

NA PARTNERSTVÍ ZÁLEŽÍ



12

13



Annual Report 2014

Factoring KB, a.s.

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

- Company turnover reached CZK 34,114 million in 2014, which represents a 28.5% gain year on year.
- Profit after tax was CZK 26.6 million in 2014.
- The company's market share expanded to 20.8% in 2014.

Contacts

Factoring KB, a.s.

náměstí Junkových 2772/1
155 00 Praha 5
Phone: +420 955 526 904
Fax: +420 224 814 628
E-mail: info@factoringkb.cz
Internet: www.factoringkb.cz

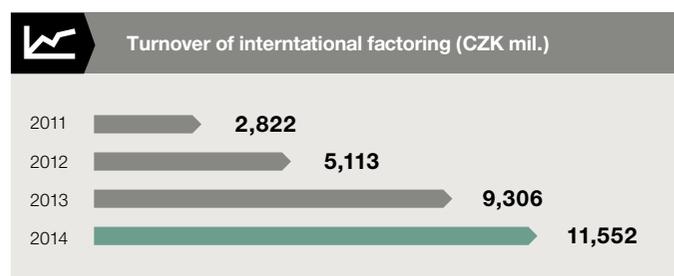
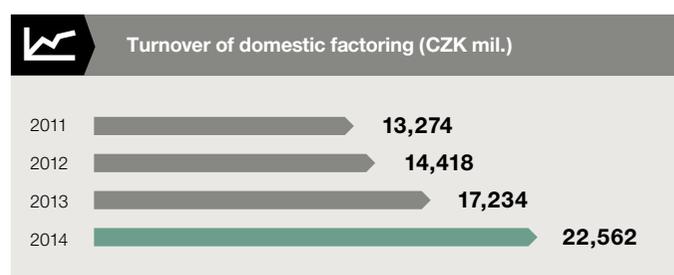
Komerční banka, a.s.

Na Příkopě 33
114 07 Praha 1
Phone: +420 955 559 550
Fax: +420 224 243 020
E-mail: mojebanka@kb.cz
Internet: www.kb.cz

Additional Information

Information on products and services of Factoring KB, a.s. are available at www.factoringkb.cz.

Contents



Introduction	3 Company Profile
	4 Statement of the Chairman of the Board of Directors
Report of the Board of Directors	7 Most Significant Events of 2014
	7 Strategic Targets for 2015
	7 Commentary on the Company's Financial Position and Performance
Additional Information	8 Corporate Governance
	10 Organizational Chart as at 1 January 2015
	11 Ownership Structure
	11 Sworn Declaration
	12 2014 Supervisory Board's Report
Financial Section	14 Independent Auditor's Report
	16 Balance Sheet as of 31 December 2014
	18 Profit and Loss Account for the Year Ended 31 December 2014
	19 Cash Flow Statement for the Year Ended 31 December 2014
	20 Financial Statements for the Year Ended 31 December 2014
	33 Report on Relations Among Related Entities for the Year Ended 31 December 2014

	Unit	2014	2013	2012	2011
Total assets	CZK million	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
Equity	CZK million	1,598.3	1,628.8	1,590.4	1,489.9
Profit/loss before taxes	CZK million	31.2	73.7	29.7	77.6
Profit after tax	CZK million	26.6	63.1	16.7	69.7
Market share	%	20.8	18.3	15.0	12.6
Total turnover*	CZK million	34,113.9	26,540.2	19,531.1	16,096.0
Turnover of domestic factoring	CZK million	22,562.6	17,234.1	14,417.8	13,273.9
Turnover of international factoring	CZK million	11,551.2	9,306.1	5,113.3	2,822.1
Level of provisions	CZK million	206.4	165.5	182.4	175.5
Total revenues*	CZK million	341.8	430.1	280.6	332.4
Total costs**	CZK million	310.6	356.4	250.9	254.8
Average number of employees	number	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.



1



2

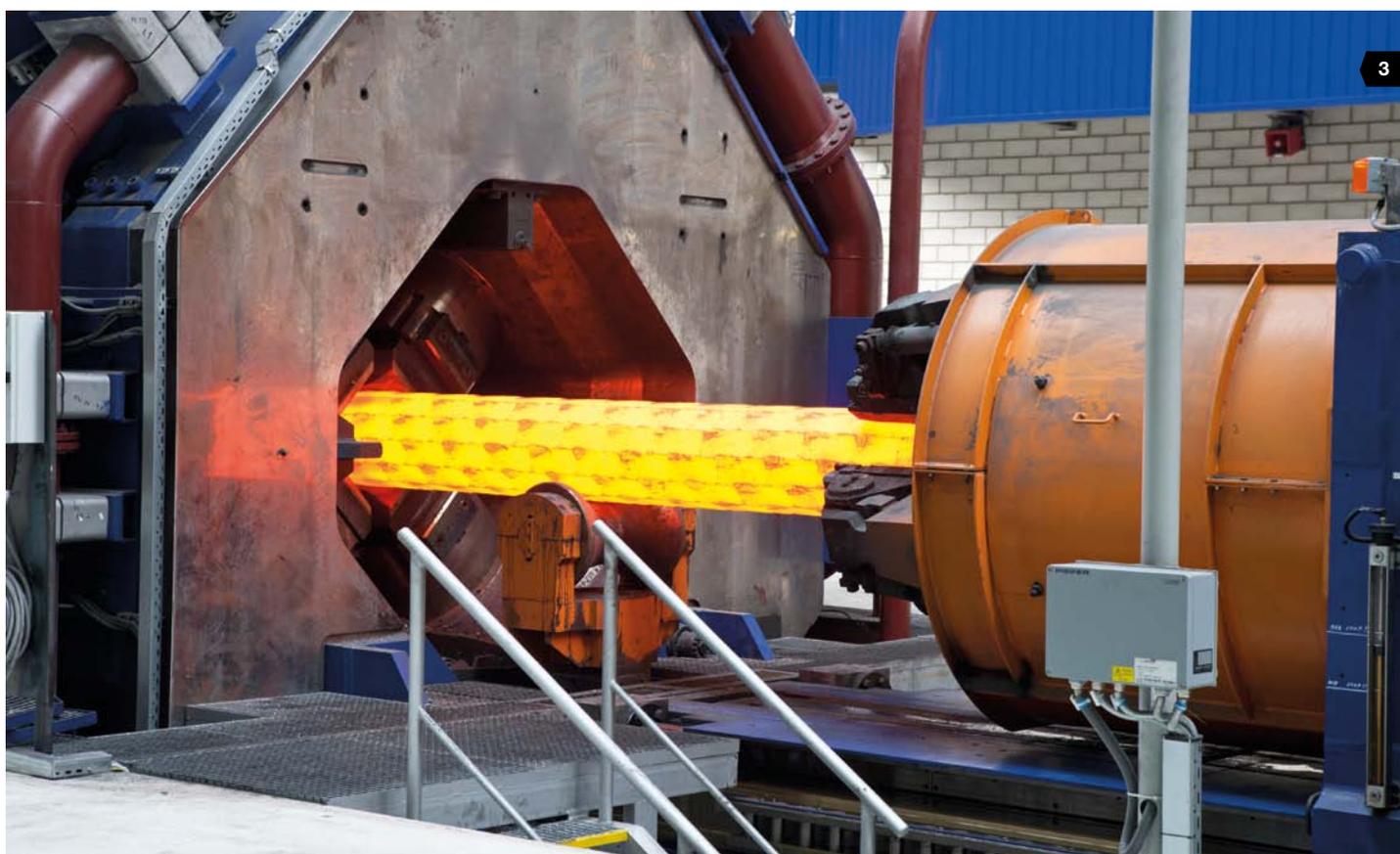


Thanks to highly modified products we have succeeded in being partner of business entities across all segments and business fields in the year 2014. Our business model “to be a broad-spectrum” factoring company brought us moving forward to second place of the Czech factoring market in terms of volume of purchased receivables and even the highest rank in terms of provided financing.



IRENA KLIMEŠOVÁ
Business Director

- 1** Food industry is in the long term a traditional branch for financing within the factoring market, especially for suppliers to sales chains.
- 2** Our products are able to support development of health care sector in area of financing modernization of technologies and supplies of medical materials and pharmaceuticals.
- 3** Factoring is a frequent financing tool for deliveries to heavy industry.



3

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 Praha 5

Date of incorporation

4 August 1997

Registered capital

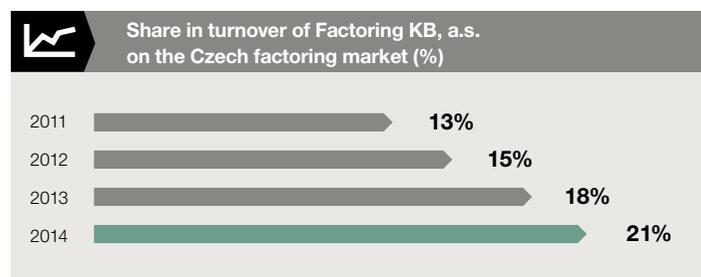
CZK 1,184,000,000

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 to assume 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 since its foundation and an active member of the Soci t  G n rale Banque financial group (hereinafter "Soci t  G n rale") 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 faktoringov ch spole nost   R (hereinafter "AFS") since November 2000
-  esk  leasingov  a finan n  asociace (hereinafter " LFA") since June 2005



Statement of the Chairman of the Board of Directors



MILOSLAV KUKLA
Chairman of the Board of Directors
and CEO

Dear ladies and gentlemen, dear business partners,

Allow me to present to you the annual report of Factoring KB, a.s. for 2014.

Growth in factoring turnover and in the volume of financing provided to our clients continued in 2014. It is particularly gratifying that this expansion has continued uninterrupted since the end of 2010. This past year constituted the most successful year in our history in both sales and profit if we take into account influences from a new methodology for creating allowances and returns from investment into Protos, uzavřený investiční fond, a.s. Growth on the Czech factoring market was affected during 2014 by rising gross domestic product in the Czech Republic.

Our company's final results were again positively influenced by very good co-operation and support from our parent company Komerční banka and from Sociétés Générale. I would like to highlight successes in expanding our work with existing clients and successfully acquiring new clients. An increase in the creation of allowances during 2014 was affected by harmonising the methodology for creating allowances with that of Komerční banka. Dynamic development was achieved especially in the automotive, trade and agricultural sectors. The share of export factoring in total turnover continues to be very significant and mirrors the Czech economy. We significantly contributed to growth on the Czech factoring market, which saw factoring turnover expand by 12.7% year on year (information provided by the Czech Association of Factoring Companies). The increase in the turnover and volume of client financing was positively influenced by our offering a line of products which accord with clients' specific requirements. Our growth was also affected by the introduction of a model for purchase of receivables by discounting and purchase of medium- and long-term receivables. These results were significantly supported by our ability to offer selected clients communication via the eFactoring internet application and by our colleagues' strong motivation to develop and support our company. In 2014, Factoring KB had very good collaboration with the insurance companies Atradius and Coface and, of course, with other partners as well.

During 2015, we expect to see continuing GDP growth within the Czech Republic as well as its nearest neighbours, especially Germany, which constitutes the Czech Republic's most important trading partner. The largest Czech banks' high liquidity and low levels of allowances for loan losses will contribute to growing competition in financing of receivables from supplier-customer relationships. Banks are the main providers of receivables financing in the Czech Republic, although they do not usually provide clients with receivables administration and securing. We would like to be seen on the market as a dynamic and client-oriented factoring company. Our objective for 2015 is to maintain our current market position on the Czech factoring market and the strong share of international factoring in our company's overall turnover. We would also like to improve Factoring KB's efficiency and diminish operational risk. During 2015, we will continue in developing our existing system and improving internal processes.

In closing, I would like to thank all my colleagues, our clients and our partners for their co operation during 2014, and I wish to everyone much satisfaction and success in the months ahead. Our long-term goal remains to satisfy our clients, employees and owner.



MILOSLAV KUKLA
Chairman of the Board of Directors
and CEO

Report of the Board of Directors

The Czech economy recorded output growth of 2% in 2014, its best performance in the past three years. Following two years of decline, real GDP increased by 0.7% in both 2012 and 2013. Last year, macroeconomic development was characterised by a return of confidence across all entities and sectors in the economy. Consumer and business confidence regained pre-crisis levels. In value-added terms, the leading role was played by the industrial sector, where production for all of 2014 rose year on year by 4.9% in real terms. This was driven by the automotive sector with growth of 13%, followed by metalworking industry (+6.0%) and electrical equipment production (+7.3%).

The gradual recovery in the domestic economy also manifested itself positively in growth within the Czech Republic's factoring market. That market expanded by 12.7% in 2014, which is 1.5 percentage points greater than was the growth seen in 2013. Factoring KB contributed significantly to the growth within the market as a whole by reaching its highest turnover ever, at CZK 34,114 million, while displaying a year-on-year gain of 28.5%. As a result, the Company managed for the first time in its history to reach second place on the market with a 20.8% share.

Such significant growth was due especially to continuing sales co-operation with Komerční banka. These joint efforts enabled the Company to acquire new clients as well as to expand the volume of transactions with existing clients. We have seen a rising trend in both domestic and export accounts receivable. There was also considerable growth in the purchase of accounts receivable by discounting, a product which we had newly begun offering in mid-2013. The Company responded successfully to clients' requirements and adjusted the products to suit their needs, and this contributed particularly to success in acquiring larger clients.

Further expansion of sales potential and the client portfolio places strong demands on employees in the Sales and Customer Service departments. In recent years, the Company has benefited from the stability, experience and professionalism of its employees, and their ranks have been steadily strengthened by additional high-quality personnel. The fact that the Company's market share has more than doubled over the past five years confirms the correctness of our strategy.

The Company has continued to use the services of commercial insurance companies Atradius and Coface. Through these partnerships, Factoring KB was able to provide its clients with so-called non-recourse factoring, which enabled it to offer its clients not just financing but also insurance against insolvency of their customers. Not only did the business volumes acquired in co-operation with insurance companies grow generally during 2014, we also managed to extend this collaboration in accordance with the specific needs of certain prominent clients.

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 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 when purchasing goods from abroad.

Factoring KB intensively co-operated 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 2014

In 2014, the composition of Factoring KB's management changed. The Company has a new Member of the Board of Directors responsible for the Finance and Customer Service departments. In terms of organisational changes, 2014 was relatively stable. One material change occurred as at 1 January 2015 when the Finance and Customer Service departments merged. As at 31 December 2014, the total number of employees was 42.

Factoring KB successfully incorporated purchase of receivables by discounting into its offer and directed attention also to purchase of receivables with maturity longer than one year, and this was one of the reasons for the extraordinary increase in both turnover and financing.

Within risk management, the process of standardising methodologies and work processes continued with the objective being to maintain high portfolio quality and prevent or minimise losses. Within IT, integration of the Company's computer network into the structures of Komerční banka was completed, the planned part of IT equipment was renewed, and an information system was developed to support discount products. In the Customer Service Department, activities to improve the efficiency of internal processes continued. Heightened attention has been dedicated within this area to processes focused on preventing fraud and with an effort to automate these processes to the greatest possible extent.

Strategic Targets for 2015

Factoring KB's main objectives for 2015 are to maintain good relationships with clients in all segments and to ensure services are provided at a high level. The Company will continue to develop activities in the corporate clients segment comprising 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. The Company's interest in deepening its sales activities in the small and medium-sized enterprises segment will also continue in 2015. We will endeavour to develop a product model for these enterprises to be implemented by our colleagues at our parent company Société Générale.

As part of the effort to develop sales activities and deepen relationships with current clients, we will organise trade finance seminars during the year in co-operation with our partners directed to securing and financing production or sales on domestic and export markets.

In the operations area, Factoring KB plans to continue improving the efficiency of its operational model with the objective being effectively to measure and optimise internal processes. Special emphasis will be given to further decreasing operational risks.

Within sales, the Company aims to maintain its second-place position on the factoring market which it first successfully achieved in 2014.

Commentary on the Company's Financial Position and Performance

In comparison to 2013, the Company's net profit diminished by 58% to CZK 26.6 million despite its substantial year-on-year growth in turnover and volume of financing provided. This negative development was affected by the cost of risk, which increased as a result of harmonising the methodology for creating allowances with that of Komerční banka.

Corporate Governance as at 31 December 2014

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

ADAM FIEDLER

Member of the Supervisory Board

LIBOR LÖFLER

Member of the Supervisory Board



EVA BŘEZINOVÁ
Member of the Board
of Directors

VĚRA JAHNOVÁ
Member of the Board
of Directors

MILOSLAV KUKLA
Chairman of the Board of Directors
and CEO

Organizational Chart as at 1 January 2015



Ownership Structure

The annual general meeting was held on 15 April 2014. The general meeting approved the Report of the Board of Directors on its Business Activities and the State of its Assets for 2013 as well as the financial statements for 2013. It also decided on distribution of the company's earnings from 2013, and the Report of the Supervisory Board and Report on Relations among Related Entities were taken into consideration. The company appointed Ernst & Young, s.r.o. as its external auditor for 2014.

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, 16 June 2015

Signed on behalf of the Board of Directors:



MILOSLAV KUKLA
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

2014 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 2014, considering the external auditor's report 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 2014.

The Supervisory Board further reviewed the Report on Related Parties for the period from 1 January to 31 December 2014 prepared by the Company as the controlled entity under Section 82 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 appropriations, the Supervisory Board recommends to the sole shareholder approving of the BoD proposal for the profit appropriations as follows:

After tax profit	26,648,309.12 CZK
Dividend payout	25,848,309.12 CZK
Contribution to the welfare fund	800,000.00 CZK

The Supervisory Board recommends to the General Meeting to approve the Company's annual financial statements for 2014.

Prague, 2 April 2015



IVETA OCÁSKOVÁ
Chairwoman of the Supervisory Board

Contents

Financial Statements	14	Independent Auditor's Report
	16	Balance Sheet as of 31 December 2014
	18	Profit and Loss Account for the Year Ended 31 December 2014
	19	Cash Flow Statement for the Year Ended 31 December 2014
	20	Financial Statements for the Year Ended 31 December 2014
Report on Relations Among Related Entities for the Year Ended 31 December 2014	33	Report on Relations Among Related Entities for the Year Ended 31 December 2014

Introduction

Report
of the Board of Directors

Additional
Information

Financial
Section



Independent Auditor's Report

To the Shareholder of Factoring KB, a.s.:

I. We have audited the financial statements of Factoring KB, a.s. ("the Company") as at 31 December 2014 presented in the annual report of the Company on pages 16–32 and our audit report dated 23 March 2015 stated the following:

"We have audited the accompanying financial statements of Factoring KB, a.s., which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Factoring KB, a.s., see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Factoring KB, a.s. as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic."

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

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–12 and 33–37 is consistent with that contained in the audited financial statements as at 31 December 2014. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

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



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



Michaela Kubýová, Auditor
License No. 1810

16 June 2015
Prague, Czech Republic

Balance Sheet as of 31 December 2014

in thousands of Czech crowns		Current year			Prior year 2013
		Gross	Allowances	Net	Net
TOTAL ASSETS		12,499,718	(285,423)	12,214,295	9,456,287
B.	FIXED ASSETS	1,519,166	(79,038)	1,440,128	1,429,730
B. I.	Intangible assets	80,994	(74,155)	6,839	3,081
3	Software	80,994	(74,155)	6,839	3,081
B. II.	Tangible assets	6,221	(4,883)	1,338	1,338
3	Separate movable items and groups of movable items	5,509	(4,883)	626	455
6	Other tangible assets	712	0	712	712
7	Tangible assets in progress	0	0	0	171
B. III.	Financial investments	1,431,951	0	1,431,951	1,425,311
3	Other long-term securities and interests	1,431,951	0	1,431,951	1,425,311
C.	CURRENT ASSETS	10,979,226	(206,385)	10,772,841	8,025,638
C. II.	Long-term receivables	295,093	0	295,093	160,339
C. II. 1	Trade receivables	281,268	0	281,268	157,996
8	Deferred tax asset	13,825	0	13,825	2,343
C. III.	Short-term receivables	10,683,607	(206,385)	10,477,222	7,864,909
C. III. 1	Trade receivables	7,080,045	(115,235)	6,964,810	5,179,374
7	Short-term advances granted	3,603,562	(91,150)	3,512,412	2,685,528
9	Other receivables	0	0	0	7
C. IV.	Short-term financial assets	526	0	526	390
C. IV. 1	Cash	18	0	18	52
2	Bank accounts	508	0	508	338
D. I.	Accrued assets and deferred liabilities	1,326	0	1,326	919
D. I. 1	Prepaid expenses	1,326	0	1,326	897
3	Unbilled revenue	0	0	0	22

in thousands of Czech crowns		Current year	Prior year 2013
TOTAL EQUITY & LIABILITIES		12,214,295	9,456,287
A.	EQUITY	1,598,329	1,628,845
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	139,845	133,205
A. II. 1	Share premium (agio)	6,000	6,000
3	Gain or loss on revaluation of assets and liabilities	133,845	127,205
A. III.	Funds created from profit	16,369	17,076
A. III. 1	Reserve fund	15,791	15,791
2	Statutory and other funds	578	1,285
A. IV.	Profit (loss) for the previous years	231,468	231,468
IV. 1	Retained earnings for the previous years	231,468	231,468
A. V. 1.	Profit (loss) for the year (+/-)	26,647	63,096
B.	LIABILITIES	10,580,520	7,817,253
B. I.	Provisions	10,102	6,258
4	Other provisions	10,102	6,258
B. II.	Long-term liabilities	25,489	0
B. II. 1	Trade payables	25,409	0
9	Other liabilities	80	0
B. III.	Current liabilities	5,143,064	4,177,538
B. III. 1	Trade payables	5,113,456	4,123,911
5	Liabilities to employees	1,971	1,426
6	Liabilities arising from social security and health insurance	825	748
7	Due to government – taxes and subsidies	12,984	5,258
10	Unbilled deliveries	5,024	7,419
11	Other liabilities	8,804	38,776
B. IV.	Bank loans and borrowings	5,401,865	3,633,457
B. IV. 1	Long-term bank loans	204,097	148,238
2	Short-term bank loans	5,197,768	3,485,219
C. I.	Accrued liabilities and deferred assets	35,446	10,189
C. I. 1	Accruals	2,185	425
2	Deferred income	33,261	9,764

Profit and Loss Account for the Year Ended 31 December 2014

in thousands of Czech crowns		Current year	Prior year 2013
+	Gross margin	0	0
II.	Production	123,524	95,550
II.	1 Revenue from sale of finished products and services	123,524	95,550
B.	Production related consumption	35,653	33,049
B.	1 Consumption of material and energy	2,912	3,697
B.	2 Services	32,741	29,352
+	Value added	87,871	62,501
C.	Personnel expenses	38,265	38,563
C.	1 Wages and salaries	23,887	27,506
C.	2 Bonuses to members of corporation management	2,061	384
C.	3 Social security and health insurance	10,629	9,727
C.	4 Other social costs	1,688	946
D.	Taxes and charges	74	102
E.	Amortization and depreciation of intangible and tangible fixed assets	1,993	7,940
G.	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	44,725	(14,968)
IV.	Other operating revenues	104,395	408,547
H.	Other operating expenses	147,832	433,784
*	Profit or loss on operating activities	(40,623)	5,627
VII.	Income from financial investments	26,039	29,161
	2 Income from other long-term securities and interests	26,039	29,161
X.	Interest income	81,038	73,245
N.	Interest expense	30,585	21,031
XI.	Other finance income	100,840	217,822
O.	Other finance cost	105,508	231,097
*	Profit or loss on financial activities	71,824	68,100
Q.	Tax on profit or loss on ordinary activities	4,554	10,631
Q.	1 – due	16,037	8,776
Q.	2 – deferred	(11,483)	1,855
**	Profit or loss on ordinary activities after taxation	26,647	63,096
XIII.	Extraordinary gains	4	3
R.	Extraordinary losses	4	3
***	Profit or loss for the year (+/-)	26,647	63,096
****	Profit or loss before taxation	31,201	73,727

Cash Flow Statement for the Year Ended 31 December 2014

in thousands of Czech crowns		Current year	Prior year 2013
Cash flows from operating activities			
Z.	Profit or loss on ordinary activities before taxation (+/-)	31,201	73,727
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	29,339	(92,050)
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	43,086	42,140
A. 1. 2.	Change in allowances	40,881	(16,869)
A. 1. 3.	Change in provisions	3,844	1,901
A. 1. 4.	Foreign exchange differences	18,020	(37,847)
A. 1. 6.	Interest expense and interest income	(50,453)	(52,214)
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	(26,039)	(29,161)
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items	60,540	(18,323)
A. 2.	Change in non-cash components of working capital	(1,827,735)	(1,262,663)
A. 2. 2.	Change in trade receivables	(2,008,702)	(1,563,354)
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(827,284)	(155,392)
A. 2. 4.	Change in trade payables	1,014,954	413,761
A. 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	(6,703)	42,322
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	(1,767,195)	(1,280,986)
A. 3. 1.	Interest paid	(28,796)	(20,706)
A. 4. 1.	Tax paid	(9,884)	(9,868)
A ***	Net cash provided by (used in) operating activities	(1,805,875)	(1,311,560)
Cash flows from investing activities			
B. 1. 1.	Purchase of fixed assets	(5,751)	(5,615)
B. 4. 1.	Interest received	81,038	73,245
B. 5. 1.	Dividends received	26,039	29,161
B ***	Net cash provided by (used in) investing activities	101,326	96,791
Cash flows from financing activities			
C. 1.	Change in long-term liabilities and long-term, resp. short-term, loans	1,768,488	1,212,898
C. 2. 2.	Profit shares paid	(63,096)	0
C. 2. 3.	Effect of other changes in basic capital on cash	(707)	(807)
C ***	Net cash provided by (used in) financing activities	1,704,685	1,212,091
F.	Net increase (decrease) in cash	136	(2,678)
P.	Cash and cash equivalents at beginning of year	390	3,068
R.	Cash and cash equivalents at end of year	526	390

Financial Statements for the Year Ended 31 December 2014

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 Sociétés Générale. Sociétés Générale S. A. is ultimate parent company of the Company.

Members of statutory bodies as at 31 December 2014:

Board of Directors

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

Supervisory Board

Chairwoman:	Iveta Ocásková
Member:	Libor Löfler
Member:	Adam Fiedler

During the reporting period there was a change in the composition of the Board of Directors, with effect from 2 September 2014 Eva Březinová became a member of the Board of Directors and replaced Marcela Chalušová in her function.

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 2014 and 2013; 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 2014 and 2013; and Czech Accounting Standards for Businesses, in wording valid for 2014 and 2013.

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.

When preparing the financial statements for 2014 and 2013, 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 as fair value the market value of the securities as at the balance sheet date.

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 offers discounted purchase of short and long-term receivables since 2013, which is recognised in the balance sheet netted – only nominal amount of unsettled receivable, which 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 to income statement based on inventorying to the extent that the valuation of assets does not correspond with the actual balance. Allowances are created on the basis of the number of days after the due date and/or an assessment of the risk level of the respective receivable.

f) Equity

The Company's share capital is stated at 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. Board of Directors decides about 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 by the exchange rates published by ČNB as at 31 December.

Realized and unrealized 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 recognized 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 recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

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

4. Fixed assets

a) **Intangible fixed assets (in CZK thousand)**

Cost

	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	76,073	0	(485)	5,406	80,994
Intangible fixed assets in progress	0	5,406	0	(5,406)	0
Total in 2014	76,073	5,406	(485)	0	80,994
Total in 2013	70,635	5,444	(6)	0	76,073

Accumulated amortisation

	Opening balance	Amortisation charge	Disposals	Closing balance	Net book value
Software	(72,992)	(1,648)	485	(74,155)	6,839
Intangible fixed assets in progress	0	0	0	0	0
Total in 2014	(72,992)	(1,648)	485	(74,155)	6,839
Total in 2013	(66,429)	(6,569)	6	(72,992)	3,081

Total low-value intangible assets not included in the balance sheet amounted to CZK 153 thousand as at 31 December 2014 and CZK 40 thousand as at 31 December 2013 at cost.

b) Tangible fixed assets (in CZK thousand)

Cost

	Opening balance	Additions	Disposals	Transfers	Closing balance
Machinery and equipment	10,661	0	(5,718)	516	5,459
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	171	345	0	(516)	0
Total in 2014	11,594	345	(5,718)	0	6,221
Total in 2013	11,426	171	(3)	0	11,594

Accumulated amortisation

	Opening balance	Depreciation charge	Disposals	Closing balance	Net book value
Machinery and equipment	(10,206)	(345)	5,718	(4,833)	626
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 2014	(10,256)	(345)	5,718	(4,883)	1,338
Total in 2013	(8,888)	(1,371)	3	(10,256)	1,338

Total low-value tangible assets not included in the balance sheet amounted to CZK 675 thousand as at 31 December 2014 and CZK 1,234 thousand as at 31 December 2013 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 financial asset in this case is a 10% share in closed unit-linked fund, Protos, uzavřený investiční fond, a.s. (hereinafter "Protos"), registered office Prague, Dlouhá 34. Protos is a subsidiary of Komerční banka, a.s.

Movement of non-current financial assets:

	Balance as at 31 December 2012	Revaluation	Balance as at 31 December 2013	Revaluation	Balance as at 31 December 2014
Other long-term securities and equity investments	1,449,133	(23,822)	1,425,311	6,640	1,431,951
Total	1,449,133	(23,822)	1,425,311	6,640	1,431,951

5. Receivables

Long-term receivables

As at 31 December 2014, the Company had long-term receivables amounting to CZK 295,093 thousand (2013: CZK 160,339 thousand), comprising a trade receivables in the amount of CZK 281,268 thousand (2013: CZK 157,996 thousand) and deferred tax asset of CZK 13,825 thousand (2013: CZK 2,343 thousand). The Company had receivables with maturity longer than 5 years in the amount CZK 62,463 thousand (2013: CZK 6,202 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 2014	Out of which overdue*)	As at 31 December 2013	Out of which overdue*)
Trade receivables (gross)				
out of which:	7,080,045		5,294,322	
- purchased receivables	6,937,362	76,115	5,143,535	139,427
- commissions from purchased receivables	6,311	1,061	6,099	1,266
- interest on pre-financing	12,924	3,659	11,968	4,277
- reassignments	115,478	100,244	124,392	119,065
- receivables from accession to debts	6,450	6,450	6,446	6,446
Allowances for trade receivables	(115,235)		(114,948)	
Trade receivables (net)	6,964,810		5,179,374	
Receivables from pre-financing	3,602,908		2,735,435	
Operating advances	654		649	
Allowances for advances granted	(91,150)		(50,556)	
Total advances granted net	3,512,412		2,685,528	
Other short-term receivables	0		7	
Total short-term receivables	10,477,222		7,864,909	

*) purchased receivable is overdue in case it is at least 90 days after its contractual maturity

Amounts due arising from purchased receivables, where 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 uncollectibility, rejection of bankruptcy proceedings, and settlement or non-settlement of receivables in bankruptcy proceedings, etc., the Company wrote off in income in 2014: CZK 41,468 thousand (2013: CZK 39,235 thousand).

6. Allowances

Allowances reflect a temporary diminution if the value of assets (listed under Article 5).

Changes in allowances (in CZK thousand):

Allowances for:	Balance as at 31 December 2012	Creation of allowances	Recognition of allowances	Balance as at 31 December 2013	Creation of allowances	Recognition of allowances	Balance as at 31 December 2014
receivables – statutory	60,900	26,479	23,188	64,191	9,218	22,198	51,211
receivables – other	121,473	22,188	42,348	101,313	94,961	41,100	155,174

Statutory allowances are created pursuant to the Act on Reserves.

7. Other assets

Prepaid expenses in the amount of CZK 1,326 thousand (2013: CZK 897 thousand) represent primarily items related to operational services. Unbilled revenues were not accounted in the year 2014. In 2013 Company recorded unbilled revenues of CZK 22 thousand, represented by commission income. These assets are recognised into income for the year in which they were earned.

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 2014.

The shares of Factoring KB, a.s. are not publicly tradeable; they are fully transferable bearer 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 2014 and 2013 (in CZK thousand):

	Balance as at 31 December				Balance as at 31 December				Balance as at 31 December 2014
	2012	Increase	Decrease	Rounding	2013	Increase	Decrease		
Number of shares	5,900	0	0	0	5,900	0	0	5,900	
Basic capital	1,184,000	0	0	0	1,184,000	0	0	1,184,000	
Share premium (agio)	6,000	0	0	0	6,000	0	0	6,000	
Gain or loss on revaluation of assets and liabilities	151,027	0	23,822	0	127,205	6,640	0	133,845	
Reserve fund	14,955	835	0	1	15,791	0	0	15,791	
Statutory and other funds	1,089	1,003	807	0	1,285	0	706	578	
Profit (loss) for the previous years	216,593	14,875	0	0	231,468	0	0	231,468	
Profit (loss) for the year (+/-)	16,714	46,382	0	0	63,096	0	36,449	26,647	

Based on the decision of the General Meeting held on 15 April 2014 and 16 April 2013, the following distribution of profits for 2013 and 2012 was approved (in CZK thousand):

2012 profit	16,714	2013 profit	63,096
Allocation to		Allocation to	
- reserve fund	835	- reserve fund	0
- other funds	1,003	- other funds	0
Dividend payments and profit shares	0	Dividend payments and profit shares	63,096
Transfer of retained earnings	(14,875)	Transfer of retained earnings	0
Retained earnings as at 31 December 2013	231,468	Retained earnings as at 31 December 2014	231,468

9. Provisions

Movements in provisions (in CZK thousand):

Provisions	Balance as at 31 December			Balance as at 31 December			Balance as at 31 December 2014
	2012	Creation of reserves	Recognition of reserves	2013	Creation of reserves	Recognition of reserves	
Other	4,357	5,720	3,819	6,258	11,573	7,729	10,102

The Company creates provisions for unutilised vacation, reserve for bonuses and related social and health insurance.

10. Current liabilities

Long-term liabilities

As at 31 December 2014, the Company had long-term liabilities amounting to CZK 25,489 thousand (2013: CZK 0 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 2014 the Company had the following current liabilities (in CZK thousand):

	As at 31 December 2014	As at 31 December 2013
Trade payables		
– suppliers	135	1,392
– purchased receivables	5,113,321	4,122,519
Other liabilities		
– liabilities to employees	1,971	1,426
– liabilities arising from social security and health insurance	825	748
– due to government – taxes and subsidies	12,984	5,258
– unbilled deliveries	5,024	7,419
– other liabilities	8,804	38,776
Total	5,143,064	4,177,538

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	2014		2013	
		Amount in foreign currency	Amount in CZK thousand	Amount in foreign currency	Amount in CZK thousand
KB (CZK)	PRIBOR ON ACTUAL + f.v.	2,598,303	2,598,303	1,775,450	1,775,450
KB (USD)	ON LIBOR USD ACTUAL + f.v.	6,553	149,633	5,669	112,772
KB (EUR)	ON LIBOR EUR ACTUAL + f.v.	81,698	2,265,083	55,878	1,532,446
KB (GBP)	ON LIBOR GBP ACTUAL + f.v.	16	585	293	9,644
KB (PLN)	ON WIBOR PLN ACTUAL + f.v.	1,313	8,521	1,188	7,846
KB (CZK)	Fixed interest rate	379,740	379,740	195,299	195,299
Total			5,401,865		3,633,457

Note: f. v. – fixed variance

Short-term loans amounted as of 31 December 2014 and 31 December 2013 to CZK 5,197,768 thousand and CZK 3,485,219 thousand respectively. The Company had long-term loans as of 31 December 2014 in the amount of CZK 204,097 thousand (CZK 148,238 thousand as of 31 December 2013).

Interest expense related to bank loans amounted to CZK 30,585 thousand in 2014 and to CZK 21,031 thousand in 2013.

12. Other liabilities

Other liabilities comprise accruals in the amount of CZK 2,185 thousand (2013: CZK 425 thousand) and deferred income in the amount of CZK 33,261 thousand (2013: CZK 9,764 thousand). Deferred income represents in particular accrued price for the discount purchase of receivables.

13. Income taxes

in CZK thousand	2014	2013
Profit before taxes	31,201	73,727
Non-taxable revenue	(30,514)	(49,321)
Difference between accounting and tax depreciation	(1,355)	601
Non-deductible costs	85,157	21,261
– net creation of allowances	53,861	0
– provisions	4,561	246
– written off receivables	23,943	15,002
– other (e.g. entertainment expenses, deficits and damage)	2,792	6,013
Taxable income	84,489	46,268
Income tax rate	19%	19%
Tax	16,053	8,791
Adjustment in respect of income tax of previous years	(16)	(15)
Tax relief	0	0
Tax due	16,037	8,776

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

Deferred tax items	2014		2013	
	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		549		291
Other temporary differences				
– Allowances for receivables	12,455		731	
– Provisions	1,919		1,903	
Total	14,374	549	2,634	291
Net	13,825		2,343	

14. Leases

Assets in the form of operating leases as at 31 December 2014 and 31 December 2013 (in CZK thousand):

Description	Lease period in months	Lease amount in 2014	Lease amount in 2013	Owner's acquisition cost
13 passenger cars	48	2,059	1,996	7,489

15. Commitments and contingencies

The Company recorded commitments from import factoring in the amount of CZK 20,644 thousand (2013: CZK 22,786 thousand).

16. Other operating expenses and income

Other operating expenses of the Company totaled CZK 147,832 thousand as at 31 December 2014 (2013: CZK 433,784 thousand). The most significant items of Other operating expenses comprise the expense arising from reassignment of receivables in the amount of CZK 94,063 thousand (2013: CZK 394,205 thousand) and the write-off of receivables in the amount of CZK 41,468 thousand (2013: CZK 39,235 thousand),

Other operating income totaled CZK 104,395 thousand as at 31 December 2014 (2013: CZK 408,547 thousand). The most significant items comprise revenues from reassignment of receivables in the amount of CZK 94,063 thousand (2013: CZK 394,205 thousand), income from contractual penalties in the amount of CZK 571 thousand (2013: CZK 150 thousand), charges pertaining to changes in contractual terms and applications for provision of factoring services, and entry and monitoring fees totaling CZK 9,385 thousand (2013: CZK 9,146 thousand).

17. Financial expenses and income

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

	As at 31 December 2014	As at 31 December 2013
Interest expense from loan facilities	30,585	21,031
Other financial expenses	105,508	231,097
– Exchange rate losses	100,851	217,928
– Operating insurance	967	9,738
– Banking expenses	3,558	3,097
– Other charges	132	334
Total financial expenses	136,093	252,128

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

	As at 31 December 2014	As at 31 December 2013
Interest on pre-financed purchased receivables	81,038	73,245
Exchange rate gains	100,840	217,822
Income from financial investments (Protos – dividend)	26,039	29,161
Total financial income	207,917	320,228

18. Personnel expenses

The average headcount, management members and personnel expenses for 2014 and 2013 are as follows:

Overview of personnel expenses (in CZK thousand):

	2014		2013	
	Total headcount	Management	Total headcount	Management
Average headcount	42	3	42	3
Wages and salaries	25,948	5,899	27,890	5,264
Social security and health insurance	10,629	2,202	9,727	1,671
Other social costs	1,688	1,114	946	458
Total personnel expenses	38,265	9,215	38,563	7,393

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.

19. Transactions with related parties

The Company realised financial revenue from Komerční banka, a.s. in the amount of CZK 0.2 thousand for 2014 (2013: CZK 0.3 thousand).

The Company reported revenue in the form of dividends paid by the Protos fund in 2014, totalling CZK 26,039 thousand (2013: CZK 29,161 thousand).

The services rendered by Komerční banka, a.s. to the Company in 2014 primarily comprised (in CZK thousand):

	As at 31 December 2014	As at 31 December 2013
Financial expenses	34,176	24,382
Fee for using KB's distribution network	6,167	4,822
Trademark use	2,892	2,892
Other services provided by Komerční banka, a.s.	6,768	6,705

Financial expenses comprise primarily the interest on loans provided in the amount of CZK 30,585 thousand (2013: CZK 21,031 thousand), banking fees in the amount of CZK 3,558 thousand (2013: CZK 3,097 thousand), and other services provided by Komerční banka, a.s. in the amount of CZK 33 thousand (2013: CZK 255 thousand).

Other Komerční banka, a.s. 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 services, training and IT services.

The Company realised no fixed asset purchase from, nor a sale to Komerční banka, a.s. in either 2014 or 2013.

20. Post balance sheet events

No significant events that would have a material impact on the financial statements occurred subsequent to the balance sheet date.

21. Cash flow statement (see Appendix 1)

The cash flow statement was prepared by indirect method.

22. Statement of changes in equity (see point 8)

Prepared on:
23 March 2015

Signature of the reporting entity's
statutory body:



MILOSLAV KUKLA

Person responsible
for bookkeeping:



IVANA NÁPRSTKOVÁ

Person responsible for preparation
of the financial statements:



IVANA NÁPRSTKOVÁ



EVA BŘEZINOVÁ

Report on Relations Among Related Entities for the Year Ended 31 December 2014

(hereinafter called the “Report on Relations”)

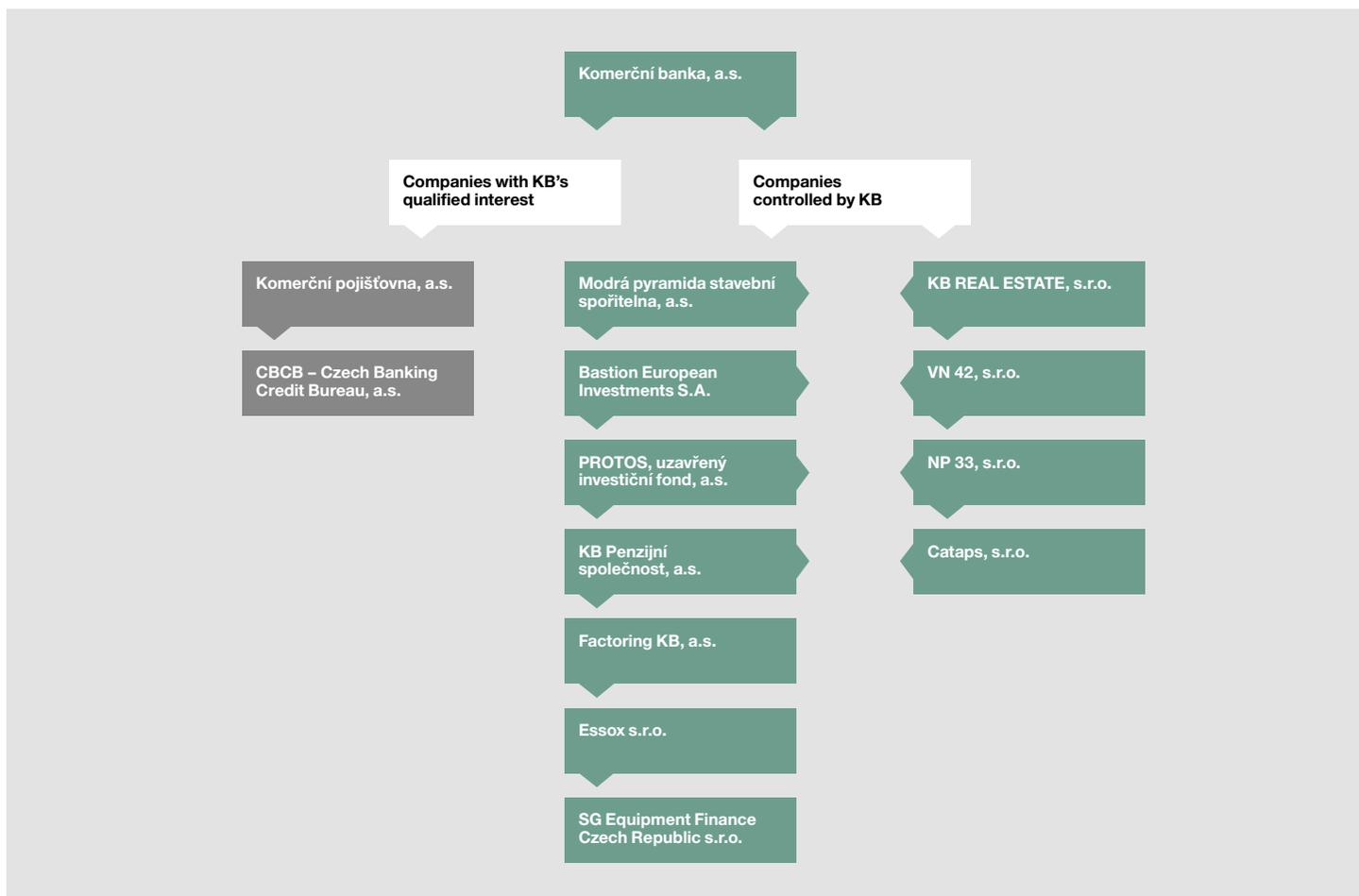
Factoring, a.s., with its registered office in Prague 5, náměstí Junkových 2772/1, 155 00, Corporate ID:25148290, incorporated in the Register of Companies maintained at the Metropolitan Court of Prague, Section B, File 4861, (hereinafter called “the Company”), is part of a business group (holding company)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

This report on relations was worked out in accordance with the provision of Section 82 et subseq. of Act No. 90/2012 Coll., the Companies and Cooperatives Act (the Corporations Act) for the year ended 31 December 2014, that is, from 1 January 2014 to 31 December 2014 (hereinafter called the “reporting period”).

I. Introduction

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

In the period from 1 January 2014 to 31 December 2014, 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 called “SG” or “SG Paris”). The structure of the relations between the members of the business group is as follows:



During the course of the 2014 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%

¹⁾ These are companies controlled by SG Paris, both in direct and indirect line within the intention of Section 74 article 1 of the Corporation Act. The only owner of ALD Automotive s.r.o. is company ALD International S.A., French Republic, which is 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 fully owned subsidiary of Komerční banka, a.s. (hereinafter "KB"). KB is a mother company of the KB financial group (hereinafter also "the Group") and an active member of the Société Générale Banque financial group (hereinafter "SG Group"). FKB within the Group provides a range of factoring services comprising purchase, administration, collection and financing of account receivables, including takeover of risk 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 a part of the Group, KB provides FKB trade mark licenses, which FKB uses for its business activities. KB provides also FKB universal banking 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 a part of its management and control system applied by the Group, FKB provides to KB data, which are used for preparation of consolidated financial statements, consolidated reporting to regulators or for publication, budgets, business plans, business continuity plan, anti-money laundering measures.

Ways and means of control

KB, as the 100% shareholder, exerts its influence on the activity of FKB through the general meeting; KB had three representatives in the Supervisory Board of FKB in 2014.

KB is, within the intention of Section 79 of the Corporations Act, a controlling entity in respect of FKB. The control is formally exercised by the implementation of KB's methodologies, in particularly in area of risk management and reporting. The informal control takes 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 the Equity

No such arrangements were made.

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

Title of contract (or subject matter of contract – if not clear from the title)	Contracting Party	Date of contract
Agreement in respect of Framework insurance contract No. 7720802024, incl. Annex No. 7	Komerční banka, a.s.	10.2.2014
Service Level Agreement	Komerční banka, a.s.	26.11.2014
Framework Contract on Rendering of Financial Services Reg. No. 9900017002000, incl. its Annex (1)	Komerční banka, a.s.	31.7.2013, 4.11.2013
Framework Contract on Rendering of Financial Services Reg. No. 9900021839000, incl. its Annex (1)	Komerční banka, a.s.	31.3.2014, 2.6. 2014
Change of interest rate -Framework Contract on Rendering of Financial Services Reg. No. 9900021839000	Komerční banka, a.s.	30.5.2014, 24.6.2014, 26.8.2014, 25.9.2014, 27.10.2014, 21.11.2014, 19.12.2014
Contract on opening and maintaining of current accounts in CZK with Komerční banka, a.s., incl. Annexes (6)	Komerční banka, a.s.	5.8.1997
Contract on opening and maintaining of current accounts in CZK with Komerční banka, a.s., incl. Annexes (6)	Komerční banka, a.s.	28.8.1998
Contract on opening and maintaining of current accounts in USD with Komerční banka, a.s., incl. Annexes (7)	Komerční banka, a.s.	24.9.1998
Contract on opening and maintaining of current accounts in EUR with Komerční banka, a.s., incl. Annexes (7)	Komerční banka, a.s.	25.2.1999
Contract on opening and maintaining of current accounts in GBP with Komerční banka, a.s., incl. Annexes (6)	Komerční banka, a.s.	4.6.2002
Contract on opening and maintaining of current accounts in PLN with Komerční banka, a.s., incl. Annexes (5)	Komerční banka, a.s.	24.8.2005
Contract on opening and maintaining of current accounts in CHF with Komerční banka, a.s., incl. Annex (1)	Komerční banka, a.s.	6.6.2013
Contract on opening and maintaining of current accounts in EUR with Komerční banka, a.s., incl. Annex (1)	Komerční banka, a.s.	28.2.2012
Contract on opening and maintaining of current accounts in EUR with Komerční banka, a.s., incl. Annexes (2)	Komerční banka, a.s.	7.6.2012
Contract on opening and maintaining of current accounts in CZK with Komerční banka, a.s., incl. Annex (1)	Komerční banka, a.s.	5.12.2012
Contract on opening and maintaining of current accounts in USD with Komerční banka, a.s., incl. Annex (1)	Komerční banka, a.s.	5.12.2012
Framework contract for dealing on the financial market	Komerční banka, a.s.	22.12.2011
Contract on using the direct banking services, incl. Annexes (3)	Komerční banka, a.s.	31.10.2002, 23.12.2002, 11.9.2014, 1.10.2014
Contract on individual pricing, incl. Annexes (2)	Komerční banka, a.s.	31.7.2012, 21.8.2012, 1.12.2014
Framework agreement for the rental of employee-driven motor vehicles	Komerční banka, a.s.	22.9.2014
Service contract	Komerční banka, a.s.	31.10.2013
Agreement for cooperation in the performance of contract for employee group risk insurance No. 3280000000, in the wording of Amendment No. 1 dated 29.6.2012	Komerční banka, a.s.	24.8.2012
Contract for the provision of services – BI	Komerční banka, a.s.	27.12.2012
Agreement – services: data transfer – current accounts	Komerční banka, a.s.	1.8.2013
License agreement for use of database	Komerční banka, a.s.	1.4.2011
Framework service agreement	Komerční banka, a.s.	8.9.2010
Separate agreement No. 1 (IT Process Procedure)	Komerční banka, a.s.	1.12.2012
Separate agreement No. 2 (IT Process Procedure)	Komerční banka, a.s.	1.12.2012
Separate agreement No. 3 (IT Process Procedure)	Komerční banka, a.s.	1.12.2012
Separate agreement No. 4 (IT Process Procedure)	Komerční banka, a.s.	31.12.2012
Cooperation Agreement No. 0000020447/0000	Komerční banka, a.s.	31.12.2012

Title of contract (or subject matter of contract – if not clear from the title)	Contracting Party	Date of contract
Contract on custody of securities, incl. handover certificate	Komerční banka, a.s.	29.8.2007
Contracts of safe-deposit box use (9)	Komerční banka, a.s.	11.11.2003, 30.6.2004, 31.1.2006, 2.4.2008, 26.5.2009, 5.6.2009, 16.6.2009, 13.8.2009
Contract on issue and use of a payment cards (6), incl. Annexes (5), incl. termination payment cards (1)	Komerční banka, a.s.	30.3.2011, 16.1.2012, 10.6.2013, 18.9.2014, 16.12.2014
Ancillary service contract – Profi Merlin	Komerční banka, a.s.	16.7.2010
Lease of non-residential premises, movable things and payment of relating services (3), incl. Amendment (1)	Komerční banka, a.s.	8.6.2006, 18.6.2008, 5.1.2009, 19.12.2011
Lease of non-residential premises, movable things and payment of relating services	Komerční banka, a.s.	30.8.2012
Parking place sublease agreement (3), incl. Amendments (2)	Komerční banka, a.s.	28.8.2012, 1.9.2012, 1.1.2013, 31.12.2013, 31.12.2014
License agreement	Komerční banka, a.s.	20.12.2004
Premium payment contract No. 7720352405	Komerční banka, a.s.	2.3.2009
Mutual cooperation agreement, incl. Amendment (1)	Komerční banka, a.s.	1.8.2007, 1.7.2010
Agreement – outsourcing of HR services (excluding Payroll) KB Agr. No. 20596/0000, incl. Amendment (1)	Komerční banka, a.s.	1.1.2013, 1.10.2013
Service contract – outsourcing (HR services)	Komerční banka, a.s.	4.1.2010
Cooperation agreement – jobs	Komerční banka, a.s.	28.4.2010
Distribution agreement, incl. Amendment (1)	Komerční banka, a.s.	1.12.2008, 10.1.2013
Framework agreement for personal data processing	Komerční banka, a.s.	1.12.2008
Confidentiality agreement	Komerční banka, a.s.	9.8.2010
Rules for cooperation between KB and members of the group in the field of sourcing and purchasing	Komerční banka, a.s.	4.10.2010
Agreement on the organization of periodic control, incl. Amendment (1)	Komerční banka, a.s.	5.5.2011
Contract on rendering of services – access to the C4M, incl. Amendment (1)	Komerční banka, a.s.	24.5.2011, 29.5.2012
Framework contract	ALD Automotive s.r.o.	21.4.2008
Contracts on renting of movable property (13)	ALD Automotive s.r.o.	19.4.2010, 7.10.2011, 24.11.2011, 10.5.2012, 18.7.2013, 8.1.2014, 10.4.2014
Contract of providing of preferential conditions and terms for the employees of Factoring KB, a.s. – participants in the housing savings scheme in MPSS	Modrá pyramida stavební spořitelna, a.s.	1.11.2013

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 synergic effects including product pooling, a strong brand and know how. In business area FKB benefits from its participation on KB's network, which is one of the distributors of FKB product. In the area of risk management, credit and operation risks represent processes and tools developed within the Group advances solutions, which enable efficiently reflect 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 2014 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 in the reporting period.

In Prague on 3 February 2015

Factoring KB, a.s.



MILOSLAV KUKLA
Chairman of the Board



VĚRA JAHNOVÁ
Member of the Board



EVA BŘEZINOVÁ
Member of the Board

Notes

NA PARTNERSTVÍ ZÁLEŽÍ



www.factoringkb.cz