

The cover features a dark blue background with a grid of small dots. Overlaid on this are several financial graphics: a bar chart with five blue bars of varying heights, a line graph with a red line and a blue line, and various currency symbols including the Euro (€), Dollar (\$), and Yen (¥). A large, semi-transparent blue shape, resembling a stylized 'A' or a wave, is positioned in the center, containing the text.

# ANNUAL REPORT 2019

AKCENTA CZ a.s.

akcenta

forex and payments

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

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# Opening Remarks from the Company Director

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Dear Ladies and Gentlemen:

This is perhaps the most difficult time I have ever had writing a foreword to an annual report. The coronavirus pandemic has impacted the entire world and is testing its stability. Unprecedented measures taken are now testing our economic and social ties to the core. The world is being tried in unseen ways and it is now clear that 2020 will show us what we are made of. But let's go back to 2019, which is summarized in this annual report for AKCENTA CZ. 2019 can be considered a successful year. Net profit of 22.6 million CZK does not rank among the record levels that AKCENTA CZ has achieved; however, it does match our expectations given planned investments in further expansion, in improving our internal systems and in planned acquisitions. I find these results achieved to be respectable for three reasons. The first is the certain, gradual slowing down of the economy that could already be seen in the second half of 2019. This translated, for example, into a lower number of orders for

several of our clients. That resulted, on one hand, in a higher number of trades, but, on the other hand, they were smaller trades on average. We were able, however, to compensate for the overall slight drop in trade volumes for our key clients with a highly successful acquisition that saw our number of new clients grow year-on-year by 9%. By the end of the year, we were nearing the 40,000 client mark. We also celebrated successes on individual foreign markets where we made the most of our sales potential and continued to grow. For example, on the Romanian market, our clients completed trades with us for a volume that was 34% bigger year-on-year. We also did well in the field of derivative transactions, where we benefit from our lead over non-bank competition and our consistent education of small- and medium-sized businesses, who have come to understand that hedging makes sense. In Hungary, we provided twice the volume of hedging, and we even saw growth in this area on the relatively conservative Polish market. The until now stagnating Slovak market also did well. Its overall 19% growth can be attributed to a key personnel change. And the trend that has been set there bodes well for coming years.

The second reason why I consider our results achieved to be good is the fact that we had to deal rather quickly with changes to some of our partner banks. In the middle of the year, those institutions made somewhat unexpected moves (despite until that time having problem-less relationships with us) to end our long-lasting cooperation. Unfortunately, in some cases, they were overcome by fears, exacerbated by our competitors, of the fact that we are successful not only on the Czech market, but also on other European markets. However, we were able to sort out the situation quickly by forging new partnerships with other key players on the financial market; and given our strategy for greater diversification, this included also non-bank subjects.

The third reason why I feel 2019 was a good year was the completion of a more difficult than expected acquisition that will enable us, by mid-2020, to offer a further financial product much sought after by our clients. We also invested significantly into full e-signatures for our contract documents and for setting up remote contracts with new clients. This does not mean, however, that we are heading down a „digital

only" path. Our network of sales representatives – who know our clients and are able to advise them quickly, help them, and find them suitable solutions – will remain a key aspect of our business. They play a critical role in our success, and our personalized approach to our clients is what sets us apart from our competitors. I owe a big thank you to our more than 100 colleagues in our sales network. I would also like to thank all our

partners without whose excellent work we would not be able to maintain our position as market leader. Likewise, our clients' trust also helps us maintain our top spot and we are equally thankful for that.

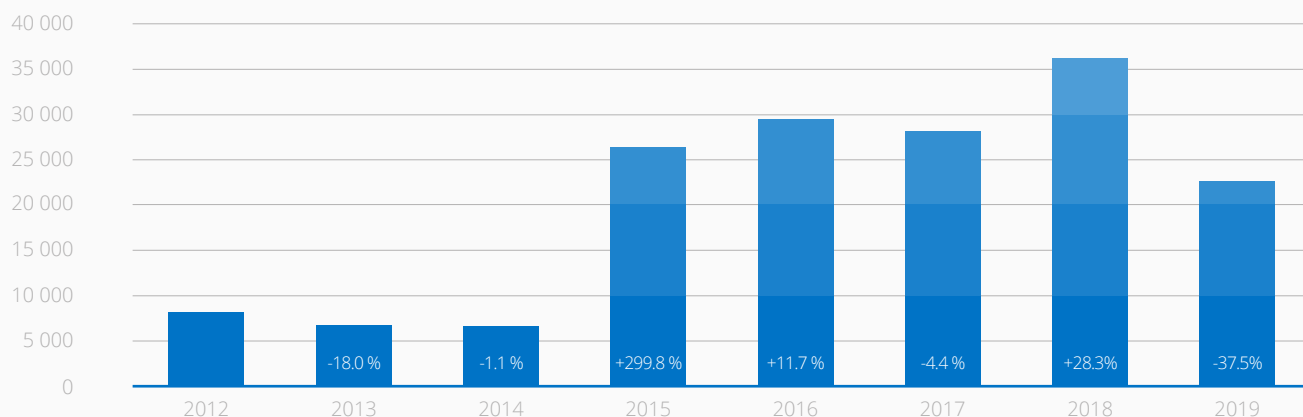
At the start of these remarks, I wrote about the test that we are all going through. I sincerely believe that we will pass it together successfully.



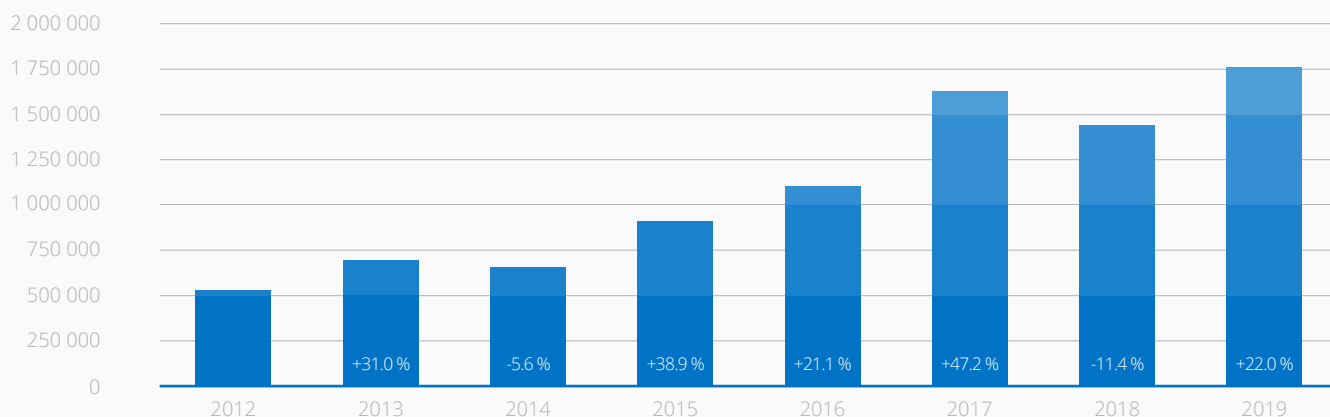
Milan Cerman  
Chairman of the Board of Directors

# Key Performance Indicators

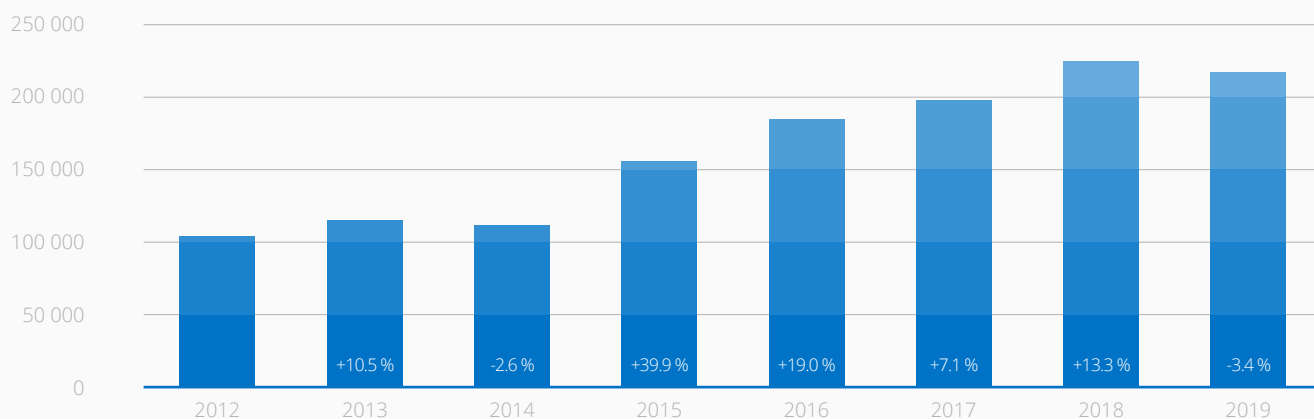
## Trends in After-Tax Economic Results (in thousands of CZK)



## Evolution of Balance Sums (in thousands of CZK)



## Evolution of Financial Business Results (in thousands of CZK)



# Most Important Events of 2019

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Launching active participation on the German market



Continuing the development of our new trading system



Beginning a project to expand our product portfolio to include invoice factoring



Onboarding of all employees from AKCENTA LOGISTIC a.s.

# Important Events Occurring after the Closing of the Fiscal Year

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In March 2020, completed the 100% acquisition of True Finance s.r.o., a provider of community (peer-to-peer) invoice financing services.

On 11 March 2020, the World Health Organization (WHO) declared the spread of the coronavirus to be a pandemic, and on 12 March 2020, the Czech government declared a state of emergency. Public administrative bodies in the Czech Republic, in reaction to the potentially serious threat that the COVID-19 virus presents to public health, adopted measures to stop the spread of the pandemic. The latter had significant economic impact.

The broader economic impacts of these events include the following:

- Disruption of entrepreneurial and economic activity in the Czech Republic with subsequent impact on lower and higher supply chain levels;
- Significant disruption of business activities in specific segments both in the Czech Republic and on markets that are notably dependent on foreign supply chains, as well as for export-oriented businesses dependent on foreign markets. Impacted segments include trade and transportation, travel and tourism, entertainment, construction, retail, insurance, education, and the financial sector;
- Growth in economic uncertainty which is reflected in fluctuating asset prices and exchange rates.

With an aim to ensure uninterrupted operations, the Company introduced a number of measures. They include

- Implementation of all essential technical measures that currently enable home office set-ups for the vast majority of Company employees;
- Discontinuation of all activities that involve personal contact between employees and clients, e.g. trainings, conferences, business travel;
- Securing of essential protective and hygienic materials for employees who, due to their work obligations, carry out their jobs in the Company's workspace.

The Company management works on the premise that the above-described events relating to COVID-19 attest to conditions having arisen after the date of closing this financial report. Thus, the events do not call for, beyond their publication, any adjustments to the financial report for the fiscal year ending 31 December 2019.

Even though at the time of compiling this financial report, the Company management did not record or notice a drop in earnings, it still very carefully monitors the changing circumstances and assesses potential impacts. The latter, however, cannot, in light of this unprecedented situation, be fully predicted. Should it be necessary, the Company management is prepared to take all steps possible to mitigate any negative effects on the Company and its employees.

The Company management has weighed all potential impacts of COVID-19 on its activities and business and has arrived at the conclusion that they will not have significant impact on assumptions for the uninterrupted continuation of the business; an assumption based on which this financial report dating up to 31 December 2019 is based. The Company will be able to continue its activities.

# Company Developments in 2020

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Development of the company on the German market



Further development and consolidation of the company's position in Visegrad country markets



Completing development and implementing new trading software



Acquisition and activation of True Finance s.r.o., a provider of community (peer-to-peer) invoice financing



# Company Profile

## Basic Company Characteristics (as of 31 December 2019)

Company Name	AKCENTA CZ a.s.
Headquarters	Salvátorská 931/8 110 00 Praha 1 Czech Republic
Operations Centre	Nerudova 1361/31 500 02 Hradec Králové 2 Czech Republic
Organizational ID No.	251 63 680
Tax ID No.	CZ 251 63 680
Registration Court	Municipal Court in Prague, Section B, Entry 9662
Date of Registration	16 June 1997
Share Capital	24 030 000 CZK
Stocks	Not publicly traded
Statutory Body	Board of Directors
Number of Employees	88 employees, 3 board members

## DEFINITION OF CONSOLIDATION UNIT

AKCENTA CZ a.s. is the parent company of the following corporate entities

Company Name	Headquarters	Share of Basic Capital (%)			
		31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
NERUDOVA property s.r.o.	Gočárova třída 227/50 Pražské Předměstí 500 02 Hradec Králové	100	100	100	100

# Products and Services

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## **PAYMENT TRANSACTIONS WITH CURRENCY EXCHANGE (CURRENCY SALES/SWAPS)**

Spot currency sales (swaps) that include the purchase and sale of currencies with settlement within 2 working days at the latest.

## **PAYMENT SERVICES (DOMESTIC AND FOREIGN PAYMENTS)**

This includes the processing and realization of domestic and foreign payments per clients' requirements. The advantage for our clients is first and foremost the price affordability of our services, the quickness of processing and reliability.

## **INSURING CURRENCY RISKS THROUGH TERM OPERATIONS**

Forward, swap and option trades – trades with longer due dates than for currency spot trades; this serves to mitigate risks deriving from future exchange rate movements.

## **FURTHER SERVICES**

On-line broker (OLB) platform

- It offers clients the option to convert funds at online currency exchange rates, to file and modify fixed orders in order to monitor exchange rates and to realize transactions automatically and nonstop, to send and accept payments both to and from abroad at advantageous terms, to issue permanent and bulk payment orders, to manage trade partners, to generate ad hoc statements, etc.

Dealing limit

- Based on an assessment of financial statements, it is possible to set up a framework agreement for a zero-limit for collateral; this for the full or partial compensation for the blocking of funds needed to carry out term operations.

Orders

- Non-binding call orders or automatic trading when the set exchange rate is achieved (fix orders).

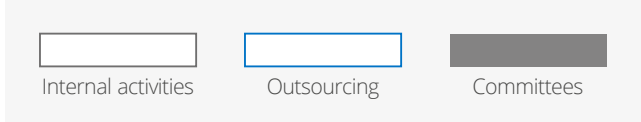
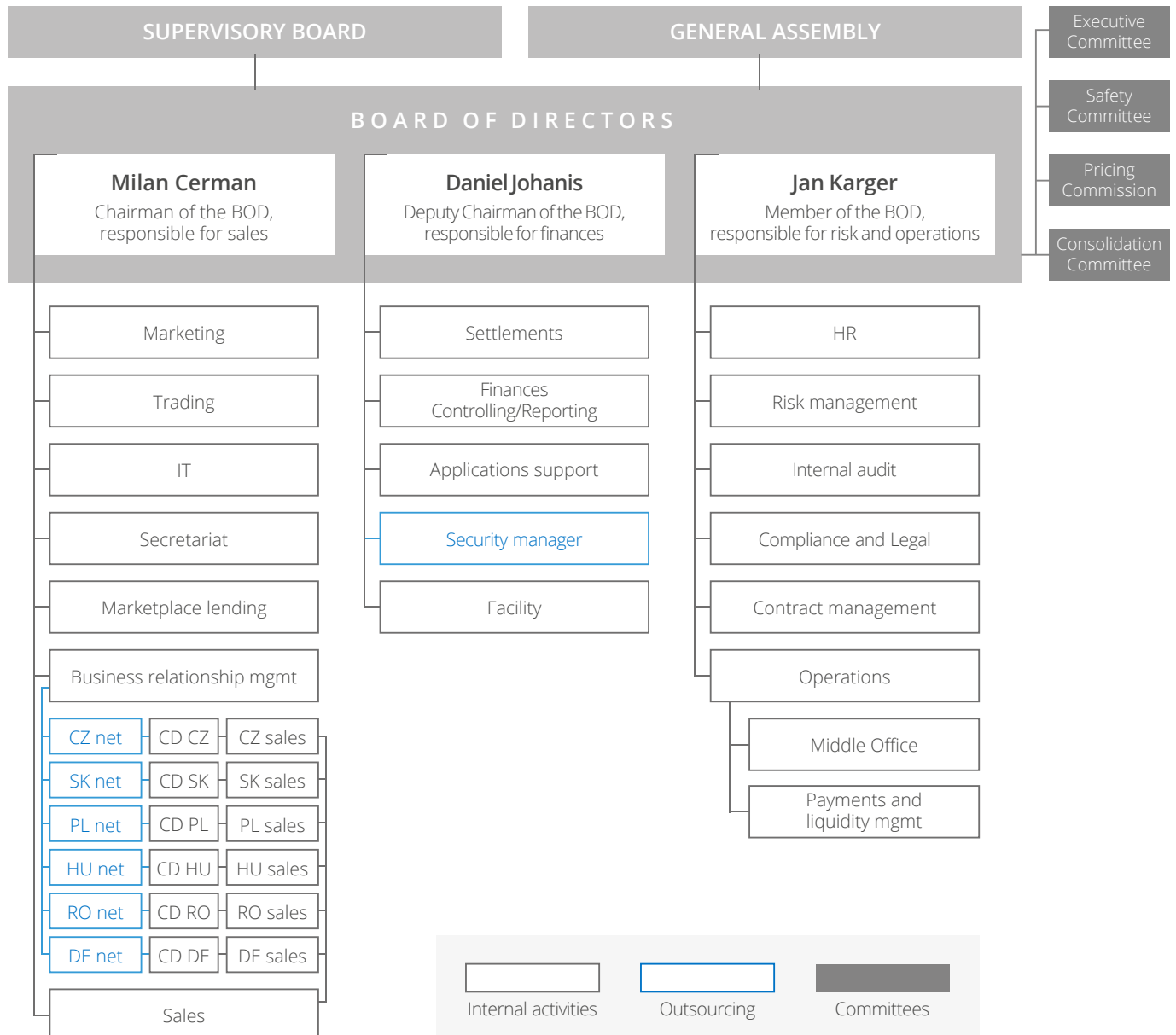
Notice

- AKCENTA CZ a.s. added the new AVÍZO (NOTICE) product to its service offer. This product significantly expedites processing payments, even in cases where a payment is done at a bank where AKCENTA CZ a.s. does not have a bank account.

Other services include a free-of-charge information service for clients (research) – dispatch of daily and weekly reports, dispatch of news on current exchange rates when significant movements on the market occur.

# Organizational Structure

AKCENTA CZ a.s. organizational structure (as of 31 December 2019)



# Statement on Risks Undertaken and Indicators

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## 1) STATEMENT ON RISK UNDERTAKEN

AKCENTA CZ a.s. (hereafter „Company“) is a hybrid institution as defined by the Decree No. 7/2018 Coll. on certain conditions for performing activities by payment institutions, information management for payment accounts, providers of small-scope payment services, e-money institutions and small-scope e-money issuers. It has a payment institution license and also a securities trading license as per the Act No. 256/2004 Coll. Based on these authorizations, the Company is obligated to manage all risks related to the trading environment wherein it operates. The Company conscientiously adheres to all relevant regulatory requirements placed on hybrid institutions operating based on relevant laws and regulatory requirements in the area of risk management. The Company regularly checks its risk management system against newly-adopted laws in the Czech Republic, with new legal norms and with CNB recommendations. It monitors the updating of regulations with an aim to improve the risk management system in relation to development of its business activities, the state of the legal and economic environment, development of IT and analytical tools.

Per regulations for payment institutions according to Decree 7/2018 Coll., the Company uses Approach C to calculate legally-regulated capital requirements.

Per Decree No. 163/2014 Coll., the Company uses the following approaches and means to determine capital requirements:

### Market risk

The main market risk in the Company environment is monetary (currency) risk stemming from open positions in foreign currencies. The Company does not trade instruments that would cause a stock, commodities, or other market risk. The Company does not acquire instruments with an aim to hold them short term and then sell them (short sales) or with an aim to take advantage of current or expected short-term price differences between purchase and selling prices or other price movements or interest rate fluctuations. The Company has chosen a standardized approach for managing market risk.

Monetary (currency) risk is managed as follows:

- a) through careful and efficient management of open currency positions (OCPs),
- b) by establishing stop/loss limits,
- c) by establishing (and checks on) internal limits for the maximum amount of open currency positions.

These limits and limitations are set for monetary (currency) risk:

- a) establishing (and checks on) internal limits for maximum OCP amounts,
- b) establishing of a daily limit for maximum allowable stop/loss limits.

### Credit risk

The Company does not undertake, to any substantial degree, credit risk as part of its activities. This is because settlement of currency trades agreed with clients always takes place once financial resources from clients arrive on the Company's bank account. An exception is the provision of short-term credit lines. The Company provides short-term loans based on notices from select clients in relation to provision of payment services.

The purpose of this product is to cover the time lag that occurs when sending funds; especially, for clients who do not have accounts at the same banks as the Company. The purpose of providing these loans is to expedite payment services for select clients.

The Company's credit risk is also tied to deposits of its own, and client finances, at banks. This risk is managed by setting limits approved by the Company's Board of Directors.

Credit risk for the counterparty can result from derivative trades. In the majority of cases, the Company requires collateral from clients; this mainly in the form of cash deposits on the Company accounts. This reduces risk significantly. For clients with a high scoring, the Company does not request, to a limited degree, collateral. The Company assesses its clients based on an internal scoring model. The Company opted for market appraisal as a means of calculating risk-related capital requirements for counterparties. Based on a statement by the Czech National Bank (CNB), the Company reduces its credit risk through recognition of agreements on financial collateral and recognition of agreements on final settlements per the European Parliament and Council Directive (Resolution) 575/2013. The Company's credit risk is also tied to the deposits it holds, and client finances, at banks. This risk is managed by setting limits approved by the Company's Board of Directors.

## Operational risk

The Company defines operational risk as the risk of loss of influence/control arising from inadequate or failed internal processes, due to the human factor or systems, and the risk of loss of control due to external factors, including risks arising from the breach or non-fulfilment of requirements in legal norms.

As part of its risk management, the Company uses processes that can be characterized by phases: identification, communications, risk management, risk monitoring including checks on fulfilment of preventive and other measures for mitigating individual types of risk.

The Company uses the following processes to identify operational risk:

- a) management and control systems;
- b) risk maps;
- c) a database of operational incidents;
- d) internal and external audits.

The Company uses the following methods to limit operational risk:

- a) reducing risk through improved procedures, process changes, organization, introduction of limits and checks, use of technology;
- b) risk transfer through outsourcing or insurance;
- c) avoiding risk by eliminating activities that give rise to it.

The Company determines capital requirements based on overhead expenses.

## Liquidity risk

The Company defines liquidity risk as its ability to timely and properly fulfil its commitments to clients in terms of the realization of currency conversions and associated payment transactions. The Company has set up mechanisms that separate client funds from Company operating funds.

The Company has limited exposure to liquidity risk since most of the trades the Company has entered into with its clients are fully covered by client funds at the time of settlement. The Company's provision of credit under granted short-term credit lines represents a minimum liquidity risk. In this case, the Company is exposed to a short-term liquidity risk.

## 2) CAPITAL ADEQUACY INDICATORS AND OTHER RATIO INDICATORS

According to regulations in force, the Company has a duty to inform vis-à-vis regulators. The Company reports information regarding management, client assets, qualified participation, and other additional information on a monthly or quarterly basis. Since 2018, the Company has dispatched transaction reports on a daily basis.

The Company also quantifies its capital adequacy ratio, which it regularly presents to the CNB, through regular comparisons of the aggregate amount of capital requirements with its capital stocks. The Company's capital adequacy ratio indicates sufficient capital to ensure its business activities.

### Data on capital (thousands of CZK)

Aggregate information on terms (conditions) and main characteristics of capital and its components

Aggregate level of starting capital (Tier 1 component)	31 Dec. 2019
Basic capital	24 030
Emissions agio	140
Reserve funds, non-divided funds, and other funds (from profits)	28 002
Non-distributed profit/loss from prior period – audited	75 002
Intangible assets (besides goodwill) reduces Tier 1	18 751
Aggregate level of supplementary capital (Tier 2 component)	--
Aggregate level of capital for covering market risk (Tier 3 component)	--
Aggregate level of deductible items from starting and supplementary capital	--
AVA – Actuarial Value of Assets (caution filters)	72
<b>Aggregate level of capital after incorporating deductible items</b>	<b>108 351</b>

*All regulatory capital items are part of the audited financial statement.*

Data on capital requirements (in thousands of CZK)	31 Dec. 2019
Sum of capital requirements for credit risk	40 216
<i>for exposure to institutions</i>	31 253
<i>for business exposure</i>	5 639
<i>for retail exposure</i>	--
<i>for other exposure</i>	3 324
Sum of capital requirements for settlement risk	--
Sum of capital requirements for usage, currency, and commodity risk	465
Sum of capital requirements for operating risk	--
Sum of capital requirements based on operating costs	34 834
Sum of capital requirements for debt risk cost adjustments	679
Sum of capital requirements for trade portfolio engagement risk	--
Sum of capital requirements for other instruments in the trade portfolio	--
Sum of capital requirements – other and transitional	--
<b>Total amount of capital requirements</b>	<b>76 193</b>

**Capital ratios****31 Dec. 2019**

Capital ratio for Tier 1 (CET1) equity capital	11,376 %
Capital ratio for Tier 1 (T1) capital	11,376 %
<b>Capital ratio for total capital</b>	<b>11,376 %</b>

**Average OCP indicators****31 Dec. 2019**

Indebtedness I (total debt not including customer assets/assets without customer assets)	19,57%
Indebtedness II (overall debt not including customer assets/own capital)	30,26%
Rentability of ave. assets (ROAA not including customer assets)	10,41%
Rentability of ave. starting capital (ROAE)	20,96%
Rentability of turnover (after-tax profits/returns on investment services)	9,66%
Administrative costs per employee (in thousands of CZK)	1 856 Kč

# The Company as an Employer

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At AKCENTA CZ a.s. (hereafter „AKCENTA CZ“), we are aware that our success is based, alongside our long-standing traditions and provision of quality services, on the work of our employees and their professionalism. Indeed, thanks to them, we have been able to deliver high-quality services to our clients: services of a quality standard they rightfully expect from us.

We appreciate our employees, and their happiness is critical to us. As an expression of our gratitude, we offer them a package of company benefits, which we updated in 2019 and expanded to include more vacation days and a contribution to sports activities. We believe that we have been able to create a work environment where employees feel content. For us, being a good employer means fulfilling requirements from our employees as well as contributing to a healthy natural environment and a sustainable future.

Helping in social and environmental fields is, for us, an integral part of corporate social responsibility. Therefore, we have cooperated for a long time with the TyfloCentrum Hradec Králové, o.p.s. organization which provides services for persons with vision or sight impairments. We are also a partner to the Czech Golf Association for Handicapped Persons (CZDGA), which brings together players with health disabilities. We are well aware that in today's society it is not easy to recruit and retain quality employees. AKCENTA CZ makes its best efforts to be a good, reliable, and socially responsible employer that listens to its employees.





# Statement

## on Means of Setting Contributions to the Securities Brokers Guarantee Fund

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In the framework of providing investment services, AKCENTA CZ a.s. (hereafter referred to as „AKCENTA CZ“) offers its customers exclusive services for trading currency forwards, swaps and options. When concluding these contracts, AKCENTA CZ acts as the customer's counterparty. We believe that customer assets per § 128, paragraph 12 of the Act No. 256/2004, Coll., on Business Activities on the Capital Market, in its current version (the „Act“, „the CMA“) is money deposited as collateral to cover market risk („Collateral“) and the principal paid forward by the customer to the appropriate bank account during settlement of the forward.

In connection with entering into forward contracts with customers, AKCENTA CZ does not collect any fees or commissions from them. Revenues, which AKCENTA CZ generates in connection with the arrangement of forwards for customers, derive from the margin (spread) between the exchange rate, which is agreed with the customer as part of the agreed forward and the exchange rate, which AKCENTA CZ manages to obtain on the interbank market as part of transactions that are concluded as open positions when negotiating forward contracts with customers.

Under § 129, paragraph 1 of the CMA, securities brokers are obliged to pay an annual contribution of 2% of the

proceeds from fees and commissions received for providing investment services during the past calendar year to the Guarantee Fund. Given the above-stated fact that AKCENTA CZ does not collect any fees or commissions from its customers for providing investment services, nor does it report any fees for providing investment services in its accounting records, the basis for determining the amount of the contribution under § 129, paragraph 1 is null.

AKCENTA CZ therefore pays an annual contribution of 10,000 CZK per § 129, paragraph 2 of the CMA.

Due to forwards' nature as derivative transactions, the volumes of funds deposited by clients as collateral on their bank accounts are very small. The period for which they are deposited to the account for the settlement of forward contracts is also minimal. For these reasons, we believe that the risk of failure of a particular broker in the spirit of § 130 of the CMA and the inability to reclaim customers' assets is relatively low: especially when compared to trading in securities or to portfolio management. For this reason, the amount of our contribution to the Guarantee Fund has been set up for the minimum allowable amount per § 129, paragraph 2 of the CMA: thus corresponding with the low risk of inability to release client's assets in the spirit of § 130 of the CMA.

AKCENTA CZ duly pays contributions to the Securities Brokers Guarantee Fund per § 129, paragraph 2 of the Act No. 256/2004, Coll.

# Report on Relations

## Between Controlling and Controlled Entities and on Relations Between the Controlled Entities and Other Entities Controlled by the Same Controlling Entity During the 2019 Accounting Period

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The AKCENTA CZ a.s. Board of Directors has prepared, per the requirement in § 82, par. 1, of the Act No. 90/2012, Coll. on Commercial Companies and Cooperatives in its valid version, this Report on Relations with **the Controlling Entity, Mr. Milan Lacina**, born 3 June 1956, with permanent residence at Bližná St. No. 186, 382 26 Černá v Pošumaví (hereafter referred to as „controlling entity“)

and

**the controlled entity, AKCENTA CZ a.s.** with headquarters at Salvátorská 931/8, Staré Město, 110 00 Prague 1, Org. ID No. 25163680, recorded in the commercial registry administered by the Municipal Court in Prague, section B, entry 9662 (hereafter referred to as „controlled entity“ or „ACZ“), for the 2019 fiscal year.

Related entities up to the date of 31 Dec. 2019 include the controlled entity, the controlling entity, and the following entities:

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**AKCENTA GROUP SE, Org. ID No.: 282 52 900,**  
headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter „AG“)

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**NERUDOVA property s.r.o, Org. ID No.: 041 51 640,**  
headquartered at Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové (hereafter "NP")

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**PROAKCENT a.s., Org. ID No.: 288 07 596,**  
headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter "P")

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**AKCENTA LOGISTIC a. s., Org. ID No.: 288 07 588,**  
headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter "AL")

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**KLM Property s.r.o., IČ: 087 52 893,**  
headquartered at Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové (hereafter "KLMP")

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**ODP Invest s.r.o., IČ: 087 52 974,**  
headquartered at Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové (hereafter "ODPI")

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**AKCENTA finanční a investiční a.s., Org. ID No.: 273 81 471,**  
headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter "AFI")

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**Československé úvěrní družstvo, Org. ID No.: 649 46 851,**  
headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter "ČSUD")

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The business share amounts of the controlling entity in the aforementioned companies as of 31 Dec. 2019 is as follows: AG – 90.42%, NP – 90.42% (indirect share), P – 100%, AL – 100%, KLMP – 90.42 % (indirect share), ODPI – 90.42% (indirect share), AFI – 81.38% (indirect share), and ČSÚD – 78.23% (indirect share).

This report contains information on what contracts have been concluded between the controlled entity and the related entities during the 2019 fiscal year. It also states what other legal acts were made between the related entities in their interest and provides information on all other measures taken or implemented in the interest or at the behest of these entities by the controlled entity.

The report is issued in writing and is part of the annual report per a special legislative norm.

## CONCLUDED CONTRACTS AND AGREEMENTS

Trade relations between the controlled entity and the related parties during the 2019 fiscal year were governed by the following contracts:

AKCENTA CZ X ČSUD	Contract on Rental of Commercial Premises, per Addenda No. 8 and 9
AKCENTA CZ X ČSUD	Contract on Commercial Representation (16 Nov. 2015)
AKCENTA CZ X ČSUD	Contract on Commercial Representation (1 Apr. 2015)
AKCENTA CZ X ČSUD	Contract on Commercial Representation (22 Dec. 2016).
AKCENTA CZ X ČSUD	Contract on Providing Information about Proprietary Monetary Resources, in the version of Addendum No. 1
AKCENTA CZ X ČSUD	Agreement on Provisions of Services (Outsourcing), in the version of Addenda No. 2 and 3
AKCENTA CZ X ČSUD	Framework Agreement on Financial Market Trading, in the version of Addenda No. 4 and 5
AKCENTA CZ X ČSUD	Framework Agreement on the Provision of Payment and Investment Services No. 25087
AKCENTA CZ X ČSUD X AL	Framework Agreement on the Provision of Select Services, Current Acct. Management Agreement on Joint Financing and Subsequent Usage of Services
AKCENTA CZ x AG	Framework Agreement, FX Trading No. 23560
AKCENTA CZ X AL	Contract on Provision of Services (Outsourcing), in the version of Addendum No. 4
AKCENTA CZ X AL	Car Rental Agreement (Subaru Outback), in the version of Addendum No. 6
AKCENTA CZ X AL	Car Rental Agreement (Suzuki Grand Vitara), in the version of Addendum No. 1
AKCENTA CZ X AL	Car Rental Agreement (Subaru Forester), in the version of Addendum No. 1
AKCENTA CZ X AL	Car Rental Agreement (Škoda Octavia), in the version of Addendum No. 1
AKCENTA CZ X AL	Agreement on Processing of Personal Data
AKCENTA CZ X AL	Framework Agreement, FX Trading No. 41147
AKCENTA CZ X Milan Lacina	Agreement on Entrusting of Personal Vehicle for Use by Employees for Business and Personal Purposes (Subaru Outback)
AKCENTA CZ X Milan Lacina	Framework Agreement, FX Trading No. 42444
AKCENTA CZ X NP	Rental Contract, in the version of Addendum No. 2
AKCENTA CZ X NP	Loan Contract (8 July 2015), in the version of Addendum No. 1
AKCENTA CZ X NP	Loan Contract (3 Nov. 2015), in the versions of Addenda 1, 2 and 3
AKCENTA CZ X P	Parking Rental Agreement
AKCENTA CZ X P	Rental Contract No. 0
AKCENTA CZ X P	Rental Contract No. 11, in the version of Addendum No. 1

### Fulfilment and considerations

Fulfilment of and considerations in the aforementioned contracts were made at prices customary in trade relations as well as in relations with other non-related parties.

## Legal actions and other measures

No legal actions, other than the aforementioned contracts, were performed in the interest of the Controlling Entity, nor has the Controlled Entity at the behest of the Controlling Entity taken any significant measures.

The Board of Directors of the Controlled Entity declares that the Controlled Entity has not suffered any damages from the aforementioned contracts, other measures and actions taken, or from services received or provided.

Hradec Králové, 31 March 2019



Milan Cerman  
Chairman of the Board of Directors



Daniel Johanis  
Vice-chairman of the Board of Directors

# Supervisory Board Report

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## COMPOSITION OF SUPERVISORY BOARD

Over the course of 2019, the Supervisory Board met in the following set-up: Milan Lacina – chairman of the supervisory board; thereafter, Jiří Macek was a member. The board met at regular quarterly intervals as well as during extraordinary sessions; all in compliance with company by-laws.

## BOARD ACTIVITIES

The Supervisory Board attended board of directors meetings. The board regularly familiarized it with the company's economic results; it reviewed information related to the set-up of the financial and strategic plan and it examined and monitored fulfilment of the plan including cross-checking indicators set out in currently valid legal norms. It also reviewed the functioning of the operating and control system; namely, based on the findings of an internal audit and the company's bonus system. Further checks focused on fulfilment of board rulings, adherence to the by-laws and checks on indicator compliance with established legal norms based on documents from the Compliance Department.

## DISCOVERED DEFICIENCIES AND THEIR ELIMINATION

The Board did not find any facts that were in breach of the Company's approved by-laws or valid legal norms.

## FINANCIAL STATEMENT, ECONOMIC RESULTS AND PROPOSAL FOR PROFIT DISTRIBUTION

The Board discussed the Accounting Report for 2019 and familiarized itself with the report and the auditor's statement, prepared by KPMG Česká republika Audit, s.r.o., relating to the financial report. Based on these documents, the Audit Commission states that it has no objections to the accounting report submitted.

The Board recommends that the AKCENTA CZ a.s. shareholders meeting approve the AKCENTA CZ a.s. company's annual financial report for 2019.

Prague, 30 April 2020



Milan Lacina  
Chairman of the Supervisory Board

# Miscellaneous

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The activities of AKCENTA CZ a.s. do not have any impact on the environment. The company does not carry out any activities related to the environment nor to research and development.

The company did not purchase any of its own stocks in 2019.

The company did not have a subsidiary office or any other part of its commercial operations in a foreign country during 2019.

As part of our strategy, we fulfil our obligations set out by legislation. As concerns labour law relations, the company adheres to all legal norms in compliance with the legal code (statutes) of the Czech Republic.

The company is part of a consolidated unit for which the company AKCENTA GROUP SE compiled a consolidated annual report by 31 December 2019.

# Independent auditor's report on the financial statement

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## INDEPENDENT AUDITOR'S REPORT FOR AKCENTA CT A.S.'S SHAREHOLDERS

### Auditor's Statement

We carried out an audit of the attached financial statement for AKCENTA CZ a.s. (hereafter the „Company“) compiled based on Czech accounting norms. The statement consists of balance sheets dating to 31 December 2019, a profit/loss statement, an overview of changes to ownership capital and cashflows for the year ending 31 December 2019, and appendices to the financial statement, which contain a description of fundamental accounting methods used and further explanatory information. Information on the Company is shown in Point 1 of the appendix in this financial statement.

According to our opinion, the attached financial statement provides a credible, fair view of the Company's assets and liabilities up to 31 December 2019 and of expenditures and earnings and the results of the Company's business activities and cashflows for the year ending 31 December 2019: all in compliance with Czech accounting norms.

### Basis for the Statement

We carried out the audit in accordance with the Act on Auditors and the Chamber of Auditors of the Czech Republic's Standards for Audits, which are the same as international standards for audits (ISA) that have been possibly added to or adjusted using related applicational supplements/addenda. Our responsibility as stipulated in those norms is described in detail in the section Auditor's Liability for the Audit of the Financial Statement. In compliance with the Act on Auditors and the Code of Ethics approved by the Chamber of Auditors of the Czech Republic, we are independent of the Company and we have fulfilled other ethical obligations deriving from the mentioned norms. We believe that the evidentiary information we have compiled provides a sufficient and suitable basis for making our statement.

### Other Information

Other information is, in compliance with § 2, letter b) of the Act on Auditors, information shown in the annual report outside the financial statement and our auditor's report. The Company's statutory bodies are liable for other information.

Our declaration on the financial statement does not relate to other information. However, it is still part of our obligations related to the audit of the financial statement to familiarize ourselves with the other information and to assess whether the other information is not in significant (material) disagreement with the financial statement or with our knowledge of the accounting unit acquired during our audit of the financial statement or whether this information does not appear to be significantly (materially) inaccurate. We also assess whether the other information was in all significant (material) aspects processed in compliance with relevant legal norms.



This assessment is understood as whether the other information fulfils legal norms' demands for formal requirements and the process of processing other information in the context of significance (material-ness), e.g. whether eventual failure to fulfil stated requirements/demands would hold influence over a judgment made based on the other information.

Based on processes carried out, to the extent we are able to assess them, we state that

- other information, which describes facts that are also subject matter characterized in the financial statement, stands in all significant (material) aspects in compliance with the financial statement and
- other information was processed in compliance with legal norms.

We are further obligated to state whether, based on our knowledge and awareness of the Company acquired when carrying out the audit, the other information does not contain significant (material) factual inaccuracies. As part of the processes listed, we did not discover any significant (material) factual inaccuracies in the other information we received.

### **Company Statutory Body's and Supervisory Board's Liability for the Financial Statement**

The Company's statutory body is liable for compiling a financial statement that provides a credible, honest image (of the Company) in compliance with Czech accounting norms and for (using) such an internal control system that it deems essential for completing a financial statement that does not contain any significant (material) inaccuracies caused by fraud or error.

When completing the financial statement, the Company's statutory body is obligated to assess whether the Company is able to continue (doing business) uninterrupted, and if relevant, describe in the appendix to the financial statement matters relating to its uninterrupted continuation and usage of the assumption of uninterrupted continuation when completing the accounting statement; this with the exception of cases where the statutory body plans to shut down the Company or wind down its activities, or where it has no other viable option than to do so.

The supervisory board is responsible for monitoring accounting report processes in the Company.

### **Auditor's Liability for the Audit of the Financial Statement**

Our objective is to obtain appropriate certainty that the financial statement as a whole does not contain significant (material) inaccuracies caused by fraud or error and to issue an auditor's report which includes our statement. An appropriate degree of certainty is a high degree of certainty. Nonetheless, it is not a guarantee that an audit carried out in compliance with all the aforementioned norms will in all cases uncover in the financial statement (cases of) eventual existing significant (material) inaccuracy. Inaccuracies can arise as a consequence of fraud or error and they are considered significant (material), provided one can realistically expect that either individually or collectively they could influence economic decisions that users of the financial statement would take based thereon.

When carrying out the audit in compliance with the aforementioned norms, it is our duty to use, during the entire audit, expert judgment and to maintain professional skepticism. Other further duties include

- identifying and assessing risks of significant (material) inaccuracies in the financial statement caused by fraud or error, to propose and carry out auditing processes that react to these risks and to obtain sufficient and suitable evidentiary information so that we can issue a statement based thereon. The risk that we will not uncover significant (material) inaccuracy that occurred as a result of fraud is greater than the non-discovery of significant (material) inaccuracy caused by error, because fraud may include secret agreements (collusion), falsification, intentional omissions (negligence), untruthful statements, or circumvention of internal controls (checks).





- Familiarizing ourselves with the Company's internal control (monitoring) system relevant for the audit in a scope such that we can propose auditorial processes suitable for given circumstances; and in no case for expressing an opinion on the effectiveness of the Company's internal control system.
- Assessing the suitability of usage of accounting rules, the appropriateness of accounting estimates carried out and information that the Company's statutory body listed in the appendix to the financial statement in this context.
- Assessing the suitability of usage of assumptions for uninterrupted continuation when compiling the financial statement by the statutory body, and this with regard to whether when collecting evidentiary information there existed significant (material) uncertainty deriving from events or conditions that can significantly cast doubt on the Company's ability to continue (operations) uninterrupted. Should we come to the conclusion that such significant (material) uncertainty exists, it is our duty to point out in our report information shown in this context in the appendix to the financial statement. Provided this information is not sufficient, we should give a modified statement. Our conclusions relating to the Company's ability to continue (operations) uninterrupted derive from evidentiary information that we have obtained up to the date of our report. However, future events or conditions could lead the Company's loss of its ability to continue (operations) uninterrupted.
- Assessing the overall presentation, segmentation and content of the financial statement, including the appendix, and also whether the financial statement shows underlying transactions and events in a way that portray an honest image (view) thereof.

Our duty is to inform persons charged with administration and management about the planned scope and timing of the audit and about significant findings that we have made; including discovery of significant deficiencies in the internal control (monitoring) system.

#### **Statutory Auditor Responsible for this Project**

Ing. Veronika Strolená is the statutory auditor responsible for the audit of AKCENTA CZ a.s.'s financial statement dating to 31 December 2019, based on which this independent auditor's report has been written.

Prague, 30 April 2020

KPMG Česká republika Audit, s.r.o.

Evidentiary Number 71

Evidentiary Number 2195

**Ing. Ondřej Fikrle**  
Partner

**Ing. Veronika Strolená**  
Partner

# Financial Statement for the Year Ending 31 December 2019

Commercial Business	AKCENTA CZ a.s.
Headquarters	Salvátorská 931/8, Praha 1, 110 00
ID Number	25163680
Subject of Business	Securities Trader
Date of Issue in the Financial Statement	30 April 2020
Units Used in the Financial Statement	thousands of CZK

## BALANCE SHEET (AS OF 31 DECEMBER 2019)

	CZK ASSETS (thousands of CZK)	Item	31 Dec. 2019	31 Dec. 2018
1	Cash in hand and balances with central banks		72	124
3	Receivables for banks and credit unions	12	1 640 271	1 329 499
	<i>of this: a) payable on demand</i>		1 594 731	1 291 977
	<i>b) other liabilities</i>		45 540	37 522
4	Receivables for non-bank subjects	13	12 039	19 088
	<i>b) other liabilities</i>		12 039	19 088
7	Ownership interests with controlling influence	14	9 700	9 700
9	Long-term intangible assets	15	18 872	15 888
10	Long-term tangible assets	16	23 190	5 078
	<i>of this: land and buildings for operational activities</i>		12 697	15
11	Other assets	17	53 388	61 450
13	Expenditures and earnings for upcoming period		1 835	1 043
	<b>Total Assets</b>		<b>1 759 367</b>	<b>1 441 870</b>

LIABILITIES (thousands of CZK)		Item	31 Dec. 2019	31 Dec. 2018
1	Liabilities toward banks and credit unions	18	-	1 809
	<i>of this: a) payable on demand</i>		-	1 809
2	Liabilities toward non-bank subjects	19	1 527 738	1 213 317
	<i>of this: a) payable on demand</i>		1 527 738	1 213 317
4	Other liabilities	20	76 708	68 268
5	Revenues and expenditures for the upcoming period		300	1 405
6	Reserves	21	4 830	3 230
	<i>c) other</i>		4 830	3 230
<b>Total Foreign Sources</b>			<b>1 609 576</b>	<b>1 288 029</b>
8	Share capital	23	24 030	24 030
	<i>of this: a) paid (deposited) share capital</i>		24 030	24 030
9	Emission agio		140	140
10	Reserve funds and other profit-based funds		28 002	28 002
	<i>c) other profit-based funds</i>		28 002	28 002
14	Non-distributed profit or unpaid losses from the prior period		75 002	65 482
15	Profit or loss for the accounting period	23	22 617	36 187
	Total Ownership Capital		149 791	153 841
<b>Total Liabilities</b>			<b>1 759 367</b>	<b>1 441 870</b>
OFF-BALANCE SHEET ITEMS (thousands of CZK)		Item	31 Dec. 2019	31 Dec. 2018
<b>Off-balance sheet assets</b>				
2	Collateral provided		-	31 000
3	Liabilities from spot operations	25a	1 556 195	978 762
4	Liabilities from fixed term operations	25b	6 418 646	7 790 194
5	Liabilities from options	25b	286 859	341 547
6	Liabilities write-offs		-	15
<b>Off-balance sheet liabilities</b>				
9	Accepted pledges and guarantees	18	20 000	18 191
11	Liabilities from spot operations	25a	1 555 492	980 377
12	Liabilities from fixed term operations	25b	6 407 127	7 776 879
13	Liabilities from options	25b	286 907	341 547

## PROFIT-LOSS STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2019

	LIABILITIES (thousands of CZK)	Item	2019	2018
1	Interest earnings and similar revenues	5	323	360
2	Interest costs and similar costs	5	(755)	(264)
4	Earnings from fees and commissions	6	17 233	16 038
5	Costs for fees and commissions	6	(24 349)	(16 169)
6	Profit or loss from financial operations	7	216 688	224 362
7	Other operating revenues	8	1 923	1 684
8	Other operating costs	8	(1 444)	(1 463)
9	Administrative costs	9	(174 445)	(194 604)
	<i>of this: a) cost per employee</i>		(78 291)	(96 304)
	<i>of this: aa) wages and salaries</i>		(57 874)	(75 087)
	<i>ab) social security and health insurance</i>		(20 417)	(21 217)
	<i>b) other administrative costs</i>		(96 154)	(98 300)
11	Write-offs, creation and usage of reserves, and adjustment charges for long-term tangible and intangible assets	15, 16	(4 865)	(1 767)
12	Dissolution of adjustment charges and reserves for debts and guarantees, revenues from previously written-off debts	22	166	104
13	Write-offs, creation and usage of adjustment charges	22	(246)	(190)
16	Dissolution of other reserves	21	3 230	4 707
17	Creation and usage of other reserves	21	(4 830)	13 257
19	<b>Profit or loss from regular activities for the accounting period pre-tax</b>		<b>28 629</b>	<b>46 055</b>
23	Income tax	24	(6 012)	(9 868)
24	<b>Profit or loss for the accounting period after-tax</b>		<b>22 617</b>	<b>36 187</b>

## OVERVIEW OF CHANGES IN OWNERSHIP CAPITAL FOR THE YEAR ENDING 31 DECEMBER 2019

(thousands of CZK)	Share Capital	Emission Agio	Capital Funds	Profit (loss)	Total
Balance as of 1 Jan. 2018	24 030	140	28 002	83 482	135 654
Net profit/loss for account. period	-	-	-	36 187	36 187
Share of profit	-	-	-	(18 000)	(18 000)
<b>Balance as of 31 Dec. 2018</b>	<b>24 030</b>	<b>140</b>	<b>28 002</b>	<b>101 669</b>	<b>153 841</b>
Balance as of 1 Jan. 2019	24 030	140	28 002	101 669	153 841
Net profit/loss for account. period	-	-	-	22 617	22 617
Share of profit	-	-	-	(26 667)	(26 667)
<b>Balance as of 31 Dec. 2019</b>	<b>24 030</b>	<b>140</b>	<b>28 002</b>	<b>97 619</b>	<b>149 791</b>

## CASHFLOW OVERVIEW FOR THE YEAR ENDING 31 DECEMBER 2019

CASHFLOW FROM OPERATING ACTIVITIES (thousands of CZK)	2019	2018
Pre-tax profit or loss for the accounting period from regular and extraordinary activities	28 629	46 055
<b>Adjusted for non-cash operations:</b>		
Write-offs and change of status for adjustment charges for long-term tangible and intangible assets	4 865	1 767
Change to state of reserves	1 600	(17 964)
Change to state of adjustment charges for liabilities and debt write-offs	80	86
Net interest earnings	432	(96)
Net profit/loss from sale of long-term tangible and intangible assets	19	-
Eventual adjustments due to other non-monetary (cash) operations	338	5 977
	<b>35 963</b>	<b>35 825</b>
<b>Changes in:</b>		
Collateral for derivative trades	(6 718)	-
Other liabilities for banks	(1 152)	
Liabilities for non-bank subjects	7 049	1 169
Other profits, costs and income from the upcoming period	7 270	(11 186)
Liabilities to banks and credit unions	(1 809)	(159 443)
Liabilities to non-bank subjects	314 421	(19 385)
Other liabilities, earnings and expenditures for the upcoming period	(7 303)	15 383
	<b>347 721</b>	<b>(137 637)</b>

Accrued interest	323	360
Interest paid out	(755)	(264)
Paid income tax	(8 940)	(13 054)
<b>Net cashflow related to operating activities</b>	<b>338 349</b>	<b>(150 595)</b>
<b>CASHFLOW FROM INVESTMENT ACTIVITIES (thousands of CZK)</b>	<b>2019</b>	<b>2018</b>
Expenditure related to acquisition of long-term tangible and intangible assets	(9 428)	(3 336)
Revenues from sale of long-term tangible and intangible assets	545	-
<b>Net cashflow related to investment activities</b>	<b>(8 883)</b>	<b>(3 336)</b>
<b>CASHFLOW FROM FINANCIAL ACTIVITIES (thousands of CZK)</b>	<b>2019</b>	<b>2018</b>
Paid out shares of profit (dividends)	(26 667)	(18 000)
<b>Net cashflow related to financial activities</b>	<b>(26 667)</b>	<b>(18 000)</b>
<b>Net increase or decrease of cash stocks and monetary equivalents</b>	<b>302 799</b>	<b>(171 931)</b>
State of cash stocks and monetary equivalents as of 1 January	1 292 101	1 464 032
State of cash stocks and monetary equivalents as of 31 December	1 594 803	1 292 101
<b>Cash stocks and monetary equivalents include</b>		
Cash on hand and central bank deposits	72	124
Liabilities for (to) banks and credit unions 1 – payable on demand	1 594 828	1 291 977
<b>State of cash stocks and monetary equivalents as of 31 December</b>	<b>1 594 900</b>	<b>1 292 101</b>

# Appendix to the Financial Statement for the Year Ending 31 December 2019

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## 01 GENERAL INFORMATION

### A) COMPANY CHARACTERISTICS

AKCENTA CZ a.s. (hereafter „Company“ or „Accounting Unit“) was set up on 16 June 1997.

#### Company Name and Headquarters

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AKCENTA CZ a.s.  
Salvátorská 931/8, 110 00 Prague 1 – Staré Město, Czech Republic  
Org. ID No.: 25163680; Tax ID No.: CZ25163680

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#### Information about the Consolidation Accounting Units

The Consolidation Unit that compiles the consolidated financial statement for the closest group of accounting units belonging to the Company is the following:

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AKCENTA GROUP SE  
Gočárova třída 312/52, Hradec Králové, Czech Republic

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#### Board and Supervisory Board Members as of 31 December 2019

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##### Executive Board Members

Milan Cerman (chairman)  
Bc. Daniel Johanis, MBA (vice-chairman)  
Jan Karger

##### Supervisory Board Members

Milan Lacina, born 3 June 1956 (chairman)  
Bc. Jiří Macek

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#### Changes in the Commercial Register

No changes were made to the company entry in the Commercial Register during 2019.

#### Subject of Business:

The Company is authorized as part of its business activities based on its entry in the Commercial Registry to provide the following services: a) Manufacture, trade and services not shown in Appendices 1-3 in the Trade Concessions Act.

The Company is listed in the registry run by the Czech National Bank in these sectors:

- payment institutions and subsidiaries of foreign payment institutions,
- securities trading and subsidiaries of foreign securities traders.

Based on a decision by the Czech National Bank (CNB) on the issue of a permit for Payment Institution activities dating from 22 February 2011 and a permit for Securities Trading Activities dating from 15 July 2011, the Company is authorized to provide the following services:

- payment services according to the Act No. 284/2009 Coll.:
- cash deposits on a payment account run by the company per § 3, par. 1, item a) of the aforementioned Act,
- cash withdrawals from a payment account run by the company per § 3, par. 1, item b) of the aforementioned Act,
- carrying out transfers of monetary/cash resources per § 3, par. 1, item c) of the aforementioned Act,
- carrying out transfers of monetary/cash resources from a payment account per § 3, par. 1, item d) of the aforementioned Act for providing transfer of monetary resources as a loan,
- issue and management of payment resources and devices for acceptance of payment resources per § 3, par. 1, item e) of the aforementioned Act,
- carrying out transfers of monetary/cash resources per § 3, par. 1, item f) of the aforementioned Act.

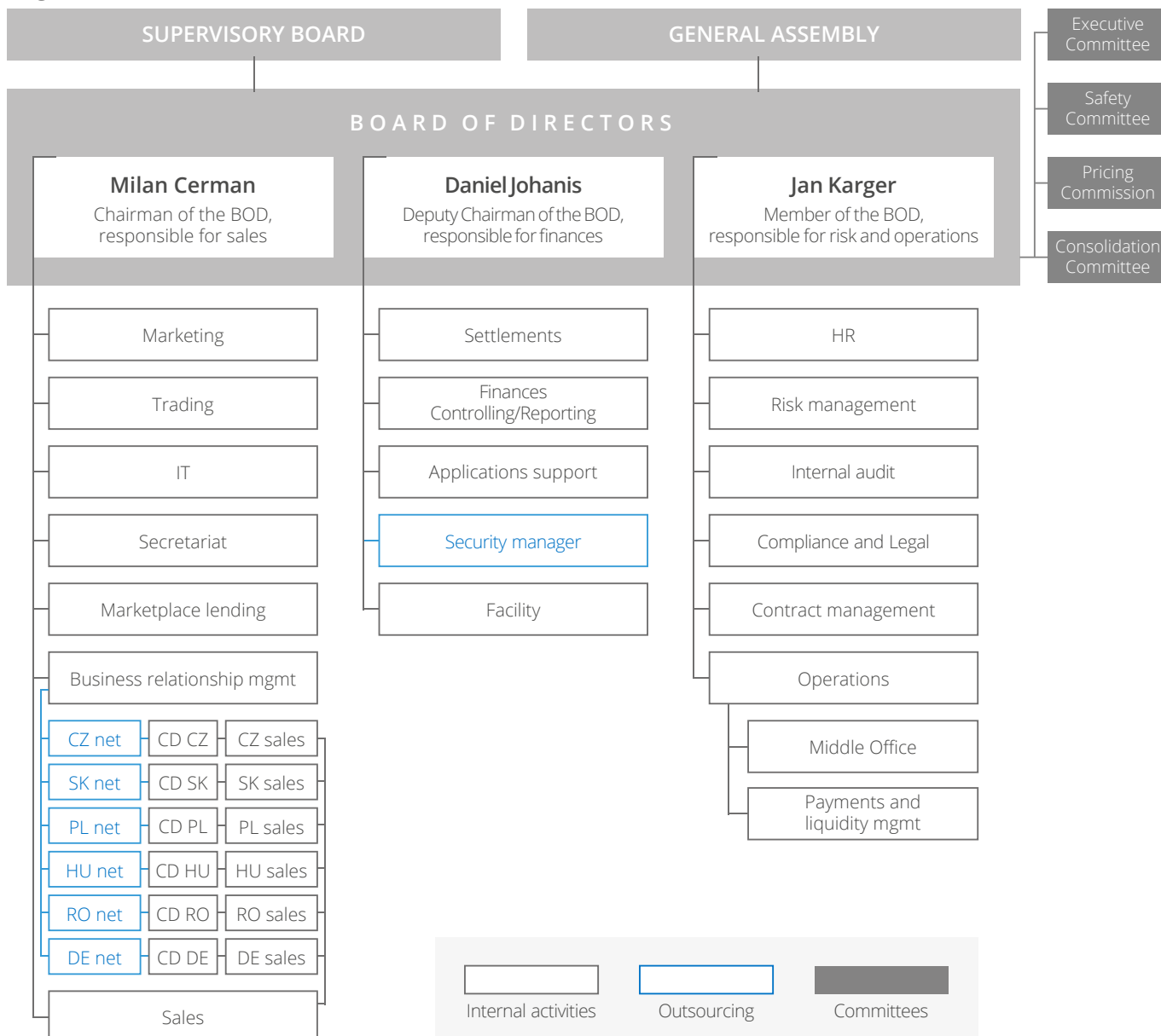
Securities trading activities according to the Act No. 256/2004 Coll. in the scope of main investment services, e.g.:

- accepting and passing on orders relating to investment instruments,
- carrying out orders related to investment instruments on the customer's account,
- trading with investment instruments on the company's own account,
- additional investment services: custody and management of investment instruments including related
- services, all in relation to investment instruments according to § 3, par. 1, item d) of the aforementioned Act.

The Company carries out these activities in countries throughout Central Europe: in Germany, Hungary, Poland, Romania, and Slovakia.



## Organizational structure (as of 31 December 2019)



## B) BASIS FOR PREPARING THE FINANCIAL STATEMENT

The financial statement was prepared based on accounting done in compliance with

- the Act No. 563/1991 on Accounting, in its most recent versions,
- the Decree No. 501/2001 issued by the Czech Finance Ministry in its version that went into effect on 1 January 2018,
- Czech accounting standards for financial institutions issued by the Czech Finance Ministry.

This financial statement has been prepared in compliance with Decree No. 501/2002 in its version that went into effect on 1 January 2018. The latter establishes the structure and labelling of items in financial statements and the definition of content for items (headings) in the financial statement. At the same time, in its § 4a, par. 1, this decree states that an accounting unit, for the purposes of reporting financial instruments, their appraisal and for listing information thereon in an appendix to a financial statement, must proceed according to international accounting standards as provided for directly in applicable EU regulations on the usage of international accounting standards (hereafter „international accounting standard“ or „IFRS“).

The financial statement has been processed based on principles for time distinction of costs and revenues and historic prices with the exception of select financial instruments appraised at their fair value.

The financial statement derives from the assumption that the accounting unit will continue its activities uninterrupted and that no event will occur that would limit it in doing so; or prevent it from continuing said activities in the foreseeable future.

The closing date for the financial statement was 31 December 2019. The standard fiscal year runs from 1 January 2019 to 31 December 2019. The prior fiscal year ran from 1 January 2018 to 31 December 2018.

All information shown is listed in thousands of Czech crowns (thousands of CZK), provided it is not stated otherwise. Numbers shown in parentheses represent negative values.

This is a non-consolidated financial statement.

## 02 IMPORTANT ACCOUNTING METHODS

The Company's financial statement was prepared in compliance with the following important accounting methods:

### A) SPOT OPERATIONS AND DERIVATIVES

As part of its activities, the Company carries out (executes)

- Spot operations,
- Derivatives (forwards, swaps, and options).

#### Spot operations

##### Currency spot

Purchase or sale of a certain amount of funds in one currency for a certain amount of funds in another currency at a fixed exchange rate, during which the exchange rate is determined based on the current supply and demand situation for the currency pairing on the interbank foreign exchange market (contractual rate).

When concluding a trade, the CNB exchange rate on the settlement date is used. Reporting of profits or losses on currency operations occurs at the time the trade is settled, e.g. at the time of settlement of the liability or receivable. Profits and losses on settlement of foreign exchange currency transactions are reported in the profit and loss statement under the „Profit or loss on financial operations“ heading.

Non-settled spot operations existing on the date of the financial statement are reported in the off-balance sheet records. Non-settled trades as of the last day of the month are re-appraised at the CNB exchange rate valid on the last day of the relevant month and the calculated profit or loss is reported in the Profit and Loss Statement under the „Profit or loss on financial operations“ heading.

#### Derivatives

##### Currency forward

Purchase or sale of a certain amount of funds in one currency for a certain amount of funds in another currency at a fixed exchange rate, during which the exchange rate is determined based on the current supply and demand situation on the foreign exchange market and the interest rates for the currencies involved.

The settlement of currency forwards occurs in the future: at the earliest, on the sixth business day and, at the latest, one year after the trade is closed.

Both the forward rate and the settlement date are binding; they cannot be changed after entering into the trade.

##### Currency swap

Exchange of funds in one currency for their value in another currency for a fixed period of time. If this period begins in the future, it is referred to as a Forward FX swap option.

Settlement will take place in two independent conversions, i.e. the initial sale of funds by the client to the Company for the current Spot (or Forward Rate in the case of a Forward FX Swap) exchange rate and in the future for their buyback by the client from the Company for the Forward Rate.

## Options

The right (in no case the obligation) to buy / sell one currency for another at a pre-arranged exchange rate - the Strike Price and by an agreed date in the future - Expiration Date.

For this right, the buyer pays the seller for the option Premium. An option's (Premium's) market price is payable immediately or on the next working day, based on the prior approval of the Risk Management department and is based on current market supply and demand.

If the option is exercised by the client or the Company, the settlement will take place as a „spot trade“ in the system.

## Fair value of derivatives

The fair value of financial derivatives is determined as the present value of expected cash flows arising from those transactions. To determine the present value, parameters ascertained from the active market, e.g. such as exchange rates, interest rates for a given maturity based on the yield curve, etc. are used.

## Reporting derivatives

Unsettled derivatives are reported at fair value on the balance sheet. Positive fair values of unsettled derivatives are reported as assets under the „Other assets“ heading. Negative fair values of unsettled derivatives are reported as liabilities under the „Other liabilities“ heading.

In the off-balance sheet items, unsettled derivatives are reported in the undiscounted contractual value lines for the underlying instruments:

- „Receivables from fixed-term operations“ and „Liabilities from fixed-term operations“ in the case of currency forwards and currency swaps,
- „Liabilities from options“ and „Debts/obligations from options“ in the case of options.

Unrealized profits and losses arising from changes in fair values of unsettled derivatives and realized profits and losses from settled derivatives are reported in the profit and loss statement under the „Profit or loss on financial operations“ heading.

## Exchange rate discrepancies

Assets and liabilities held in a foreign currency at the end of each month (including the accounts reporting date) are re-appraised at the CNB exchange rate valid for the last day of the relevant month. Relevant exchange rates are reported in the profit and loss statement under the „Profit or loss from financial operations“ heading.

## B) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### (i) Settlement and initial appraisal

The accounting unit initially settles select financial assets and liabilities (e.g. debts on behalf of clients, debts to clients) at the moment they arise. All other financial instruments (including spot trades (purchases) and sales of financial assets) are settled on the date the trade is executed, which is the date when the accounting unit becomes a party to contractual provisions for the relevant financial instrument.

A financial asset or a financial liability is initially appraised at a fair value, which is adjusted for transaction costs. This adjustment for transaction costs does not apply to financial instruments appraised at a fair price for profit or loss (FVTPL). Transaction costs are costs that are directly assignable to purchases or emissions.

## (ii) Classification

### Financial assets

During the initial settlement, a financial asset is classified as appraised by/at

- Actual Cost (AC),
- Fair Value through Other Comprehensive Income (FVOCI),
- Fair Value through the Statement of Profit or Loss (FVTPL).

A financial asset is appraised at the actual cost (AC), provided it meets both of the following conditions and meanwhile is not meant for appraisal at the Fair Value through Statement of Profit or Loss (FVTPL):

- the asset is held as part of a trade model, whose aim is to hold the financial asset for the purpose of gaining contractual monetary flows,
- the contractual terms of the financial asset set a specific date for monetary flows created solely for instalment payments of principal and interest on the unpaid portion of the principal (i.e. a so-called SPPI Test).

A debt instrument is appraised at a fair value against Fair Value through Other Comprehensive Income (FVOCI) only provided it fulfils both of the conditions below and meanwhile is not meant for appraisal at the Fair Value through Statement of Profit or Loss (FVTPL):

- the asset is held as part of a trade model, whose aim is both to collect contractual monetary flows and to sell financial assets,
- the contractual terms of the financial asset set specific dates for monetary flows created solely for instalment payments of principal and interest on the unpaid portion of the principal (i.e. a so-called SPPI Test).

All other financial assets are appraised at the Fair Value through statement of Profit or Loss (FVTPL).

### Reclassification

Subsequently, after the initial settlement, financial assets are not re-classified, but for one exception: provided the accounting unit during the standard fiscal period changes its trade (business) model for managing financial assets and then in the following fiscal period the relevant financial assets are re-classified.

### Financial liabilities

The accounting unit classifies its financial liabilities, other than financial guarantees and assurances provided, as appraised

- at the actual cost/value, or
- the Fair Value through the Statement of Profit or Loss (FVTPL).

## (iii) Deductions

### Financial assets

The accounting unit deducts financial assets, provided

- contractual rights to the monetary flows from financial assets cease, or
- rights to acquire monetary flows in a transaction wherein all risks and benefits related to ownership of the financial capital are transferred, or where the accounting unit neither transfers nor keeps essentially all risks and benefits related to ownership of financial capital and where it does not maintain oversight of the financial asset.

When deducting financial capital, the difference between the

- assets' accounting/balance sheet value (or the part of the accounting value allocated to the part of the deducted asset) and
- the sum (i) of the payment received (including any asset acquired minus the value of any newly accepted liability) and the accumulated profit or loss that were processed as part of the ownership capital

is reported in the profit and loss statement.

### Financial liabilities

The accounting unit deducts a financial liability, provided its contractual obligations have not been fulfilled or if they have been cancelled or cease to exist.

## (iv) Modifications to financial assets and financial liabilities

### Financial assets

Provided terms for financial assets are modified, then the accounting unit will assess whether the monetary flows for the for modified financial assets are significantly different (divergent).

Provided the monetary flows are significantly different, then the contractual rights to monetary flows from the original financial assets are considered moot (to have ceased). In such a case, the original financial asset is deducted, and a new financial asset is processed (settled) and reported at a fair value.

Provided monetary flows are from modified assets appraised at their current price and are not significantly different, then the modification does not lead to the deduction of the financial asset. In such a case, the accounting unit recalculates the gross accounting value of the financial asset and reports the amount created from the modification of the gross accounting value as a profit or a loss from the modification in the profit and loss statement. Provided such a modification is carried out on grounds of the debtor's financial difficulties, then the given profit or loss is reported together with the creation, dissolution, or the usage of adjustable cost items in the profit and loss statement. In other cases, the given profit or loss is reported together with interest earnings in the profit and loss statement.

### Financial liabilities

The accounting unit deducts financial liabilities provided the terms of the financial liabilities have been modified and the monetary flows of the liability are significantly different. In such a case, the new financial liability (based on the modified terms) is reported (accounted for) at a fair price. The difference between the accounting value of the voided financial liability and the new financial liability under the modified terms is reported in the profit and loss statement.

## (v) Depreciation

The accounting unit reports adjustable cost items for expected credit losses (ECL) for the following financial instruments that are not appraised at a fair price reported in the profit and losses (FVTPL):

- Liabilities held for banks and credit unions;
- Liabilities held for non-bank subjects.

Depreciation is not reported for capital financial instruments.

### Establishment of expected credit losses (ECL)

For greater detail, see item 27a.

### Credit depreciated financial assets

By each financial statement report day, the accounting unit assesses whether the financial assets appraised at the current value and the debt-based financial assets appraised at a fair price against the Fair Value through

Other Comprehensive Income (FVOCI) are not depreciated as credit. Financial assets are credit depreciated, provided one or more events have occurred that have a negative impact on anticipated future monetary flows from the financial asset.

Evidence that a financial asset has been credit depreciated includes the following noticeable facts:

- significant financial problems for the debtor or the emitter;
- breach of contract, e.g. failure on part of the debtor or failure to meet payment deadlines;
- it becomes likely that the debtor will file for insolvency, bankruptcy or any other financial reorganization, or;
- the cessation of an active securities market on grounds of financial difficulties.

### Presentation of adjustable cost items for ECL in the financial statement

Adjustable cost items for ECL are presented in the following way:

- A financial asset appraised at the current value: the adjustable cost item is deducted from the asset's gross accounting value.

Adjustable cost items for ECL created to counter expenditures are reported in the profit and loss statement under the „Deductions, creation and usage of adjustable cost items and reserves for liabilities and guarantees“ heading. In this item, we also report the subsequent usage of adjustable cost items.

Dissolution of adjustable cost items for ECL due to their lack of necessity is reported in the profit and loss statement under the „Dissolution of adjustable cost items and reserves for liabilities and guarantees, earnings from previously deducted liabilities“ heading.

## C) TRANSACTION DATE

Depending on the type of transaction, the moment of transaction is set to the date of payment or receipt of cash; the date of purchase or sale of currency, foreign currency or securities; the date of payment or debit from the client's account; the date of the correspondent's payment order; the date of crediting the (foreign) funds according to a notice received from the correspondent of the company (notice means a report in the SWIFT system, a bank notice, an account statement or other documents); the date of the trade and the date of settlement of foreign exchange transactions, other derivatives; the date of issue or acceptance of the guarantee; or the date of service provision.

In the case of incoming invoices in a foreign currency, the date of execution of the taxable transaction is the date of provision of service or the date of issue of the invoice, unless the date of the provision of the service is clearly determined, or in cases such as the date of payment of advance overhead invoices from any European Community country. In the case of invoices received from commercial agents, the date of the taxable transaction is the last day of the month during which the service was provided.

## D) PARTICIPATING INTEREST WITH CONTROLLING INFLUENCE

A daughter company (participation with controlling influence) is an accounting unit controlled by another accounting unit.

Taking control of a unit, into which the company has invested, means the investor controls the unit it has invested in, provided it can draw on variable earnings or has a right to them based on its engagement in that unit and can use its power, via these earnings, to influence the unit.

Thus an investor controls a unit, into which it has invested, only in the event that all the following points hold true:

- it has power over the unit into which it has invested,
- based on its engagement in the unit into which it has invested, it collects variable earnings or has a right to such earnings,
- it has the ability to use its power over the unit, into which it has invested, to influence the amount of its own earnings.

Participations with controlling influence are appraised at their purchase price.

Participations with controlling influence are appraised at their purchase price which is then lowered by adjustable cost items on grounds of the temporary decrease in the value of this participation. This is done individually for each participation.

Creation, dissolution and usage of related cost adjustment items are reported in the profit and loss statement under the „Dissolution of adjustable cost items for participations with controlling and significant influence“ and „Losses from transfer of participation with controlling and significant influence, creation and usage of adjustable cost items for participations with controlling and significant influence“ headings.

## E) LONG-TERM TANGIBLE AND INTANGIBLE ASSETS

Long-term tangible and intangible assets are processed (accounted for) at their historic purchase prices and are deducted fairly.

The deduction periods for individual categories of long-term tangible and intangible assets are as follows:

Buildings	120 months
Software	60 months
Appraisable rights	72 months
Technical appraisal of rented buildings	10 years
Computers	3 years
Inventory	3 to 10 years
Other	3 years
Vehicles	5 years

*Accounting and tax deductions are not the same for long-term tangible assets.*

### Leasing from the renter's perspective – methods effective as of 1 Jan. 2019

As of 1 Jan. 2019, the accounting unit applies the international accounting standard, IFRS 16 Leasing. A contract is considered a leasing (act) provided it transfers the right to control usage of the identified asset for a defined period of time for a payment.

IFRS 16 brings about changes in charging and reporting for the renter. The accounting unit in the role of renter reports an asset based on usage rights for the rented assets and related obligations for the leasing (contract), with the following exceptions:

- the rental period is less than 12 months,
- or the underlying asset has a low purchase price – the Company set this value at 112 000 CZK.

### Assets from usage rights

An asset based on usage rights is initially appraised at its purchase price which includes

- the initial appraisal of the leasing obligation (contract),
- leasing payments made by the start of, or prior to, the date after deducting all leasing incentives received,
- initial direct costs,
- estimated costs that the renters pay for the disassembly and liquidation of the leased asset.

Assets for usage rights are reported in the balance sheet in the item „Long-term tangible assets“ and are evenly deducted for the period until the end of the economic lifecycle of the underlying asset or until the end of their rental: this according to which period ends sooner. The relevant deductions are reported in the profit and loss statement in the item „Deductions, creation and usage of reserves and adjustable cost items for long-term tangible and intangible assets“.

In the case of the Company, this involves usage rights for the following assets:

- the building in Nerudova Street in Hradec Králové,
- apartment no. 11 in the PROAKCENT building,
- personal vehicles,
- printers,
- parking spots.

The amortization period is defined in the valid rental agreement.

### Leasing liabilities

A leasing obligation is initially appraised for the amount of the current value of the leasing payments that have not been paid as of the date of the first reporting. Leasing payments are discounted by the interest rate that the renter would have to pay were he to borrow money to purchase the underlying asset when taking into consideration conditions related to the leasing process (e.g. duration of the lease, amount of the loan, etc.).

Afterwards, the leasing obligation is re-appraised provided a change in future leasing payments would occur (e.g. on grounds of changes in the appraisal, if and when an extension or premature ending of the lease would occur, etc.). If the leasing obligation is re-appraised as such, then an adjustment to the asset appraisal for usage rights will occur. Provided the asset for usage rights is null, then the given re-appraisal for the leasing obligation is accounted for (reported) in the profit and loss statement.

The leasing obligation is reported in the „Other obligations“ item in the balance sheet.

Interest costs arising from the leasing obligation are reported in the profit and loss statement in the item „Costs for interest and similar costs“ and are differentiated using an effective interest rate.

### Minor assets

Intangible assets with an acquisition cost of less than 60,000 CZK and minor tangible fixed assets with an acquisition cost of less than 40,000 CZK are reported (accounted for) as costs for the period in which they were acquired; meanwhile, their service life is greater than 1 year. At the same time, minor tangible assets worth more than 1,000 CZK are listed in the operational register for minor assets, based on their location.

## F) RESERVES

Reserves represent probable performance, with uncertain timing and amounts. Reserves are created at the expense of costs for an amount that is the best estimate of the expenses necessary to settle existing debt.

Reserves are formed provided the following criteria have been met.

- a) there is a duty (legal or material) to perform (fulfil obligations) as a result of past events,
- b) it is probable or certain that a transaction will occur and will require an outflow of funds representing economic benefits, where „probable“ means a likelihood greater than 50%;
- c) it is possible to make a reasonably reliable estimate of performance.

The Company creates a non-tax reserve for annual bonuses that are paid out in the following year. It also creates a reserve for unused vacation (holiday) time. These reserves are created such that they include related social security and health insurance costs.

## G) INTEREST

Interest earnings, or interest costs, reported in the profit and loss statement under the „Interest earnings



and similar earnings“ or „Interest costs and similar costs“ headings include interest from financial assets and financial liabilities assessed at their current price and calculated using an effective interest rate.

## H) TAXATION

The tax base for income tax is calculated from the company's financial results (profit or loss) for the current period by adding non-deductible expenses and deducting income that is not subject to income tax and has been further adjusted for tax rebates and any relevant tax credits paid abroad.

Deferred tax is based on any temporary differences between assets' and liabilities' accounting and tax values while using the expected tax rate applicable for the subsequent period. A deferred tax asset is accounted for (entered into the books) only if there is no doubt about its continued application in subsequent accounting periods.

## K) PUBLIC AID (SUPPORT)

The Company did not receive any public aid during the years 2019 and 2018.

# 03 CHANGES TO ACCOUNTING METHODS

## Initial application of IFRS 16

Based on the decree no. 501/2002 Coll. effective as of 1 Jan. 2018, which was amended by the decree no. 442/2017 Coll. dating from 7 Dec. 2017, the accounting unit, as of 1 Jan. 2018, follows international accounting standards that have been amended to fit immediately applicable EU norms on the usage of international accounting stands (hereafter „international accounting standards“ or „IFRS“). It uses these standards for the purpose of reporting financial instruments, appraising them, and listing information about them in the appendix to its financial statements.

The most significant impact of this change for the accounting unit is the application of the IFRS 16 Leasing as of 1 Jan. 2019.

### Means of leasing transfer and definition

The accounting unit took advantage of the option and, for leasing contracts that began prior to 1 Jan. 2019, it adopted the definition of leasing per IAS 17 and IFRIC 4 and immediately moved to IFRS 16. This means that the accounting unit, in cases of contracts entered into prior to 1 Jan. 2019, applies IFRS 16 only to contracts that meet the given definition and had been identified as leasing (agreements) per IAS 17 and IFRIC 4 as of 31 Dec. 2018.

### Comparable data from past period

For the purpose of initial applications of IFRS 16, the accounting unit opted for a modified retrospective approach up to 1 Jan. 2019. Therefore, the eventual cumulative impact of adopting the IFRS 16 accounting standard is reported as an adjustment to the initial state of the „Non-distributed profit or unpaid losses from the prior period“ heading and with its own chapter, i.e. with no adjustment to the balance for the past accounting period. Balances up to 31 Dec. 2018 and for the year 2018 related to operative leasing for which assets from rights to use rented assets and related leasing obligations were reported as of 1 Jan. 2019 were not adjusted and therefore are not comparable with balances for the standard period.

### Leasing obligations – interest rate

The average weighted discount rate applied when calculating leasing obligations as of 1 Jan. 2019 was 4.58% p.a. Reconciliation of future payments from operative leasing as of 31 Dec. 2018 and leasing obligations as of 1 Jan. 2019 are as follows:

(in thousands of CZK)

Future payments from operative leasing as of 31 Dec. 2018	19 261
Future payments from operative leasing as of 31 Dec. 2018 discounted as of 1 Jan. 2019	14 795
Financial leasing obligations as of 31 Dec. 2018	387
<b>Subtotal</b>	<b>15 182</b>
Adjusted for:	
Short-term leasing agreements	(83)
Leasing assets with low value	(440)
Options to extend leasing agreements that are adequately certain to be used	
<b>Total leasing obligations as of 1 Jan. 2019</b>	<b>14 659</b>

### Assets from usage rights

For leasing that had earlier been classified as operative leasing, the accounting unit chose the option to report assets from usage rights up to the date of the initial application of IFRS 16 for the amount of leasing obligations reported in the balance sheet immediately prior to the date of initial application; and this as follows:

(in thousands of CZK)

Leasing obligations as of 1 Jan. 2019	14 659
Assets from usage rights as of 1 Jan. 2019	14 659

For the aforementioned reasons (e.g. based on the chosen means of calculating assets from usage rights as of 1 Jan. 2019) has had zero impact on share capital under the heading „Non-distributed profit or unpaid losses from the prior period“.

## 04 CORRECTIONS TO PREVIOUS PERIODS

No correction of errors from past periods were carried out, nor was any additional corporate income tax report filed.

## 05 NET INTEREST EARNINGS

(in thousands of CZK)

	2019	2018
Interest earnings from bank accounts	86	60
Interest earnings from loans made and credits	237	300
<b>Total interest earnings</b>	<b>323</b>	<b>360</b>
Interest costs and related costs	(130)	(264)
Interest costs from leasing obligations		-
<b>Total interest costs</b>	<b>(755)</b>	<b>(264)</b>
<b>Net interest earnings</b>	<b>(432)</b>	<b>96</b>

Interest earnings from loans provided and credits represent interest from loans made by NERUDOVA property s.r.o., ID No. 04151640 for the amount of 198,000 CZK (2018: 194,000 CZK) and from loans made by AKCENTA GROUP SE for the amount of 39,000 CZK (2018: 106,000 CZK). Expense/cost interest represents

interest paid to banking institutions for an amount of 130,000 CZK (2018: 264,000 CZK) and, since 2019, they are now reported here as interest costs from leasing obligations based on application of the IFRS 16 accounting standard: this for an amount of 625,000 CZK (2018: 0 CZK).

Interest earnings and interest costs calculated based on the effective interest rate method for the following items are for the following amounts:

(in thousands of CZK)	2019	2018
Financial assets appraised at current value	323	360
Financial liabilities appraised at current value	(130)	(264)

## 06 INCOME AND EXPENSES FROM FEES AND COMMISSIONS

(in thousands of CZK)	2019	2018
Income from fees and commissions		
<i>from spot operations, derivative operations and transfers</i>		16 038
<b>Total</b>	<b>17 233</b>	<b>16 038</b>
Expenses for fees and commissions		
<i>from spot operations, derivative operations and transfers</i>	(24 349)	(16 169)
<b>Total</b>	<b>(24 349)</b>	<b>(16 169)</b>
<b>Net income from fees and commissions</b>	<b>(7 116)</b>	<b>(131)</b>

The Company did not realize (generate) any income/expenses from fees/commissions for the trading, management, savings or holding of value funds in 2019.

The increase in fee costs relates to an increase in trades made via foreign banks in Hungary and Poland and the opening of new bank accounts in Romania.

## 07 PROFIT OR LOSS FROM FINANCIAL OPERATIONS

(in thousands of CZK)	2019	2018
Profit/(loss) from derivatives operations	55 841	46 207
Profit/(loss) from spot operations	178 594	169 086
Other exchange rate differences	(17 747)	9 069
<b>Total</b>	<b>216 688</b>	<b>224 362</b>

The „Profit/(loss) from derivatives operations“ heading represents the net profit or loss of financial instruments that are mandatorily appraised in the FVTPL.

The growth in profit from derivatives operations and spot operations was caused by growth in the overall number of trades.

The Exchange Rate Differences heading was impacted by changes in exchange rates which influence the re-appraisal of foreign exchange current accounts and the payment products tied thereto.

## 08 OTHER OPERATING INCOME AND EXPENSES

(in thousands of CZK)	2019	2018
Turnover from sales of services	513	95
Other	1 410	1 589
<b>Total</b>	<b>1 923</b>	<b>1 684</b>
Other operating expenses	(1 444)	(1 463)
<b>Total</b>	<b>(1 444)</b>	<b>(1 463)</b>

Turnover from sales of services has been increased based on an outsourcing agreement with AKCENTA LOGISTIC, a.s. The Other heading as part of Other operational earnings/revenues represents mainly contractual fines, penalty fees, turnover from the sale of tangible assets, returned court fees and accepted compensation for damages.

Other operating expenses represent membership fees, insurance of property/assets and gifts.

## 09 ADMINISTRATIVE COSTS

(in thousands of CZK)	2019	2018
Wages and employee bonuses	48 979	48 651
Social security and health insurance	20 417	21 217
Wages and bonuses paid to board members	8 895	26 436
<b>Costs per employee</b>	<b>78 291</b>	<b>96 304</b>

(in thousands of CZK)	2019	2018
Other administrative costs	96 154	98 300
<i>of this: bonuses/commissions for traders/consultants</i>	<i>49 410</i>	<i>47 961</i>
<i>of this: outsourcing costs</i>	<i>4 773</i>	<i>6 051</i>
<i>of this: statutory audit costs</i>	<i>1 039</i>	<i>798</i>
<i>of this: tax and legal consulting</i>	<i>1 730</i>	<i>3 319</i>
<i>of this: promotion, events, PR</i>	<i>5 842</i>	<i>4 907</i>
<i>of this: other services – software maintenance and support</i>	<i>7 885</i>	<i>6 429</i>
<i>of this: rental and other leasing</i>	<i>574</i>	<i>3 289</i>
<b>Total</b>	<b>174 445</b>	<b>194 604</b>

The year-on-year drop in the heading Wages and bonuses paid to board members line item was caused mainly by the pay-out of 3-year bonuses during the previous accounting period. Those in their relevant amounts impacted expenses for 2018, but not for 2019.

The average adjusted number of employees was as follows:

	2019	2018
Employees	88	83
Board members	3	3
Supervisory board members	2	2

## Rentals and leasing

Reductions under the heading „Rental and other leasing costs“ is caused mainly by the fact that, as of 1 Jan. 2019, the Company, in its role as a renter, applies the new international accounting standard IFRS 16. It reports assets from usage rights under the heading Long-term tangible assets and as such writes them off in compliance with its internal regulation. For this reason, costs for renting the company headquarters and operative leasing agreements are reported under the heading Rental and other leasing costs for the year 2018.

Meanwhile, the same costs, for the year 2019, are not reported as administrative costs, because the Company, as of 1 Jan. 2019, reports assets from usage rights for this property, which are written off, and also leasing obligations for which interest costs are reported.

The Rental and other leasing costs heading contains costs relating to leasing payments that were not included in appraisals of leasing obligations for the year 2019. These amount to 515,000 CZK. Because the Company, in cases of short-term leasing or leasing at a low purchase price, does not report assets from usage rights for such leasing agreements in its balance sheet, but rather uses the option for reporting costs related to those leasing agreements directly in its profit and loss statement (i.e. under the heading Other administrative costs), the Other heading contains these costs broken down as follows:

(in thousands of CZK)

Costs related to short-term leasing	83
Cost related to leasing agreements with low purchase prices	432
<b>Total costs related to short-term leasing agreements and leasing agreements with low purchase prices</b>	<b>515</b>

Total cash expenditure on all leasing agreements for 2019 were for a total amount of 2 841 000 CZK.

## 10 INCOME AND EXPENSES PER REGION OF ACTIVITY

### A) GEOGRAPHIC AREAS

(in thousands of CZK)	Czech Republic		Central and Eastern Europe	
	2019	2018	2019	2018
Interest earnings and similar	255	312	68	48
Interest costs and similar costs	682	219	73	45
Income from fees and commissions	4 320	5 045	12 913	10 993
Expenses for fees and	13 207	11 058	11 142	5 111
Profit or loss from financial operations	164 028	175 294	52 660	49 068

## 11 TRANSACTIONS WITH RELATED PARTIES

(in thousands of CZK)	31 Dec. 2019	31 Dec. 2018
Debts	13 295	19 239
Liabilities	1 299	2 067

(in thousands of CZK)	31 Dec. 2019	31 Dec. 2018
Earnings	2 282	6 570
Costs	16 732	20 082

Liabilities with related parties as of 31 Dec. 2019 for an amount of 13,295,000 CZK (31 Dec. 2018: 19,239,000 CZK) consist of the following:

- liability from a loan for AKCENTA GROUP SE for the amount of 0 CZK (as of 31 Dec. 2018: 5,986,000 CZK) based on a loan agreement payable by 31 Dec. 2019. This liability (debt) has a fixed interest rate- The loan was repaid in full ahead of time on 15 May 2019;
- liability from a loan for NERUDOVA property s.r.o. for the amount of 11,136,000 CZK (as of 31 Dec. 2018: 10,937,000 CZK) based on a loan agreement payable by 9 July 2025. This liability (debt) has a fixed interest rate;
- membership fee to the Czechoslovak Credit Union (Československé úvěrní družstvo) for the amount of 1,000 CZK (as of 31 Dec. 2018: 1,000 CZK);
- deposits paid for rental deposits and services related to building rental paid for by NERUDOVA property s.r.o. for the amount of 1,314,000 CZK (2018: 1,314,000 CZK);
- deposit balance for supply and set-up of IT devices from AKCENTA LOGISTICS a.s. for the amount of 475,000 CZK (2018: 904,000 CZK) based on a co-financing agreement dating from 4 July 2017;
- liability (debt) for AKCENTA LOGISTICS a.s. for outsourcing services as of 31 Dec. 2019 for the amount of 235,000 CZK (2018: 0 CZK);
- paid deposits for services related to rental fees paid to PROAKCENT a.s. as of 31 Dec. 2019 for the amount of 37,000 CZK (2018: 0 CZK);
- positive fair value of unsettled derivatives with Československé úvěrní družstvo (the Czechoslovak Credit Union) as of 31 Dec. 2019 for the amount of 91,000 CZK (2018: 97,000 CZK).

Debts to related parties represent debts for unpaid invoices for services purchased from related parties that are currently due.

Earnings from related parties consist mainly of exchange rate differences for completed trades, interest on loans, and revenues from outsourcing:

- revenues stemming from exchange rate differences for trades amounting to 1,373,000 CZK (2018: 6,088,000 CZK),
- turnover from sale of outsourcing services for the amount of 409,000 CZK (2018: 0 CZK),

Costs from related parties represent mainly the following:

- costs stemming from exchange rate differences for trades amounting to 2,342,000 CZK (2018: 5,768,000 CZK),
- outsourcing services for the amount of 4,773,000 CZK (2018: 5,863,000 CZK),
- costs stemming from rental of space for the amount of 2,204,000 CZK (2018: 2,235,000 CZK) and related services,
- costs related to car rental for the amount of 337,000 CZK (2017: 159,000 CZK).

## 12 LIABILITIES FOR BANKS

(in thousands of CZK)	31 Dec. 2019	31 Dec. 2018
Current accounts (nostro accounts)	1 594 828	1 291 977
Backing for derivative trades	-	31 000
Backing for spot trades	37 718	-
Other liabilities	7 822	6 670
<b>Liabilities for banks – gross</b>	<b>1 640 368</b>	<b>1 329 647</b>
Adjustable cost items	(97)	(148)
<b>Liabilities for banks – net amount</b>	<b>1 640 271</b>	<b>1 329 499</b>

All liabilities for banks as of 31 Dec. 2019 are appraised at their current value per IFRS 9.

The backing for spot trades represents a debt to Saxo Bank a.s., organization unit, for the amount of 37,718,000 CZK. This is a deposit for ongoing spot trades.

Other liabilities include mainly:

- An obligation for UniCredit Bank Czech Republic and Slovakia, a.s. for an amount, as of 31 Dec. 2019, of 6,588,000 CZK (31 Dec. 2018: 6,670,000 CZK). In January 2018, we closed our bank accounts at UniCredit Bank Czech Republic and Slovakia, a.s. However, the monetary funds were not returned to the Company on grounds of limited availability due to an active court process going on in Slovakia. Company management is convinced that the grounds for limitation based on availability are not legitimate and it is currently negotiating for their dispensation.
- In September 2019, the Company closed its bank accounts with ING Bank N.V. Magyarországi Flóktelege and the balances were transferred to a holding account administered by ING Bank N.V. As of 31 Dec. 2019, the Company reported an obligation for the amount of 1,219,000 CZK (31 Dec. 2018: 0 CZK). The monies were subsequently returned to the Company in 2020.

### A) CLASSIFICATION OF LIABILITIES FOR BANKS AT THEIR CURRENT VALUE PER THEIR CREDIT RISK RATING LEVEL

Liabilities for banks appraised at current value as of 31 Dec. 2018 (in thousands of CZK)	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the full period that financial assets are not credit-depreciated	Level 3 Expected credit loss for the full period that financial assets are credit-depreciated	Total
Credit rating min. Baa3	1 640 368	-	-	1 640 368
<b>Liabilities for banks for their gross amount</b>	<b>1 640 368</b>	<b>-</b>	<b>-</b>	<b>1 640 368</b>
Adjustable cost item	(97)	-	-	(97)
<b>Liabilities for banks for their net amount</b>	<b>1 640 271</b>	<b>-</b>	<b>-</b>	<b>1 640 271</b>

Liabilities for banks appraised at current value as of 31 Dec. 2019 (in thousands of CZK)	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the full period that financial assets are not credit-depreciated	Level 3 Expected credit loss for the full period that financial assets are credit-depreciated	Total
Credit rating min. Baa3	1 329 647	-	-	1 329 647
Liabilities for banks for their gross amount	1 329 647	-	-	1 329 647
Adjustable cost item	(148)	-	-	(148)
Liabilities for banks for their net amount	1 329 499	-	-	1 329 499

## B) LIABILITIES TO BANKS ACCORDING TO RESIDUAL MATURITY

With the exception of liabilities for backing of derivative trades, all other liabilities to banks are contractually payable (become mature) within one month.

## C) ANALYSIS OF LIABILITIES FOR BANKS ACCORDING TO COLLATERAL TYPE

Liabilities for banks do not represent collateral-backed liabilities.

# 13 LIABILITIES FOR NON-BANK SUBJECTS

## A) APPRAISAL OF LIABILITIES FOR NON-BANK SUBJECTS

(in thousands of CZK)	31. 12. 2019	31. 12. 2018
Liabilities for clients for their gross amount	11 594	13 021
Adjustable cost items	(10 691)	(10 857)
Liabilities for clients for their net amount	903	2 164
Liabilities for related parties for their gross amount	11 136	16 924
Total liabilities for non-bank subjects for their net amount	12 039	19 088

All liabilities for non-bank subjects as of 31 Dec. 2019 are appraised at their current value per the IFRS 9.

### Liabilities for clients

Liabilities for clients consist of liabilities for fees invoiced for trades and debt liabilities from trades.

Part of liabilities for clients also include liabilities on grounds of sending a duplicate payment to a client account for the amount of 5,879 CZK (31 Dec. 2018: 5,910 CZK) and a liability on the grounds of an exchange rate loss for the amount of 4,488 CZK (31 Dec. 2018: 4,225 CZK). An adjustable cost item was created for these liabilities for the full amount (100%) as of 31 Dec. 2019 and 31 Dec. 2018.



## B) LIABILITIES FOR NON-BANK SUBJECTS AT CURRENT VALUE PER DEGREE OF DEPRECIATION

Liabilities for non-bank subjects appraised at current value as of 31 Dec. 2019 (in thousands of CZK)	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the full period that financial assets are not credit-depreciated	Level 3 Expected credit loss for the full period that financial assets are credit-depreciated	Total
Liabilities for non-bank subjects for their gross amount	-	11 136	11 594	22 730
Adjustable cost item	-	-	(10 691)	(10 691)
Liabilities for non-bank subjects for their net amount	-	11 136	903	12 039

Liabilities for non-bank subjects appraised at current value as of 31 Dec. 2018 (in thousands of CZK)	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the full period that financial assets are not credit-depreciated	Level 3 Expected credit loss for the full period that financial assets are credit-depreciated	Total
Liabilities for non-bank subjects for their gross amount	-	16 924	13 021	29 945
Adjustable cost items	-	-	(10 857)	(10 857)
Liabilities for non-bank subjects for their net amount	-	16 924	2 164	19 088

Given that most of the liabilities for non-bank subjects consist of liabilities for related parties, the Company does not set a rating level for credit risk.

## C) ANALYSIS OF LIABILITIES (DEBTS) FOR NON-BANK SUBJECTS ACCORDING TO SECTOR AND COLLATERAL TYPE

### COLLATERAL TYPE

Liabilities for non-bank subjects consisted mainly of liabilities for related parties who have no special backing.

## D) DEBTS WRITTEN-OFF FOR NON-BANK SUBJECTS AND EARNINGS FROM DEBT WRITE-OFFS

Debt write-offs are described in Item No. 22 of this appendix.

## 14 PARTICIPATIONS WITH CONTROLLING INFLUENCE

As of 15 June 2015, the Company has a 100% stake in NERUDOVA property s.r.o., ID No. 04151640.

Company	Head-quarters	Business activity	Share capital*	Other items OC*	Share of OC*	Share of voting rights	Accounting value
As of 31 Dec. 2019							
NERUDOVA property s.r.o.	Nerudova 1361/31, Hradec Králové	Rental of real estate, partments and commercial spaces	200	10 389	100%	100%	9 700
<b>Total</b>			<b>200</b>	<b>10 389</b>			<b>9 700</b>
As of 31 Dec. 2018							
NERUDOVA property s.r.o.	Nerudova 1361/31, Hradec Králové	Rental of real estate, partments and commercial spaces	200	9 541	100%	100%	9 700
<b>Total</b>			<b>200</b>	<b>9 541</b>			<b>9 700</b>

\* According to NERUDOVA property s.r.o.'s trial balance sheets

## 15 LONG-TERM INTANGIBLE ASSETS

### A) CHANGES IN INTANGIBLE FIXED ASSETS

(in thousands of CZK)	Software	Ocenitelná práva	Nezařazený majetek	Celkem
Purchase price				
As of 1 Jan. 2018	15 931	32 540	12 957	61 428
Add-ons	-	-	1 805	1 805
Other changes	-	-	-	-
As of 31 Dec. 2018	15 931	32 540	14 762	63 233
As of 1 Jan.	15 931	32 540	14 762	63 233
Add-ons	796	-	2 833	3 629
Other changes	-	-	-	-
As of 31 Dec. 2019	16 727	32 540	17 595	66 862

(in thousands of CZK)	Land / buildings	Machines / devices	Vehicles	Total
<b>Adjustments and adjust. cost items</b>				
As of 1 Jan. 2018	13 915	32 540	-	46 455
Annual deductions	890	-	-	890
Other changes	-	-	-	-
As of 31 Dec. 2018	14 805	32 540	-	47 345
As of 1 Jan. 2019	14 805	32 540	-	47 345
Annual deductions	645	-	-	645
Other changes	-	-	-	-
As of 31 Dec. 2019	15 450	32 540	-	47 990
<b>Balance price</b>				
As of 31 Dec. 2018	1 126	-	14 762	15 888
As of 1 Jan. 2019	1 277	-	17 595	18 872

The growth (add-on) under the heading Unassigned Assets for the amount of 2,833,000 CZK for 2019 (2018: 1,805,000 CZK) relates mainly to the development and purchase of the new Alfa information system.

## 16 LONG-TERM TANGIBLE ASSETS

### A) CHANGES TO LONG-TERM TANGIBLE ASSETS

(in thousands of CZK)	Land / buildings	Machines / devices	Vehicles	Total
<b>Purchase price</b>				
As of 1 Jan. 2018	643	7 506	1 091	9 240
Add-	-	45	1 486	1 531
Other changes	-	-	-	-
As of 31 Dec. 2018	643	7 551	2 577	10 771
Rights from usage per IFRS 16 as of 1 Jan. 2019	13 301	230	1 129	14 660
As of 1 Jan. 2019	13 944	7 781	3 706	25 431
Add-ons	155	1 813	5 704	7 672
Other changes	-	-	(1 091)	(1 091)
As of 31 Dec. 2019	14 099	9 594	8 319	32 012

(in thousands of CZK)	Land / buildings	Machines / devices	Vehicles	Total
Adjustments and adjust. cost items				
As of 1 Jan. 2018	37	4 524	255	4 816
Annual	62	418	397	877
Other changes	-	-	-	-
As of 31 Dec. 2018	99	4 942	652	5 693
As of 1 Jan.	99	4 942	652	5 693
Annual deductions		597	2 320	4 220
Other changes	-	-	(1 091)	(1 091)
As of 31 Dec. 2019	1 402	5 539	1 881	8 822
Balance price				
As of 31 Dec. 2018		2 609	1 925	5 078
As of 1 Jan. 2019	12 697	4 055	6 438	23 190

## B) LONG-TERM TANGIBLE ASSETS REPORTED IN COMPLIANCE WITH IFRS 16

As part of long-term tangible assets (see Item 16a), we report, as of 1 Jan. 2019, usage rights for the following types of assets.

(in thousands of CZK)	Land / buildings	Machines / devices	Vehicles	Total
As of 1 Jan.	13 301	230	1 129	14 660
Add-ons	155	253	1 465	1 873
Other changes	-	-	-	-
As of 31 Dec. 2018		483	2 594	16 533
As of 1 Jan. 2019	-	-	-	-
Annual deductions		89	806	2 135
Other changes	-	-	-	-
As of 31 Dec. 2019	1 240	89	806	2 135
Balance price				
As of 31 Dec. 2018	13 301	230	1 129	14 660
As of 1 Jan. 2019	12 216	394	1 788	14 398

## Land and Buildings

The Company rents land and buildings for its headquarters, for housing and for parking. These rental arrangements usually last for a period of 13 years. Rental fees are denominated in Czech crowns.

## Machines and Devices

The Company rents printers for operational and commercial purposes. These rental arrangements usually last for a period of 60 months. Rental fees are denominated in Czech crowns.

## Vehicles

This involves vehicles the Company rents for business trips by its sales directors and company employees. Usually, rental agreements are entered into for 60 months. Rental fees are denominated in Czech crowns.

# 17 OTHER ASSETS

(in thousands of CZK)	31 Dec. 2019	31 Dec. 2018
Positive fair value of derivatives	42 436	53 228
Deferred tax liability	2 739	2 439
Other	8 213	5 783
<b>Total</b>	<b>53 388</b>	<b>61 450</b>

## A) POSITIVE FAIR VALUE OF DERIVATIVES

Derivatives are backed by cash collateral for an initial value of 10% of the nominal trade value. From the moment of the trade close up to maturity, the fair trade value is monitored using the Mark to Market (MTM) method. Provided the MTM value achieves 80% of the collateral value, the client is asked to add to the collateral such that the MTM value falls below 60% of the collateral value.

## B) OTHER

The „Other“ heading represents mainly the following:

- operating deposits provided for an amount of 1,897,000 CZK (31 Dec. 2018: 2,334,000 CZK);
- liabilities on behalf of employees for an amount of 204,000 CZK (31 Dec. 2018: 24,000 CZK); and
- an overpayment on corporate income tax advance deposits for the amount of 6,112,000 CZK (31 Dec. 2018: 3,245,000 CZK).

# 18 LIABILITIES TO BANKS AND ACCEPTED PLEDGES AND GUARANTEES

The credit agreement with Komerční banka (KB) with a nominal value of 20 million CZK has not been drawn from as of 31 Dec. 2019. The unused balanced is reported in the non-balance sheet accounts under the heading Accepted pledges and guarantees.

In 2018, the Company used the credit agreement up to the date of 31 Dec. 2018 and reported a debt toward Komerční banka for an amount of 1,809,000 CZK under the heading „Liabilities (debts) toward banks and credit unions“ as a debt liability. It also reported the unused balance for the amount of 18,191,000 CZK in its non-balance sheet accounts under the heading Accepted pledges and guarantees.

(in thousands of CZK)	31 Dec. 2019	31 Dec. 2018
Type of credit (loan)	overdraft account	overdraft account
Nominal value	-	1 809
Unused balance (to be drawn)	20 000	18 191
Maturity	-	Jan. 2018
Payment calendar	one-off renewal	one-off renewal
Repayable within 1 year	-	1 809
Repayable within 1-5 years	-	-

## 19 COMMITMENTS TO NON-BANK ENTITIES

### A) ANALYSIS OF COMMITMENTS TO NON-BANK ENTITIES BASED ON MATURITY

(in thousands of CZK)	31 Dec. 2019	31 Dec. 2018
(Re)payable on demand	1 527 738	1 213 317
<i>From client collateral</i>	31 504	62 079
<b>Total</b>	<b>1 527 738</b>	<b>1 213 317</b>

Obligations toward non-bank subjects represent balances on company clients' internal payment accounts (IPAs). The latter serve for payment transactions and currency operations.

### B) LIABILITIES TO PARTICIPATIONS WITH CONTROLLING INFLUENCE

The Company does not have any liabilities to participations with controlling influence.

## 20 OTHER LIABILITIES

(in thousands of CZK)	31 Dec. 2019	31 Dec. 2018
Negative fair amounts of derivative	29 701	32 008
Suppliers	9 836	8 212
Liabilities to employees	4 669	9 091
Liabilities to the health insurance and social security fund	2 691	3 709
Liabilities to the national budget	1 503	2 682
Liabilities from trades	11 999	10 660
Liabilities from leasing	14 638	-
Debt cost estimate items	1 671	1 906
<b>Total</b>	<b>76 708</b>	<b>68 268</b>

## Liabilities to the health insurance and social security fund

Liabilities to the health insurance and social security fund amounted to 2,691,000 CZK as of 31 Dec. 2019 (as of 31 Dec. 2018, the equalled 3,709,000 CZK). None of these liabilities are past their maturity date.

## Liabilities from leasing

Liabilities from leasing amount to 14,638,000 CZK as of 31 Dec. 2019. The represent obligations for leasing related to the application of the IFRS 16 accounting standard as of 1 Jan. 2019.

Liabilities from leasing based on maturity are segmented as follows:

Time frame (thousands of CZK)	2019 Future leasing payments	2019 Interest	2019 Current value of min. leasing payment
Payable within a year	2 670	627	2 670
Payable within 1-5 years	8 870	2 094	6 776
Payable within over 5 years	6 415	596	5 819
Total	17 955	3 317	14 638

# 21 RESERVES

## A) EVOLUTION OF RESERVES

(in thousands of CZK)	Reserve for bonuses	Reserves for income tax	Total
Balance as of 1 Jan. 2018	21 194	3 579	24 773
Creation	16 548	-	16 548
Dissolution of unnecessary reserves	(4 707)	-	(4 707)
Usage	(29 805)	(3 579)	(33 384)
Reserves balance as of 31 Dec. 2018	3 230	-	3 230
Balance as of 1 Jan. 2019	3 230	-	3 230
Creation	4 830	-	4 830
Dissolution of unnecessary reserves	(3 230)	-	(3 230)
Usage	-	-	-
Reserves balance as of 31 Dec. 2019	4 830	-	4 830

Segmentation of creation of reserves for bonuses and unused vacation time for 2019 for the amount of 4,830,000 CZK (2018: 16,548,000 CZK) consist of the following:

- creation of reserves for bonuses for the amount of 4,415,000 CZK (2018: 16,318,000 CZK);
- a reserve for vacations for the amount of 415,000 CZK (2018: 230,000 CZK).

## 22 ADJUSTABLE COST ITEMS FOR LIABILITIES

### A) EVOLUTION OF ADJUSTABLE COST ITEMS FOR LIABILITIES FOR NON-BANK SUBJECTS AND LIABILITIES FOR BANKS

(in thousands of CZK)	Tax deductible	Non-tax deductible	Total
Balance as of 1 Jan. 2018	10 705	223	10 928
Creation	190	-	190
Dissolution	(104)	-	(104)
Usage	(62)	-	(62)
Exchange rate difference	-	(75)	(75)
Adjustable cost item balance as of 31 Dec. 2018	10 857	148	11 005
Balance as of 1 Jan. 2019	10 857	148	11 005
Creation	112	-	112
Dissolution	(122)	(44)	(166)
Usage	(66)	(48)	(114)
Exchange rate difference	(90)	41	(49)
Adjustable cost item balance as of 31 Dec. 2019	10 691	97	10 788

In 2019, we wrote off liabilities for a total amount of 248,000 CZK (2018: 62,000 CZK).

#### Written-off unpaid contractual amount of financial assets

The unpaid contractual amount of financial assets that was written off during the fiscal year and which is still subject to recovery had a null amount for 2019 and 2018.

## 23 SHARE CAPITAL

Share capital at a value of 24,030,000 CZK consists of 21 shares of common stock per the bearer's name at a nominal value of 450,000 CZK and 62 common stock shares per the bearer's name for a nominal value of 90,000 CZK.

Company shareholder structure as of 31 Dec. 2019 and 31 Dec. 2018:

Name	Headquarters	Number of Shares (pc.)	Share of basic capital (%)
AKCENTA GROUP SE, ID No.: 28252900	Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové	183	100 %
<b>Total</b>	-	<b>183</b>	<b>100 %</b>

The Company plans to transfer profits from 2019 for the amount of 22,617,000 CZK to the non-distributed profit for the prior period.



## 24 INCOME TAX

Segmentation of income tax is as follows:

(in thousands of CZK)	2019	2018
Payable tax	6 312	6 469
Changes to deferred taxes reported in P/L statement	(300)	3 399
<b>Total income tax</b>	<b>6 012</b>	<b>9 868</b>

### A) PAYABLE INCOME TAX (TAX DUE)

(in thousands of CZK)	2019	2018
Pre-tax profit or loss for the fiscal period	28 629	46 055
Non-tax deductible costs increasing the tax base	21 567	20 777
Other items lowering the tax base)	(17 698)	(35 704)
<i>Subtotal</i>	32 498	31 128
<b>Tax calculated at the 19% rate</b>	<b>6 175</b>	<b>5 914</b>
Taxes paid abroad	2 015	1 718
Cumulative taxes paid abroad	(1 878)	(1 163)
<b>Total tax liability</b>	<b>6 312</b>	<b>6 469</b>

Total costs due to payable income tax for the year equalled 6,312,000 CZK (2018: 6,469,000 CZK).

### B) DEFERRED TAX OBLIGATIONS / LIABILITIES

Deferred tax liabilities and debts consist of the following items:

(in thousands of CZK)	31 Dec. 2019 Deferred tax liability (+) / debt (-)	31 Dec. 2018 Deferred tax liability (+) / debt (-)	Change
Long-term tangible and intangible assets	(210)	(237)	27
Adjustable cost items for liabilities for non-bank subjects	2 031	2 063	(32)
Bonus and vacation (holiday) reserve fund	918	613	305
<b>Net deferred tax debt/liability reported in the profit and loss Statement</b>	<b>2 739</b>	<b>2 439</b>	<b>300</b>

As of 31 December 2019, the Company reported a deferred tax debt in its other assets for the amount of 2,739,000 CZK (31 December 2018: 2,439,000 CZK) calculated with a 19% income tax rate.

The impact of the tax deferral under the Income Tax heading in the profit and loss statement for 2019 equalled earnings amounting to 300,000 CZK (2018: it was a cost of 3,399,000 CZK).

## 25 OFF-BALANCE SHEET ITEMS

### A) DEBTS / LIABILITIES FROM SPOT AND FIXED TRADE OPERATIONS

The Company charges forward and swap trades with clients in its off-balance sheet accounts and records them there until the moment the trades are settled.

Furthermore, spot operations that are not settled neither on the debt side nor on the liability side are transferred to the off-balance sheet accounts.

Off-balance sheet debts and liabilities represent nominal (contractual) non-discount values.

### B) NOMINAL AND FAIR VALUES FOR FIXED TRADE OPERATIONS AND OPTIONS

(in thousands of CZK)	31 Dec. 2019 Off-balance sheet items			31 Dec. 2018 Off-balance sheet items		
	Debt	Oblig.	Diff.	Debt.	Oblig.	Diff.
<b>Trading instruments</b>						
Fixed currency operations	6 418 646	(6 407 127)	11 519	7 790 194	(7 776 879)	13 315
Currency options	286 859	(286 907)	(48)	341 547	(341 547)	-
<b>Total</b>	<b>6 705 505</b>	<b>(6 694 034)</b>	<b>11 471</b>	<b>8 131 741</b>	<b>(8 118 426)</b>	<b>13 315</b>

Off-balance sheet debts and liabilities are reported for their nominal (contractual) non-discount value amounts. The following table contains the division of nominal values for individual types of financial derivatives based on their residual repayment (pay-back) periods.

(in thousands of CZK)	Within 3 months	3 months to 1 year	1-5 years	Over 5 years	Unspecified	Total
<b>As of 31 December 2019</b>						
<b>Trading instruments</b>						
Fixed currency operations (debts)	2 056 138	4 147 090	215 418	-	-	6 418 646
Fixed currency operations (liabilities)	(2 053 535)	(4 132 742)	(220 850)	-	-	(6 407 127)
Currency options (debts)	116 257	170 602	-	-	-	286 859
Currency options (liabilities)	(116 316)	(170 591)	-	-	-	(286 907)
<b>As of 31 December 2018</b>						
<b>Trading instruments</b>						
Fixed currency operations (debts)	4 520 495	2 844 372	425 327	-	-	7 790 194
Fixed currency operations (liabilities)	(4 515 094)	(2 837 325)	(424 460)	-	-	(7 776 879)
Currency options (debts)	264 581	76 966	-	-	-	341 547
Currency options (liabilities)	(264 581)	(76 966)	-	-	-	(341 547)

## 26 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a matching of items in the financial statement and the appraisal categories for financial instruments as of 31 Dec. 2019 and 31 Dec. 2018:

	31 Dec. 2019 (in thousands of CZK)	Mandatory in FVTPL	Current value	Purchase price	Total
1	Cash on hand and central bank deposits	-	72	-	72
3	Liabilities for banks and credit unions	-	1 640 271	-	1 640 271
4	Liabilities for non-bank subjects	-	12 039	-	12 039
8	Participations with controlling influence	-	-	9 700	9 700
11	Other assets that are financial instruments	42 436	1 897	-	43 333
	<b>Total financial assets</b>	<b>42 436</b>	<b>1 654 279</b>	<b>9 700</b>	<b>1 706 415</b>

	31 Dec. 2019 (in thousands of CZK)	Mandatory in FVTPL	Current value	Total
2	Liabilities to clients – credit union members	-	1 527 738	1 527 738
4	Other debts that are financial assets	29 701	36 473	66 174
	<b>Total financial liabilities</b>	<b>29 701</b>	<b>1 564 211</b>	<b>1 593 912</b>

	31 Dec. 2018 (in thousands of CZK)	Mandatory in FVTPL	Current value	Purchase price	Total
1	Cash on hand and central bank deposits	-	124	-	124
3	Liabilities for banks and credit unions	-	1 329 499	-	1 329 499
4	Liabilities for non-bank subjects	-	19 088	-	19 088
8	Participations with controlling influence	-	-	9 700	9 700
11	Other assets that are financial instruments	53 228	2 334	-	55 562
	<b>Total financial assets</b>	<b>53 228</b>	<b>1 351 045</b>	<b>9 700</b>	<b>1 413 973</b>

	31 Dec. 2018 (in thousands of CZK)	Mandatory in FVTPL	Current value	Total
1	Liabilities to banks and credit unions	-	1 809	1 809
2	Liabilities to clients – credit union members	-	1 213 317	1 213 317
4	Other debts that are financial assets	32 008	18 872	50 880
	<b>Total financial liabilities</b>	<b>32 008</b>	<b>1 233 998</b>	<b>1 266 006</b>

## 27 CREDIT RISK

As part of its activities, the Company does not take on, to a significant degree, credit risk.

Settlement of most payment transactions and limited trades for foreign currencies agreed with clients always occurs after money arrives from the client onto the Company's account.

Beyond this, the Company asks of most of its clients, with whom it enters into forward and swap trades, for the blocking of client finances for the purpose of covering potential losses from these trades in the future (e.g. cash-collateral). In the event of negative developments during the trade period, the Company asks that this collateral be increased.

The Company's credit risk is also tied to the deposit of free financial resources held by the Company and client financial resources the Company holds onto bank accounts. The Company limits this risk and follows a rule that it chooses only banks (counterparties) who have ratings assigned by international rating agencies; namely, Moody's Investors Service and Standard & Poor's Corporation. Said ratings indicate that these institutions are sufficiently able to meet their own financial liabilities.

## A) SETTING EXPECTED CREDIT LOSSES (ECL)

For the purpose of setting expected credit losses (ECL), the Company has divided up the Liabilities for banks and credit unions category (heading) based on quantitative and qualitative criteria for liabilities:

- not failing and without significant credit risk growth (Stage 1),
- with significant credit risk growth since the initial accounting (Stage 2),
- failing (Stage 3).

Furthermore, for purposes of calculating expected credit losses (ECL), the Company makes use of a simplified approach for the Liabilities for non-bank subjects category (heading), i.e. ECL is always for the amount of the full-life credit loss.

### Calculation of expected credit losses (ECL) for liabilities for banks

The Company calculates expected credit losses (ECL) for liabilities for banks based on the following equation:

$$ECL = PD * EAD * LGD$$

Key outputs and requirements for ECL calculation include the following variables/parameters:

#### a) probability of default (PD)

PD for each exposure has been set dependent on the counterparty's external credit rating based on data from Moody's.

In the event that the counterparty does not have an assigned external credit rating, its rating is calculated based on the following:

- the parent company's rating; provided it involves a daughter company or bank subsidiary outside the EU, the counterparty's rating is reduced by one rating level;
- the average external credit rating of the five largest financial institutions in the given country which is reduced by the relevant number of rating levels depending on the counterparty's CET1 capital ratio. Provided the CET1 ratio is not available, the average rating is automatically reduced by three levels.

#### b) exposure at default (EAD)

The gross accounting value as of the date of ECL calculation is classified as EAD.

#### c) loss given default (LGD)

The user of this instrument has the option of choosing an LGD regulator value or a value set dependent on the counterparty's external rating based on data from Moody's.

### Division of liabilities for banks into individual levels of devaluation (default)

Calculation of ECL for liabilities for banks based on individual levels of devaluation is as follows:

- Level 1 devaluation – for the amount of 12-month credit loss
- Level 2 and 3 devaluation – for the amount of full-life credit loss

Liabilities for banks are divided into individual levels of devaluation dependent on the number of days due (after maturity) with the exception of low credit risk and a credit risk increase following the initial accounting.

Assets in Level 1 devaluation:

- Financial assets less than 30 days overdue (past maturity);
- Financial assets whose counterparty has a credit rating on the Moody's scale of Baa3 or better (assets with a low credit risk for the counterparty);

Assets in Level 2 devaluation:

- Financial assets 30 or more days overdue (past maturity); however, maximum 90 days overdue (past maturity);
- Financial assets that have had a drop in their counterparty's credit rating on the Moody's scale by two or more levels since their initial accounting/processing (a significant increase in their credit risk since the initial accounting) and where the counterparty also has a credit rating of Ba1 or worse on the Moody's scale.

Assets in Level 3 devaluation:

- Financial assets 90 or more days overdue (past maturity);
- Financial assets marked as purchased or where credit devaluation of the financial assets has occurred (POCI);
- Financial assets whose counterparty has a CET1 capital ratio of less than 4.5%.

## B) MATCHING OF INITIAL AND FINAL BALANCES FOR ADJUSTABLE COST ITEMS

Liabilities for banks and credit unions appraised at their current price – 31 Dec. 2019

31 Dec. 2019 (in thousands of CZK)	12-month ECL	Full-life ECL for financial assets that are not in credit devaluation (default)	Full-life ECL for financial assets that are in credit devaluation (default)	Purchased or provided credit devaluated financial assets	Total
	(Level 1)	(Level 2)	(Level 3)	(POCI)	
Balance as of 1 Jan. 2019	148	-	-	-	148
Reappraisals and exchange rate differences	(51)	-	-	-	(51)
<b>Balance as of 31 Dec. 2019</b>	<b>97</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97</b>

Liabilities for banks and credit unions appraised at their current price – 31 Dec. 2018

31 Dec. 2018 (in thousands of CZK)	12-ti měsíční ECL	Celoživotní ECL pro finanční aktiva, která nejsou úvěrově znehodnocená	Celoživotní ECL pro finanční aktiva, která jsou úvěrově znehodnocená (stupeň 3)	Nakoupená nebo poskytnutá úvěrově hodnocená finanční aktiva (POCI)	Celkem
	(stupeň 1)	(stupeň 2)	(stupeň 3)	(POCI)	
Balance as of 1 Jan. 2018	223	-	-	-	223
Reappraisals and exchange rate differences	(75)	-	-	-	(75)
<b>Balance as of 31 Dec. 2018</b>	<b>148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148</b>

## Liabilities for non-bank subjects appraised at current value – 31 Dec. 2019

31 Dec. 2019 (in thousands of CZK)	12-month ECL	Full-life ECL for financial assets that are not in credit devaluation (default)	Full-life ECL for financial assets that are in credit devaluation (default)	Purchased or provided credit devaluated financial assets	Total
	(Level 1)	(Level 2)	(Level 3)	(POCI)	
Balance as of 1 Jan. 2019	-	-	(10 857)	-	(10 857)
Reappraisals and exchange rate differences	-	-	(166)	-	(166)
<b>Balance as of 31 Dec. 2019</b>	<b>-</b>	<b>-</b>	<b>(10 691)</b>	<b>-</b>	<b>(10 691)</b>

During 2019, no significant changes to adjustable cost items occurred due to changes in the gross accounting value of financial assets.

## Liabilities for non-bank subjects appraised at current value – 31 Dec. 2018

31 Dec. 2018 (in thousands of CZK)	12-month ECL	Full-life ECL for financial assets that are not in credit devaluation (default)	Full-life ECL for financial assets that are in credit devaluation (default)	Purchased or provided credit devaluated financial assets	Total
	(Level 1)	(Level 2)	(Level 3)	(POCI)	
Balance as of 1 Jan. 2018	-	-	(10 705)	-	(10 705)
Reappraisals and exchange rate differences	-	-	152	-	152
<b>Balance as of 31 Dec. 2018</b>	<b>-</b>	<b>-</b>	<b>(10 857)</b>	<b>-</b>	<b>(10 857)</b>

During 2018, no significant changes to adjustable cost items occurred due to changes in the gross accounting value of financial assets.

## C) MAXIMUM EXPOSURE TO CREDIT RISK

31 Dec. 2019 (in thousands of CZK)	Balance sheet	Off-balance sheet	Total credit risk exposure	Collateral provided	Main collateral type
Liabilities for banks and credit Unions	1 640 271	-	1 640 271	-	-
Liabilities for non-bank subjects	12 039	-	12 039	-	-
Other assets that are financial instruments and appraised at a fair value	42 436	-	42 436	-	-
Other assets that are financial instruments and appraised at current value	1 897	-	1 897	-	-
<b>Total</b>	<b>1 696 643</b>	<b>-</b>	<b>1 696 643</b>	<b>-</b>	<b>-</b>

31 Dec. 2018 (in thousands of CZK)	Balance sheet	Off-balance sheet	Total credit risk exposure	Collateral provided	Main collateral type
Liabilities for banks and credit Unions	1 329 499	-	1 329 499	-	-
Liabilities for non-bank subjects	19 088	-	19 088	-	-
Other assets that are financial instruments and appraised at a fair value	53 228	-	53 228	-	-
Other assets that are financial instruments and appraised at current value	2 334	-	2 334	-	-
<b>Total</b>	<b>1 404 149</b>	<b>-</b>	<b>1 404 149</b>	<b>-</b>	<b>-</b>

## D) CONCENTRATION BASED ON SECTOR

31 Dec. 2019 (in thousands of CZK)	Financial organizations	Non-financial organizations	Total
Liabilities for banks	1 640 271	-	1 640 271
Liabilities for non-bank subjects	-	12 039	12 039
<b>Total</b>	<b>1 640 271</b>	<b>12 039</b>	<b>1 652 310</b>

31 Dec. 2018 (in thousands of CZK)	Financial organizations	Non-financial organizations	Total
Liabilities for banks	1 329 499	-	1 329 499
Liabilities for non-bank subjects	-	19 088	19 088
<b>Total</b>	<b>1 329 499</b>	<b>19 088</b>	<b>1 348 587</b>

## E) KONCENTRACE DLE ZEMĚPISNÝCH OBLASTÍ

31 Dec. 2019 (in thousands of CZK)	Czech Republic	EU (not incl. Czech Rep.)	Total
Liabilities for banks	531 462	1 108 809	1 640 271
Liabilities for non-bank subjects	11 667	372	12 039
<b>Total</b>	<b>543 129</b>	<b>1 109 181</b>	<b>1 652 310</b>

31 Dec. 2018 (in thousands of CZK)	Czech Republic	EU (not incl. Czech Rep.)	Total
Liabilities for banks	581 492	748 007	1 329 499
Liabilities for non-bank subjects	17 170	1 918	19 088
<b>Total</b>	<b>598 662</b>	<b>749 925</b>	<b>1 348 587</b>

## 28 CURRENCY RISK

Currency risk is the most noticeable market risk that the Company faces given the nature of its activities.

Currency risk is managed using the following:

- cautious and efficient management of open currency positions,
- setting stop/loss limits,
- setting and checking internal limits for maximum amounts for total open currency positions.

Currency positions for balance sheet and off-balance sheet items based on the main currencies are as follows:

31 Dec. 2019 (in thousands of CZK)	EUR	USD	PLN	HUF	CZK	Other	Total
Cash on hand and central bank deposits	1	-	7	2	44	18	72
Liabilities for banks	716 162	202 657	77 574	315 823	115 532	212 523	1 640 271
Liabilities for non-bank subjects	270	-	63	34	11 663	9	12 039
Participations with controlling influence	-	-	-	-	9 700	-	9 700
Long-term tangible and intangible assets	-	-	-	-	42 062	-	42 062
Other assets	158	-	17	-	53 213	-	53 388
Expenditure and income for coming period	-	-	-	-	1 835	-	1 835
<b>Total</b>	<b>716 591</b>	<b>202 657</b>	<b>77 661</b>	<b>315 859</b>	<b>234 049</b>	<b>212 550</b>	<b>1 759 367</b>
Liabilities to banks	-	-	-	-	-	-	-
Liabilities to non-banks subjects	701 922	236 258	98 576	142 304	259 279	89 399	1 527 738
Other debts	5 920	707	954	1 695	66 489	943	76 708
Revenues and expenditure for coming period	-	-	-	-	299	1	300
Reserves	-	-	-	-	4 830	-	4 830
Ownership capital	-	-	-	-	149 791	-	149 791
<b>Total</b>	<b>707 842</b>	<b>236 965</b>	<b>99 530</b>	<b>143 999</b>	<b>480 688</b>	<b>90 343</b>	<b>1 759 367</b>
Long positions from FX spots and Derivatives	3 802 220	405 680	548 773	178 743	3 057 527	268 757	8 261 700
Short positions from FX spots and Derivatives	3 826 983	377 982	522 317	351 447	2 782 941	387 856	8 249 526
<b>Net currency position</b>	<b>(16 014)</b>	<b>(6 610)</b>	<b>4 587</b>	<b>(844)</b>	<b>27 947</b>	<b>3 108</b>	<b>12 174</b>



31 Dec. 2018 (in thousands of CZK)	EUR	USD	PLN	HUF	CZK	Other	Total
Cash on hand and central bank deposits	4	-	8	2	91	19	124
Liabilities for banks	466 589	148 885	38 308	226 205	230 210	219 302	1 329 499
Liabilities for non-bank subjects	1 561	135	130	119	17 140	3	19 088
Participations with controlling influence	-	-	-	-	9 700	-	9 700
Long-term tangible and intangible assets	-	-	-	-	20 966	-	20 966
Other assets	278	-	7	34	61 125	6	61 450
Expenditure and income for coming period	2	-	-	-	1 041	-	1 043
<b>Total</b>	<b>468 434</b>	<b>149 020</b>	<b>38 453</b>	<b>226 360</b>	<b>340 273</b>	<b>219 330</b>	<b>1 441 870</b>
Liabilities to banks	-	-	-	-	1 809	-	1 809
Liabilities to non-banks subjects	566 008	165 065	113 411	117 813	159 765	91 255	1 213 317
Other debts	3 473	2 526	946	4 952	55 722	649	68 268
Revenues and expenditure for coming period	172	-	-	-	1 220	13	1 405
Reserves	-	-	-	-	3 230	-	3 230
Ownership capital	-	-	-	-	153 841	-	153 841
<b>Total</b>	<b>569 653</b>	<b>167 591</b>	<b>114 357</b>	<b>122 765</b>	<b>375 587</b>	<b>91 917</b>	<b>1 441 870</b>
Long positions from FX spots and Derivatives	3 953 853	391 106	422 270	136 694	3 746 620	459 960	9 110 503
Short positions from FX spots and Derivatives	3 856 451	377 673	344 853	240 450	3 692 731	586 645	9 098 803
<b>Net currency position</b>	<b>(3 817)</b>	<b>(5 138)</b>	<b>1 513</b>	<b>(161)</b>	<b>18 575</b>	<b>728</b>	<b>11 700</b>

The „Other“ column includes the following currencies: GBP, CHF, SEK, AUD, JPY, CAD, DKK, RUB, NOK, CNY, RON and TRY.

## 29 CREDIT RISK

The Company does not view credit risk to be significant and this mainly due to the fact that 96% of its total trades executed for clients consist of spot trades. Forward trades are usually repayable (mature) within three months.

## 30 LIQUIDITY RISK

In the Company's case, liquidity is defined as the company's ability to fulfil its obligations to clients in a timely and due manner as relates to realization of currency conversions and payment transactions related thereto.

The Company has mechanisms in place that separate client funds from the company's operating funds.

The greater portion of spot/forward trades concluded are settled by the Company once the Company receives finances from clients to cover the trades. This means that trades which are not covered (backed) are not

carried out; this in fact prevents liquidity risk within the Company. The exception is trades for clients who draw on a short-term credit line (the Company provides credit-based payment services within the scope of its payment institution license; said credits are payable within 1-2 business days), because, since 1 December 2016, AKCENTA CZ a.s. has offered eligible clients the possibility to draw on a short-term credit line.

## A) RESIDUAL CONTRACTUAL MATURITY (AMOUNTS PAYABLE)

The following tables show the residual contractual maturity for financial liabilities:

31 Dec. 2019 (in thousands of CZK)	Account. value	Non- discret. monetary flows	In one month	1 - 3 months	3 month - 1 year	1 - 5 years	Over 5 years
<b>FINANCIAL LIABILITIES</b>							
<b>Non-derivative liabilities</b>							
Liabilities to non-bank subjects	1 527 738	1527 738	1 527 738	-	-	-	-
Other debts that are financial instruments	36 473	36 473	22 007	354	1 517	6 776	5 819
	<b>1 564 211</b>	<b>1 564 211</b>	<b>1 549 745</b>	<b>354</b>	<b>1 517</b>	<b>6 776</b>	<b>5 819</b>
<b>Derivative liabilities</b>							
Instruments for trading:	(29 701)	-	-	-	-	-	-
Expenditure	-	(1 509 461)	(221 483)	(132 337)	(962 205)	(193 434)	-
Income	-	1 480 313	219 728	129 923	942 748	187 915	-
<b>31 Dec. 2018 (in thousands of CZK)</b>							
<b>FINANCIAL LIABILITIES</b>							
<b>Non-derivative liabilities</b>							
Liabilities to banks and credit unions	1 809	1 809	1 809	-	-	-	-
Liabilities to non-bank subjects	1 213 317	1 213 317	1 213 317	-	-	-	-
Other debts that are financial instruments	18 872	18 872	18 872	-	-	-	-
	<b>1 233 998</b>	<b>1 233 998</b>	<b>1 233 998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivative liabilities</b>							
Instruments for trading:	(32 008)						
Expenditure		(816 764)	(32 470)	(84 322)	(205 515)	(494 457)	-
Income		784 756	23 176	74 605	201 041	485 935	-

The balances shown in the tables above are calculated and reported on as follows:

Type of financial instrument	Means, requirements and reasons for determining residual contractual maturity
Non-derivative financial instruments	<b>Non-discounted monetary flows</b> that include anticipated interest payments
Trade derivatives that the accounting unit has concluded with its customers	<b>Contractual non-discounted monetary flows.</b> The reason is that these derivatives are usually not concluded prior to the date of their contractual maturity. Therefore, the accounting unit believes that contractual maturity is critical to understanding the timing of cash flows tied to these derivatives.

## 31 OPERATIONAL RISK

The Company defines operational risk as the risk of loss due to the influence of a lack, or failure, of internal processes, human resources or systems and the risk of loss of due to the influence of external factors: including risks arising as a result of breach of, or failure to fulfil, requirements in legal norms.

The process for managing operational risk in Company conditions is expressed in a summary of activities that are carried out regularly (on a quarterly basis). This includes mainly identification, assessment and monitoring of risk, in addition to checks on fulfilment of preventive and other measures meant to mitigate individual types of risk. These activities' outputs are recorded in the internal Risk Matrix document. Operational risk tied to Company activities are mitigated in Company conditions using:

- systemic support for all processes,
- thorough separation of the broker roles, trade settlement and trade accounting,
- configuration of user rights for all systems,
- standardization of work processes,
- multi-tier checks on processes with a quantitatively high impact on the profit and loss statement,
- application of 4-eye checks,
- expert supervision by the Compliance, Internal Audit and Risk Management Departments,
- back-up plans for handling extraordinary circumstances.

## 32 FAIR VALUE

### Appraisal methods

Appraisal methods include the following:

- net current value and models based on discount cashflows,
- comparisons with similar instruments for which there are observable prices,
- setting of fair values based on net accounting ownership capital (i.e. appraisal according to the daughter company NAV).

### Requirements and inputs

Requirements and inputs used in appraisal methods include the following:

- risk-free interest rates (levels),
- currency exchange rates,

- reference interest rates,
- swap rates,
- counterparty's credit risk.

### Aim of appraisal method

The aim of the appraisal method is to establish a fair value that reflects the price obtained through an asset sale or paid for acquisition of an obligation as part of a standard transaction between market participants on the day of appraisal.

### Processes and controls (checks)

The accounting unit has set up a set of checks (controls) for fair value appraisal. The given controls include the following:

- verifying monitorable inputs and prices;
- cross-check model-based recalculation;
- checks and approval procedures for new appraisal models and changes thereto;
- analysis and investigation of significant daily differences in appraisals.

### Financial instruments that are not reported at fair value in the balance sheet

Accounting values and fair values of financial assets and liabilities that are not reported at their real value in the accounting unit's balance sheet are shown in the table below:

(in thousands of CZK)		31 Dec. 2019 Accounting value	31 Dec. 2019 Fair value
<b>FINANCIAL ASSETS</b>			
1	Cash on hand and central bank deposits	72	72
3	Liabilities for banks and credit unions	1 640 271	1 640 271
4	Liabilities for non-bank subjects	12 039	12 039
8	Participations with controlling influence	9 700	10 589
11	Other assets that are financial tools	1 897	1 897
<b>FINANCIAL LIABILITIES</b>			
2	Liabilities to non-bank subjects	1 527 738	1 527 738
4	Other financial liabilities that are financial instruments	36 473	36 473

(in thousands of CZK)		31 Dec. 2019 Accounting value	31 Dec. 2019 Fair value
<b>FINANCIAL ASSETS</b>			
1	Cash on hand and central bank deposits	124	124
3	Liabilities for banks and credit unions	1 329 499	1 329 499
4	Liabilities for non-bank subjects	19 088	19 088
8	Participations with controlling influence	9 700	9 741
11	Other assets that are financial tools	2 334	2 334
<b>FINANCIAL LIABILITIES</b>			
1	Liabilities to banks and credit unions	1 809	1 809
2	Liabilities to non-bank subjects	1 213 317	1 213 317
4	Other financial liabilities that are financial instruments	18 872	18 872

The accounting unit uses the following inputs and techniques to determine fair value:

#### Cash on hand and central bank deposits

Accounting value equals fair value. These financial assets are ranked at Level 1 in the fair value hierarchy.

#### Liabilities for banks and credit unions

Given the short maturity of these liabilities, their accounting value is closer to their fair value. These financial assets are ranked at Level 1 in the fair value hierarchy.

#### Liabilities for non-bank subjects

Estimates for the fair value of liabilities come from discounted future expected cashflows while using the counterparty's no-risk interest rate and credit risk (assessment). For devalued credits (loans), we work with the current value of future expected cashflows including expected earnings from possible collateral realization (usage).

These financial assets rank at Level 3 in the fair value hierarchy.

#### Participations with controlling influence

Fair value is calculated based on net assets (ownership capital) for the given participation and the ownership share of the given participation. These financial assets are ranked at Level 3 in the fair value hierarchy.

#### Financial instruments that are reported at their fair value in the financial statement

The following table shows individual levels of fair value for financial assets and financial liabilities which are reported at their fair value in the balance sheet:

31 Dec. 2019 (in thousands of CZK)		Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
11	Other assets – Positive fair value of derivatives	-	42 436	-
<b>FINANCIAL LIABILITIES</b>				
4	Other liabilities – Negative fair value of derivatives	-	29 701	-

31 Dec. 2018 (in thousands of CZK)		Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>				
11	Other assets – Positive fair value of derivatives	-	53 228	-
<b>FINANCIAL LIABILITIES</b>				
4	Other liabilities – Negative fair value of derivatives	-	32 008	-

### Transfers between Level 1 and Level 2

During 2019, no transfers between Level 1 and Level 2 occurred.

### Appraisal methods used and input quantities for Level 2 and Level 3

The accounting unit uses the following inputs and techniques to determine fair value at Level 2 and Level 3:

Derivatives belong to Level 2. Fair value for derivatives is set based on the current value of cashflows deriving from transactions with a view to market inputs such as currency spot and forward rates, reference interest rates, swap rates, etc.

## 33 IMPORTANT EVENTS AFTER THE CLOSING OF THE ACCOUNTING REPORT

On 11 March 2020, the World Health Organization (WHO) declared the spreading of the coronavirus a pandemic and on 12 March 2020 the Czech government declared a state of emergency. In reaction to the potentially serious threat that COVID-19 presents for public health, bodies in the Czech Republic's state administration introduced measures to stop the spreading of the pandemic: many of which had significant economic impacts.

The broader economic impacts of this event include the following:

- disruption of business and economic activities in the Czech Republic with subsequent impact on the upper and lower ends of country's supply chain;
- significant disruption of business activities in specific segments both in the Czech Republic and on markets that are highly dependent on foreign supply chains as well as for export-facing businesses dependent on foreign markets. Affected segments include trade and transport, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- significant drop in demand for non-essential goods and services;
- growth in economic uncertainty which is reflected in fluctuating asset prices and exchange rates.

The Company's management introduced a number of measures with an aim to ensure uninterrupted operations. These include the following:

- implementation of all essential technical measures which, at the present time, ensure home office work for the vast majority of Company employees;
- halting of all activities that lead to personal contact between employees and clients, e.g. trainings, conferences, business trips;
- ensuring essential protective and hygiene resources for employees who, due to their work obligations, carry out their jobs in the Company's office spaces.




Company management also works from the premise that the above-described events related to COVID-19 address conditions that arose after the date of this financial statement. Thus, these events do not require, beyond publication, any adjustments to the financial statement for the year ending 31 December 2019.

Even though, at the time of compiling this financial statement, the Company did not record any drop in earnings, it still monitors very closely the constantly changing situation and assesses potential impacts. However, in light of this unprecedented situation, it is not fully possible to predict all such impacts.

Should it be necessary, the Company management is prepared to take all necessary steps to mitigate any negative effects on the Company and its employees. The Company management has considered potential impacts of COVID-19 on its activities and business and has come to the conclusion that (the situation) does not have significant influence on the assumption of uninterrupted business activities, based on which this financial statement dating to 31 December 2019 has been completed.

The Company will continue to be able to carry out its activities. After the date of completing the financial statement, no events have occurred, beyond those already mentioned, that would have significant impact on the Company's financial statement dating to 31 December 2019.

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	Stamp and signature of the statutory body	Person responsible for accounting	Person responsible for the financial statement
Dispatched on 30 April 2020	 Milan Cerman	 Lenka Fialová	 Eva Dostálová

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# Contacts

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