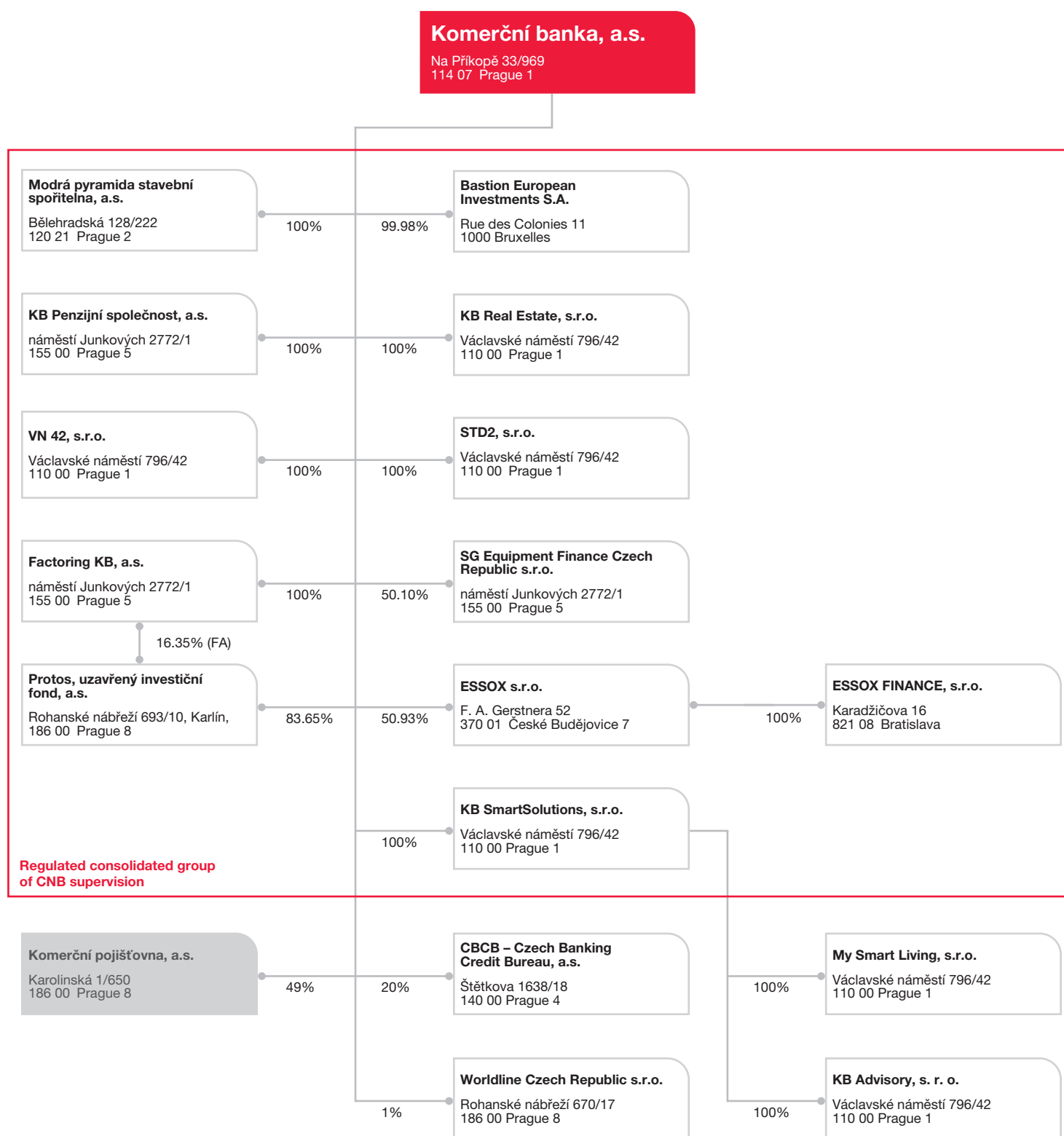
Jan Kotík
Chairman of the Board



Eva Březinová
Member of the Board

The Structure of Relationships KB Group

% of the share capital

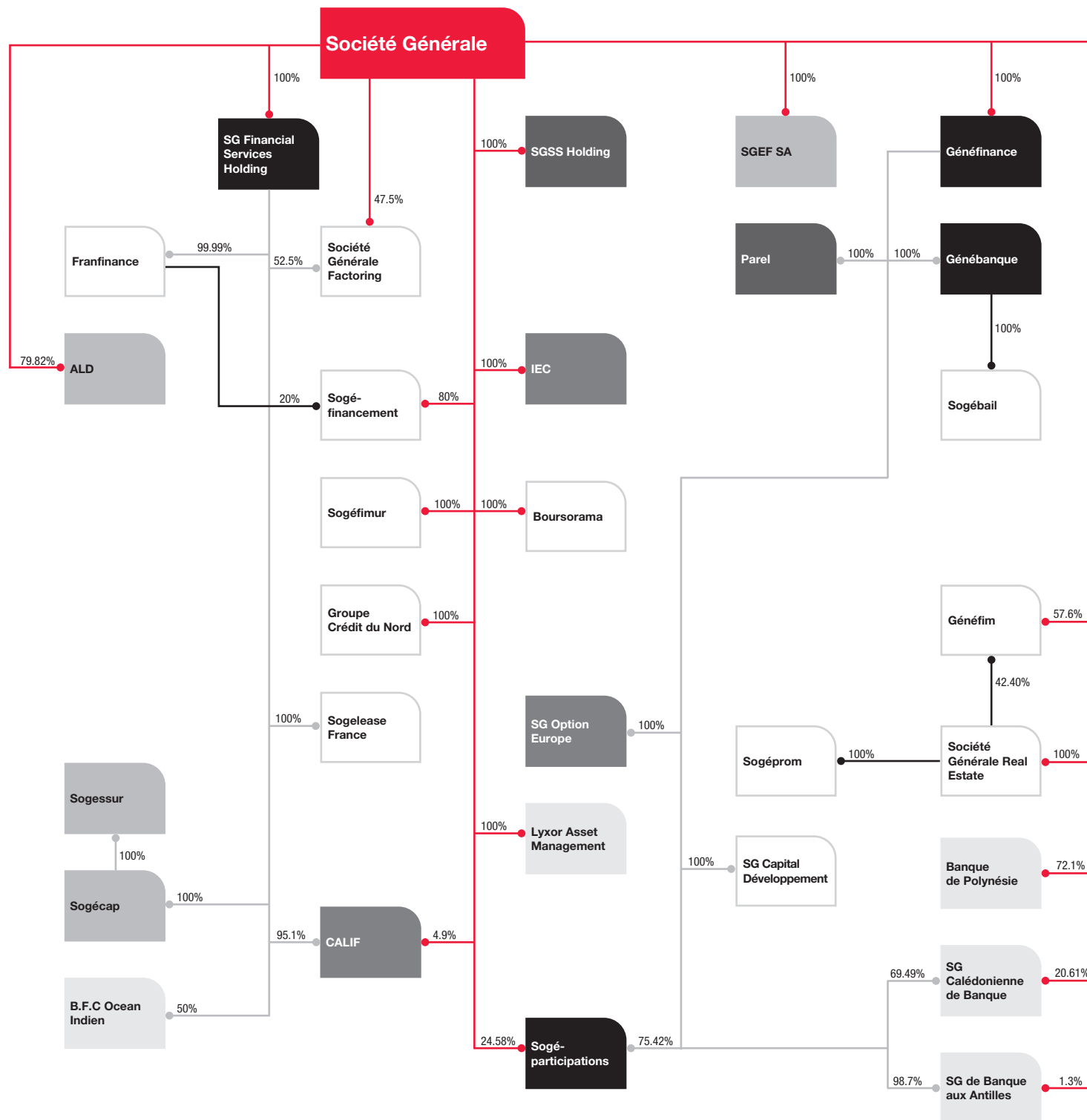


Note: the above mentioned % reflects share on equity that could be different from % share on voting rights

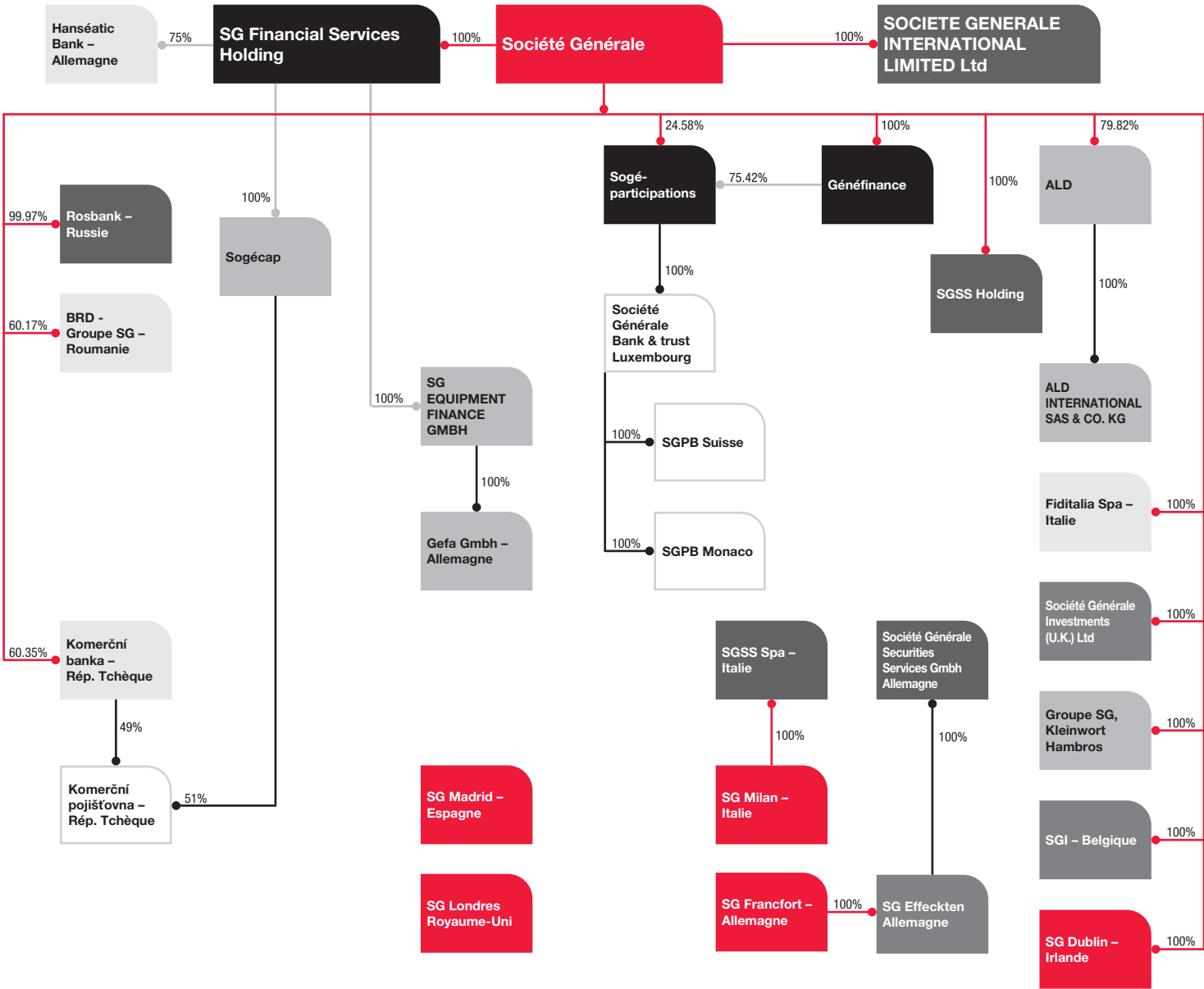
The Structure of Relationships SG Group

% of the voting interest

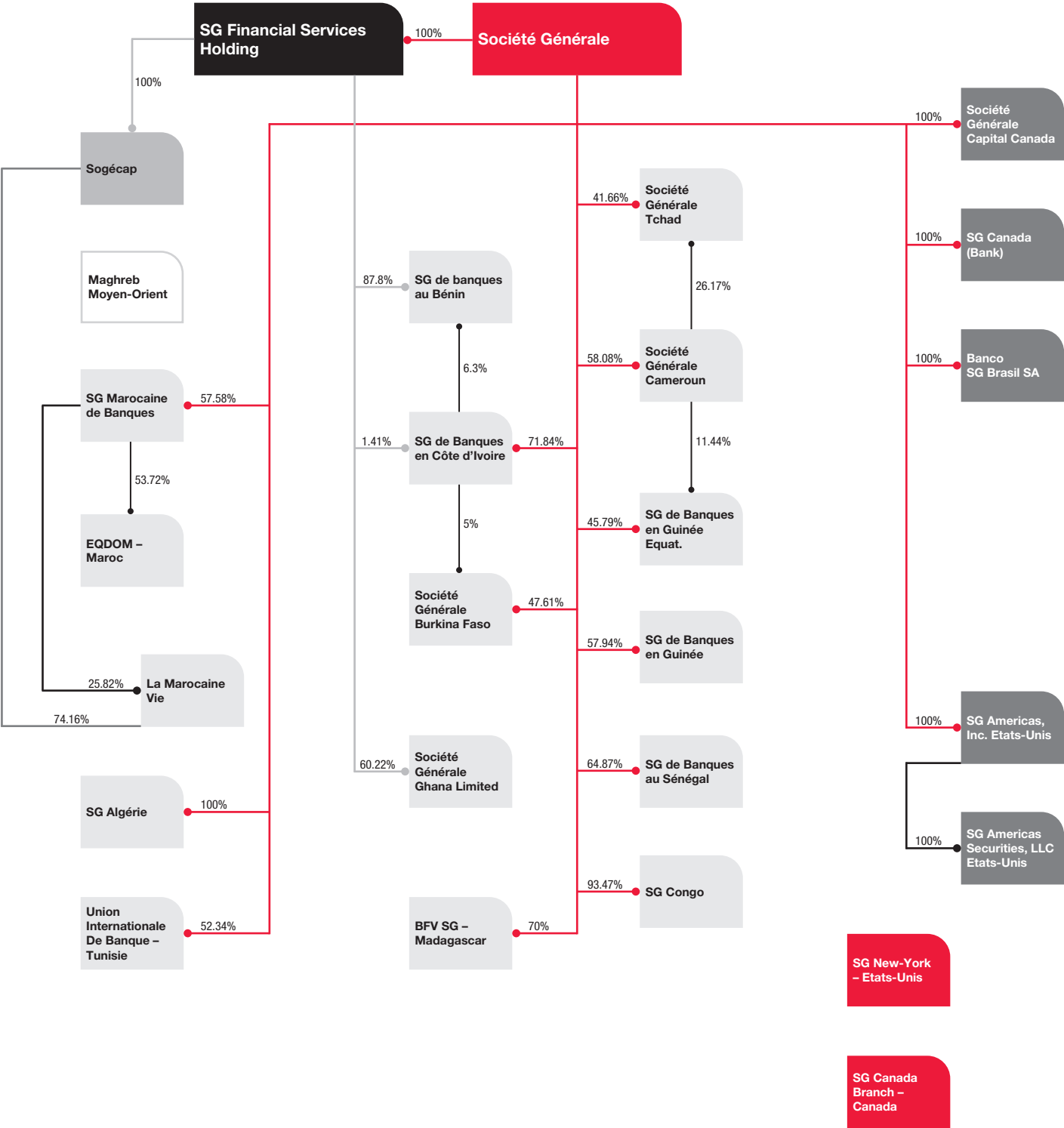
FRANCE



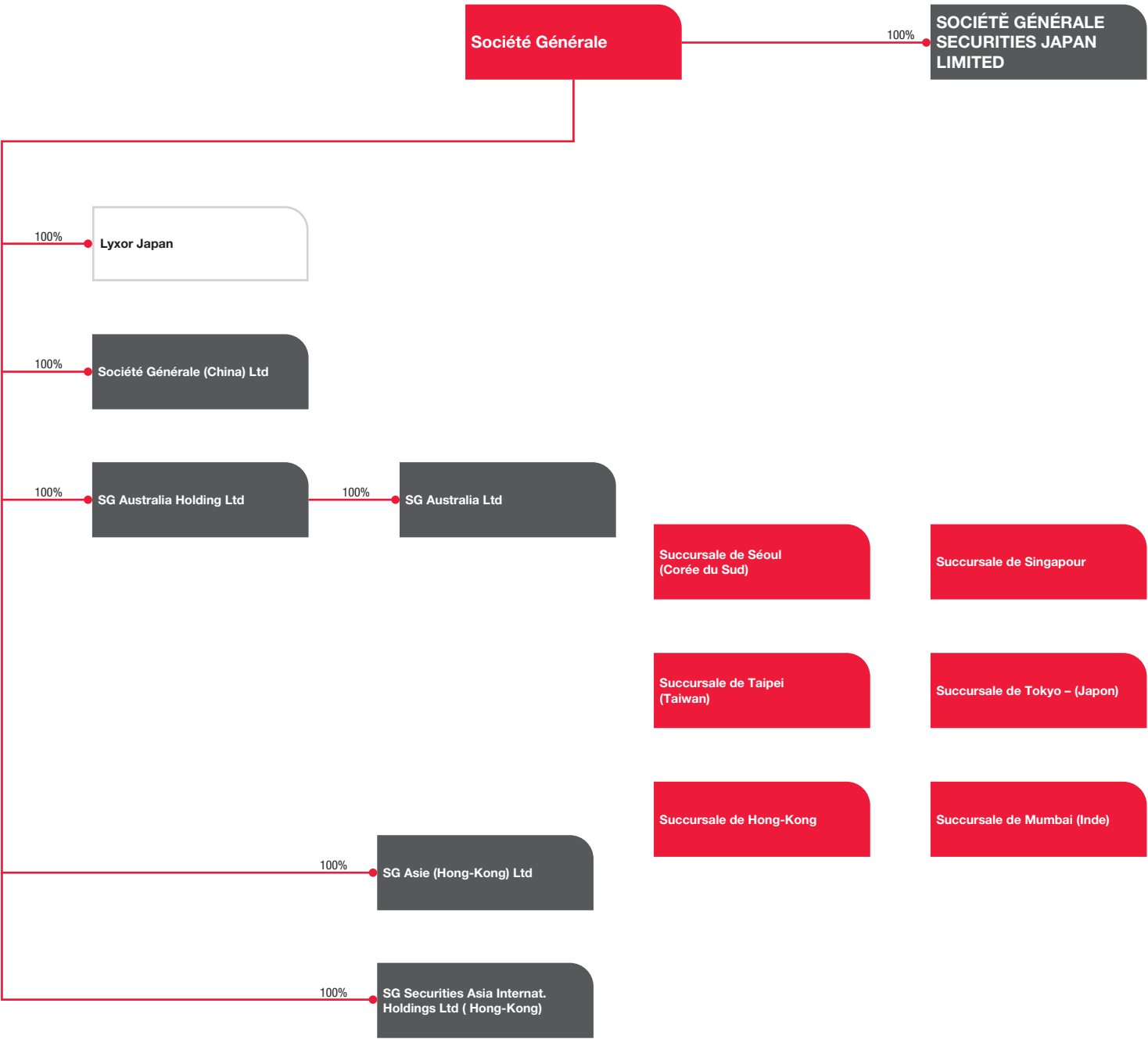
Note: Equity investment and share of the voting rights may differ



Note: Equity investment and share of the voting rights may differ



Note: Equity investment and share of the voting rights may differ



Note: Equity investment and share of the voting rights may differ

I Notes

