

One Bank  
**One**  
 UniCredit

2016

Annual Report

We are a simple pan-European commercial bank with a fully plugged in Corporate & Investment Banking, delivering our unique Western Central and Eastern European network to our extensive client franchise.

We offer local expertise as well as international reach. We accompany and support our 25 million clients globally, providing them with unparalleled access to our leading banks in 14 core markets as well as to another 18 countries worldwide.

Our vision is to be “One Bank, One UniCredit”.

Everything we do to implement our vision is based on our Five Fundamentals.

Our top priority, every minute of the day, is to serve our customers the very best we can (Customers First).

To do this, we rely on the quality and commitment of our people (People Development), and on our ability to cooperate and generate synergies as “One Bank, One UniCredit” (Cooperation & Synergies).

We take the right kind of risk (Risk Management) whilst being very disciplined in executing our strategy (Execution & Discipline).

Life is full of ups and downs.  
We're there for both.



# One Bank, One UniCredit.



**A shared vision based on [Five Fundamentals](#).**

As a strong pan-European Group with leading banks in 14 core markets, and operations in another 18 countries, we perfectly embody our vision to be “One Bank, One UniCredit”. A simple pan-European commercial bank enriched by multiple cultures where everybody shares the same vision and are guided by our Five Fundamentals: Customers First, People Development, Execution & Discipline, Cooperation & Synergies and Risk Management.

# Highlights

UniCredit is a strong pan-European Group with a simple commercial banking model and a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network to its extensive 25 million strong client franchise. UniCredit offers local expertise as well as international reach and accompanies and supports its clients globally, providing clients with unparalleled access to leading banks in its 14 core markets as well as an another 18 countries worldwide. UniCredit's European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, Serbia and Turkey.

## Financial Highlights<sup>1</sup>

Operating income  
€ **18,801** m

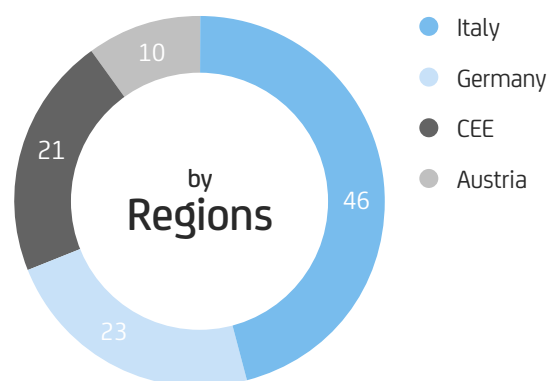
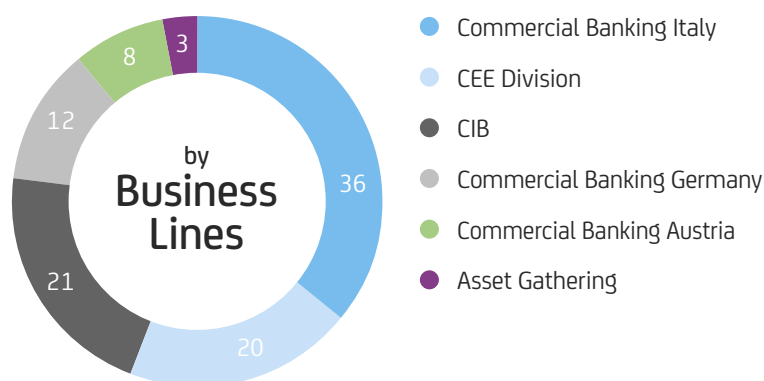
Net profit (loss)  
€ **(11,790)** m

Shareholder's equity  
€ **39,336** m

Total assets  
€ **859,533** m

Common Equity Tier 1 ratio\*  
**11.15%**

## Revenues<sup>1</sup> (%)



1. Data as at December 31, 2016. As at December 31, 2016, in accordance with IFRS5, the assets/liabilities and the profit/loss of Bank Pekao S.A., Pioneer Global Asset Management S.p.A. and their subgroups' companies, as a result of their classification as "discontinued operations", were recognized:

- in Balance Sheet under items "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale";
- in Income Statement under item "Profit (loss) after tax from discontinued operation";
- the previous periods were restated accordingly to increase comparability.

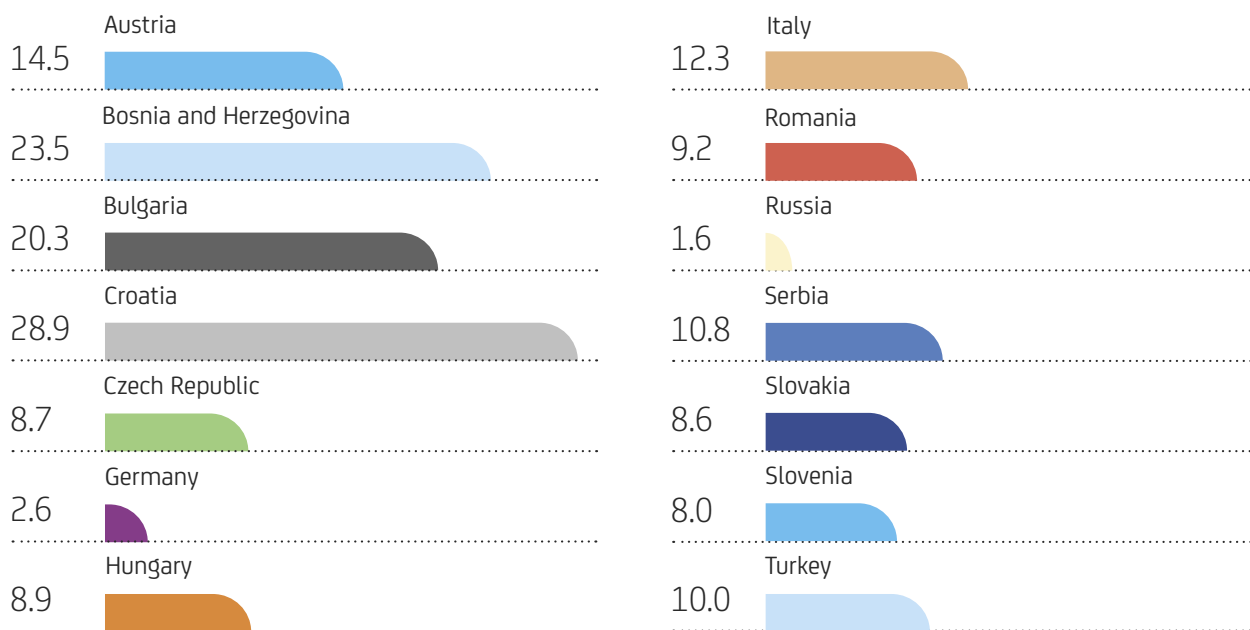
\* Fully loaded CET1 ratio at 11.15% post capital increase, above 12% including Pioneer and Pekao deals. CET1 ratio transitional at 11.49% post capital increase.

## International presence<sup>2</sup>

Austria  
 Bosnia and Herzegovina  
 Bulgaria  
 Croatia  
 Czech republic  
 Germany  
 Hungary  
 Italy  
 Romania  
 Russia  
 Serbia  
 Slovakia  
 Slovenia  
 Turkey



## Market Shares<sup>3</sup> (%)



2. On December 8, 2016, UniCredit ("UCG") entered into a binding agreement with PZU SA and PFR (Polish Development Fund) for the sale of a 32.8% stake in Bank Pekao (Poland) and, on the same date, it announced the disposal of the remaining 7.3% via a market transaction. The CEE division includes only the 11 countries in which the Group operates through Retail branches. Accordingly, Azerbaijan, Estonia, Latvia and Lithuania have been excluded.

3. Market Shares in terms of Total Loans as at December 31, 2016. Source: Company data, National Central Banks.

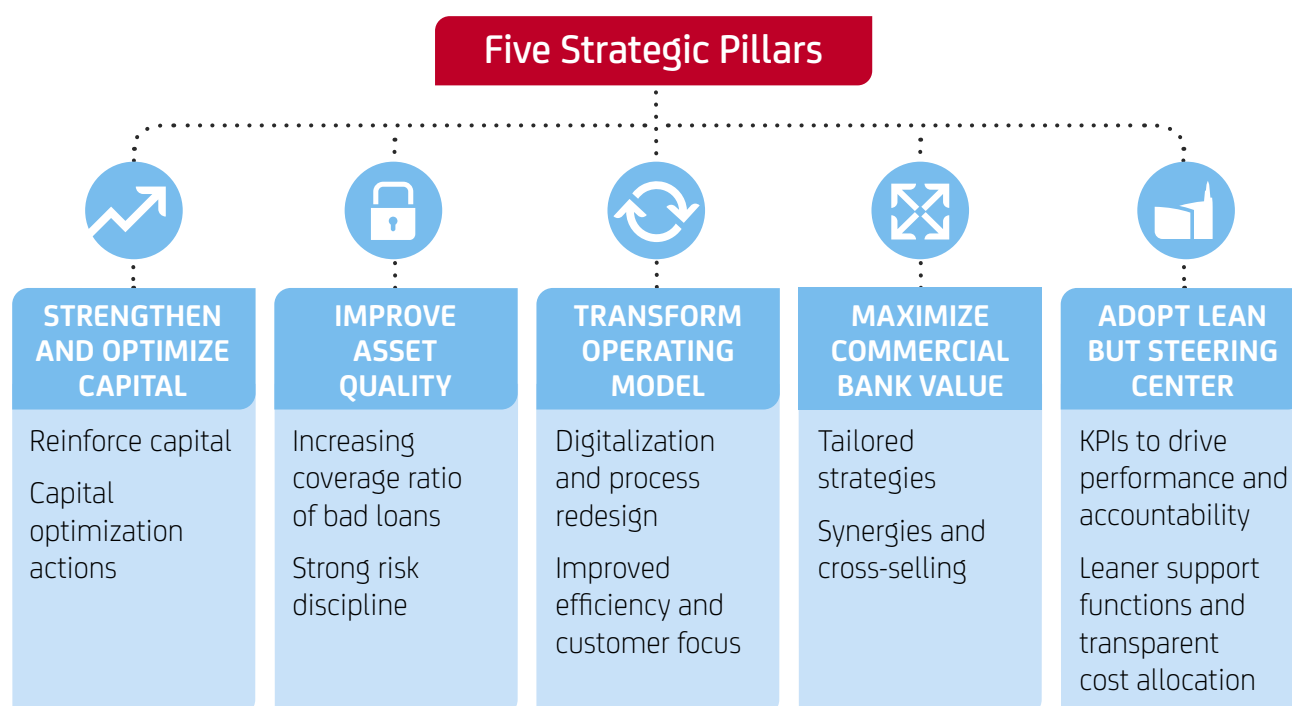
# One Bank, One UniCredit Transform 2019

A challenging business environment marked by greater regulatory pressure and a lengthy period of low growth and low interest rates has prompted a deep strategic review of every major area of the bank. More specifically, the review has focused on how to reinforce and optimize the Group's capital position, reduce the risk profile of the balance sheet, improve profitability, and ensure that operations are transformed continuously in ways that enable increased client focus, further cost reductions and cross-selling across Group entities. These goals are to be pursued while maintaining the flexibility to seize value-creating opportunities and while improving risk discipline still further.

Hence, the Transform 2019 strategic plan targets are pragmatic, tangible and achievable and are based on conservative assumptions associated with five strategic pillars defined as follows:

- **Strengthen and optimize capital**, to align capital ratios with the best in class G-SIFIs
- **Improve the asset quality**, addressing Italian legacies via a proactive balance sheet de-risking
- **Transform the operating model**, strengthening our client focus while simplifying and streamlining products and services
- **Maximize commercial bank value**, capitalizing on the potential of our retail client relationships and our status as the “go-to” bank for corporate clients in Western Europe while building on our leadership position in Central and Eastern Europe and increasing cross-selling across business lines and countries
- **Adopt a lean but strong steering Group Corporate Center**, establishing consistent Groupwide KPIs to drive performance and improve accountability

This transformation will enable the Group to take advantage of future opportunities and generate long-term profits, functioning successfully as a **simple pan-European commercial bank with a fully plugged in CIB and a unique network in Western, Central and Eastern Europe.**

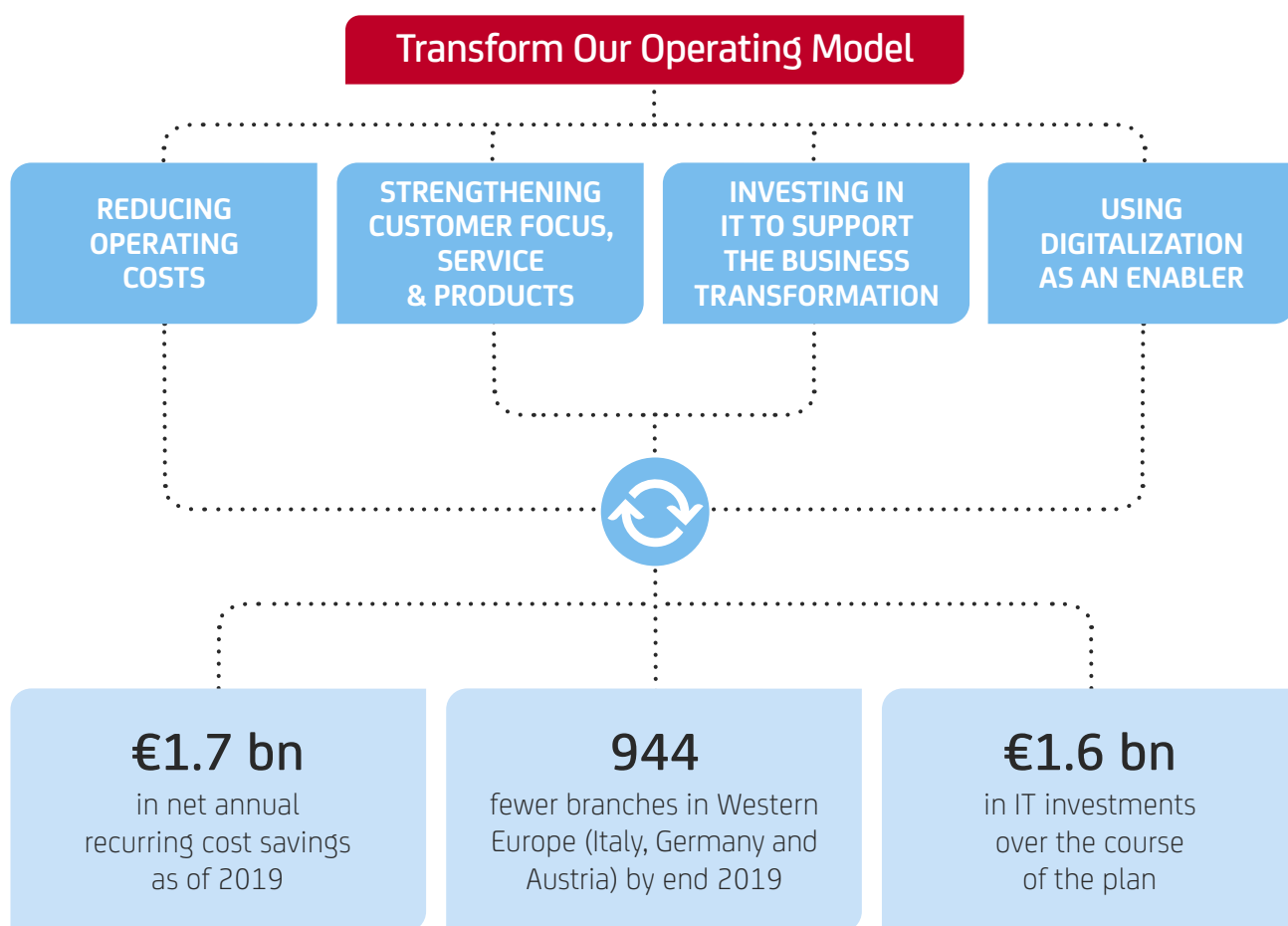


# Transform Our Operating Model

Among the key pillars of UniCredit's strategic plan for 2017-2019, one of the most important objectives is the transformation of the Group's operating model. The purpose of this is to strengthen our customer focus, service and products while simplifying our structure and increasing our efficiency. Digitalization will enable the transformation and make it possible to achieve a lower sustainable cost base.

The main initiatives include:

- **Redesigning end-to-end processes and lowering the cost of "running the bank"** by leveraging our global operations and developing economies of scale
- **Strengthening client focus** by further improving the customer experience, carrying out product standardization, and engaging in more client-facing activities
- **Investments in IT** that will support the business transformation with greater digitalization, the technological improvement of core systems, and ongoing infrastructure updates



# Simple Pan-European Commercial Bank



We are a simple pan-European commercial bank with a fully plugged in CIB, enriched by multiple cultures and strong local knowledge, where everybody shares the same vision: One Bank, One UniCredit. That's why when it comes to our client's international needs we have the solution. Whether it is trade or other banking services, we can help: with our deep local knowledge and our unique Western Central and Eastern European network serving our clients in Europe and beyond, we are fully equipped to meet our clients' needs, both in our home-markets and further afield.



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# Introduction by the Chairman of the Board of Directors UniCredit Factoring

“2016 once again confirmed the trend of the increasing share of non-recourse factoring. In this respect the market grew by 2%, our Company by 19%. I believe that this development will continue going forward.”

## **Jiří Flégl**

Chairman of the Board of Directors  
UniCredit Factoring Czech Republic  
and Slovakia, a.s.



Dear Ladies and Gentlemen,

Let me briefly recapitulate the year 2016, which was our first full calendar year under the UniCredit brand and at the same time the year of the 25<sup>th</sup> anniversary of the establishment of the Company, the oldest factoring company on the market of the Czech Republic.

It was a year when we were already able to follow up on the process, personnel and organisational changes made in the previous year, which were necessary in order to implement our business strategy. Compared to 2015, when we experienced a significant drop in the client portfolio and related decrease in turnover, income and exposure of the Company, in 2016 we were able to reverse this trend and at the end of the year the number of clients exceeded the level from the acquisition period. For the sake of completeness, let me add that only less than one fifth of the original Transfinance portfolio remains, which means that cooperation with a completely different structure of clients has developed in a very short time. We naturally expect transactions to continue to grow dynamically in 2017, which is connected to the strengthening of the business team to include new decentralised advisors for Moravia and Slovakia in order to be able to provide faster, more efficient and higher quality services to clients in remoter regions and to achieve further and more intensive synergies with corporate bank advisors.

It is logical that the new client portfolio, obtained exclusively via bank sale channels, requires a higher added value of factoring products, which leads to a permanent expansion of our services and products and, for the most important clients, preparing tailor-made products to suit their needs. This is made possible not only by our exceptional know-how, but we also strive to continuously perfect our systems and processes and improve our factoring software. This is one of the reasons why we invested in an IT project in late 2016 in order to create a completely new, more efficient and safer IT infrastructure and implement a newer version of the Aquarius system, which is used by major multinational banking groups. The final stage of this project is the introduction of a new product in late 2017— Supply Chain Finance or Reverse Factoring, which grows increasingly more popular especially in Western European countries. The path that we want to take and continue to improve is a paperless, digital and fully automatic form of financing.

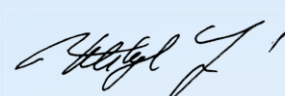
Just like in 2015, last year the Czech factoring market experienced a decrease in turnover, specifically of 5%. A factor contributing to the drop was doubtlessly the fact that the Czech economy is doing rather well, which leads to improvement of the economic and financial status of companies which can consequently seek simpler bank financing methods that were previously unavailable to them. Another underlying circumstance is the excess of liquidity in the economy, with many bank entities trying to use low margins to attract even clients with riskier profiles suitable for factoring. In terms of the Company's exposure, it is pleasing that our client exposure increased by 64% year-on-year, while the market grew at a rate of approximately 14%.

2016 once again confirmed the trend of the increasing share of non-recourse factoring. In this respect the market grew by 2%, our Company by 19%. I believe that this development will continue going forward.

The last quarter of 2016 shows a positive trend in year-on-year comparison of income, due primarily to the acquisition of new clients and launch of financing of several transactions concluded in the second half of 2016. We were able to keep the costs of provisioning significantly below our planned budget, especially thanks to prudent risk management. Despite a significant growth in exposure, only CZK 1.6 million in additional provisions were created in 2016, which had a positive impact on net profit after tax, which amounted to CZK 10.1 million.

To conclude, I would like to thank all employees of the Company for the high dedication to their work, which I appreciate greatly and without which it would have been impossible to perform all the extensive changes and create a basis for the Company's further expansion.

In Prague on 31 March 2017



**Jiří Flégl**

Chairman of the Board  
of Directors

# Customers First



Our top priority, every minute of the day, is to serve our customers the very best we can. We provide solutions for a wide variety of different personal finance and enterprise business needs. Our products and services are based on our customer's real needs and aimed at creating value for both individuals and businesses.

# Independent Auditor's Report



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ID. No.: 49620592  
Tax ID. No.: CZ49620592

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of  
UniCredit Factoring Czech Republic and Slovakia, a.s.

Having its registered office at: Želetavská 1525/1, Michle, 140 00 Praha 4

### Opinion

We have audited the accompanying financial statements of UniCredit Factoring Czech Republic and Slovakia, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2016, 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 UniCredit Factoring Czech Republic and Slovakia, a.s. as of 31 December 2016, 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.

#### 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 10 April 2017

Audit firm:

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

Statutory auditor:

Daniela Hynštová  
registration no. 2235



# People Development



Our success depends on the quality and commitment of our people. That's why we have such a strong commitment to developing and empowering our teams. We must make sure we can attract and retain the very best talent and we must create and nurture an environment and culture in which our staff can grow, thrive and reach their full potential.

# Financial statements

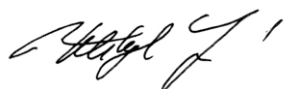
for the Year Ended 31 December 2016

Name of the Company: **UniCredit Factoring Czech Republic and Slovakia, a.s.**  
Registered Office: **Želetavská 1525/1, 140 00 Prague 4 – Michle**  
Legal Status: **Joint Stock Company**  
Corporate ID: **152 72 028**

## Components of the Financial Statements:

Balance Sheet  
Profit and Loss Account  
Statement of Changes in Equity  
Cash Flow Statement  
Notes to the Financial Statements

These financial statements were prepared on 10 April 2017.



Jiří Flégl  
Chairman of the Board of Directors



Zdeněk Bílý  
Member of the Board of Directors



## Balance sheet full version as of 31. 12. 16

(in CZK thousand)		Gross	Adjustment	31. 12. 16 Net	31. 12. 15 Net
	<b>TOTAL ASSETS</b>	<b>2 640 353</b>	<b>123 163</b>	<b>2 517 190</b>	<b>1 843 549</b>
<b>B.</b>	<b>Fixed assets</b>	<b>44 565</b>	<b>35 356</b>	<b>9 209</b>	<b>13 905</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>38 638</b>	<b>31 013</b>	<b>7 625</b>	<b>11 971</b>
B.I.2.	Valuable rights	38 638	31 013	7 625	11 971
B.I.2.1.	Software	38 638	31 013	7 625	11 971
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>5 927</b>	<b>4 343</b>	<b>1 584</b>	<b>1 934</b>
B.II.1.	Land and structures	642	485	157	160
B.II.1.2.	Structures	642	485	157	160
B.II.2.	Tangible movable assets and sets of tangible movable assets	4 640	3 858	782	1 129
B.II.4.	Other tangible fixed assets	645		645	645
B.II.4.3.	Other tangible fixed assets	645		645	645
<b>C.</b>	<b>Current assets</b>	<b>2 594 311</b>	<b>87 807</b>	<b>2 506 504</b>	<b>1 827 905</b>
<b>C.II.</b>	<b>Receivables</b>	<b>2 589 499</b>	<b>87 807</b>	<b>2 501 692</b>	<b>1 827 151</b>
<b>C.II.2.</b>	<b>Short-term receivables</b>	<b>2 589 499</b>	<b>87 807</b>	<b>2 501 692</b>	<b>1 827 151</b>
C.II.2.1.	Trade receivables	2 589 485	87 807	2 501 678	1 827 107
C.II.2.4.	Receivables – other	14		14	44
C.II.2.4.3.	State – tax receivables				8
C.II.2.4.4.	Short-term prepayments made	14		14	7
C.II.2.4.5.	Estimated receivables				3
C.II.2.4.6.	Sundry receivables				26
<b>C.IV.</b>	<b>Cash</b>	<b>4 812</b>		<b>4 812</b>	<b>754</b>
C.IV.1.	Cash on hand	130		130	141
C.IV.2.	Cash at bank	4 682		4 682	613
<b>D.</b>	<b>Other assets</b>	<b>1 477</b>		<b>1 477</b>	<b>1 739</b>
D.1.	Deferred expenses	1 477		1 477	1 739

## Balance sheet full version as of 31. 12. 16

(in CZK thousand)		31. 12. 16	31. 12. 15
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2 517 190</b>	<b>1 843 549</b>
<b>A.</b>	<b>Equity</b>	<b>234 587</b>	<b>224 486</b>
<b>A.I.</b>	<b>Share capital</b>	<b>222 600</b>	<b>222 600</b>
A.I.1.	Share capital	222 600	222 600
<b>A.III.</b>	<b>Funds from profit</b>	<b>19 952</b>	<b>19 952</b>
A.III.1.	Other reserve funds	19 952	19 952
<b>A.IV.</b>	<b>Retained earnings (+/-)</b>	<b>-18 066</b>	<b>10 798</b>
A.IV.1.	Accumulated profits brought forward		10 798
A.IV.2.	Accumulated losses brought forward (-)	-18 066	
<b>A.V.</b>	<b>Profit or loss for the current period (+/-)</b>	<b>10 101</b>	<b>-28 864</b>
<b>B.+C.</b>	<b>Liabilities</b>	<b>2 282 603</b>	<b>1 619 063</b>
<b>B.</b>	<b>Reserves</b>	<b>4 715</b>	<b>4 911</b>
B.II.	Income tax reserve	837	1 033
B.IV.	Other reserves	3 878	3 878
<b>C.</b>	<b>Payables</b>	<b>2 277 888</b>	<b>1 614 152</b>
<b>C.II.</b>	<b>Short-term payables</b>	<b>2 277 888</b>	<b>1 614 152</b>
C.II.2.	Payables to credit institutions	1 167 242	585 582
C.II.4.	Trade payables	1 101 252	1 022 294
<b>C.II.8.</b>	<b>Other payables</b>	<b>9 394</b>	<b>6 276</b>
C.II.8.3.	Payables to employees	636	619
C.II.8.4.	Social security and health insurance payables	349	339
C.II.8.5.	State – tax payables and subsidies	773	697
C.II.8.6.	Estimated payables	7 636	4 621

## Profit and loss account structured by the nature of expense method year ended 31. 12. 16

(in CZK thousand)		Year ended 31. 12. 16	Year ended 31. 12. 15
I.	Sales of products and services	36 886	48 977
A.	Purchased consumables and services	15 992	14 413
A.2.	Consumed material and energy	672	799
A.3.	Services	15 320	13 614
D.	Staff costs	16 226	22 668
D.1.	Payroll costs	9 642	11 910
D.2.	Social security and health insurance costs and other charges	6 584	10 758
D.2.1.	Social security and health insurance costs	3 935	5 606
D.2.2.	Other charges	2 649	5 152
E.	Adjustments to values in operating activities	-5 532	30 774
E.1.	<i>Adjustments to values of intangible and tangible fixed assets</i>	4 827	5 385
E.1.1.	Adjustments to values of intangible and tangible fixed assets – permanent	4 827	5 385
E.3.	Adjustments to values of receivables	-10 359	25 389
III.	Other operating income	12	92
III.1.	Sales of fixed assets	12	56
III.3.	Sundry operating income		36
F.	Other operating expenses	16 628	25 546
F.1.	Net book value of sold fixed assets		16
F.3.	Taxes and charges	-189	396
F.5.	Sundry operating expenses	16 817	25 134
*	<b>Operating profit or loss (+/-)</b>	<b>-6 416</b>	<b>-44 332</b>
VI.	Interest income and similar income	24 281	29 131
VI.2.	Other interest income and similar income	24 281	29 131
J.	Interest expenses and similar expenses	1 228	2 986
J.1.	Interest expenses and similar expenses – controlled or controlling entity	455	649
J.2.	Other interest expenses and similar expenses	773	2 337
VII.	Other financial income	21 074	134 279
K.	Other financial expenses	23 543	139 008
*	<b>Financial profit or loss (+/-)</b>	<b>20 584</b>	<b>21 416</b>
**	<b>Profit or loss before tax (+/-)</b>	<b>14 168</b>	<b>-22 916</b>
L.	Income tax	4 067	5 948
L.1.	Due income tax	4 067	4 880
L.2.	Deferred income tax (+/-)		1 068
**	<b>Profit or loss net of tax (+/-)</b>	<b>10 101</b>	<b>-28 864</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>10 101</b>	<b>-28 864</b>
*	Net turnover for the current period	82 253	212 479

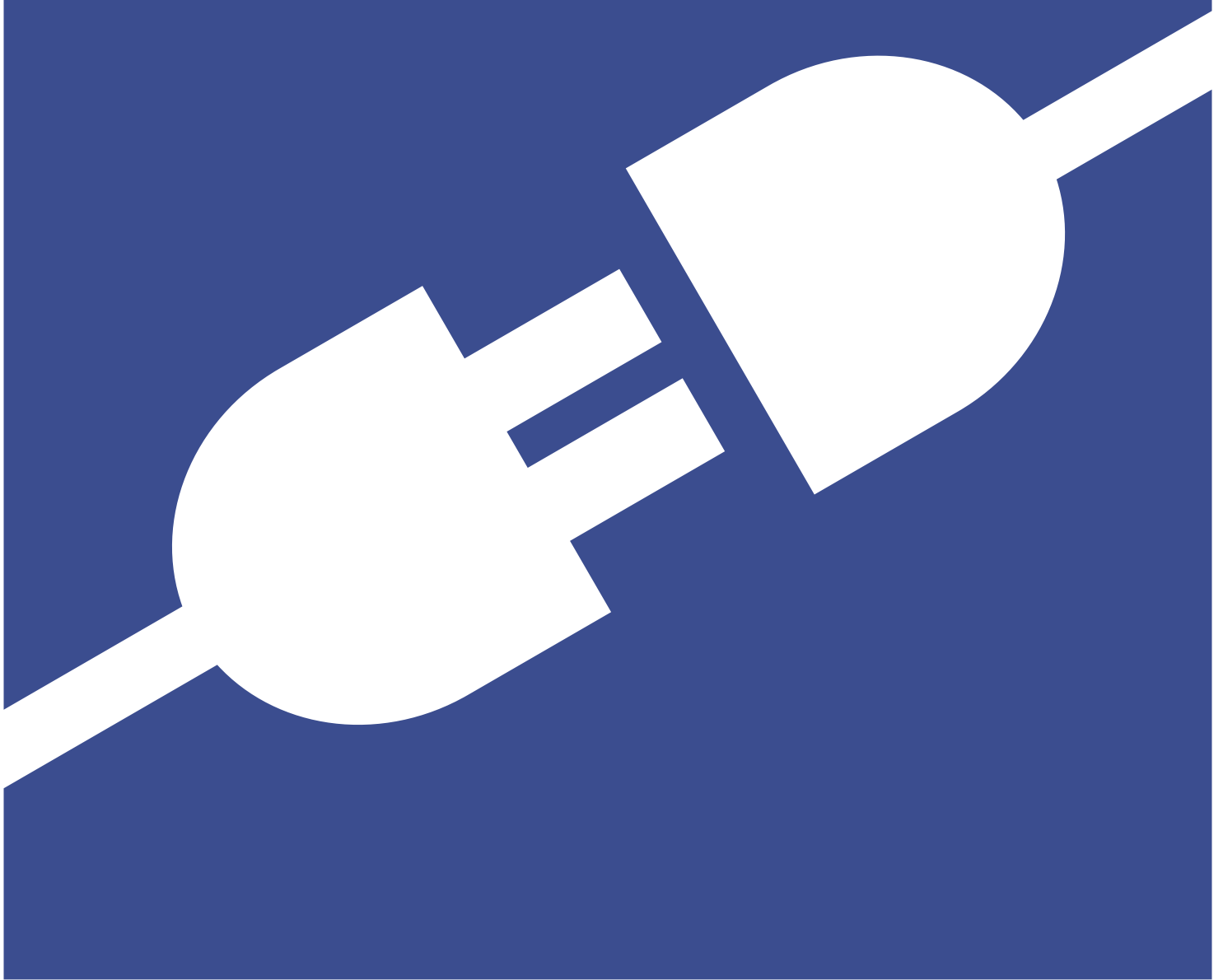
## Statement of changes in equity year ended 31. 12. 16

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits brought forward	Accumulated losses brought forward	Profit or loss for the current period	Total Equity
<b>(in CZK thousand)</b>							
<b>Balance at 31 December 2014</b>	<b>222 600</b>		<b>19 952</b>	<b>161 778</b>		<b>-150 980</b>	<b>253 350</b>
Distribution of profit or loss				-150 980		150 980	
Profit or loss for the current period						-28 864	-28 864
<b>Balance at 31 December 2015</b>	<b>222 600</b>		<b>19 952</b>	<b>10 798</b>		<b>-28 864</b>	<b>224 486</b>
Distribution of profit or loss				-10 798	-18 066	28 864	
Profit or loss for the current period						10 101	10 101
<b>Balance at 31 December 2016</b>	<b>222 600</b>		<b>19 952</b>		<b>-18 066</b>	<b>10 101</b>	<b>234 587</b>

## Cash flow statement year ended 31. 12. 16

(in CZK thousand)		Year ended 31. 12. 16	Year ended 31. 12. 15
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>-75 810</b>	<b>-184 776</b>
	<b><i>Cash flows from ordinary activities (operating activities)</i></b>		
Z.	Profit or loss before tax	14 168	-22 916
A.1.	Adjustments for non-cash transactions	-16 791	-27 465
A.1.1.	Depreciation of fixed assets	16 797	26 042
A.1.2.	Change in provisions and reserves	-10 554	-27 575
A.1.3.	Profit/(loss) on the sale of fixed assets	-12	-40
A.1.5.	Interest expense and interest income	-23 022	-25 892
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>-2 623</b>	<b>-50 381</b>
A.2.	Change in working capital	-593 620	1 058 878
A.2.1.	Change in operating receivables and other assets	-675 890	1 306 807
A.2.2.	Change in operating payables and other liabilities	82 270	-247 929
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>-596 243</b>	<b>1 008 497</b>
A.3.	Interest paid	-1 259	-3 239
A.4.	Interest received	24 281	29 131
A.5.	Income tax paid from ordinary operations	-4 261	1 381
<b>A.***</b>	<b>Net operating cash flows</b>	<b>-577 482</b>	<b>1 035 770</b>
	<b><i>Cash flows from investing activities</i></b>		
B.1.	Fixed assets expenditures	-131	-163
B.2.	Proceeds from fixed assets sold	12	56
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-119</b>	<b>-108</b>
	<b><i>Cash flow from financial activities</i></b>		
C.1.	Change in payables from financing	503 297	-926 696
<b>C.***</b>	<b>Net financial cash flows</b>	<b>503 297</b>	<b>-926 696</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>-74 304</b>	<b>108 966</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>-150 114</b>	<b>-75 810</b>

# Cooperation & Synergies



Our ability to cooperate and generate synergies across departments and geographies is what makes us unique and allows us to be “One Bank, One UniCredit”. We are a true pan-European bank and we work seamlessly across the Group.

# Notes to the Financial Statements

for the Year Ended 31. 12. 16

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# 1. General Information

## 1.1. Incorporation and Description of the Business

### UniCredit Factoring Czech Republic and Slovakia, a.s.

(hereinafter the "Company") was formed by a Founder's Deed as a joint stock company on 21 January 1991 and was incorporated following its registration in the Register of Companies held by the Court in Prague on 5 April 1991. The principal activities of the Company include providing operating funds through the factoring of domestic and foreign receivables. The Company is engaged in the financing, collecting and securing of short-term receivables held by clients from various industries.

Until the end of May 2015, the Company operated on the Czech market under the name of **TRANSFINANCE a.s.** The sole shareholder is UniCredit Bank Czech Republic and Slovakia, a.s., Prague 4.

The Company's issued share capital is CZK 222,600 thousand.

The following table shows individuals and legal entities with an equity interest greater than 20 percent and the amount of their equity interest:

Shareholder	Ownership percentage
UniCredit Bank Czech Republic and Slovakia, a.s., Corporate ID No.: 649 48 242 Želetavská 1525/1, 140 92 Prague 4 – Michle	100%

## 1.2. Group Identification

Following the completion of the acquisition on the part of UniCredit Bank Czech Republic and Slovakia, a.s. in 2015, the Company became part of the prominent UniCredit financial group.

The Company's financial statements are included in the consolidation group of UniCredit Bank Czech Republic and Slovakia, a.s., having its registered office at Želetavská 1525/1, 140 92 Prague 4, and in the consolidation group of UniCredit S. p.A., having its registered office at Via Alessandro Specchi 16, 00186 Rome, Italy.

## 1.3. Board of Directors and Supervisory Board

	Position	Name
Board of Directors	Chairman	Jiří Flégl
	Member	Tomáš Vogl
Supervisory Board	Chairman	David Grund
	Vice Chairman	Gregor Peter Hofstätter-Pobst
	Member	Josef Vondrka
	Member	Roland Viskupič

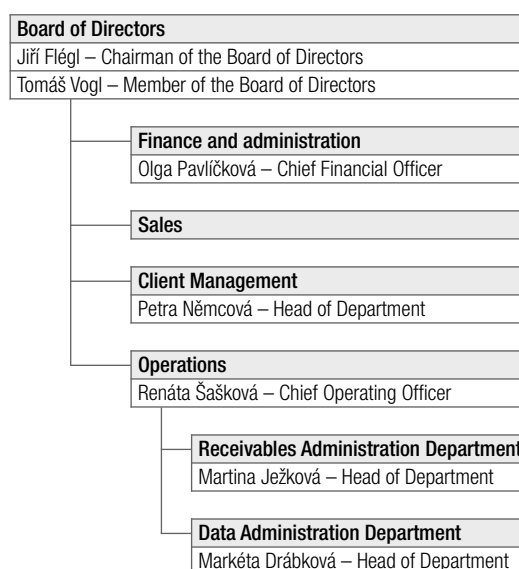
During the year ended 31 December 2016, no changes were made to the composition of the Company's Board of Directors and Supervisory Board.

On 1 January 2017, Zdeněk Bílý was appointed a new member of the Board of Directors, replacing Tomáš Vogl.

On 14 February 2017, Aleš Barabas was appointed a new member of the Supervisory Board, replacing Gregor Peter Hofstätter-Pobst. Subsequently, on 24 February 2017, Aleš Barabas was elected Vice-Chairman of the Supervisory Board.

## 1.4. Organisational Structure as of 31 December 2016

The Company is organised into five departments, the heads of which report directly to the Company's Board of Directors.



# 2. Basis of Accounting and General Accounting Principles

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

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

# 3. Summary of Significant Accounting Policies

## 3.1. Tangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life



greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are initially recognised at cost which includes the cost of acquisition and the costs related to the acquisition.

The cost of fixed asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related tangible fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

	Depreciation method	Number of years
Buildings	straight line	50
Machinery, devices and equipment	straight line	3–10
Vehicles	straight line	5

If the carrying amount of an asset is greater than the estimated recoverable amount, the carrying amount is written down to the recoverable amount through the recognition of a provision. The recoverable amount is determined on the basis of expected future cash flows generated from the relevant asset.

The Company does not hold any assets under finance leases.

Technical improvements on tangible fixed assets are depreciated on a straight line basis together with the original improved asset.

Technical improvements on tangible fixed assets held under a lease are depreciated on a straight line basis in accordance with the depreciation of the building performed by the owner.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

The costs of repairs and maintenance of tangible fixed assets are expensed as incurred.

### 3.2. Intangible Fixed Assets

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Purchased intangible fixed assets are stated at cost which includes the cost of acquisition and the costs related to the acquisition.

The cost of fixed asset improvements exceeding an aggregate amount of CZK 60 thousand for the taxation period increases

the acquisition cost of the related intangible fixed asset and is depreciated together with the original improved asset.

Amortisation of intangible fixed assets is recorded on a straight line basis over their estimated useful lives as follows:

	Amortisation method	Number of years
Software	straight line	3–8

If the carrying amount of an asset is greater than the estimated recoverable amount, the carrying amount is written down to the recoverable amount through the recognition of a provision.

### 3.3. Receivables

Factoring represents the purchase of short-term receivables at nominal values that originated on the basis of supplies of goods or services made by a supplier to a customer and are not past their due dates.

Receivables from purchased receivables are reported in the Company's balance sheet as 'Trade receivables'. Payables from purchased receivables are reported in the Company's balance sheet as 'Trade payables'. Once the customer makes the payment, the remaining part of the purchase price is paid to the supplier.

The factoring company pays the supplier a part of the purchase price ('prefinancing'), which is recognised as a decrease of the payable arising from purchased receivables.

In return for its services, the factoring company collects a fee for the provided prefinancing and interest. See Note 3.9 Revenue Recognition for more details.

#### Provisioning

Tax deductible provisions against receivables are created in line with the current wording of the Provisioning Act.

In creating non-tax deductible provisions, the treatment applied by the Company involves quantifying the anticipated losses on the value of the funds provided to clients based on the testing of potential impairment while taking into account the ratings of the client and its customers, with the ratings assigned by UniCredit Bank Czech Republic and Slovakia, a.s.

The Company creates tax deductible provisions against:

- Receivables without the debtor's default
- Receivables with the debtor's default

Provisions against receivables without the debtor's default are recognised applying the portfolio approach based on the "incurred loss" concept using the IBNR calculation (Incurred But Not Reported).

With respect to receivables with the debtor's default, the Company creates specific provisions based on an individual assessment of each case.

The Company assesses whether the recognised provisions are sufficient and appropriate on a monthly basis and adjusts their level as and when needed.

### **3.4. Trade Payables**

Trade payables are stated at their nominal value.

### **3.5. Loans**

Loans are stated at their nominal value.

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

Interest on short-term loans is due retroactively as of the last date of each interest period. The interest period for short-term loans is the same period as that for which the loans were obtained. If months overlap within the period, interest is accrued and recognised in the profit or loss for the period.

### **3.6. Reserves**

Reserves are intended to cover future risks and expenditure, the nature of which is clearly defined and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

The Company recognises a reserve when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **3.7. Foreign Currency Translation**

Accounting operations denominated in foreign currencies performed during the year are translated using a fixed exchange rate set as of 1 January valid for the entire reporting period. At the balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date.

Realised as well as unrealised foreign currency translation gains and losses are reported in financial income or financial expenses for the current period.

Since a substantial part of receivables is in foreign currencies, provisions against receivables may also generate foreign exchange translation gains and losses.

### **3.8. Taxation**

#### **3.8.1. Current Tax Payable**

Management of the Company has recognised a tax payable and a tax charge based on its tax calculation which follows from its

understanding of the interpretation of Czech tax legislation valid at the financial statements date and believes that the amount of tax is correct in compliance with the effective Czech tax regulations. Since various interpretations of tax laws and regulations by third parties, including state administrative bodies, exist, the income tax payable reported in the Company's financial statements may change based on the ultimate opinion of the tax authorities.

#### **3.8.2. Deferred Tax**

Deferred tax is accounted for using the balance sheet liability method.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

### **3.9. Revenue Recognition**

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

The Company's principal sources of revenue are:  
fee for the assignment of receivables and factoring interest.

The fee comprises two basic components – the risk component and the cost component. The risk component represents the factoring company's remuneration for taking on credit risk and is principally affected by the customers' financial health and payment discipline. In determining the cost component, other factors are taken into account, such as the costs incurred in keeping the records of receivables, the cost of conducting the dunning process, information services, assistance in the complaints handling procedure, other costs involved in blocking the funds required to finance the receivables. The current cost is based on the specific amount of turnover, number and creditworthiness of customers etc. It is recognised in revenue as of the last day of the calendar month. It is reported as '*Sales of own products and services*'.

The factoring interest, the absolute amount of which depends on the amount of prefinancing made and the length of the time period between the provision of part of the purchase price and collection of the payment from the customer, is recognised in revenue as of the last day of the calendar month. It is reported as '*Sales of own products and services*'.

### 3.10. 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 of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

### 3.11. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance.

Cash and cash equivalents disclosed in the cash flow statement include:

(CZK '000)	31 December 2016	31 December 2015
Cash on hand	8	12
Stamps and vouchers	122	129
Cash at bank and cash in transit	4 682	613
Overdraft balances of current accounts included in current bank loans	-154 926	-76 563
Total cash and cash equivalents	-150 114	-75 809

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

The Company maintains overdraft facilities with domestic bank institutions. The Company utilises loans to fund the requirements made its clients by means of tranches as well as operatively up to the total amount of the loan facility using the overdraft facilities which are reported in the balance sheet as part of bank loans.

## 4. Additional Information on the Balance Sheet and Profit and Loss Account

### 4.1. FIXED ASSETS

#### 4.1.1. Intangible Fixed Assets

##### Cost

(CZK '000)	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016
Software	41 337	0	-132	41 205	0	-2 567	38 638
<b>Total</b>	<b>41 337</b>	<b>0</b>	<b>-132</b>	<b>41 205</b>	<b>0</b>	<b>-2 567</b>	<b>38 638</b>

##### Accumulated Amortisation

(CZK '000)	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016
Software	24 855	4 511	-132	29 234	4 346	-2 567	31 013
<b>Total</b>	<b>24 855</b>	<b>4 511</b>	<b>-132</b>	<b>29 234</b>	<b>4 346</b>	<b>-2 567</b>	<b>31 013</b>

##### Net Book Value

(CZK '000)	Balance at 31 Dec 2015	Balance at 31 Dec 2016
Software	16 482	11 971
<b>Total</b>	<b>16 482</b>	<b>11 971</b>

The intangible FA balance comprises the Aquarius software. The disposal represents the removal of the old version of the factoring software and website administration software.

## 4.2. Tangible Fixed Assets

### Cost

(CZK '000)	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016
Buildings	2 172	162	-1 692	642	0	0	642
Individual tangible movable assets							
– Machinery and equipment	1 706		-505	1 201	130	0	1 331
– Vehicles	3 100		0	3 100	0	0	3 100
– Furniture and fixtures	3 228		-3 019	209	0	0	209
Works of art	645		0	645	0	0	645
<b>Total</b>	<b>10 851</b>	<b>162</b>	<b>-5 216</b>	<b>5 797</b>	<b>130</b>	<b>0</b>	<b>5 927</b>

### Accumulated Depreciation

(CZK '000)	Balance at 31 Dec 2014	Additions	Disposals	Balance at 31 Dec 2015	Additions	Disposals	Balance at 31 Dec 2016
Buildings	2 172	2	-1 692	482	3	0	485
Individual tangible movable assets							
– Machinery and equipment	1 509	197	-506	1 200	14	0	1 214
– Vehicles	1 281	690	0	1 971	464	0	2 435
– Furniture and fixtures	3 228		-3 019	209	0	0	209
<b>Total</b>	<b>8 190</b>	<b>889</b>	<b>-5 217</b>	<b>3 862</b>	<b>481</b>	<b>0</b>	<b>4 343</b>

### Net Book Value

(CZK '000)	Balance at 31 Dec 2015	Balance at 31 Dec 2016
Buildings	160	157
Individual tangible movable assets		
– Machinery and equipment	0	117
– Vehicles	1 129	665
Works of art	645	645
<b>Total</b>	<b>1 934</b>	<b>1 584</b>

The addition to machinery and equipment represents the acquisition of an illuminated logo.

In the years ended 31 December 2016 and 2015, the Company acquired tangible assets that were expensed as incurred in the amounts of CZK 173 thousand and CZK 235 thousand, respectively. The assets represent low value tangible assets comprising other movable assets and sets of movable assets with an estimated useful life greater than one year not reported in fixed assets. The assets are recognised as inventory and charged on an individual basis directly to expenses.

## 4.3. Receivables

(CZK '000)		31 Dec 2016	31 Dec 2015
Receivables from factoring activities and from the assignment of receivables	Before due date	2 274 937	1 659 932
	Past due date	314 548	265 340
<b>Total trade receivables</b>		<b>2 589 485</b>	<b>1 925 272</b>
Other receivables	Before due date	0	26
Estimated receivables		0	3
Short-term prepayments made		14	7
State – tax receivables		0	8
<b>Total other receivables</b>		<b>14</b>	<b>44</b>
Provisions against doubtful receivables		-87 807	-98 165
<b>Total net book value of receivables</b>		<b>2 501 692</b>	<b>1 827 151</b>

In the years ended 31 December 2016 and 2015, the Company created provisions against receivables regarded as doubtful based on the estimate of individual cases in terms of risk and anticipated cash flows.

As in 2015, the outstanding trade receivables as of 31 December 2016 are not collateralised through bills of exchange.

As of 31 December 2016, the Company does not report any receivables with maturity of more than 5 years.

In the year ended 31 December 2016, receivables in the amount of CZK 11,970 thousand (2015: CZK 20,658 thousand) were written off through expenses due to uncollectability, rejection of bankruptcy and settlement, and failure to recover receivables in the bankruptcy proceedings or sale. The amortisation is reported in the profit and loss account as 'Other operating expenses'.

Receivables from related parties are disclosed in Note 4.11.1.

Change in the provision against doubtful receivables:

(CZK '000)	Provisions against		Total
	receivables – tax deductible	receivables – other	
<b>Opening balance at 31 December 2014</b>	<b>17 649</b>	<b>53 518</b>	<b>71 167</b>
Provisions created	4 423	42 880	47 303
Provisions released	-6 780	-13 525	-20 305
<b>Closing balance at 31 December 2015</b>	<b>15 292</b>	<b>82 873</b>	<b>98 165</b>
Provisions created	0	0	0
Provisions released	-5 595	-4 764	-10 359
<b>Closing balance at 31 December 2016</b>	<b>9 697</b>	<b>78 110</b>	<b>87 807</b>

#### 4.3.1. Intercompany Receivables

(CZK '000)	Balance at 31 Dec 2016	Balance at 31 Dec 2015
<b>Name of the entity</b>		
Unicredit Bank Hungary zRt.	0	9 511
UniCredit Factoring S.p.A.	11 211	3 831
<b>Total intercompany receivables</b>	<b>11 211</b>	<b>13 342</b>

#### 4.4. Deferred Expenses

As of 31 December 2016, the most significant items of deferred expenses comprise the maintenance of the Aquarius system (CZK 950 thousand), the 2017 FCI membership fee (CZK 203 thousand) and, last but not least, MagnusWeb Cs and BIZguard CS – ie information costs (CZK 153 thousand). All of the items were invoiced in November 2016 with a one-year subscription.

#### 4.5. Equity

(CZK '000)	31 Dec 2016		31 Dec 2015	
	Number (pieces)	Carrying amount	Number (pieces)	Carrying amount
Common shares	3 975	222 600	3 975	222 600

Common shares amount to CZK 56 thousand per piece and are paid in full.

In the years ended 31 December 2016 and 2015, no dividends or directors' fees were paid out.

It had not been decided on the allocation of the loss for 2015 as of the financial statements approval date, which is why the Company does not disclose the decision.

As of 31 December 2016, the sole shareholder was UniCredit Bank Czech Republic and Slovakia, a.s., Prague.

The reserve fund comprises the Company's profit as stipulated in its Articles of Association and cannot be distributed among shareholders. It may be used solely to settle losses.

On 29 April 2015, the General Meeting approved the Company's financial statements for the year ended 31 December 2014 and decided that the aggregate loss of CZK 150,980 thousand for the year ended 31 December 2014 would be offset against retained earnings. Refer to the Statement of Changes in Equity.

On 26 April 2016, the General Meeting approved the Company's financial statements for the year ended 31 December 2015.

The loss of 2015 in the amount of CZK 28,864 thousand was settled as follows. The amount of CZK 10,798 thousand was paid from retained earnings brought forward and the remaining part of CZK 18,066 was transferred to accumulated losses brought forward.

#### 4.6. Reserves

(CZK '000) Reserves	Balance at 31 Dec 2016	Balance at 31 Dec 2015
Income tax reserve	837	1 033
Other reserves	3 878	3 878
<b>Total</b>	<b>4 715</b>	<b>4 911</b>

#### 4.7. Payables

(CZK '000) Payables	Balance at 31 Dec 2016	Balance at 31 Dec 2015
Trade payables from operating activities	56	242
Payables from factoring activities and the assignment of receivables	1 101 196	1 022 053
Other payables	9 394	6 275
<b>Total</b>	<b>1 110 646</b>	<b>1 028 570</b>

Short-term factoring payables represent payables arising from the cost of purchased receivables net of the prefinancing provided.

The above stated payables have not been collateralised by any of the Company's assets and do not have a maturity of more than 5 years.

Other short-term payables comprise namely estimated payables. As of 31 December 2016, estimated payables amounted to CZK 7,636 thousand (as of 31 December 2015: CZK 4,621 thousand) and include mainly unpaid bonuses and unbilled supplies and services.

The Company does not report any payables past their due dates from social security or health insurance contributions and neither does it report any other amounts past their due dates payable to tax authorities or other state institutions.

##### 4.7.1. Payables to Related Parties

(CZK '000) Company name	31 Dec 2016	31 Dec 2015
UniCredit Factoring EAD	1 810	3 883
UniCredit Factoring S.p.A.	649 969	540 697
<b>Total intercompany payables</b>	<b>651 779</b>	<b>544 580</b>

#### 4.8. Bank Loans

##### 4.8.1. Long-Term Bank Loans

All bank loans mature within one year from the balance sheet date. Loans are collateralised through a bank guarantee issued by UniCredit Bank Czech Republic and Slovakia, a.s. They are used namely through tranches up to 3 months at the maximum. The Company may draw funds for its operations up to the credit limit by means of overdraft facilities.

As of 31 December 2016, interest costs related to bank loans amounted to CZK 1,228 thousand (2015: CZK 2,986 thousand).

Bank loans may be divided as follows:

(CZK '000) Bank	Dates / Terms	Credit limit as of 31 Dec 2016	Use of tranches as of 31 Dec 2016	Use of facilities overdraft as of 31 Dec 2016	Use of loans as of 31 Dec 2016 incl. overdraft facilities	Use of loans as of 31 Dec 2016 incl. overdraft facilities
UniCredit Bank Czech Republic and Slovakia, a.s.	Loan contract Maturing on 31 March 2017	3 077 000	912 342	144 294	1 056 636	506 820
Komerční banka, a.s.	Loan contract Indefinite period	208 054	0	7 147	7 147	70 516
Československá obchodní banka a.s.	Loan contract Indefinite period	210 000	99 974	3 485	103 459	8 247
<b>Total</b>		<b>3 495 054</b>	<b>1 012 316</b>	<b>154 926</b>	<b>1 167 242</b>	<b>585 583</b>

As of 31 December 2016, the Company maintained off-balance sheet the bank guarantee issued by UniCredit Bank Czech Republic and Slovakia, a.s. in favour of Komerční banka, a.s. in the amount of EUR 2,800 thousand (collateral for a loan contract payable), in favour of Československá obchodní banka, a.s. in the amount of EUR 3,700 thousand and CZK 10,000 thousand (collateral for a loan contract payable), and a bank guarantee credited to PASSERINVEST BBC 1, s.r.o. in the amount of EUR 67 thousand (collateral for a lease contract payable).

## 4.9. Income Taxation

### 4.9.1. Deferred Taxation

The deferred tax asset/(liability) is analysed as follows:

(CZK '000) Deferred tax items	31 Dec 2016		31 Dec 2015	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between tax and accounting net book values of fixed assets	0	1 380	0	2 204
Difference between tax and accounting values of provisions against receivables	12 998	0	12 840	0
<b>Net deferred tax asset</b>	<b>11 618</b>		<b>10 636</b>	

(CZK '000) Deferred tax asset – breakdown	Balance at 31 Dec 2016	Balance at 31 Dec 2015
Recognised asset	0	0
Unrecognised asset	11 618	10 636
<b>Total</b>	<b>11 618</b>	<b>10 636</b>

The Company decided not to recognise the deferred tax asset on the grounds of prudence.

### 4.9.2. Income Tax Charge (Credit)

(CZK '000)	Balance at 31 Dec 2016	Balance at 31 Dec 2015
Profit before tax	14 168	-22 916
Difference between depreciation for accounting and tax purposes	4 339	3 557
<b>Non-tax revenue:</b>		
Provisions released	0	0
<b>Non-deductible expense:</b>		
Provisions created	0	0
Realised receivables	10 224	52 990
Other (eg representation costs, deficits and damage)	-7 637	-7 947
Taxable income	21 094	25 684
Income tax rate	19%	19%
<b>Tax</b>	<b>4 008</b>	<b>4 880</b>

#### 4.10 Due Amounts arising from Social Security and Health Insurance Contributions and Tax Arrears

The due amounts arising from social security contributions and contributions to the State employment policy were CZK 230 thousand and CZK 223 thousand as of 31 December 2016 and 31 December 2015, respectively.

The due amounts arising from public health insurance contributions were CZK 119 thousand and CZK 116 thousand as of 31 December 2016 and 31 December 2015, respectively.

The Company did not report tax arrears to the local taxation authorities as of 31 December 2016 and 2015.

The Company was not assessed a due income tax amount related to the previous reporting periods.

#### 4.11. Details of Income by Principal Activity

Income from factoring activities was generated as follows:

(CZK '000)	Balance at 31 Dec 2016	Balance at 31 Dec 2015
<b>Foreign income</b>		
Import factoring	5 020	6 977
<b>Domestic income</b>		
Export factoring	13 756	22 392
Domestic factoring	18 110	19 608
<b>Other</b>	<b>0</b>	<b>0</b>
<b>Total sales of own services</b>	<b>36 886</b>	<b>48 977</b>
Other income	0	36
<b>Total income from operating activities</b>	<b>36 886</b>	<b>49 013</b>
Interest income from factoring activities	24 281	29 131
<b>Total income from operating activities and interest income</b>	<b>61 167</b>	<b>78 144</b>

Income generated with related parties is disclosed in Note 4.11.1.

##### 4.11.1. Related Party Transactions

(CZK '000)	Balance at 31 Dec 2016	Balance at 31 Dec 2015
<b>Expense</b>		
mBank S.A. (PL)	0	765
Commerzbank AG (CZ)	0	35
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	1 529	649
UniCredit Factoring EAD (BG)	19	5
Unicredit Bank Hungary zRt. (HU)	0	243
UniCredit Factoring S.p.A. (IT)	279	29
<b>Income</b>		
UniCredit Factoring EAD (BG)	0	225
Unicredit Bank Hungary zRt. (HU)	121	0
UniCredit Factoring S.p.A. (IT)	3 125	3 266
<b>Loans</b>		
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	1 056 636	505 151

Expense related to mBank S.A. and Commerzbank AG comprises paid interest and dates to the period when mBank S.A. was the Company's shareholder, ie 20 January 2015.



#### 4.12. Consumed Purchases

(CZK '000)	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Consumed material	401	523
Consumed energy	271	276
<b>Total consumed purchases</b>	<b>672</b>	<b>799</b>

#### 4.13. Services

(CZK '000)	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Repairs and maintenance	41	225
Travel expenses	160	336
Representation costs	93	247
Administration and maintenance of information technology	5 189	4 861
Rent	2 674	3 213
Consultation activities	2 506	323
Legal services	1 116	1 105
Import factor commissions	835	1 064
Mediation services	700	0
Audit services	502	705
Information about the financial situation of entities	350	363
Executions, insolvencies and preliminary measures	329	235
Services related to lease of premises	198	343
Telephone, fax, internet	181	247
Tax advisory	96	84
Other services	350	264
<b>Total</b>	<b>15 320</b>	<b>13 615</b>

Other services comprise predominantly the costs of annual reports, cleaning, postal fees, translation and photocopying.

#### 4.14. Remuneration to the Statutory Audit Firm

(CZK '000)	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Obligatory audit of the financial statements	624	581
<b>Total</b>	<b>624</b>	<b>581</b>

#### 4.15. Depreciation of Intangible and Tangible Fixed Assets

(CZK '000)	Year ended 31 Dec 2016	Year ended 31 Dec 2015
<b>Depreciation of intangible and tangible fixed assets</b>		
Depreciation of intangible and tangible fixed assets	4 827	5 385
Extraordinary write-offs when fixed assets are taken out of service through liquidation	0	16
<b>Total depreciation</b>	<b>4 827</b>	<b>5 401</b>

#### 4.16. Other Operating Expenses

(CZK '000)	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Write-off of receivables	11 970	20 658
Sundry operating expenses	4 847	4 476
<b>Total</b>	<b>16 817</b>	<b>25 134</b>

Sundry expenses comprise namely expenses incurred on securing receivables, operating insurance and membership in professional associations.

#### 4.17. Other Financial Income

(CZK '000)	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Foreign exchange rate gains	20 767	134 279
Other financial income	307	0
<b>Total</b>	<b>21 074</b>	<b>134 279</b>

#### 4.18. Other Financial Expenses

(CZK '000)	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Foreign exchange rate losses	20 500	133 143
Banking fees	3 043	5 865
<b>Total</b>	<b>23 543</b>	<b>139 008</b>

## 5. Employees, Management and Statutory Bodies

### 5.1. Staff Costs and Number of Employees

The following tables summarise the average number of the Company's employees and managers for the years ended 31 December 2016 and 2015:

2016

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	15	5 250	1 778	280	7 308
Managers	7	6 608	2 157	152	8 917
<b>Total</b>	<b>22</b>	<b>11 858</b>	<b>3 935</b>	<b>432</b>	<b>16 225</b>

2015

(CZK '000)	Number of staff	Payroll costs	Social security and health insurance	Other costs	Total staff costs
Staff	18	7 815	2 899	259	10 973
Managers	7	8 869	2 707	119	11 695
<b>Total</b>	<b>25</b>	<b>16 684</b>	<b>5 606</b>	<b>378</b>	<b>22 668</b>

The number of employees is based on the average recalculated headcount. The category of 'managers' includes members of the Board of Directors and management.

## 6. Research and Development Activities

In the year ended 31 December 2016, the Company did not perform any research and development activities.

## 7. Environmental Impacts of the Company's Activities

As the Company's activities comprise providing financial services, its actions do not directly affect the environment.

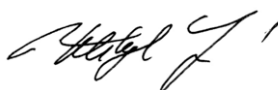
## 8. Organisational Branches Abroad

The Company does not have any foreign branches.

## 9. Post Balance Sheet Events

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

In Prague on 31 March 2017



Jiří Flégl

Chairman of the Board of Directors



Olga Pavlíčková

Chief Financial Officer



Zdeněk Bílý

Member of the Board of Directors

# Execution & Discipline



We know that to do well we must be extremely disciplined in the execution of everything we do. In addition to our strategic plan, we have performance measures in place which provide all our teams with clear targets and regularly follow-up on progress to ensure we are always on track.

# Report on Relations

## among the Controlling and Controlled Entities and among the Controlled Entity and Other Entities Controlled by the Same Controlling Entity

Company Name:

**UniCredit Factoring Czech Republic and Slovakia, a.s.**

Registered Office: **Želetavská 1525/1, 140 00 Prague 4 – Michle**

Legal Status: **Joint Stock Company**

Corporate ID: **15272028**

In accordance with Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations, the Board of Directors of UniCredit Factoring Czech Republic and Slovakia, a.s., having its registered office at Želetavská 1525/1, 140 00 Prague 4 – Michle, incorporated in the Register of Companies maintained by the Municipal Court in Prague, File B, Insert 649, prepared this Report on Relations for the period from 1 January 2016 to 31 December 2016 (the “period”).

During the above-stated period, UniCredit Factoring Czech Republic and Slovakia, a.s. was controlled by UniCredit Bank Czech Republic and Slovakia, a.s., Želetavská 1525/1, 140 92 Prague 4 – Michle.

### 1. The Structure of Relations among UniCredit Factoring Czech Republic and Slovakia, a.s. and the Controlling Entity and Entities Controlled by the Same Controlling Entity

Controlled Entity:

UniCredit Factoring Czech Republic and Slovakia, a.s.

Želetavská 1525/1, 140 00 Prague 4 – Michle

Corporate ID No.: 15272028

(hereinafter “UCF”)

Directly Controlling Entity:

UniCredit Bank Czech Republic and Slovakia, a.s.

Želetavská 1525/1, 140 92 Prague 4 – Michle

Corporate ID No.: 649 48 242

(hereinafter “UCB”)

Indirectly Controlling Entity:

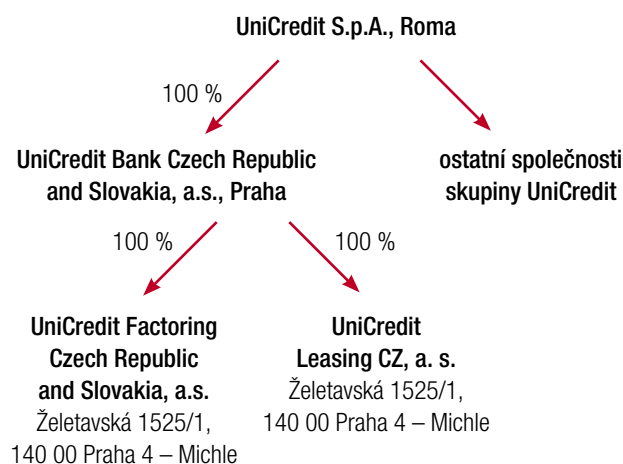
UniCredit S.p.A.

Via Alessandro Specchi 16

00186 Rome, Republic of Italy

The structure of the UniCredit group is described in detail in the Appendix to this Report.

The following is a simplified structure of relations as of 31 December 2016 among UCF and the companies the relations of which are described below:



The parent company is UniCredit Bank Czech Republic and Slovakia, a.s. The Company is part of its consolidation group. The parent company of UniCredit Bank Czech Republic and Slovakia, a.s. is UniCredit, S.p.A., having its registered office at Via Specchi 16, 00186 Rome, Italy, which is the ultimate controlling entity of UniCredit Factoring Czech Republic and Slovakia, a.s.

Further related entities comprise other companies in the UniCredit Bank Czech Republic and Slovakia, a.s. group.

### 2. The Role of UniCredit Factoring Czech Republic and Slovakia, a.s. in the Group

The role of UniCredit Factoring Czech Republic and Slovakia, a.s. in the UniCredit financial group involves the provision of receivable funding services on the Czech and Slovak markets, namely the factoring, collection and securing of trade receivables and invoice discounting. Another role of UniCredit Factoring Czech Republic and Slovakia, a.s. involves attending to the corporate clients of UniCredit on the Czech and Slovak markets and making use of the resulting synergistic effects. As part of the UniCredit Group, the Czech and Slovak Republics are among the four key markets in which the UniCredit Group intends to expand in the long term.

### 3. Method and Tools of Control

The method employed in controlling UniCredit Factoring Czech Republic and Slovakia, a.s. as a member of the UniCredit Group must be, with the exception of relevant legal regulations, in observance of the regulations issued by UniCredit S.p.A. within the bank and all the entities controlled by it.

### 4. Summary of Contracts Concluded between UniCredit Factoring Czech Republic and Slovakia, a.s. and the Controlling Entity or between Controlled Entities

The Company has concluded the following types of contracts with the related entities:

Related Entity	Type of Contract and General Terms
UniCredit Bank Czech Republic and Slovakia, a.s	Contract on a loan and other banking services provided in the form of a multi-purpose loan facility dated 25 June 2010
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on the exchange of parking spaces dated 4 June 2015
UniCredit Bank Czech Republic and Slovakia, a.s.	Framework contract on financial market trading dated 21 January 2015
UniCredit Bank Czech Republic and Slovakia, a.s.	Service contract and assignment contract dated 4 January 2016
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on mutual mediation of business cases dated 4 January 2016
UniCredit Factoring EAD, BG	Interfactor Agreement dated 22 February 2010
UniCredit Bank Hungary zRt., HU	Interfactor Agreement dated 1 October 2011
UniCredit Factoring S.p.A., IT	FCI Interfactor Agreement dated 16 November 2015

The effective contracts concluded by the Company include long-term contracts on cooperation with the factoring companies UniCredit Factoring EAD, Bulgaria, Unicredit Bank Hungary zRt. and UniCredit Factoring S.p.A. These are standard contracts pursuant to the rules of FCI (Factors Chain International), ie the international association of factoring companies governing mutual relations arising from the performance of factoring among the companies.

The contract concluded between UniCredit Factoring Czech Republic and Slovakia, a.s. and UniCredit Bank Czech Republic and Slovakia, a.s. is a due loan contract providing funds for the financing of the Company's commercial and operating activities. The Company has concluded similar contracts under comparable business terms with other banking entities as well. In addition, the Company has concluded a service contract supporting the Company's business activity. The contract on mutual mediation of business cases is also meant to support the business activities of both contractual parties.

### 5. Assessment of whether the Controlled Entity Incurred any Detriment and Assessment of Detriment Settlement Pursuant to Sections 71 and 72 of the Business Corporations Act

The Company's Board of Directors declares that UniCredit Factoring Czech Republic and Slovakia, a.s. incurred no detriment as a result of the concluded contracts.

### 6. Assessment of advantages and disadvantages arising from related party transactions according to section 82 (1) of the business corporations act

The advantages arising from the transactions between UniCredit Group entities principally include the following:

- An internationally-recognised brand and reputational benefit from the UniCredit Group being included among SIFIs (Strategically Important Financial Institution).

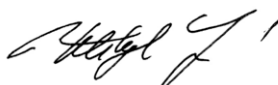
- Provision and sharing of the bank's know-how in trade finance.
- Provision of a more competitive source of refinancing for factoring transactions.
- Possibility of utilising synergistic effects with the bank in the business area. Operational synergy enabling to cut operating costs.
- Development of human resources associated with the sharing of the UniCredit Group's experience in European markets, an opportunity for employees to obtain hands-on experience in other banks or management structures of the Group, career opportunities in the UniCredit Group.
- Possibility of using the UniCredit Group's sponsoring and marketing at a European level in the local conditions.

Assessing the overall impact of including UniCredit Factoring Czech Republic and Slovakia, a.s. in the UniCredit Group indicates that the advantages arising from this position substantially prevail. UniCredit Factoring Czech Republic and Slovakia, a.s. actively prevents any potential disadvantages by undertaking operational measures in local management and communicating and building a strong brand at the local level.

In 2016, no legal acts were taken in the interest of the related parties and no measures were adopted or taken at the instigation or in the interest of the related parties.

Management of the Company believes that all related party transactions were conducted on an arm's length basis.

In Prague on 31 March 2017



Jiří Flégl

Chairman of the Board of Directors

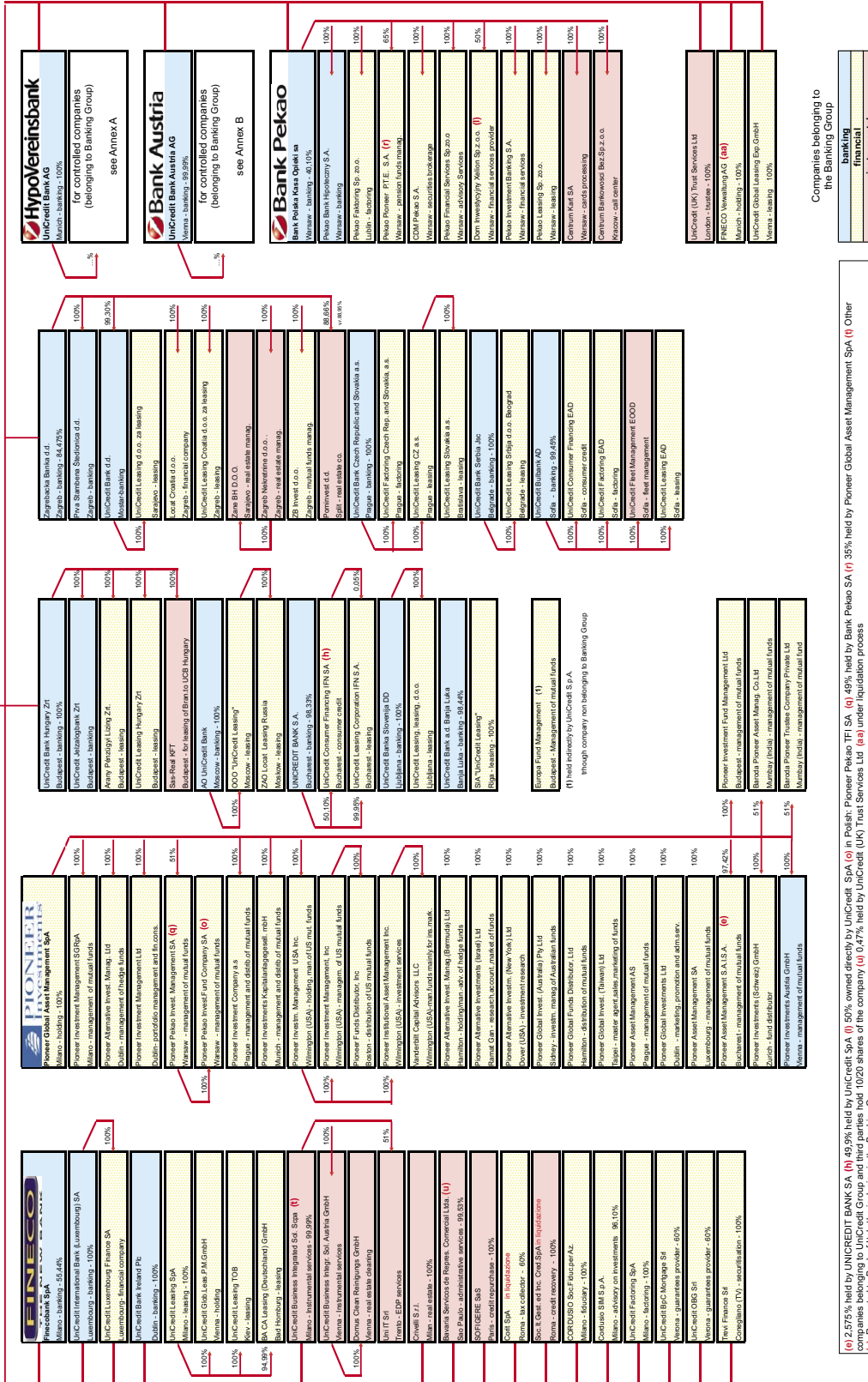


Zdeněk Bílý

Member of the Board of Directors

Appendix: Organisational chart of the UniCredit Group

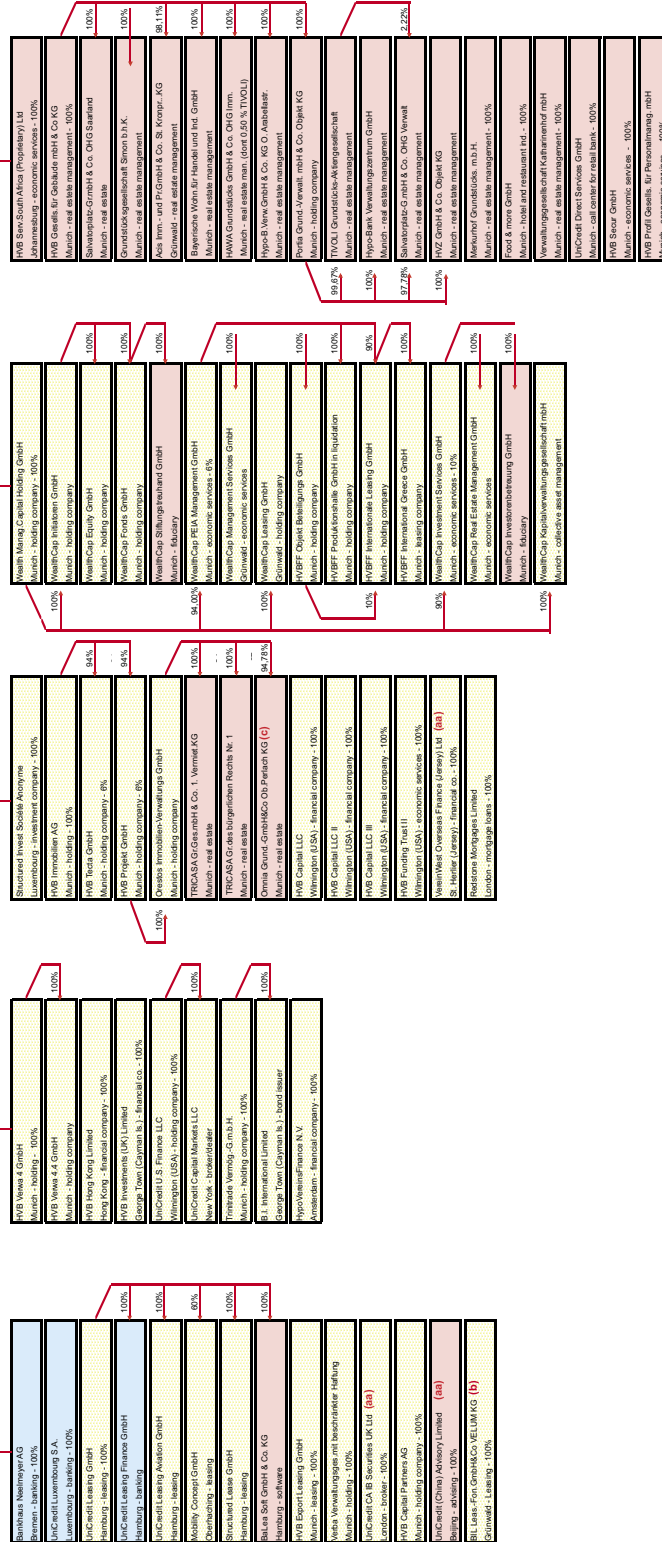
# Organisational chart of the UniCredit Group





Annex A

UNICREDIT BANK AG



Companies belonging to the Banking Group

banking
financial
instrumental

(b) Voting rights held by UCB AG (33,33%) and by BILL Leasing-Fonds Verwaltungs GmbH (33,33%) (c) 5,22% held by WealthCap Leasing GmbH (ea) under liquidation process (2) Requested to Bank of Italy the inclusion in the Banking Group



# Risk Management

In order to be successful in what we do we must take risks, but we must rigorously manage our risks. We must be fully aware of the impacts of our decisions, we must take risks but we must take the right risks. And to do that, we must apply strong risk management to everything we do.

Life is full of ups and downs.  
We're there for both.



[www.unicreditfactoring.cz](http://www.unicreditfactoring.cz)