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2022
Annual Report

Empowering
Communities to Progress.





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Translated from the Czech original

Translation note

This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

UniCredit Factoring Czech Republic and Slovakia, a.s.

A joint stock company

Registered office: Želetavská 1525/1, 140 00 Prague 4, Czech Republic

Companies register: recorded in the Companies Register maintained by the Municipal Court in Prague, Section B, file 649

Company ID No.: 152 72 028

CEO's message



“

As in previous years, we were able to maintain a very high-quality loan portfolio and low operating costs in 2022. Profit before tax amounted to CZK 71.9 million, accounting for an annual increase of 15.2%.

Ladies and Gentlemen,

2022 brought historically unprecedented changes in the macroeconomic environment and geopolitical structure of Europe and thus placed before us numerous difficult tasks. The disruption to supply chains caused by the coronavirus pandemic, leading to the reduced availability of some products and upward pressure on prices, was exacerbated by developments in Ukraine and the dependence of much of Europe on energy raw materials imported from Russia. This resulted in new international sanctions, an uncertain business environment, double-digit inflation, and rapidly rising interest rates.

In these demanding conditions the Company generated the best financial results since its establishment. In 2022, UniCredit Factoring purchased receivables totaling CZK 43.5 billion, representing an annual increase of 23.4%. The average annual volume offactoring increased by 22.8% to CZK 4.6 billion. This success is partially attributable to a high inflation rate and the correspondingly growing nominal value of purchased receivables and, above all, record business activity. We managed to acquire new clients from the segment of multinational companies often taking advantage of non recourse and liability factoring. Excellent business results were also achieved thanks to cooperation with FCI, technology companies, and commercial insurance companies.

As in previous years, we were able to maintain a very high-quality loan portfolio and low operating costs in 2022. Profit before tax amounted to CZK 71.9 million, accounting for an annual increase of 15.2%.

In 2022, we continued to invest into the digitalisation, automation, and security of our information technologies and computer infrastructure. In this area we managed to transfer certain activities from external suppliers to companies within the UniCredit group and thus achieved significant cost savings and operational synergies. We started to prepare for an upgrade of our core system to bring new functionalities to our clients and improve their customer experience.

Finally, let me thank all our clients and business partners for their trust and loyalty. I also express thanks to our colleagues from the UniCredit financial group who help us with the acquisition of new clients and the management of financial and non-financial risks. I greatly appreciate the dedication and loyalty of our employees and their determination to constantly adapt to new conditions affecting their work.



Mgr. Ing. Zdeněk Bílý

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

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Auditor's Report



Independent Auditor's Report



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This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of UniCredit Factoring Czech Republic and Slovakia, a.s.

Opinion

We have audited the accompanying financial statements of UniCredit Factoring Czech Republic and Slovakia, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2022, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

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, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations 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 Matter

The financial statements of the Company as at 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 January 2022.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra



Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body 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 laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those 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 matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

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. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body 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 statutory body 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 statutory body 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 the above regulations 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 regulations, 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 statutory body.
- Conclude on the appropriateness of the statutory body's 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 those charged with governance 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.

**Statutory Auditor Responsible for the Engagement**

Milan Bláha is the statutory auditor responsible for the audit of the financial statements of UniCredit Factoring Czech Republic and Slovakia, a.s. as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
14 February 2023

Signed by

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Milan Bláha
Partner
Registration number 2007

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Financial Statements



Financial statements

Additional information not disclosed in the financial statements

Information on expected Company developments

In the subsequent period, UniCredit Factoring Czech Republic and Slovakia, a.s. will continue to perform its principal activity, i.e., the provision of factoring services.

The Company will continue to improve its services provided to meet client requirements.

Information on research and development activities

In the relevant period, the Company neither carried out any research and development activities nor incurred any research and development costs.

Information on environmental protection and employment relation activities

As the Company carries out its business activities focusing on the provision of financial services, its actions do not directly affect the environment. The Company did not carry out any environmental activities during the relevant period. The Company does not engage in any extraordinary activities apart from its standard employment relationships.

Information on branches abroad

The Company has no branch abroad.

Information on acquisition of own shares or interests

In 2022 the Company did not acquire any of its own shares.

Information on material subsequent events

Events occurring after the balance sheet date are disclosed in Note 19 of the financial statements.

Name of the Company: UniCredit Factoring Czech Republic and Slovakia, a.s.
Registered Office: Želetavská 1525/1, 140 00 Prague 4 – Michle, Czech Republic
Legal Status: Joint Stock Company
Corporate ID: 152 72 028
Balance Sheet Date: 31 December 2022

Components of the Financial Statements:

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

Balance sheet in full format as at 31 December 2022

Ident.	ASSETS	line	Gross	Current period Adjust.	Net	Prior period Net
a	b	c	1	2	3	4
(in thousands of Czech crowns)						
	TOTAL ASSETS	1	7 029 527	-74 905	6 954 622	5 239 449
B.	Fixed assets	2	44 432	-39 823	4 609	5 758
B.I.	Intangible fixed assets	3	42 403	-38 053	4 350	5 640
B.I.2.	Intellectual property rights	4	42 403	-38 053	4 350	2 887
B.I.2.1.	Software	5	42 403	-38 053	4 350	2 887
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	6				2 753
B.I.5.2.	Intangible fixed assets under construction	7				2 753
B.II.	Tangible fixed assets	8	2 029	-1 770	259	118
B.II.2.	Plant and equipment	9	1 911	-1 770	141	
B.II.4.	Other tangible fixed assets	10	118		118	118
B.II.4.3.	Other tangible fixed assets	11	118		118	118
C.	Current assets	12	6 984 573	-35 082	6 949 491	5 232 044
C.II.	Receivables	13	6 961 216	-35 082	6 926 134	5 227 201
C.II.1.	Long-term receivables	14	8 549		8 549	7 492
C.II.1.4.	Deferred tax asset	15	8 549		8 549	7 492
C.II.2.	Short-term receivables	16	6 952 667	-35 082	6 917 585	5 219 709
C.II.2.1.	Trade receivables	17	6 948 717	-35 082	6 913 635	5 219 675
C.II.2.4.	Receivables – other	18	3 950		3 950	34
C.II.2.4.4.	Short-term advances paid	19	10		10	20
C.II.2.4.6.	Other receivables	20	3 940		3 940	14
C.IV.	Cash	21	23 357		23 357	4 843
C.IV.1.	Cash in hand	22	8		8	14
C.IV.2.	Bank accounts	23	23 349		23 349	4 829
D.	Deferrals	24	522		522	1 647
D.1.	Prepaid expenses	25	522		522	1 633
D.3.	Accrued revenues	26				14

Balance sheet in full format as at 31 December 2022

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
(in thousands of Czech crowns)				
	TOTAL LIABILITIES AND EQUITY	27	6 954 622	5 239 449
A.	Equity	28	487 331	438 714
A.I.	Registered capital	29	222 600	222 600
A.I.1.	Registered capital	30	222 600	222 600
A.IV.	Retained earnings (+/-)	31	216 114	165 821
A.IV.1.	Retained profits or accumulated losses (+/-)	32	216 114	165 821
A.V.	Profit (loss) for the current period (+/-)	33	48 617	50 293
B. + C.	Liabilities	34	6 467 291	4 800 735
B.	Provisions	35	25 382	9 473
B.2.	Income tax provision	36	13 389	2 361
B.4.	Other provisions	37	11 993	7 112
C.	Liabilities	38	6 441 909	4 791 262
C.II.	Short-term liabilities	39	6 441 909	4 791 262
C.II.2.	Liabilities to credit institutions	40	3 926 510	2 406 890
C.II.4.	Trade payables	41	2 502 028	2 374 678
C.II.8.	Liabilities – other	42	13 371	9 694
C.II.8.3.	Payables to employees	43	1 083	1 143
C.II.8.4.	Social security and health insurance liabilities	44	557	586
C.II.8.5.	Tax liabilities and subsidies	45	4 280	1 824
C.II.8.6.	Estimated payables	46	7 451	6 141

Income statement classification by nature for the year ended 31 December 2022

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	1	2
(in thousands of Czech crowns)				
I.	Revenue from products and services	1	50 124	54 735
A.	Cost of sales	2	19 746	17 581
A.2.	Materials and consumables	3	511	398
A.3.	Services	4	19 235	17 183
D.	Personnel expenses	5	26 769	23 770
D.1.	Wages and salaries	6	13 081	11 802
D.2.	Social security, health insurance and other expenses	7	13 688	11 968
D.2.1.	Social security and health insurance expenses	8	6 291	5 547
D.2.2.	Other expenses	9	7 397	6 421
E.	Adjustments relating to operating activities	10	6 671	2 736
E.1.	Adjustments to intangible and tangible fixed assets	11	1 788	749
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	12	1 788	749
E.3.	Adjustments to receivables	13	4 883	1 987
III.	Other operating revenues	14	2	11 291
III.1.	Proceeds from disposals of fixed assets	15		155
III.3.	Miscellaneous operating revenues	16	2	11 136
F.	Other operating expenses	17	12 883	6 824
F.1.	Net book value of fixed assets sold	18		252
F.3.	Taxes and charges	19	48	27
F.5.	Miscellaneous operating expenses	20	12 835	6 545
*	Operating profit (loss) (+/-)	21	-15 943	15 115
VI.	Interest revenue and similar revenue	22	172 355	57 268
VI.2.	Other interest revenue and similar revenue	23	172 355	57 268
J.	Interest expense and similar expense	24	88 063	7 804
J.1.	Interest expense and similar expense – group undertakings	25	88 063	7 804
VII.	Other financial revenues	26	7 538	4 870
K.	Other financial expenses	27	3 995	7 055
*	Profit (loss) from financial operations	28	87 835	47 279
**	Profit (loss) before tax (+/-)	29	71 892	62 394
L.	Income tax	30	23 275	12 101
L.1.	Current tax	31	24 331	12 607
L.2.	Deferred tax (+/-)	32	-1 056	-506
**	Profit (loss) after tax (+/-)	33	48 617	50 293
***	Profit (loss) for the accounting period (+/-)	34	48 617	50 293
*	Net turnover for the accounting period =			
	I. + II. + III. + IV. + V. + VI. + VII.	35	230 019	128 164

Cash flow statement for the year ended 31 December 2022

	Current period	Prior period
(in thousands of Czech crowns)		
P. Cash and cash equivalents, beginning of period	4 843	5 919
Net operating cash flow		
Z. Accounting profit (loss) from ordinary activities	71 892	62 394
A.1. Non-cash transactions	-70 550	-44 351
A.1.1. Depreciation and amortisation of fixed assets	1 788	750
A.1.2. Change in:	4 883	4 348
A.1.2.2. provisions and other adjustments	4 883	4 348
A.1.3. Profit(-) Loss(+) on sale of fixed assets		97
A.1.5. Expense and revenue interests accounted for	-84 292	-49 546
A.1.6. Other non-cash transactions	7 071	
A.* Net operating cash flow before taxation and changes in working capital	1 342	18 043
A.2. Changes in working capital	-1 572 797	-271 786
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	-1 703 824	-222 631
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	131 027	-49 155
A.** Net operating cash flow before taxation	-1 571 455	-253 743
A.3. Interest paid excluding amounts capitalised	-88 063	-7 722
A.4. Interest received	172 355	57 268
A.5. Income tax paid on ordinary income and income tax relating to prior periods	-13 304	-7 817
A.*** Net operating cash flow	-1 500 467	-212 014
Investing activities		
B.1. Acquisition of fixed assets	-639	-2 401
B.1.1. Acquisition of tangible fixed assets	-209	
B.1.2. Acquisition of intangible fixed assets	-430	-2 401
B.2. Proceeds from sales of fixed assets		155
B.2.1. Proceeds from sales of tangible and intangible fixed assets		155
B.*** Net cash flow from investing activities	-639	-2 246
Financing activities		
C.1. Change in long-term resp. short-term liabilities from financing	1 519 620	213 184
C.*** Net cash flow from financing activities	1 519 620	213 184
F. Net increase or decrease in cash balance	18 514	-1 076
R. Cash and cash equivalents, end of period	23 357	4 843

Statement of changes in equity for the year ended 31 December 2022

	Registered capital	Retained profits or accumulated losses (+/-)	Profit (loss) for the current period	Total
(in thousands of Czech crowns)				
Balance as at 1.1.2022	222 600	165 821	50 293	438 714
Transfer of the profit (loss) of prior year period	–	50 293	-50 293	–
Profit (loss) for the current period	–	–	48 617	48 617
Balance as at 31.12.2022	222 600	216 114	48 617	487 331
Balance as at 1.1.2021	222 600	100 915	64 906	388 421
Transfer of the profit (loss) of prior year period	–	64 906	-64 906	–
Profit (loss) for the current period	–	–	50 293	50 293
Balance as at 31.12.2021	222 600	165 821	50 293	438 714

Notes to the financial statements

for the year ended 31 December 2022

1. Description and principal activities

Establishment and description of the Company

UniCredit Factoring Czech Republic and Slovakia, a.s. ("the Company") was established by a memorandum of incorporation as a joint stock company on 21 January 1991 and was incorporated by registration in the Commercial Register in Prague on 5 April 1991. The Company's business activities comprise the provision of operational finances in the form of factoring of domestic and foreign receivables. The Company primarily deals in financing, collecting and securing short-term client receivables in different industrial segments.

Ownership structure

Natural and legal persons participating in the registered capital of the Company with over 20% share. Their share in the registered capital is stated in the table below:

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%

Registered office

UniCredit Factoring Czech Republic and Slovakia, a.s.
Želetavská 1525/1 Praha 4 – Michle Czech Republic

Identification number

152 72 028

Members of the board of directors and supervisory board as at 31 December 2022

	Position	Name
Board of Directors	Chairman	Zdeněk Bílý
	Member	Adriana Tvrdňová
	Member	Dita Babincová Doleželová
Supervisory Board	Chairman	Slavomír Beňa
	Vice Chairman	Alen Dobrič
	Member	Jiří Flégl
	Member	Daniel Kopic

Group identification

The Company is a member of the UniCredit financial group. The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by UniCredit S. p.A., with its registered office at Via Alessandro Specchi 16, 00186 Rome, Italy. The consolidated financial statements are available at the consolidating entity's registered office.

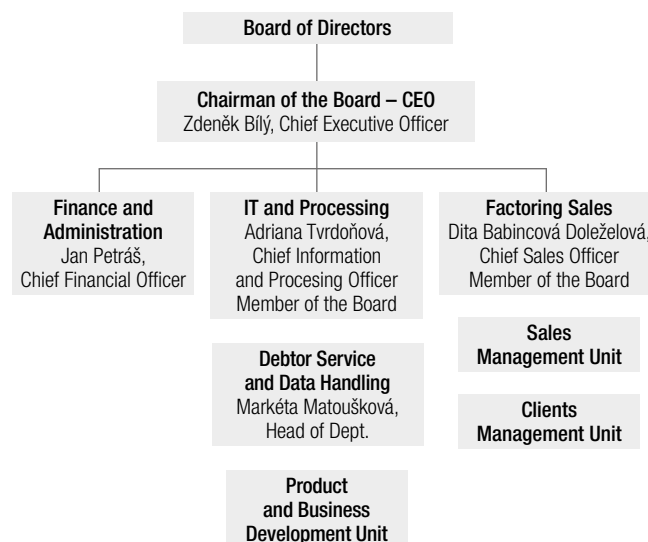
The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by UniCredit Bank Czech Republic and Slovakia, a.s. ("UCB"), with its registered office at Želetavská 1525/1, 140 92 Praha 4, Czech Republic. The consolidated financial statements are available at the consolidating entity's registered office.

Changes in the Commercial Register

There were no changes in the commercial register in 2022.

Organisational structure as at 31 December 2022:

The Company is divided into seven sections.



2. General accounting principles, accounting policies and their changes and deviations

These financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, ("the Act on Accounting") and Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of the Act on Accounting, as amended, for business entities using double-entry bookkeeping, ("the Decree") as amended for 2022.

The financial statements have been prepared on a going concern basis.

a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost. Tangible fixed assets costing up to TCZK 80 and intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

Assets are depreciated over the following periods using the following methods:

Assets	Method	Period
Buildings	Straight-line	50 years
Machinery, tools and equipment	Straight-line	3–10 years
Motor vehicles	Straight-line	5 years
Software	Straight-line	3–8 years

In the income statement, depreciation and amortisation is presented in "Depreciation and amortisation of intangible and tangible fixed assets".

Leasehold improvements to fixed assets are depreciated on a straight-line basis over the lease term together with the original improved assets.

Leasehold improvements to leased fixed assets are depreciated on a straight-line basis in accordance with the building depreciation by the owner.

Gains or losses arising on the sale or disposal of assets are calculated as the difference between the revenues from the sale and the net book value of the assets as at the sale date, and are charged to the income statement.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred.

b) Establishment of adjustments and provisions

Tangible fixed assets

The Company establishes adjustments to tangible fixed assets to reduce the net book value of buildings and land to their recoverable amount. In the income statement, the establishment and release of adjustments is presented in "Adjustments to intangible and tangible fixed assets".

Receivables

Factoring means the purchase of short-term receivables in their nominal value which arose as a result of supply of goods or services by the supplier to the client, and which are not overdue. The factoring company pays the supplier part of the purchase price (i.e., pre-financing). Receivables relating to the purchased receivables are presented in the Company balance sheet under Trade receivables. Liabilities relating to the purchased receivables are presented in the Company balance sheet under Trade payables. Upon payment by the client, the remaining portion of the purchase price is paid to the supplier.

The factoring company receives remuneration for its pre-financing services, and an interest.

For more information see Note 2e) Recognition of revenues and expenses

Establishment of adjustments

The establishment of adjustments to receivables complies with the Act on Provisions, as amended.

When establishing adjustments, the Company applies the methodology of measuring the expected losses on the funds provided

to clients, based on impairment testing and with regard to the client's rating and the rating of its customers.

The Company establishes accounting adjustments of:

- performing exposure (no debtor's default)
- non-performing exposure (debtor's default)

For the purpose of calculating adjustment to receivables (OP) with no debtor's default, **expected loss (EL)** is defined.

The methodology states the following:

$$OP = LT \ ECL = EL * LTMQ$$

EL is calculated based on the following:

$$EL = \sum(EaD - \text{Net realisable value}) * PD * LGD$$

and it follows that:

$$EaD = (\text{Exposure} + LEQ * \text{Unused_line})$$

applying the following parameters:

- **EL** = expected loss
- **LT ECL** = lifetime expected credit loss
- **LTMQ** = lifetime maturity factor
- **EaD** = *Exposure at Default*
- **PD** = Probability of Default
- **LGD** = Loss Given Default
(parameter calculated at client's level)
- **Exposure** = the amount of pro-financing provided
- **LEQ** = limit equivalent factor
- **Unused_line** = unused portion of the approved financing framework of the client

For receivables with client's default, the Company applies two different approaches to adjustment calculation. The primary criterion for the selection of the calculation method is the total exposure:

- For exposure < EUR 0.5 million, OP of 100% is applied
- For exposure > EUR 0.5, OP is established **individually**

The Company assesses the sufficiency and justifiability of the established adjustments on a monthly basis and adjusts their amount if necessary.

Provisions

Since 1 January 2019, the establishment of adjustments arising from the undrawn portion of the financial framework has been separated in the accounts and has been presented in provisions under liabilities.

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.

c) Foreign currency translation

The Company applies the Czech National Bank official rate to foreign currency transactions. As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. Realised and unrealised foreign exchange gains and losses are recognised in profit or loss.

d) Leased assets

Lease payments are expensed on a straight-line basis over the lease term. Where an asset is purchased at the end of the lease, it is recorded at its purchase price (*replacement cost*).

e) Recognition of revenues and expenses

Revenues and expenses are recognised on an accrual basis, i.e., in the period to which they relate in terms of substance and timing.

The main source of income of the Company is the remuneration for the provided pre-financing and the interest on factoring.

The remuneration for assignment is based primarily on the clients' payment morale. When establishing its amount, the following elements are considered: costs related to recording of receivables, administration of reminder proceedings, provision of information, warranty claim proceedings, and other costs related to assigning funds necessary for receivables financing. The current amount depends on the actual turnover, number and creditworthiness of clients, etc. It is accounted for in revenues as at the last day of the calendar month, and reported under "*Revenues from the sale of products and services*".

The factoring interest reflects the credit risk and is impacted by the supplier's and clients' creditworthiness, and its absolute amount depends on the volume of pre-financing paid and the time elapsed between the payment of part of the purchase price and the collection of payment from the client. It is accounted for in revenues as at the last day of the calendar month, and reported under "*Other interest income and similar income*".

f) Income tax

Income tax for the period comprises current tax and the change in deferred tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability is utilised.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

g) Classification of liabilities

The Company classifies as short-term any part of long-term liabilities, bank loans and overdrafts that is due within one year of the balance sheet date.

h) Use of estimates

In preparing the financial statements, the Company's management uses estimates and makes assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses recognised in the financial statements. These estimates and assumptions are based on past experience and various other factors deemed appropriate as at the date of preparation of the financial statements and are used where the carrying amounts of assets and liabilities are not readily available from other sources or where uncertainty exists in applying the individual accounting policies. Actual results may differ from the estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either in the period in which the estimate is revised, providing that the revision relates only to the current accounting period, or in the revision period and future periods, providing the revision affects both the current and future periods.

3. Change in accounting policies and procedures

As at 1 January 2022, the Company changed the method of foreign currency translation. Instead of a fixed annual exchange rate set as at the first business day of the current year applied throughout the year to foreign currency translation, the Company applies the Czech National Bank official rate to foreign currency transactions. The change was made as the Company believes the official CNB rates more closely reflect the actual assets and liabilities throughout the accounting period.

The data from the previous accounting period is comparable.

4. Intangible and tangible fixed assets

a) Intangible fixed assets

	Software	Intangible fixed assets under construction	Total 2022	Total 2021
Acquisition cost				
Opening balance	39 220	2 753	41 973	39 572
Additions	430	–	430	2 401
Disposals	–	–	–	–
Transfers	2 753	–2 753	–	–
Closing balance	42 403	–	42 403	41 973
Accumulated amortisation				
Opening balance	36 333	–	36 333	35 583
Write-offs	1 720	–	1 720	750
Adjustments to disposals	–	–	–	–
Transfers	–	–	–	–
Closing balance	38 053	–	38 053	36 333
Net book value 1 Jan	2 887	2 753	5 640	3 989
Net book value 31 Dec	4 350	–	4 350	5 640

Major additions to fixed intangible assets in 2022 included the launch of a new accounting system.

Tangible fixed assets

	Machinery and equipment	Art	Total 2022	Total 2021
Acquisition cost				
Opening balance	1 702	118	1 820	2 072
Additions	209	–	209	–
Disposals	–	–	–	–252
Transfers	–	–	–	–
Closing balance	1 911	118	2 029	1 820
Accumulated amortisation				
Opening balance	1 702	–	1 702	1 702
Write-offs	68	–	68	–
Disposals	–	–	–	–
Transfers	–	–	–	–
Closing balance	1 770	–	1 770	1 702
Net book value 1 Jan	–	118	118	370
Net book value 31 Dec	141	118	259	118

5. Trade receivables and payables

- a) Short-term trade receivables total TCZK 6 948 717 (2021 – TCZK 5 254 755), comprising receivables from factoring, of which TCZK 366 377 (2021 – TCZK 168 210) is overdue. An adjustment of TCZK 35 082 (2021 – TCZK 35 080) was set up at 31 December 2022 for doubtful receivables.

As at 31 December 2022, the Company does not record any long-term receivables with maturity over five years.

The receivables are not secured and are not used as a collateral for the Company's liabilities.

- b) Short-term trade payables total TCZK 2 502 028 (2021 – TCZK 2 374 678), and comprise factoring payables related to the purchase price of the purchased receivables.

The Company's policy is generally to pay trade payables as they fall due, and as a result no payables are overdue.

As at 31 December 2022, the Company does not record any long-term liabilities with maturity over five years.

6. Adjustments

	Adjustment to receivables	Total
Balance at 1 Jan 2021	32 539	32 539
Additions	84 941	84 941
Release/utilisation	-82 400	-82 400
Balance at 31 Dec 2021	35 080	35 080
Additions	40 382	40 382
Release/utilisation	-40 380	-40 380
Balance at 31 Dec 2022	35 082	35 082

7. Estimated payables

Estimated payables totalling TCZK 7 451 (2021 – TCZK 6 141) comprise primarily uninvoiced expenses for outsourcing of services provided by the parent totalling TCZK 2 116 (2021 – TCZK 1 755), uninvoiced bank interest of TCZK 821 (2021 – TCZK 115), and estimated employee bonuses including estimated social security and health insurance totalling TCZK 2 762 (2021 – TCZK 3 067).

8. Equity

	31 December 2022		31 December 2021	
	Number (pcs)	Book value	Number (pcs)	Book value
Ordinary shares	3 975	222 600	3 975	222 600

Ordinary shares have value of TCZK 56 per unit and are fully paid up. All shares bear equal voting rights.

No dividends or profit bonuses were paid in 2022 and 2021.

On 15 February 2022, the sole shareholder of the Company approved the financial statements of the Company for 2021 and decided that the total profit of 2021 totalling TCZK 50 293 will be transferred in full to retained profits.

The current year's profit will be distributed as decided by the general meeting.

9. Provisions

	Income tax provisions	Other reserves	Total
Balance at 1 Jan 2022	2 361	7 112	9 473
Additions	24 331	12 858	37 189
Drawings	-2 361	–	-2 361
Release	–	-7 977	-7 977
Balance at 31 Dec 2022	24 331	11 993	36 324
Income tax prepayments	-10 942	–	-10 942
Balance at 31 Dec 2022 less income tax prepayments	13 389	11 993	25 382

Other provisions comprise the provision for expected losses related to the undrawn portion of the approved financial framework for individual clients (calculated for performing exposures only).

10. Liabilities to credit institutions

2022		Maturity	Means of drawing	Balance at 31 Dec 2022	Due within 1 year
UniCredit Bank Czech Republic and Slovakia, a.s.	Unsecured	Contract for an indefinite period of time	Short-term loans and overdraft facilities	3 926 510	3 926 510
Total				3 926 510	3 926 510
2021		Maturity	Means of drawing	Balance at 31 Dec 2021	Due within 1 year
UniCredit Bank Czech Republic and Slovakia, a.s.	Unsecured	Contract for an indefinite period of time	Short-term loans and overdraft facilities	2 406 890	2 406 890
Total				2 406 890	2 406 890

The Company can draw bank loans in the form of short-term loans due within three months, and in the form of overdraft facilities. Thus, all bank loans are due within one year.

11. Revenues

The Company provides factoring services for which it receives remuneration from pre-financing and interest.

The revenues from factoring activities in 2022 and 2021 were as follows:

		Domestic	Europe	Export Outside Europe	Total
Remuneration for pre-financing	2022	34 845	15 273	6	50 124
	2021	27 092	27 643	–	54 735
Interest income	2022	145 551	23 930	2 874	172 355
	2021	37 836	19 432	–	57 268
Other financial revenues – foreign exchange gains	2022	4 226	–	–	4 226
	2021	3 766	–	–	3 766
Other financial revenues – other	2022	3 312	–	–	3 312
	2021	1 104	–	–	1 104
Other operating revenues	2022	2	–	–	2
	2021	11 291	–	–	11 291
Total	2022	187 936	39 203	2 880	230 019
	2021	81 089	47 075	–	128 164

12. Services

	2022	2021
Information technologies administration and maintenance	7 842	7 312
Rent	1 868	1 986
Consulting activities	4 844	3 681
Legal services	1 140	1 109
Intermediary services	954	932
Audit services	677	610
Information on the financial position of entities	374	381
Services of UniCredit group	221	212
Phone, Internet and web services	162	164
Import factors commission	161	259
Services related to lease of premises	160	62
Employee hiring	138	0
Tax advisory	116	116
Other	578	359
Total	19 235	17 183

Other services comprise primarily travel expenses (TCZK 155), entertainment expenses (TCZK 87), cost of lectures and trainings (TCZK 85), cleaning services (TCZK 60), translation and copying costs (TCZK 57), annual report (TCZK 52), and postal costs (TCZK 33).

13. Fees payable to statutory auditors

	2022	2021
Statutory audit	677	610
Total	677	610

14. Employees and members of management, supervisory and administrative bodies

	Average FTE number		Wages and salaries*	
	2022	2021	2022	2021
Employees	17	17	15 021	12 948
Members of management, supervisory and administrative bodies	5	5	11 748	10 822
Total	22	22	26 769	23 770

* Wages and salaries of members of management and administrative bodies represent the members' remuneration attributable to their function.

15. Income tax

a) Current tax

Current income tax comprises the tax estimate for 2022 of TCZK 24 331 (2021 – TCZK 12 607).

b) Deferred tax

	Receivables		Payables		Net	
	2022	2021	2022	2021	2022	2021
Tangible fixed assets	–	–	–	–	–	–
Intangible fixed assets	–	–	–396	–524	–396	–524
Receivables	8 944	8 016	–	–	8 944	8 016
Provisions	–	–	–	–	–	–
Deferred tax asset/(liability)	8 944	8 016	–396	–524	8 549	7 492

In accordance with the accounting policy described in note 2f), a tax rate of 19% was used to calculate deferred tax (2021 – 19%).

16. Related parties transactions

a) Trade receivables and payables

The following related party balances are included in the trade receivables and payables described in note 5 above:

	Receivables at 31 Dec		Payables at 31 Dec	
	2022	2021	2022	2021
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	–	–	–	1 753
UniCredit Factoring S.p.A. (IT)	6 459	12 351	364 247	477 530
Total	6 459	12 351	364 247	479 283

b) Loans received

	Loans received as at 31 Dec 2022	Interest expense in 2022	Loans received as at 31 Dec 2021	Interest expense in 2021
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	3 926 510	88 063	2 406 890	7 804
Total	3 926 510	88 063	2 406 890	7 804

c) Cash at the bank

	31 December 2022	31 December 2021
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	8 545	94
Total	8 545	94

d) Related party transactions

	Revenue from services for year		Cost of services for year	
	2022	2021	2022	2021
UniCredit Bank Czech Republic and Slovakia, a.s. (CZ)	25	–	8 958	7 758
UniCredit Leasing CZ, a.s. (CZ)	–	–	1 252	466
UniCredit Leasing Slovakia, a.s. (CZ)	–	–	–	188
UniCredit Fleet Management, s.r.o. (CZ)	–	–	502	554
UniCredit Factoring S.p.A. (IT)	3 524	1 808	111	162
UniCredit S.p.A. (IT)	–	–	221	212
Total	3 549	1 808	11 044	9 340

- e) In 2022 and 2021, members of management, supervisory and administrative bodies received no advances, deposits, loans, guarantees or other benefits, nor do they hold any shares/equity investments in the Company.

As at 31 December 2022, the Company had incurred no pension liabilities to former members of management, supervisory and administrative bodies.

17. Leased assets

a) Operating leases

The Company leases passenger cars through operating leases. The annual cost of this lease for 2022 was TCZK 502 (2021 – TCZK 554).

18. Cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents are defined to include cash in hand, cash in transit, cash at the bank and other financial assets whose valuation can be reliably determined and that can be readily converted to cash. Cash and cash equivalents balances as at the year- end are as follows:

	Balance as at 31 Dec	
	2022	2021
Cash in hand	8	14
Bank accounts and cash in transit	23 349	4 829
Cash and cash equivalents	23 357	4 843

19. Material subsequent event

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2022.

Prepared on: 14 February 2023



Mgr. Ing. Zdeněk Bílý
Chairman of the Board of Directors



Ing. Dita Babincová Doleželová
Member of the Board of Directors



Ing. Jan Petráš
Finance director

Report on Relations

between the Controlling and Controlled Entities and between 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 form: **joint stock company**

Corporate ID: **152 72 028**

Pursuant to Section 82 and subs. of Act No. 90/2012 Coll., on Corporations, the board of directors of UniCredit Factoring Czech Republic and Slovakia, a.s. ("the Company"), with its registered office at Želetavská 1525/1, 140 00 Prague 4 – Michle, recorded in the Commercial Register kept by the Municipal Court in Prague, section B, file number 649, has prepared a report on relations for the period from 1 January 2022 to 31 December 2022 ("the Period").

During the 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. Structure of relations between 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: 15272028

("UCF")

Direct controlling entity:

UniCredit Bank Czech Republic and Slovakia, a.s.

Želetavská 1525/1, 140 92 Prague 4 – Michle

Corporate ID: 649 48 242

("UCB")

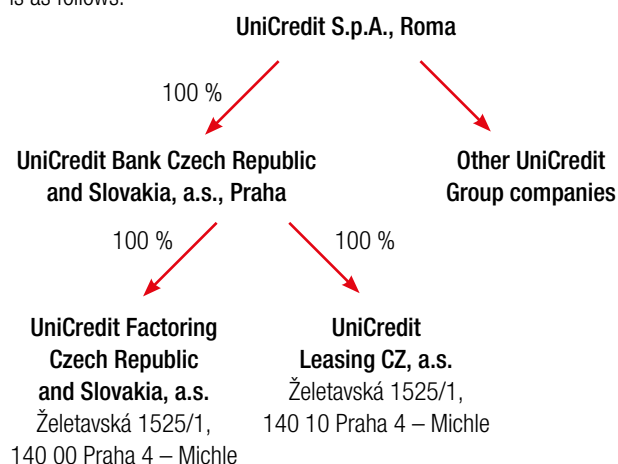
Indirect controlling entity:

UniCredit S.p.A.

Via Alessandro Specchi 16 00100 Rome, Italy

The structure of the UniCredit group is described in detail in an appendix to this report.

The simplified structure of relations as at 31 December 2022 between UCF and entities whose relations are described below is as follows:



The parent company is UniCredit Bank Czech Republic and Slovakia, a.s. The Company is part of its consolidated group. The parent company of UniCredit Bank Czech Republic and Slovakia, a.s. is UniCredit, S.p.A., with its registered office at Via Alessandro Specchi 16, 00100 Rome, Italy, which is the ultimate controlling entity of UniCredit Factoring Czech Republic and Slovakia, a.s.

Other related entities include other companies of the UniCredit Bank Czech Republic and Slovakia, a.s. group.

2. 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 is to provide receivable financing services on the Czech and Slovak markets, in particular factoring, collection and securing of trade receivables, invoice discounting, and supply chain financing. Another role of UniCredit Factoring Czech Republic and Slovakia, a.s. is to service UniCredit's corporate clients in the Czech and Slovak markets and to exploit the resulting synergies. Within the UniCredit group, the Czech Republic and Slovakia are among the key markets in which the UniCredit group intends to expand in the long term.

3. Manner and means of control

The supreme body of UniCredit Factoring Czech Republic and Slovakia, a.s. is the general meeting of shareholders. UniCredit Bank Czech Republic and Slovakia, a.s. demonstrates its will through exercising its shareholder rights by adopting sole shareholder decisions when exercising the powers of a general meeting.

According to the articles of association of UniCredit Factoring Czech Republic and Slovakia, a.s., the election of members of the supervisory board is also within the competence of the general meeting. The supervisory board oversees the business activities of UniCredit Factoring Czech Republic and Slovakia, a.s. and the performance of the board of directors' responsibilities. The supervisory board also elects and dismisses the members of the board of directors and recommends to the board of directors candidates for the chair and vice-chair of the board of directors. However, this recommendation is not binding on the members of the board of directors.

The controlling entity has its representatives in the supervisory board of UniCredit Factoring Czech Republic and Slovakia, a.s.

The manner of control over UniCredit Factoring Czech Republic and Slovakia, a.s. as a member of the UniCredit group must comply with the instructions issued by UniCredit S.p.A. within UCB and for all companies controlled by it, subject to relevant legislation.

4. Overview of contracts between UniCredit Factoring Czech Republic and Slovakia, a.s. and the controlling entity or other controlled entities

The Company entered into the following types of contracts with its related entities:

Related entity	Type of contract and general terms and conditions
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract for loan and other banking services provided via a multi-purpose line dated 25/6/2010
UniCredit Bank Czech Republic and Slovakia, a.s.	Framework contract on trading on financial market dated 21/1/2015
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract for the provision of services and mandate contract dated 4/1/2016
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on mutual mediation of business cases dated 4/1/2016
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract for the logo position rights dated 21/1/2016
UniCredit Bank Czech Republic and Slovakia, a.s.	Risk participation contract dated 29/3/2017
UniCredit Bank Czech Republic and Slovakia, a.s.	Sublease contract dated 13/11/2020
UniCredit Bank Czech Republic and Slovakia, a.s.	Zero Balancing Master Agreement dated 25/11/2020
UniCredit Bank Czech Republic and Slovakia, a.s.	Zero Balancing Participating Agreement dated 25/11/2020
UniCredit Bank Czech Republic and Slovakia, a.s.	Contract on e-trading on foreign exchange market dated 28/7/2022
UniCredit Leasing CZ a.s.	ICT Servicing contract on ensuring external services (OUTSOURCING) (Contract No. 2022/02/001) dated 1/2/2022
UniCredit Fleet Management, s.r.o.	Contract for the lease of a means of transport no. 6601800138 dated 28/8/2018
UniCredit Fleet Management, s.r.o.	Contract for the lease of a means of transport no. 6601800139 dated 28/8/2018
UniCredit Fleet Management, s.r.o.	Contract for the lease of a means of transport no. 6601800140 dated 28/8/2018
UniCredit Fleet Management, s.r.o.	Contract for the lease of a means of transport no. 6602102700 dated 28/7/2021
UniCredit Fleet Management, s.r.o.	Contract for the lease of a means of transport no. 6601900522 dated 24/6/2019
UniCredit Fleet Management, s.r.o.	Contract for the lease of a means of transport no. 6602102942 dated 4/11/2021
UniCredit Fleet Management, s.r.o.	Contract for the lease of a means of transport no. 6602203774 dated 26/9/2022
UniCredit Factoring EAD, BG	Interfactor Agreement dated 4/9/2020
UniCredit Factoring S.p.A., IT	FCI Interfactor Agreement dated 16/11/2015

The Company has concluded long-term contracts for cooperation with factoring companies UniCredit Factoring EAD, Bulgaria and UniCredit Factoring S.p.A., Italy. These include standard contracts following the rules of FCI (Factors Chain International, i.e., the association of factoring companies), regulating mutual relations arising from factoring between these companies.

UniCredit Factoring Czech Republic and Slovakia, a.s. has a proper loan contract with UniCredit Bank Czech Republic and Slovakia, a.s., providing funds to finance the Company's business operations. In addition to the above, UniCredit Factoring Czech Republic and Slovakia, a.s. also had other contracts in force with UniCredit Bank Czech Republic and Slovakia, a.s. in the previous accounting period. These relate to other

banking transactions such as payment cards, current accounts, deposit products, cash payment transactions, etc., and have all been made concluded under the arm's length principle. The Company also has a contract for the provision of services to support the Company's business activities. The contract on mutual mediation of business cases also helps support the business activities of both contracting parties.

UniCredit Factoring Czech Republic and Slovakia, a.s. has a proper contract with UniCredit Leasing CZ a.s. for the provision of IT-related services, in particular UCF's information system administration and UCF's hosting server services.

5. Assessment of whether the controlled entity suffered any losses; assessment of the compensation for possible losses under Section 71 and 72 of the Corporations Act

The Company's board of directors declares that UniCredit Factoring Czech Republic and Slovakia, a.s. has not suffered any loss resulting from the agreements and arrangements it entered into.

6. Assessment of advantages and disadvantages following from relations between the entities under Section 82 (1) of the Corporations Act

Advantages following from relations between the entities of the UniCredit group are mainly as follows:

- Internationally recognised brand and reputational benefits resulting from the inclusion of the UniCredit group among Systemically Important Financial Institutions (SIFI).
- Ensuring and provision of know-how relating to trade finance products by the bank.
- Provision of funds for refinancing of factoring transactions.
- Possibility of exploiting synergies with the bank in the business area. Operational synergies enabling the mitigation of operational risks.
- Human resources development connected with sharing UniCredit group's experience on European markets; the opportunity for employees to gain practical experience in other banks of the group or in the management structures of the holding company; career opportunities within the UniCredit group.
- Opportunity to use the sponsorship and marketing of the UniCredit group at European level in the local environment.

When assessing the overall impact of the inclusion of UniCredit Factoring Czech Republic and Slovakia, a.s. in the UniCredit group, advantages following from this position prevail.

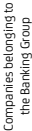
The Company's management believes that all transactions with related entities have been performed under the arm's length principle.

Prague, 14 February 2023

Mgr. Ing. Zdeněk Bílý
Chairman of the Board of Directors

Ing. Dita Babincová Doleželová
Member of the Board of Directors

Appendix: Organisational structure of the UniCredit group

Updated
01 January 2023

Empowering
Communities to Progress.



www.unicreditfactoring.cz