

Annual report

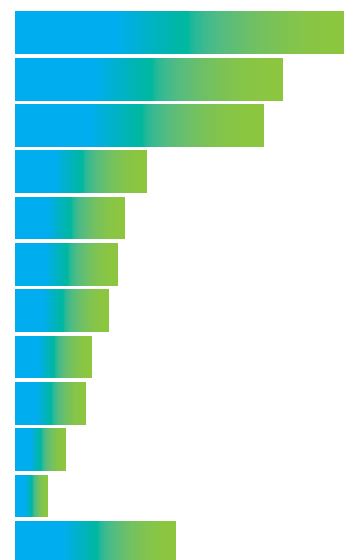
2008



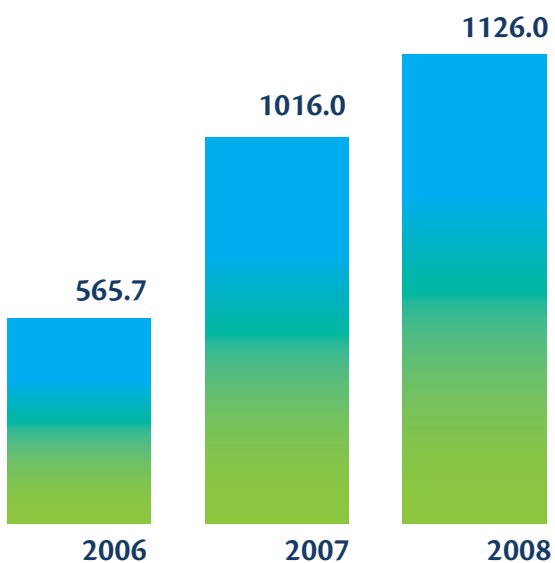
CSOB
Factoring

Financial Highlights

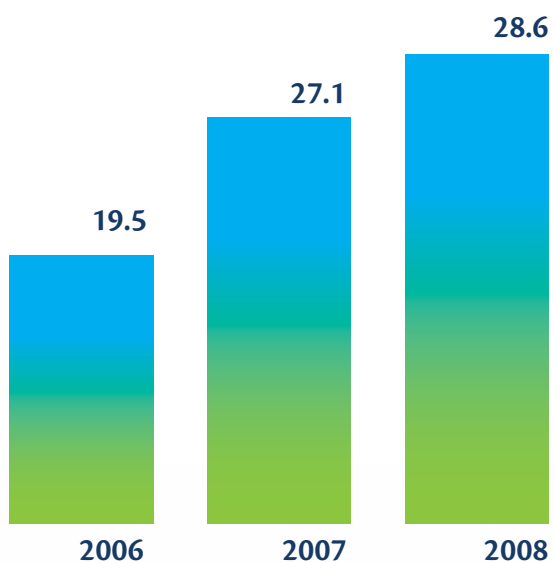
Branch	Percent of turnover
Metal products and components	24.93 %
Construction products	17.54 %
Metal engineering products	15.47 %
Pharmaceutics and health care deliveries	7.05 %
Electrotechnic products	5.41 %
Sporting wear and toys	5.06 %
Foodstuff and drinks	3.93 %
Services, advertising, printing	3.90 %
Computers	3.29 %
Glass, china, costume jewellery	2.24 %
Drugstore and cosmetics	2.01 %
Other	9.17 %
Total cast	100.00 %



Stockholders Equity (in mil CZK):



Turnover - Factoring (in bln CZK):



Company

ČSOB Factoring, a.s.

ČSOB Factoring, a.s.

Registered office: Benešovská 2538/40, 101 00 Praha 10

Tel.: 267 184 805

Fax: 267 184 822

E-mail: info@csobfactoring.cz

www.csobfactoring.cz

Identification no.: 45794278

Registered in the Commercial register maintained
by the Municipal court of Prague, Section B, File No.1647

Shareholders

100 % *Československá obchodní banka, a.s.*

The Board of Directors

Ing. Tomáš Morávek, chairman, General Manager

Ing. Jiří Hofta, member, Director of Client Division

Ing. Jindřich Horák, member, Commercial Director

Supervisory Board

Ing. Petr Knapp, chairman

Ing. David Borges, member

Ladislav Mach, member

Subsidiaries

Eurincasso, s.r.o. (100 %)

Benešovská 2538/40, 101 00 Praha 10

Tel.: 267 184 811

Fax: 267 184 890

www.eurincasso.cz



The Board of Directors Report for the year 2008

In 2008, the Czech economy withstood the economic slowdown that manifested itself globally from the beginning of the year for a relatively long time. Only the 4th quarter showed that the worldwide crisis did not count with islands of prosperity and the impact on the Czech economy, to the contrary, could be felt very strongly. This fact has not fully manifested itself in numbers yet, because its impact has been offset by relatively good results from the first half of the year. In comparison to the previous year, the gross domestic product grew less, by 3.1%, however, inter-annually in the last quarter only by 0.7 %, which means a drop of 0.9 % in comparison to the previous quarter.

The slowing down of economic development gradually made itself felt in the way companies do business. The same as the entire economy, factoring transactions in 2008 still grew, but slower than in previous years and the 4th quarter showed an inter-annual drop. The total turnover of transferred claims declared by companies in the Association of Factoring Companies reached CZK 133.9 billion, which was only 5.4 % more than in 2007. A very distinct signal was the decrease of funds engaged in the financing of clients, from CZK 22.7 billion as of 31/12/2007 to CZK 21.2 billion as of the same day in 2008.

The ČSOB Factoring company managed to do very well under these complicated conditions, and thanks to the maximum utilization of synergy when working with its parent bank in the sphere of trade, it showed a growth above the market average. In 2008, it increased the turnover of transferred claims to CZK 28.6 billion, and in comparison to the previous year, this was 5.9 % higher. The company came short of its original plan by only 1.5 %, according to which turnover should have reached CZK 29.1 billion.

The company was also able to maintain favourable long-term development in the sphere of credit risks in 2008. Even while making very conservative assessments of problematic cases, their number grew slightly in connection with the worldwide crisis, but the creation of adjusting entries did not deviate significantly from previous years.

With regard to the fact that the economic results (profit/loss) in the previous year, in the amount of CZK 145.9 million, were partially positively influenced by the dissolution of adjusting entries, which was not possible to repeat in 2008, profit in 2008 was somewhat lower. In spite of this, it reached CZK 96.3 million after taxes. The Board of Directors shall propose that it is paid out to shareholders in the form of dividends.

In 2008, company management and its employees also devoted their attention to many tasks outside of the business sphere and continued in the resolving of several strategic aims. The reorganization of the clients department had an immediate impact on operations and the improvement of the quality of services. The goal was to reinforce outstanding debts administration and speed up the collection of debts, which means a step that company management considers very important with regard to the worsening of payment behaviour during the crisis. The company, in cooperation with the ICT ČSOB department, also completed establishing a medium that shall ensure that the company is able to continue in routine activities even during a serious long-term breakdown of IT systems or during extraordinary events at the place of business.

The company has always been aware of its important position on the factoring service market and the associated with it responsibility of the further development of the entire line of business. That is why the Board of Directors of the company considers contributing to the strengthening of the position of factoring financing in the legal and accounting spheres as a continuing task, thus strengthening its position on the financial market, because there is no doubt about the importance of the role of this alternative way of financing in the continuous development and renewal of small and medium-sized entrepreneurship. In 2008, a significant contribution to the fulfilment of this task was establishing cooperation with the Financial Accounting and Auditing Department of the Faculty of Finance and Accounting of the University of Economics. The goal of this cooperation is to provide the community of the users of factoring services expert recommendations, how to optimally portray in accounting the course of factoring transactions. Cooperation with the University of Economics shall continue in 2009, when the expert public should be presented with the first outputs.

The company's planning for the next period was notably influenced by the onset of the financial crisis. The management of ČSOB Factoring has always been guided by the experience of foreign companies and advocates the opinion that a period of worsened economic development could mean for the providers of alternate financing greater interest in their services. On the other hand, it is aware that it simultaneously means increased risks. The planned turnover in the amount of CZK 30.2 billion, as compared to the numbers from 2008, means a growth of more than 5 %, which is a relatively difficult task with regard to current developments.

In 2009, company management wants to maintain development in the sphere of credit risks within acceptable limits and besides the abovementioned long-term cooperation with the University of Economics is not planning any significant initiatives outside of its sphere of business. It considers managing to get through the difficult times that the Czech economy is going through to be a very difficult task in itself and it wants to maintain maximum capacity so that it succeeds.

Prague, 19 June 2009

Ing. Tomáš Morávek, Chairman of the Board of Directors and CEO



The Supervisory Board Report

The Supervisory Board monitored the development of business activities during the course of the year on the basis of verbal and written reports from the Board of Directors. It discussed decisive steps and operations with the Board of Directors and made sure that the company was being managed correctly. The company's accounting, financial statement for the period of 1 January to 31 December 2008, and the financial statement annexe were audited by auditor Ernst & Young Audit & Advisory, s. r. o., and approved without comments. The Supervisory Board accepted the auditor's report. It audited the company's annual financial statement, the Board of Directors report on activities in 2008, and the Board of Directors proposal for distributing profit. The Supervisory Board discussed the report on the relations between interconnected entities. It did not have any

Prague, 26 June 2009

*Ing. Petr Knapp
Chairman of the Supervisory Board*



Financial Statements for the Year Ended 31 December 2008

Balance Sheet as of 31 December

Czech Statutory Financial Statement Forms (in th. CZK)

Assets	2008	2007
Total Assets	9 699 914	8 932 987
Fixed Assets	275 191	45 426
Intangible assets	177	78
Software	177	78
Tangible assets	4 960	6 092
Separate movable items and groups of movable items	4 960	6 092
Financial investments	270 053	39 256
Subsidiaries	2 731	39 256
Other long-term securities and interests	267 323	0
Current assets	9 422 741	8 884 843
Inventory	0	0
Long-term receivables	0	4 851
Deferred tax asset	0	4 851
Short-term receivables	9 421 511	8 879 021
Trade receivables	9 417 676	8 878 352
Receivables from group companies with majority control	67	326
Due from government - tax receivables	962	0
Short-term advances granted	108	99
Unbilled revenue	2 698	237
Other receivables	0	8
Short-term financial assets	1 230	971
Cash	107	194
Bank accounts	1 123	776
Other assets - temporary accounts of assets	1 982	2 718
Accrued assets and deferred liabilities	1 982	2 718
Prepaid expenses	1 982	2 633
Unbilled revenue	0	85

Liabilities	2008	2007
Total equity & liabilities	9 699 914	8 932 987
Equity	1 126 007	1 016 075
Basic capital	70 800	70 800
Registered capital	70 800	70 800
Capital funds	920 848	765 324
Share premium (agio)	757 520	757 520
Gain or loss on revaluation of assets and liabilities	163 328	7 804
Reserve funds, (indivisible fund) and other funds created from profit	34 083	34 083
Legal reserve fund/Indivisible fund	14 160	14 160
Statutory and other funds	19 923	19 923
Profit (loss) for the previous years	3 957	0
Retained earnings for the previous years	3 957	0
Profit (loss) for the year (+/-)	96 318	145 868
Liabilities	8 573 907	7 916 912
Provisions	1 306	1 302
Other provisions	1 306	1 302
Long-term liabilities	35 862	0
Deferred tax liability	35 862	0
Current liabilities	5 617 554	5 241 363
Trade payables	5 598 192	5 218 905
Liabilities to group companies with majority control	3 128	1 600
Liabilities to employees	1 404	986
Liabilities arising from social security and health insurance	567	775
Due to government – taxes and subsidies	1 914	10 183
Advances received	37	37
Unbilled deliveries	12 312	8 879
Bank loans and borrowings	2 919 185	2 674 247
Short-term bank loans	2 919 185	2 374 247
Borrowings	0	300 000



Income Statement as of 31 December

Czech Statutory Financial Statement Forms (in th. CZK)

	2008	2007
Revenue from sale of goods	24	133
Cost of goods sold	88	608
Gross margin	-64	-475
Production	142 514	136 681
Revenue from sale of finished products and services	142 514	136 681
Production related consumption	28 424	25 488
Consumption of material and energy	3 713	2 713
Services	24 712	22 776
Value added	114 025	110 718
Personnel expenses	42 977	40 828
Wages and salaries	29 355	27 203
Bonuses to members of company or cooperation bodies	2 983	2 463
Social security and health insurance	9 090	9 662
Other social costs	1 549	1 500
Taxes and charges	4 341	3 341
Amortization and depreciation of intangible and tangible fixed assets	2 879	4 018
Revenue from sale of intangible and tangible fixed assets and materials	179	913
Revenues from sale of intangible and tangible fixed assets	179	913
Net book value of intangible and tangible fixed assets and materials sold	79	49
Net book value of intangible and tangible fixed assets sold	79	49
Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	10 383	-49 496
Other operating revenues	18 539	6 692
Other operating expenses	62 049	17 689
Profit or loss on operating activities	10 036	101 894
Income from financial investments	0	0
Interest income	256 771	207 011
Interest expense	135 470	98 709
Other finance income	444 992	134 522
Other finance cost	447 205	137 518
Profit or loss on financial activities	119 088	105 306
Tax on profit or loss on ordinary activities	32 807	61 333
- due	37 884	40 099
- deferred	-5 077	21 234
Profit or loss on ordinary activities after taxation	96 318	145 868
Extraordinary profit or loss	0	0
Profit or loss for the year (+/-)	96 318	145 868
Profit or loss before taxation	129 124	207 201

Cash Flow Statement as of 31 December

Czech Statutory Financial Statement Forms (in th. CZK)

	2008	2007
Profit or loss on ordinary activities before taxation (+/-)	129 124	207 201
Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	-99 183	-152 219
Depreciation and amortization of fixed assets and write-off of receivables	48 984	6 443
Change in allowances	2 713	-11 452
Change in provisions	4	-38 043
(Gain)/Loss on disposal of fixed assets	-101	-864
Interest expense and interest income	-121 301	-108 302
Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	-29 483	0
Net cash from operating activities before taxation, changes in working capital and extraordinary items	29 942	54 982
Change in non-cash components of working capital	-246 215	-458 416
Change in inventory	92	1 692
Change in trade receivables	-588 234	-1 157 786
Change in other receivables and in prepaid expenses and unbilled revenue	8 498	-2 272
Change in trade payables	379 288	699 787
Change in other payables, short-term loans and in accruals and deferred income	-45 858	163
Net cash from operating activities before taxation, interest paid and extraordinary items	-216 273	-403 434
Interest paid	-132 277	-98 576
Tax paid	-46 596	-33 372
Gains and losses on extraordinary items	0	0
Net cash provided by (used in) operating activities	-395 146	-535 382
Cash flows from investing activities		
Purchase of fixed assets	-1 925	-736
Proceeds from sale of fixed assets	179	913
Loans granted	259	88
Interest received	256 475	207 011
Net cash provided by (used in) investing activities	254 989	207 276
Cash flows from financing activities		
Change in long-term liabilities and long-term, resp. short-term, loans	282 328	11 873
Effect of changes in basic capital on cash	0	35 400
Dividends or profit sharing paid	-141 911	-494 180
Effect of other changes in basic capital on cash	0	763 280
Net cash provided by (used in) financing activities	140 417	316 373
Net increase (decrease) in cash	260	-11 733
Cash and cash equivalents at beginning of year	970	12 703
Cash and cash equivalents at end of year	1 230	970



Financial Statements for the Year Ended 31 December 2008 together with Auditor's Report

1. Description of the company

ČSOB Factoring, a.s., ("the Company") is a joint stock company incorporated on 18 June 1992 in the Czech Republic. The Company's registered office is located at Benešovská 2538/40, Prague 10 – Vinohrady, Czech Republic and its business registration number (IC) is 45794278. The Company is primarily engaged in factoring and related services, such as bookkeeping of receivables subledger and chasing of receivables. No significant changes were made to the Commercial Register entry in 2008.

Parties which hold an interest in the Company's basic capital are as follows:

Československá obchodní banka, a.s. 100 %

The parent company is Československá obchodní banka, a.s., and the ultimate parent company is KBC Group NV, Havenlaan 2, 1080 Brussels, Belgium.

The Company is included in the parent company's consolidated group.

The Company is the parent company of a subsidiary company, Eurincasso, s.r.o., Benešovská 2538/40, Prague 10 – Vinohrady, and the accompanying financial statements have been prepared on a stand-alone basis.

The Company has concluded neither control agreement nor agreement on profit distribution with the parent company.

Members of the statutory bodies as at 31 December 2008 were as follows:

Members of the statutory bodies as at 31 December 2008 were as follows:

Board of Directors

Chair:	Ing. Tomáš Morávek
Member:	Ing. Jiří Hořta
Member:	Ing. Jindřich Horák

Supervisory Board

Chair:	Ing. Petr Knapp
Member:	Ing. David Borges
Member:	Ladislav Mach





The Company's organizational structure is as follows:

- *Company management*
- *Business operations (client) department*
- *Sales department*
- *Department of financial analysis and limits*
- *IT department*
- *Financial accounting department*
- *Factoring accounting department*

2. Basis of presentation of the financial statements

The accompanying financial statements (unconsolidated) were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2008 and 2007.

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic.

Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic.

Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.



3. Summary of significant accounting policies

The accounting policies applied by the Company in preparing the 2008 and 2007 financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are recorded at their acquisition cost and related expenses.

In 2008 and 2007, intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their estimated useful lives.

Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The estimated useful lives are as follows:

	Years
Software	3 - 5

b) Tangible Fixed Assets

Purchased tangible fixed assets are recorded at their acquisition cost that consists of the purchase price, freight, customs duties and other related costs.

In 2008 and 2007, tangible fixed assets with a cost exceeding CZK 40 thousand are depreciated over their estimated useful lives.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The estimated useful lives are as follows:

	Years
Machinery and equipment	3 - 6
Vehicles	4 - 5
Furniture and fixtures	6 - 12



c) Financial Assets

Short-term financial assets consist of liquid valuables, cash in hand and at bank.

Long-term financial assets consist of an ownership of interest in the basic capital of Československá obchodná banka, a.s. and the ownership interest in the subsidiary.

The sole shareholder executing the powers of the general meeting, dated 2 August 2007, decided that the Company would participate in the foundation of a new joint stock company – Československá obchodná banka, a.s. with its registered seat in the Slovak Republic (ČSOB SK) by means of contribution of its ownership interest in ČSOB Factoring a.s., Slovakia, with effect from 1 January 2008. The Company's share in ČSOB SK's basic capital is classified as an available-for-sale security.

As at 31 December the individual components of financial assets are revalued using the following method:

- Available-for-sale securities and interests are revalued to fair value; the change in the fair value is recorded in equity through a revaluation of assets and liabilities.
- Ownership interest constituting dominant or significant influence is valued under the equity method; the revaluation amounts are recorded in equity through revaluation of assets and liabilities.

Fair value represents valuation by qualified estimate or by an authorised appraiser if the market price is not available, corresponding to the Company's share in equity. Gains and losses, net of deferred tax, are recorded as movements in Capital funds in equity.

Valuation under the equity method is the acquisition cost of an ownership interest that is adjusted to the net asset value of the underlying Company.

d) Inventory

Purchased inventory is stated at actual cost being determined on the first-in, first-out ("FIFO") method. Costs of purchased inventory include acquisition related costs (freight, customs, commission, etc.). Additions to the allowance account are charged to income.

e) Receivables

Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income. Allowances for doubtful receivables are determined by management based on an ageing analysis and an analysis of customer solvency.

The main activity of the Company is factoring. These services are recorded as follows in the Company's books:

Factoring transactions are recorded as receivables and payables in the balance sheet.

Purchase of a receivable -the receivable and payable is recorded at its nominal value

Financing -is recorded as an increase in receivables at nominal value

Re-assigned receivables are not reflected in the income statement but rather as a decrease of receivables and payables in the balance sheet.

Commissions are reported in Revenues from sales of products and services.

Interest claims are recorded as Interest revenue.



f) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Municipal Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting, which was not entered in the Commercial Register as of the financial statements date, is recorded through changes in basic capital. Contributions in excess of basic capital are recorded as share premium.

Capital funds are composed of the gain/loss on the revaluation of available for sale securities and subsidiaries.

Statutory and other funds were created pursuant to the Annual General Meeting's decision in 1995 and 1996 in order to retain a capital reserve in the event of significant portfolio losses.

In the first year in which profit is generated, a joint-stock company should allocate 20 % of profit after tax (however, not more than 10 % of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5 % of profit after tax until it reaches 20 % of basic capital. In 2007, in compliance with the sole shareholder's decision the Company allocated CZK 7,080 thousand to the reserve fund. These funds can only be used to offset losses.

g) Provisions and Liabilities

The Company creates legal provisions in accordance with the Provision Act and provisions for losses and risks if the related purpose, amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values.

Long-term and current loans are carried at their nominal values. Any portion of long-term debt, which is due within one year of the balance sheet date, is classified as short-term debt.

h) Foreign Currency Transactions

Receivables and payables denominated in foreign currency are translated into Czech crowns at a monthly fixed rate set at the last day of prior month as published by the Czech National Bank. On the balance sheet date, all items of assets and liabilities are adjusted to the exchange rates as published by the Czech National Bank as at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

i) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

The Company recognizes as an expense any additions to provisions for or allowances against risks, losses or physical damage that are known as at the date of the financial statements.

j) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.).

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

4. Fixed assets

a) Intangible Fixed Assets (in th. CZK)

Cost

	At beginning of year	Additions	Disposals	Transfers	At end of year
Software	5 219	201	-1 423	0	3 997
2008 Total	5 219	201	-1 423	0	3 997
2007 Total	5 231	0	-12	0	5 219

Accumulated amortization

	At beginning of year	Amortization during year	Cost of sales or liquidation	Disposals	Transfers	At end of year	Allowances	Net book value
Software	5 141	102	0	-1 423	0	3 820	0	177
2008 Total	5 141	102	0	-1 423	0	3 820	0	177
2007 Total	4 783	370	0	-12	0	5 141	0	78

The total value of small intangible fixed assets, which are not reflected in the accompanying balance sheet, was CZK 1,319 thousand and CZK 1,319 thousand at acquisition cost as at 31 December 2008 and 31 December 2007, respectively.

b) Tangible Fixed Assets (in th. CZK)

Cost

	At beginning of year	Additions	Disposals	Transfers	At end of year
Machinery and equipment	20 147	1 265	-219	0	21 193
Vehicles	8 788	460	-420	0	8 828
Furniture and fixtures	540	0	0	0	540
2008 Total	29 475	1 725	-639	0	30 561
2007 Total	30 630	2 956	-4 111	0	29 475

Accumulated depreciation

	At beginning of year	Depreciation during year	Cost of sales or liquidation	Disposals	Transfers	At end of year	Allowances	Net book value
Machinery and equipment	18 830	838	-219	0	0	19 449	0	1 744
Vehicles	4 140	1 967	-420	0	0	5 687	0	3 141
Furniture and fixtures	413	51	0	0	0	464	0	76
2008 Total	23 383	2 856	-639	0	0	25 600	0	4 961
2007 Total	23 797	3 647	4 111	0	0	23 383	0	6 092

The total value of small tangible fixed assets, which are not reflected in the accompanying balance sheet, was CZK 5,072 thousand and CZK 6,908 thousand at acquisition cost as at 31 December 2008 and 31 December 2007, respectively.

c) Long-Term Financial Investments (in th. CZK)

Summary of changes in long-term financial investments.

	Balance as at 31/12/ 2006	Additions	Disposals	Revaluation	Balance as at 31/12/ 2007	Additions	Disposals	Revaluation	Balance as at 31/12/ 2008
Subsidiaries	41 475	20	0	-2 239	39 256	1 377	-37 903	0	2 730
Other long-term securities and interests	0	0	0	0	0	37 903	0	229 420	267 323
Total	41 475	20	0	-2 239	39 256	1 377	0	229 420	270 053

Subsidiaries and associates as at 31 December 2008 were as follows (in th. CZK):

Company name	Eurincasso, s.r.o.
Registered office	Benešovská 2538/40, Prague 10
Percentage of ownership	100
Total assets	4 821
Equity	2 730
Basic capital and capital funds	1 000
Funds created from profit	107
Retained earnings	246
Profit/loss for the current year	1 378
Acquisition cost of share / interest	1 000
Nominal value of share / interest	1 000
Intrinsic value of share / interest*	2 730
Dividends received during the year	0

Subsidiaries and associates as at 31 December 2007 were as follows (in th. CZK):

Company name	Eurincasso, s.r.o.	ČSOB Factoring a.s.
Registered office	Benešovská 2538/40, Prague 10	Gagarinova 7/a, 82103 Bratislava
Percentage of ownership	100	100
Total assets	3 215	792 847
Equity	1 353	37 903
Basic capital and capital funds	1 000	23 754
Funds created from profit	107	4 751
Retained earnings	225	13 994
Profit/loss for the current year	20	-1 900
Acquisition cost of share / interest	1 000	28 471
Nominal value of share / interest	1 000	95
Intrinsic value of share / interest*	1 353	37 903
Dividends received during the year	0	0

Financial information about these companies was obtained from the standalone audited ČSOB Factoring, a.s., and the standalone unaudited financial statements of Eurincasso, s.r.o.

Other long-term securities and interests as at 31 December were as follows (in th. CZK):

	2008			2007		
	Number of shares/ Nominal value	Market value	Revenues	Number of shares/ Nominal value	Market value	Revenues
Domestic -	0	0	0	0	0	0
Foreign-	72 / 64 362	267 323	0	0	0	0

Other long-term securities and ownership interests represent the share in the basic capital of ČSOB SK (1.44 %). The risk of change of fair value of investment in ČSOB SK due to FOREX deviations was hedged through fair value hedging (see Note 18).

5. Inventory

Inventory reported in the balance sheet represents goods obtained from a factoring client as consideration on unpaid pre-financing.

Excess, obsolete and slow moving inventory has been written down to its estimated net realizable value by an allowance account. The allowance is determined by management based on estimated realisable value of the goods (see Note 7).

6. Receivables

Allowances against outstanding receivables that are considered doubtful were charged to income based on their ageing analysis and client credit-worthiness in 2008 and 2007, respectively (see Note 7).

Receivables overdue for more than 90 days totalled CZK 540,847 thousand and CZK 390,530 thousand as at 31 December 2008 and 31 December 2007, respectively.

In addition, the Company wrote off irrecoverable receivables of CZK 39,196 thousand and CZK 1,129 thousand in 2008 and 2007, respectively due to cancellation of bankruptcy or composition proceedings or unsatisfying the claims in bankruptcy proceedings, etc.

Unbilled revenue represents, in particular, credit notes for credit insurance.

Receivables from related parties (see Note 17).

7. Allowances

Allowances reflect a temporary diminution in value of assets (see Notes 5 and 6).

Changes in the allowance accounts (in th. CZK):

Allowances against	Balance as at 31/ 12/ 2006	Additions	Deductions	Balance as at 31/ 12/ 2007	Additions	Deductions	Balance as at 31/ 12/ 2008
Inventory	3 761	0	-1 692	2 069	0	-92	1 977
Receivables – legal	29 892	0	-1 261	28 632	1 548	-6 975	23 205
Receivables – other	123 435	16 035	-24 534	114 936	59 397	-43 505	130 828

Legal allowances are created in compliance with the Provision Act and are tax deductible.

8. Short-term financial assets

As at 31 December 2008 and 31 December 2007, bank account balances are unrestricted balances at current accounts.

The Company has overdraft facilities with Československá obchodní banka, a.s., ČSOB SK and Oberbank AG, Czech Republic branch, that allow the Company to draw-down credit of up to CZK 518,934 thousand. As at 31 December 2008 and 31 December 2007, the drawn down element of the overdraft was, CZK 301,418 thousand and CZK 169,550 thousand, respectively, and is shown as short-term bank loan in the accompanying balance sheet (see Note 13).

9. Other assets

Prepaid expenses include, in particular, prepaid property insurance and other operating services and are charged to income for the year in which they were incurred.

10. Equity

The basic capital of the Company consists of 100 shares fully subscribed and paid, with a nominal value of CZK 354,000 and 10 shares with a nominal value of CZK 3,540,000.

The movements in the capital accounts during 2008 and 2007 were as follows (in th. CZK):

	Balance as at 31/ 12/ 2006	Increase	Decrease	Balance as at 31/ 12/ 2007	Increase	Decrease	Balance as at 31/ 12/ 2008
Number of shares	100	10	0	110	0	0	110
Basic capital	35 400	35 400	0	70 800	0	0	70 800
Share premium	0	757 520	0	757 520	0	0	757 520
Differences arising from revaluation of assets and liabilities	9 124	0	-1 320	7 804	201 314	-45 790	163 328
Legal reserve fund	7 080	7 080	0	14 160	0	0	14 160
Other funds	19 923	0	0	19 923	0	0	19 923

Following the sole shareholder's decision executing the powers of the general meeting dated 11 July 2007 the basic capital was increased by CZK 35,400 thousand, the share premium account was increased by CZK 757,520 thousand and the legal reserve fund was increased by CZK 7,080 thousand.

Other funds created from profit are restricted to cover contingent significant portfolio losses.

Differences arising from the revaluation of assets and liabilities as at 31 December 2008 arose due to the revaluation of the share in ČSOB SK, the fair value of which was determined on the basis of an expert opinion. As at 31 December 2007, the difference arose due to the revaluation of the ownership interest in the equity of the subsidiary. As at 31 December 2008 and 31 December 2007, balances include the revaluation of interests in subsidiaries amounting to CZK 201,314 thousand and CZK 2,219 thousand, respectively and related deferred tax of CZK 45,790 thousand and CZK 1,980 thousand (see Note 14), respectively.



The Annual General Meetings held on 25 August 2008 and 22 August 2007, respectively, approved the following profit distribution for 2007 and 2006 (in th. CZK):

Profit for 2006	80,835	Profit for 2007	145,868
Allocation to -		Allocation to -	
legal reserve fund	0	legal reserve fund	0
other funds	0	other funds	0
Dividends and profit distribution	(494 181)	Dividends and profit distribution	(141 911)
Other	0	Other	0
Undistributed profits added to retained earnings	(80 835)	Undistributed profits added to retained earnings	(145 868)
Retained earnings at 31/ 12/ 2007	0	Retained earnings at 31/ 12/ 2008	3 957
Accumulated loss at 31/ 12/ 2007	0	Accumulated loss at 31/ 12/ 2008	0

On 28 November 2008, the Company paid dividends for the year 2007 totalling CZK 141,911 thousand to the sole shareholder. On 14 December 2007, the Company paid dividends for the year 2006 totalling CZK 494,181 thousand to the sole shareholder.

11. Provisions

The movements in the provision accounts were as follows (in th. CZK):

Provisions	Balance as at 31/ 12/ 2006	Additions	Deductions	Balance as at 31/ 12/ 2007	Additions	Deductions	Balance as at 31/ 12/ 2008
For litigation	38 387	0	-38 387	0	0	0	0
Other	958	344	0	1 302	4	0	1 306

Other provisions are created for the purposes of vacation claim not used by the Company staff.

12. Current liabilities

Current trade payables amounted to CZK 5,598,192 thousand and CZK 5,218,905 thousand as at 31 December 2008 and 31 December 2007, respectively. It is a general corporate policy to pay liabilities as they become due and therefore no overdue liabilities exist.

As at 31 December 2008, the Company reports CZK 567 thousand of payables due for social security and health insurance. As at 31 December 2007, the Company reports CZK 775 thousand of payables due for social security and health insurance.

Unbilled deliveries include particularly costs for receivable insurance, energy consumption, interest on loan, wage and salary costs and contributions to social and health schemes.

Payables to related parties (see Note 17).

13. Bank loans and borrowings

	Due date	Currency	2008		2007		
			Total limit	Amount in foreign currency	Amount in CZK	Amount in foreign currency	Amount in CZK
Bank loans							
Československá obchodní banka, a.s.	30/ 1/ 2009	EUR		33 000	888 690	27 400	729 388
		USD		5 200	100 599	1 400	25 309
		CZK		0	1 370 000	0	1 450 000
		SKK		289 336	258 478	0	0
Total bank loans			3 700 000		2 617 767		2 283 356
Overdrafts							
Československá obchodní banka, a.s.	27/ 8/ 2009	EUR		1 836	49 439	701	18 661
		USD		366	7 082	354	6 400
		CHF		339	6 163	339	5 445
		GBP		4	130	0	0
		SKK		21 4108	18 857	9 480	9 480
		PLN		125	811	6	45
		CZK		0	213 350	0	128 835
ČSOB SK	30/ 9/ 2009	SKK		2 469	2 206	0	0
Oberbank AG Czech branch	30/ 9/ 2009	CZK		0	3 380	0	2 658
Total overdrafts (Note 8)			518 934		301 418		169 550
Borrowings						0	
Bills of exchange		CZK	300 000	0	0		300 000
Total			4 518 934		2 919 185		2 674 247
Less current portion					2 919 185		2 507 355



14. Income tax

	2008 in th. CZK	2007 in th. CZK
Profit before taxes	129 124	207 201
Non-taxable revenues	-7 615	-26 227
Differences between book and tax depreciation	109	940
Non-deductible expenses		
Creation of allowances	15 804	16 035
Creation of provisions	4	-38 043
Other (e.g. entertainment expenses, shortages and losses)	43 155	7 329
Taxable income	180 581	167 235
Current income tax rate	21 %	24 %
Tax		
Prior year tax adjustments	37 884	40 099
Current tax expense	37 884	40 099

As at 31 December 2008 the Company reported no tax underpayments.

The Company quantified deferred taxes as follows (in th. CZK):

Deferred tax items	2008		2007	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	0	79	0	166
Other temporary differences:				
Allowance against receivables	11 331	0	6 290	0
Allowance against inventory	395	0	434	0
Long-term Financial Assets	0	47 770	0	1 980
Provisions	261	0	273	0
Tax loss carryforward	0	0	0	0
Total	11 987	47 849	6 997	2 146
Net		35 862	4 851	

The Company recorded a net deferred tax liability of CZK 35,863 thousand in 2008. In 2007 the Company recorded a net deferred tax asset of CZK 4,851 thousand.

A change in deferred tax liability resulting from the revaluation of interest in the subsidiary totalling CZK 45,790 thousand was recorded in equity as part of the revaluation adjustment (see Note 10). A change in deferred tax asset resulting from other temporary differences totalling CZK (5,077) thousand was recorded in the income statement, in caption Tax on income from ordinary activities - deferred.

15. Revenues

The breakdown of revenues from ordinary activities is as follows (in th. CZK):

	2008		2007	
	Domestic	Foreign	Domestic	Foreign
Factoring fees	142 504	10	136 677	4
Interest received on factoring	256 755	16	206 809	202
Total revenues	399 259	26	343 486	206

16. Personnel and related expenses

The breakdown of personnel expenses is as follows (in th. CZK):

	2008		2007	
	Total personnel	Members of managerial bodies	Total personnel	Members of managerial bodies
Average number of employees	46	13	44	13
Wages and salaries	32 338	19 283	29 666	16 951
Social security and health insurance	9 090	4 439	9 662	5 111
Social cost	1 549	437	1 500	602
Total personnel expenses	42 977	24 159	40 828	22 664

The members and former members of statutory and supervisory bodies received total bonuses and other remuneration of CZK 2,983 thousand and CZK 2,463 thousand in 2008 and 2007, respectively.

Members of the Board of Directors and senior managers may use company cars for private purposes.



17. Related party information

Short-term receivables from related parties as at 31 December were as follows (in th. CZK):

Related party	Terms/Due dates	2008	2007
Eurincasso s.r.o.	31/ 1/ 2009	67	326

The Company purchases products and receives services from related parties in the ordinary course of business. Purchases were CZK 134,368 thousand and CZK 90,644 thousand in 2008 and 2007, respectively.

Short-term payables to related parties as at 31 December were as follows (in th. CZK):

Related party	Terms/Due dates	2008	2007
Eurincasso, s.r.o.	31/ 7/ 2009	3 000	1 600
Československá obchodní banka, a.s.	7/ 2/ 2009	128	1

The Company drew loans provided by its parent company totalling CZK 2,913,599 thousand and CZK 2,371,589 thousand as at 31 December 2008 and 31 December 2007, respectively (see Note 13). Total interest relating to these loans was CZK 128,182 thousand and CZK 86,176 thousand in 2008 and 2007, respectively.

As at 31 December 2008 and 31 December 2007, the Company has current accounts with the balance of CZK 660 thousand and CZK 771 thousand deposited with its parent company.

18. Fair value hedge

As at 31 December 2008, the Company commenced fair value hedge accounting due to the change of foreign exchange rates of its financial investment in ČSOB SK's basic capital denominated in SKK (see Note 4c). A loan provided by Československá obchodní banka, a.s. also denominated in SKK, serves as the hedging instrument. The fair value hedge is outlined as dynamic; the value of the hedging instrument will be adjusted in accordance with revaluation of the hedged share in ČSOB SK's basic capital. At the hedge commencement, the value of the hedged share and the hedging instrument was CZK 229,093 thousand. The hedging was tested and assessed as effective.

With respect to the existence of foreign exchange risk hedge of the share in the ČSOB SK's basic capital, the hedged foreign exchange gain or loss is charged or credited, as appropriate to income for the year and is not recorded in equity through revaluation of assets and liabilities.

Revaluation of items hedged against fair value change reported in the income statement was CZK (29,483) thousand and CZK 0 thousand in 2008 and 2007, respectively. Gains/losses, net, resulting from fair value hedge instruments reported in the income statements amounted to CZK 29,385 thousand and CZK 0 thousand in 2008 and 2007, respectively.



19. Significant items of income statement

Fees paid to statutory auditors as at 31 December:

Services	2008	2007
Statutory audit	643	532
Other audit services	0	0
Tax advisory	0	0
Other non-audit services	0	0
Total	643	532

20. Subsequent events

There were no significant subsequent events, which would affect the accompanying financial statements.

21. Statement of cash flows (see appendix 1)

Cash flow statement was prepared under the indirect method.

Prepared on:	Signature of accounting unit's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements(name, signature):
13 March 2009	Ing. Tomáš Morávek	Hynek Krejčí	Hynek Krejčí



Report of the Board of Directors of ČSOB Factoring, a.s., on Relations between Related Entities

pursuant to the provisions of Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended

1. Controlled entity

ČSOB Factoring, a.s.

Prague 10, Vinohrady, Post Code 101 00, Benešovská 2538/40

Identification No.: 45794278

Registered in the Commercial Register maintained

by the Municipal Court of Prague, Section B, File No. 1647

(hereinafter „ČSOB Factoring“)

2. Controlling entity

Československá obchodní banka, a.s.

Prague 5, Post Code 150 57, Radlická 333/150

Identification No.: 00001350

Registered in the Commercial Register maintained

by the Municipal Court of Prague, Section B XXXVI, File No. 46

(hereinafter „ČSOB“)

3. Reference period

This report describes the relations between the related entities pursuant to Section 66a of the Commercial Code for the latest accounting period, i.e. for the period from 1 January 2008 to 31 December 2008

(hereinafter the „Reference Period“)

4. Relations between the related entities

The following relations took place in the Reference Period between ČSOB Factoring and the entities mentioned below:



1. Československá obchodní banka, a.s., Identification No.: 00001350, registered office: Prague 5, Radlická 333/150

Counter-performances based on the agreements concluded before the Reference Period:

Contract title	Counter-performance	Detriment
Agreement on Factoring Transaction Risk Sharing	transaction risk sharing	not incurred
Agreement on the Authorization of Payment Orders Sent by Fax	banking service	not incurred
Financing Agreement	granted amount / credit	not incurred
Agreement on the Provision of Banking Services through OB MULTICASH	banking service	not incurred
Agreement on the Provision of Banking Services to Provide Electronic Administration of Assigned Claims through the Operator's VAN	banking service	not incurred
Agreement on the Provision of Banking Services Based on Electronic Data Exchange incl. amendment	banking service	not incurred
Agreement on the Provision of the EDIFACT Electronic Payment System	service – system of payment	not incurred
Agreement on the Provision of Unidirectional Real Cashpooling incl. amendment	banking service	not incurred
Agreement on the Hire of a Safe Deposit Box	service – hire	not incurred
Agreement on the Closing and Settlement of Exchange Transactions	purchase / sale of currency	not incurred
Agreement on the Provision of the Bill of Exchange Scheme	trading of bills of exchange	not incurred
Annex to the Agreement on the Provision of the Bill of Exchange Scheme	trading of bills of exchange	not incurred
Mandate Contract	contractual fees	not incurred
Agreements on Current Account	service with account keeping	not incurred
General Agreement on Foreign Exchange Transactions	purchase / sale of currency	not incurred
Agreement on Granting Credits	granted amount / credit	not incurred
Co-operation Agreement – Employees' Benefits	employees' benefits	not incurred
Agreement on Deposit Accounts with Fixed Term Deposits	setting up deposits	not incurred
Annex to the Agreement on Current Account	service with account keeping	not incurred
Termination of the Agreement on the Provision of Service of ČSOB Electronic Payment System – ČSOB EDIFACT 2		not incurred
Agreement on the Provision of Service of ČSOB Electronic Payment System	banking services	not incurred
Remuneration Agreement on Guarantee	promise of reimbursement	not incurred
Annex to the Agreement on the Provision of Unidirectional Real Cashpooling incl. amendment	banking service	not incurred
Agreement on the Lease of Non-residential Premises No. 7100000593	non-residential premises	not incurred
Agreement on the Lease of Non-residential Premises No. 7100000682	non-residential premises	not incurred
Credit Agreement No. 1374/07/06085	granted amount / credit	not incurred
Credit Agreement No. 1430/07/06085 incl. amendent	granted amount / credit	not incurred
Agreement on the Authorization of Client's Documents Sent by Fax No. 1431/07/06085	service	not incurred
General Agreement on Foreign Exchange Transactions No. 1504/07/06085	banking services	not incurred



Agreements concluded in the Reference Period:

Title of agreement	Counter-performance	Detriment
Agreements on Current Account	service with account keeping	not incurred
Agreement on Provision of Settlement and Administration of Foreign Securities	service	not incurred
Contract for Mutual Cooperation with Settlement of Securities Including Money Transfer Check Sending by Fax	service	not incurred
Agreement on Providing Services in the Area of Information Systems and Technologies	service	not incurred

Other legal acts:

Legal Act
Resolution of the Sole Shareholder on Approval and Distribution of Profit for the year 2007
Resolution of the Sole Shareholder on Payment of the Dividend

2. Eurincasso, s.r.o., Identification No.: 61251950, registered office: Prague 10, Vinohrady, Benešovská 2538/40**Counter-performances based on the agreements concluded before the Reference Period:**

Title of agreement	Counter-performance	Detriment
Mandate Contract	service - debt collection	not incurred
Agreement on the Provision of Services in Bookkeeping	contractual fee	not incurred
Agreement on Lease of Non-residential Premises	contractual rent	not incurred
Loan Contracts incl. amendment	granted amount	not incurred

Agreements concluded in the Reference Period:

Title of agreement	Counter-performance	Detriment
Annex to the Loan Contract	granted amount	not incurred

3. ČSOB Pojišťovna, a.s., člen holdingu ČSOB, Identification No.: 45534306, registered office: Pardubice – Zelené předměstí, Masarykovo náměstí 1458**Counter-performances based on the agreements concluded before the Reference Period:**

Title of agreement	Counter-performance	Detriment
Insurance policy – motor third-party liability insurance	insurance	not incurred
Insurance policy – motor hull insurance	insurance	not incurred
Agreement on settlement of contributions on life assurance for group of employees' insured by ČSOB Pojišťovna a.s.	life assurance	not incurred
Insurance policy – property insurance	insurance	not incurred
Agreement on co-operation (providing benefits in ČSOB Group)	insurance	not incurred

Agreements concluded in the Reference Period:

Title of agreement	Counter-performance	Detriment
Insurance policy – motor third-party liability insurance	insurance	not incurred
Insurance policy – motor hull insurance	insurance	not incurred

4. ČSOB Penzijní fond Stabilita, a.s., člen skupiny ČSOB, Identification No.: 61859265, registered office: Prague 5, Radlická 333/150**Counter-performances based on the agreements concluded before the Reference Period:**

Title of agreement	Counter-performance	Detriment
Agreement on co-operation (providing benefits in ČSOB Group)	pension insurance	not incurred

5. ČSOB Penzijní fond Progres, a.s., člen skupiny ČSOB, Identification No.: 60917776, registered office: Prague 5, Radlická 333/150**Counter-performances based on the agreements concluded before the Reference Period:**

Title of agreement	Counter-performance	Detriment
Agreement on co-operation (providing benefits in ČSOB Group)	pension insurance	not incurred

6. PATRIA Online, a.s., Identification No.: 61859273, registered office: Jungmannova 745/24, 110 00 Praha 1**Agreements concluded in the Reference Period:**

Title of agreement	Counter-performance	Detriment
Services Provided on Server	service	not incurred

7. Československá obchodná banka, a.s., Identification No.: 36854140, registered office: Michalská 18, 815 63 Bratislava, Slovakia**Agreements concluded in the Reference Period:**

Title of agreement	Counter-performance	Detriment
Agreement on Overdrafts	granted amount	not incurred

In addition to the above-mentioned relations, the related entities provided between themselves public domain information and/or – by way of law – information required to meet the obligations stipulated by law.



8. Conclusion

The Board of Directors of ČSOB Factoring hereby states that it has taken the care of a good manager when ascertaining the group of related entities for the purposes of this Report, in particular by asking the entity controlling ČSOB Factoring about the group of entities controlled by this entity.

The Board of Directors of ČSOB Factoring believes that the pecuniary performances and counter-performances in the relations between the related entities mentioned herein have been effected at prices customary in business transactions in relation to other non-related entities, that no advantages or disadvantages have been provided and that no detriment has resulted for the controlled entities mentioned herein.

Prague, 13 March 2009

ČSOB Factoring

Ing. Tomáš Morávek, chairman of the Board of Directors and General Director of ČSOB Factoring

Ing. Jiří Hofta, member of the Board of Directors of ČSOB Factoring

Ing. Jindřich Horák, member of the Board of Directors of ČSOB Factoring

