

ANNUAL

REPORT

2020

AKCENTA CZ a.s.

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OPENING REMARKS FROM THE COMPANY DIRECTOR



Milan Cerman

Chairman of the Board of Directors

“ We should come away from the very difficult year 2020 with, among other things, one valuable lesson: it is not possible to depend on traditional certainties and function solely based on the status quo. We need to react flexibly to the changing times. ”

Dear ladies and gentlemen,

„The world is being tested like we’ve never seen before, now it is clear that 2020 will be a touchstone for us all.“ I borrowed this sentence from the opening remarks that I wrote last year; words that have not lost their meaning even since. Unfortunately. I won’t pretend that we at AKCENTA were not initially fully surprised by the unprecedented situation caused by the Covid-19 pandemic. However, we were very quickly able to adapt and put in place such security and technical measures that minimized the pandemic’s impact on company operations; and this mainly on the services provided to our clients.

Due to circumstances, we expedited the completion of certain projects; for example, the process for options to ID new clients remotely. Our sales reps, for whom this was a great, and sometimes the only, way to conclude new contracts in this difficult time, really appreciated it. They adapted to the situation so well that on a number of markets they did not see a drop in acquisitions. Evidence of this is stable 8% growth in the number of our clients, which passed the 40,000 mark. We are very serious about the digitalization and overall development of our IT solutions and infrastructure. For this reason, we expanded our board of directors to include a new member responsible for this area and who leads a newly-created developer team. In coming years, we plan to build on a combination of advanced digital solutions and quality network of sales reps who know their clients and how to help them.

If we speak here about digital solutions, we must not forget the fact that in 2020 we were able to complete the

acquisition of Zalep.to, an online platform for peer-to-peer financing. In this, we reacted to our clients’ requirements. Thanks to this platform they will be able to sell their invoices with long-term maturity to investors and, thanks to this, manage their cash-flow very efficiently. At the end of the year, we began to successfully offer the service, in pilot operations, to select clients and very quickly after that to all other ones.

The irregularity of the past year also showed up in our company’s financial results, and it is important to say here they did so in a good way. We saw growth in all aspects of the business, most significantly in the volume of hedging against exchange rate risk (more than double year-on-year growth), boosted by the unprecedented uncertainty caused by the pandemic which greatly increased the volatility on the exchange rate market. That, together with our clients’ interest in higher-volume transactions, led to last year being the most successful year for AKCENTA CZ in its history.

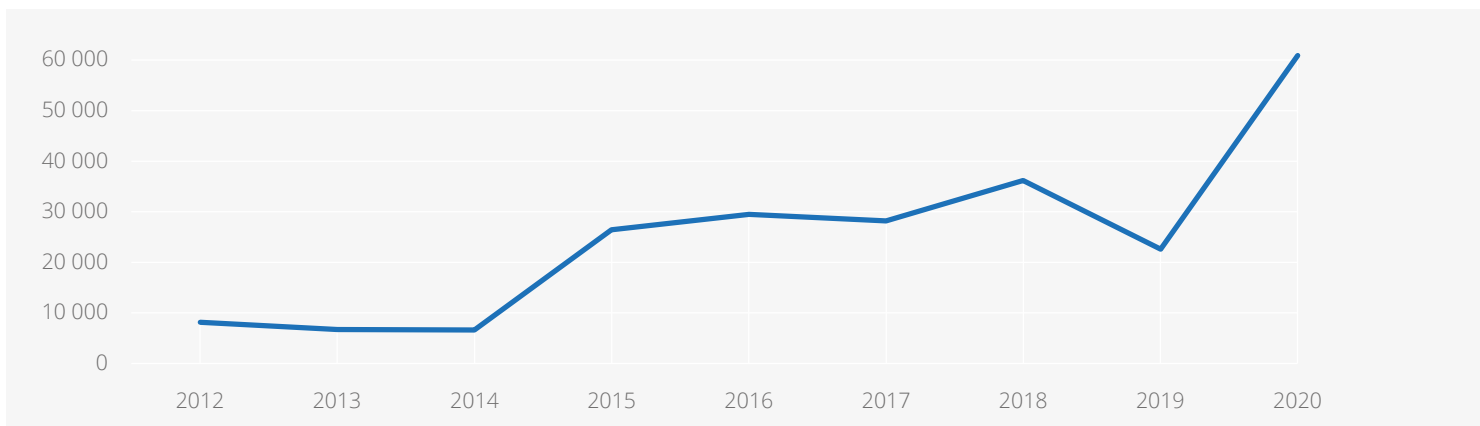
Perhaps you will agree with me when I say that we should come away from the very difficult year 2020 with one valuable lesson: it is not possible to depend on traditional certainties and function solely based on the status quo. We need to react very flexibly to the changing times. This was otherwise one of the main reasons we picked up the pace with our negotiations with potential investors who would enable AKCENTA CZ to solidify its position for further growth. The result of this was the conclusion of an agreement to join forces with a strong international banking group.

Because we were able to brave the storms and challenges of 2020 so successfully, I would very much like to thank here our excellent employee team and our team of sales reps. This success was their work. All of them often carried out tasks that tested their limits just to make sure that AKCENTA CZ would be a solid support system for our clients. I truly appreciate the trust that our clients place in us. And I want to thank them for that and I wish that 2021 will be once again a slightly „more normal“ year for all of us.

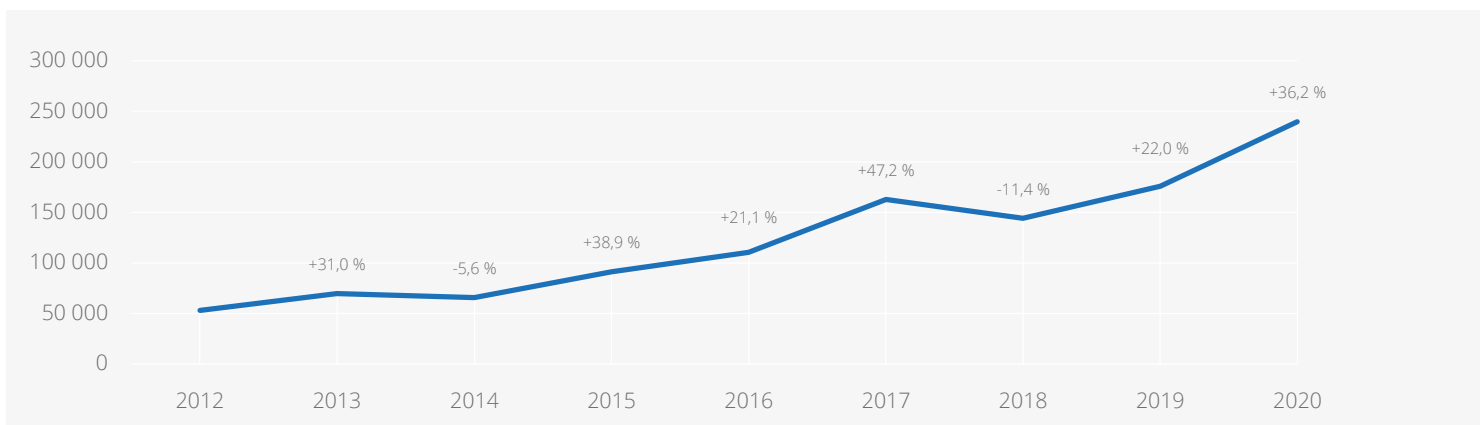
KEY

PERFORMANCE INDICATORS

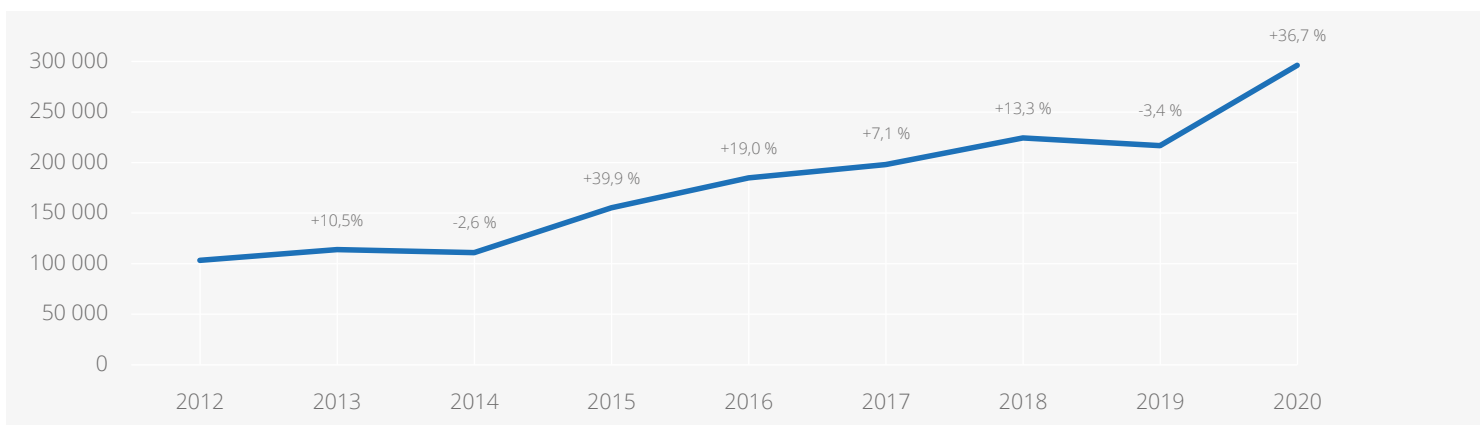
TRENDS IN AFTER-TAX ECONOMIC RESULTS (IN THOUSANDS OF CZK)



EVOLUTION OF BALANCE SUMS (IN THOUSANDS OF CZK)



EVOLUTION OF FINANCIAL BUSINESS RESULTS (IN THOUSANDS OF CZK)



MOST IMPORTANT EVENTS OF 2020

Successful handling of threats related to COVID-19 infections



Expansion of the board of directors to include a member in charge of IT



Start of digitalization at AKCENTA



Continued development of the new sales/trading system



100% acquisition of True Finance s.r.o.

Provider of peer-to-peer invoice financing, implementation of this product and launch of pilot project with limited number of investors



IMPORTANT EVENTS OCCURRING AFTER THE **CLOSING OF THE FISCAL YEAR**

In February 2021, a contract was signed for the sale of 100% of shares in AKCENTA CZ a.s. to an important international banking group. The sale now awaits approval by the Czech National Bank (CNB) and the anticipated completion of the sale process is expected to occur during the first half of 2021.

COMPANY

DEVELOPMENTS IN 2021

Founding of the subsidiary company AKCENTA DE GmbH in February 2021 and thereafter launching activities on the German market



Further development and solidification of market standing in Visegrad countries and in Romania



Digitalization at AKCENTA CZ



Completion of development and implementation of new trading software



Launch of full operations for the Zalep.to portal

A provider of peer-to-peer invoice financing and launch of invoice marketplace for broader investor public



Completion of the sale process and subsequent integration of company into new shareholder structure



COMPANY PROFILE

BASIC COMPANY CHARACTERISTICS (AS OF 31 DECEMBER 2020)

Company Name	AKCENTA CZ a.s.
Headquarters	Salvátorská 931/8 110 00 Prague 1
Operations Center	Nerudova 1361/31 500 02 Hradec Králové 2
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	100 125 000 CZK
Stocks	Not publicly traded
Statutory Body	Board of Directors
Number of Employees	94 employees, 4 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. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017
NERUDOVA property s.r.o.	Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové	100	100	100	100
True Finance s.r.o.	Nerudova 1361/31, Pražské Předměstí, 500 02 Hradec Králové	100	0	0	0

PRODUCTS AND SERVICES

AKCENTA CZ a.s. provides its clients services in the following fields:

PAYMENT TRANSACTIONS WITH CURRENCY EXCHANGE (DERIVATIVE TRADES)

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.

HEDGING 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

To set a zero-limit for collateral, partial or full compensation for the blocking of funds needed when agreeing term operations (all based on evaluation of financial statements).

ORDERS

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

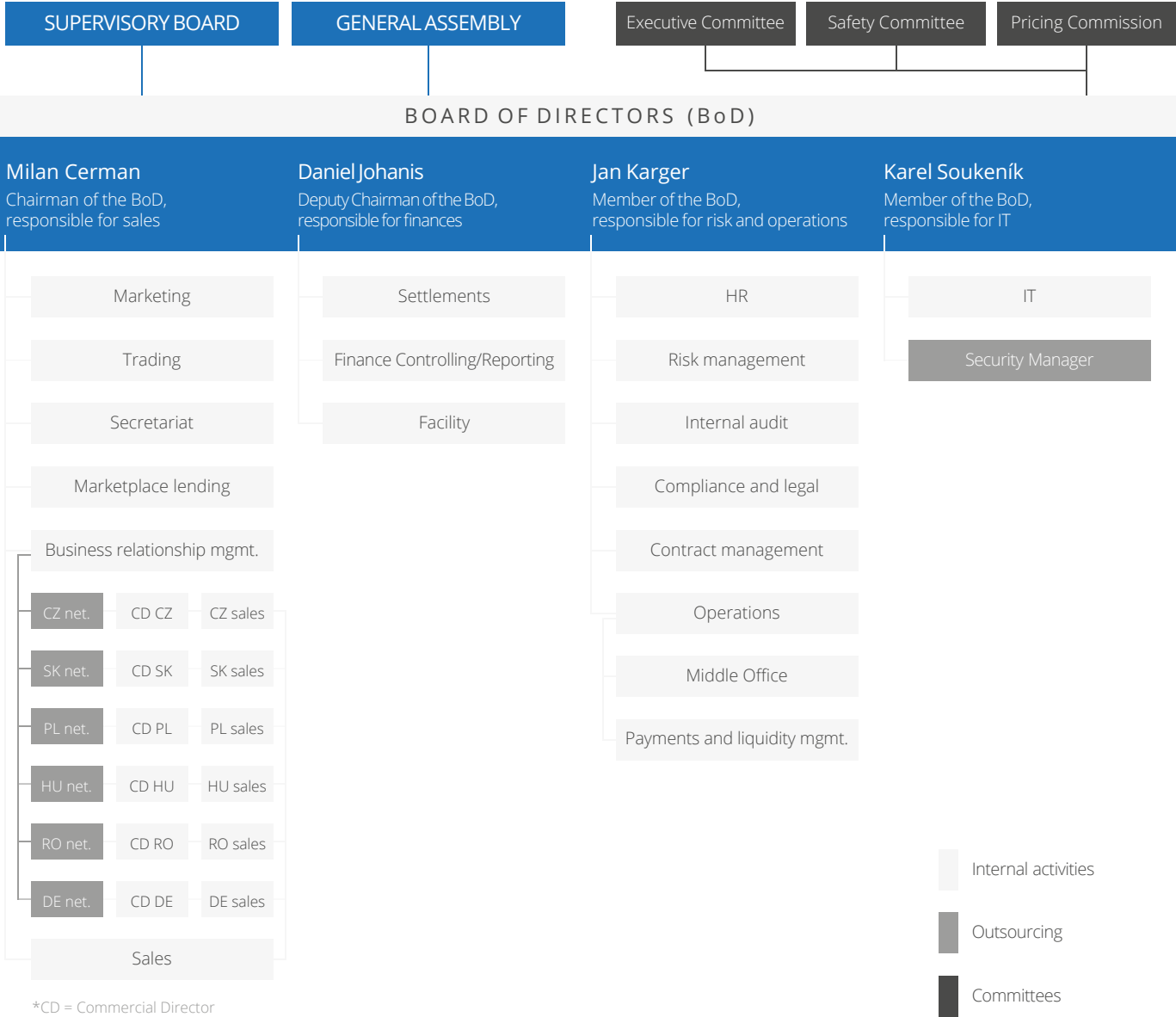
NOTICE

This product significantly expedites settling 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 2020)



STATEMENT ON UNDERTAKEN RISKS AND INDICATORS

01 STATEMENT ON RISKS 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 company does not undertake any significant level of market risk. The Company manages market risk arising from trading on behalf of clients using transactions concluded with several partner banks and counterparties in good standing.

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 related to the settling of transactions. This is because settlement of currency trades and term transactions for foreign currencies, as agreed with clients, always takes place once financial resources from clients arrive on the Company's bank account. If, for any reason, the trans-

fer of funds from the client to the Company's account does not occur, then the currency transaction is not made (settled) by the Company. For this reason, the Company does not undertake any credit risk as concerns settlements.

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.

In the case of current spot trades, it is very rare that a client will not meet its obligations. The main credit risk for the counterparty can result from currency derivative trades. Based on maturity, volatility, currency pairings and the type of product, the Company sets limits for collateral that clients must put forward before the transaction can be made. For clients with a high scoring, there is the option to replace financial collateral deposits with an approved dealing limit. Should a combination of both the limit and the financial collateral deposit be used, monitoring occurs the same way in all cases.

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 deposits of its own, and client finances, at banks. Should the Company undertake any risk in this regard, it has established limits whose amounts are based on the external rating of the given subject.

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, risk assessment and 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.

02 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, etc. on a daily, monthly or quarterly 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

Aggregate information on terms (conditions) and main characteristics of capital and its components (in thousands of CZK)	31 Dec. 2020
Aggregate level of starting capital (Tier 1 component)	124 368
Basic capital	100 125
Emissions agio	--
Reserve funds, non-divided funds, and other funds (from profits)	--
Non-distributed profit/loss from prior period – audited	46 049
Intangible assets (besides goodwill) reduces Tier 1	21 559
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)	247
Aggregate level of capital after incorporating deductible items	124 368

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

Data on capital requirements (in thousands of CZK)	31 Dec. 2020
Sum of capital requirements for credit risk	51 021
for exposure to institutions	36 912
for business exposure	10 661
for retail exposure	--
for other exposure	3 449
Sum of capital requirements for settlement risk	--
Sum of capital requirements for usage, currency, and commodity risk	353
Sum of capital requirements for operating risk	--
Sum of capital requirements based on operating costs	43 101
Sum of capital requirements for debt risk cost adjustments	1 336
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	--
Total amount of capital requirements	95 812

Capital ratios	31 Dec. 2020
Capital ratio for Tier 1 (CET1) equity capital	10.38%
Capital ratio for Tier 1 (T1) capital	10.38%
Capital ratio for total capital	10.38%

Average OCP indicators	31 Dec. 2020
Indebtedness I (total debt not including customer assets/assets without customer assets)	18.10%
Indebtedness II (overall debt not including customer assets/own capital)	34.47%
Rentability of ave. assets (ROAA not including customer assets)	16.56%
Rentability of ave. starting capital (ROAE)	49.73%
Rentability of turnover (after-tax profits/returns on investment services)	19.48%
Asset ROI (net profits/overall balance sum)	2.54%
Administrative costs per employee (in thousands of CZK)	2 057 CZK

THE COMPANY AS AN EMPLOYER

At AKCENTA CZ a.s. (hereafter „AKCENTA CZ“), we are aware that our success is based, alongside our longstanding traditions and provision of quality services, on the work of our employees and their professionalism. Our team's strength and our company as a whole proved itself during this difficult period. Indeed, thanks to them and their work efforts, we have been able to keep the company working at full capacity and to deliver high-quality services to our clients: services of a quality standard they rightfully expect from us. We appreciate how, together, we have been able to react to an unexpected situation and continue in our work, even if part of this has been done outside the office.

Our employees' happiness and health are very important to us. So we try to be a good employer and create a work environment where our employees feel content and also safe. We believe that thanks to measures we have put in place, we have been able to create such a work space. We are well aware that in today's uncertain times it is not easy to recruit and retain quality employees. AKCENTA CZ thus 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

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“) are 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 CMA.

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 2020 ACCOUNTING PERIOD

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 2020 fiscal year.

Related entities up to the date of 31 Dec. 2020 include the controlled entity, the controlling entity, and the following entities:

- AKCENTA GROUP SE, Org. ID No.: 282 52 900, headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter „AG“)
- 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“)
- PROAKCENT a.s., Org. ID No.: 288 07 596, headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter „P“)
- AKCENTA LOGISTIC a. s., Org. ID No.: 288 07 588, headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter „AL“)
- True Finance s.r.o., Org. ID No.: 05177138, headquartered at Nerudova 1361/31, Pražské Předměstí, 500 02 Hradec Králové (hereafter „TF“).

The business share amounts of the controlling entity in the aforementioned companies as of 31 Dec. 2020 is as follows: AG – 90.42%, NP – 90.42% (indirect share), P – 100%, AL – 100%, TF – 90.42 % (indirect share).

For the period from 1 Jan. 2020 up to 16 July 2020, the following companies ranked among the business' related entities:

- 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“)
- Československé úvěrní družstvo, Org. ID No.: 649 46 851, headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter „ČSUD“)
- ODP Invest s.r.o., IČ: 087 52 974, Headquartered at Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové (hereafter „ODPI“)
- KLM Property s.r.o., IČ: 087 52 893, Headquartered at Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové (hereafter „KLMP“)

This report contains information on what contracts have been concluded between the controlled entity and the related entities during the 2020 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 2020 fiscal year were governed by the following contracts:

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	Agreement on Provisions of Services (Outsourcing), in the versions of Addenda No. 2 and 3
AKCENTA CZ X ČSUD	Framework Agreement on Financial Market Trading, in the versions of Addenda No. 4 and 5
AKCENTA CZ X ČSUD	Framework Agreement on Carrying out Term (Fixed-Term) Trades with Foreign Currencies, No. 25087
AKCENTA CZ X ČSUD	Purchase Agreement (Contract)
AKCENTA CZ X ČSUD X AL	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 (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. 2
AKCENTA CZ X P	Rental Contract No. 4, in the version of Addendum No. 1
AKCENTA CZ X TF	Agreement on Processing Personal Data and Contract for Data Transfer
AKCENTA CZ X TF	Rental Agreement (zalep.to)

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 2021



MILAN CERMAN

Chairman of the Board of Directors



DANIĚL JOHANIS

Vice-chairman of the Board of Directors

SUPERVISORY BOARD REPORT

COMPOSITION OF SUPERVISORY BOARD

Over the course of 2020, the Supervisory Board met in the following set-up: Milan Lacina – chairman of the supervisory board; thereafter, Jiří Macek was a member. Due to the extraordinary situation brought about by the Covid-19 pandemic, the Supervisory Board met less regularly than in previous periods. All meetings were in compliance with company by-laws.

BOARD ACTIVITIES

The Supervisory Board was regularly familiarized by the Board of Directors 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 2020 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 2020.

Prague, 31 March 2021



MILAN LACINA

Chairman of the Supervisory Board

MISCELLANEOUS

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 2020.

The company did not have a subsidiary office or any other part of its commercial operations in a foreign country during 2020.

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 2020.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT



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 2020, a profit/loss statement, an overview of changes to ownership capital and cashflows for the year ending 31 December 2020, 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 to this financial statement.

In our opinion, the attached financial statement provides a credible, fair view of the Company's assets and liabilities up to 31 December 2020 and of expenditures and earnings and the results of the Company's business activities and cashflows for the year ending 31 December 2020: 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 method for 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, proposing and carrying out auditing processes that react to these risks and obtaining 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.

- 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 could 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. Ondřej Fikrle is the statutory auditor responsible for the audit of AKCENTA CZ a.s.'s financial statement dating to 31 December 2020, based on which this independent auditor's report has been written.

Prague, 31 March 2021

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Evidentiary Number 71

Ondřej F.

Ing. Ondřej Fikrle
Partner
Evidentiary Number 2525

FINANCIAL STATEMENT

FOR THE YEAR ENDING 31 DECEMBER 2020

Commercial Business	AKCENTA CZ a.s.
Headquarters	Salvátorská 931/8
ID Number	25163680
Subject of Business	Securities Trader
Date of Issue of the Financial Statement	31 March 2021

BALANCE SHEET AS OF 31 DECEMBER 2020

ASSETS

(thousands of CZK)	Item	31 Dec. 2020	31 Dec. 2019
1	Cash in hand and balances with central banks	49	72
3	Receivables for banks and credit unions	2 163 721	1 640 271
	of this: a) payable on demand	2 073 723	1 594 731
	b) other liabilities	89 998	45 540
4	Receivables for non-bank subjects	14 021	12 039
	b) other liabilities	14 021	12 039
8	Ownership interests with controlling influence	14 907	9 700
9	Long-term intangible assets	21 694	18 872
10	Long-term tangible assets	24 054	23 190
	of this: land and buildings for operational activities	11 340	12 697
11	Other assets	157 189	53 388
13	Expenditures and earnings for upcoming period	2 079	1 835
	Total Assets	2 397 714	1 759 367

LIABILITIES

(thousands of CZK)		Item	31 Dec. 2020	31 Dec. 2019
1	Liabilities toward banks and credit unions		12	--
	of this: a) payable on demand		12	--
2	Liabilities toward non-bank subjects	19	2 003 257	1 527 738
	of this: a) payable on demand		2 003 257	1 527 738
4	Other liabilities	20	164 170	76 708
5	Revenues and expenditures for the upcoming period		154	300
6	Reserves		23 046	4 830
	b) for taxes		5 758	--
	c) other		17 288	4 830
	Total Foreign Sources		2 190 639	1 609 576
8	Share capital	20	100 125	24 030
	of this: a) paid (deposited) share capital		100 125	24 030
9	Emission agio		--	140
10	Reserve funds and other profit-based funds		--	28 002
	c) other profit-based funds		--	28 002
14	Non-distributed profit or unpaid losses from the prior period	22	46 049	75 002
15	Profit or loss for the accounting period	23	60 901	22 617
	Total Ownership Capital		207 075	149 791
	Total Liabilities		2 397 714	1 759 367

OFF-BALANCE SHEET ITEMS

(thousands of CZK)		Item	31 Dec. 2020	31 Dec. 2019
	Off-balance sheet assets			
2	Collateral provided		3 937	--
3	Liabilities from spot operations		1 865 540	1 556 195
4	Liabilities from fixed term operations	25	10 181 662	6 418 646
5	Liabilities from options	25	15 554	286 859
6	Liabilities write-offs		36	--
	Off-balance sheet liabilities			
9	Accepted pledges and guarantees	28	20 000	20 000
11	Liabilities from spot operations		1 872 118	1 555 492
12	Liabilities from fixed term operations		10 129 839	6 407 127
13	Liabilities from options	25	15 524	286 907

PROFIT-LOSS STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2020

(thousands of CZK)		Item	31 Dec. 2020	31 Dec. 2019
1	Interest earnings and similar revenues	32	286	323
2	Interest costs and similar costs	32	(968)	(755)
4	Earnings from fees and commissions	33	16 105	17 233
5	Costs for fees and commissions	33	(23 039)	(24 349)
6	Profit or loss from financial operations	34	296 251	216 688
7	Other operating revenues	35	2 336	1 923
8	Other operating costs	35	(1 632)	(1 444)
9	Administrative costs	36	(193 314)	(174 445)
	of this: a) cost per employee		(95 003)	(78 291)
	of this: aa) wages and salaries		(70 118)	(57 874)
	ab) social security and health insurance		(24 885)	(20 417)
	b) other administrative costs		(98 311)	(96 154)
11	Write-offs, creation and usage of reserves, and adjustment charges for long-term tangible and intangible assets	11, 12	(5 711)	(4 865)
12	Dissolution of adjustment charges and reserves for debts and guarantees, revenues from previously written-off debts	37	--	166
13	Write-offs, creation and usage of adjustment charges	38	(1 180)	(246)
16	Dissolution of other reserves	18b	2 415	3 230
17	Creation and usage of other reserves	18b	(14 873)	(4 830)
19	Profit or loss from regular activities for the accounting period pre-tax		76 676	28 629
23	Income tax	39	(15 775)	(6 012)
24	Profit or loss for the accounting period after-tax		60 901	22 617

OVERVIEW OF CHANGES IN OWNERSHIP CAPITAL FOR THE YEAR ENDING 31 DECEMBER 2020

(thousands of CZK)	Basic Capital	Share Capital	Emission Agio	Reserve Funds	Capital Funds	Appraised Differences	Profit (loss)	Total
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	24 030	--	140	--	28 002	--	97 619	149 791
Balance as of 31 Dec. 2019	24 030	--	140	--	28 002	--	97 619	149 791
Balance as of 1 Jan. 2020	--	--	--	--	--	--	60 901	60 901
Net profit/loss for account. period	--	--	--	--	--	--	(3 617)	(3 617)
Share of profit	76 095	--	(140)	--	(28 002)	--	(47 953)	--
Balance as of 1 Dec. 2020	100 125	--	--	--	--	--	106 950	207 075

CASHFLOW OVERVIEW FOR THE YEAR ENDING 31 DECEMBER 2020

CASHFLOW FROM OPERATING ACTIVITIES

(thousands of CZK)	2020	2019
Pre-tax profit or loss for the accounting period from regular and extraordinary activities	76 676	28 629
Adjusted for non-cash operations:		
Write-offs and change of status for adjustment charges for long-term tangible and intangible assets	5 711	4 865
Change to state of reserves	18 216	1 600
Change to state of adjustment charges for liabilities and debt write-offs	1 180	80
Net interest earnings	682	432
Net profit/loss from sale of long-term tangible and intangible assets	-10	19
Eventual adjustments due to other non-monetary (cash) operations	2 071	338
	104 526	35 963
Changes in:		
Collateral for spot and derivative trades	-40 942	-6 718
Other liabilities for banks	-3 516	-1 152
Liabilities for non-bank subjects	-2 301	7 049
Other profits, costs and income from the upcoming period	-106 436	7 270
Liabilities to banks and credit unions	12	-1 809
Liabilities to non-bank subjects	475 519	314 421
Other liabilities, earnings and expenditures for the upcoming period	87 462	-7 303
	514 324	347 721
Accrued interest	286	323
Interest paid out	-1 595	- 755
Paid income tax	-12 407	-8 940
Net cashflow related to operating activities	500 608	338 349

CASHFLOW FROM INVESTMENT ACTIVITIES

(thousands of CZK)	2020	2019
Expenditure related to acquisition of ownership shares	-5 207	--
Expenditure related to acquisition of long-term tangible and intangible assets	-12 814	-9 428
Expenditure from sale of long-term tangible and intangible assets	5	545
Net cashflow related to investment activities	-18 016	-8 883

CASHFLOW FROM FINANCIAL ACTIVITIES

(thousands of CZK)	2020	2019
Paid out shares of profit (dividends)	-3 617	-26 667
Net cashflow related to financial activities	-3 617	-26 667
Net increase or decrease of cash stocks and monetary equivalents	478 975	302 799
State of cash stocks and monetary equivalents as of 1 January	1 594 900	1 292 101
State of cash stocks and monetary equivalents as of 31 December	2 073 772	1 594 900
Cash stocks and monetary equivalents include		
Cash on hand and central bank deposits	49	72
Liabilities for (to) banks and credit unions 1 – payable on demand	2 073 826	1 594 828
State of cash stocks and monetary equivalents as of 31 December	2 073 875	1 594 900

APPENDIX TO THE FINANCIAL STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2020

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

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

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:

AKCENTA GROUP SE

Gočárova třída 312/52, Hradec Králové, Czech Republic

BOARD AND SUPERVISORY BOARD MEMBERS AS OF 31 DECEMBER 2020

Executive Board Members

Milan Cerman (chairman)
Bc. Daniel Johanis, MBA (vice-chairman)
Jan Karger
Mgr. Karel Soukeník, PhD.

Supervisory Board Members

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

CHANGES IN THE COMMERCIAL REGISTER

On 1 August 2020, Mgr. Karel Soukeník, PhD. was named to the Company's Board of Directors. This change was recorded in the Commercial Registry on 24 August 2020.

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 traders and subsidiaries of foreign securities traders.

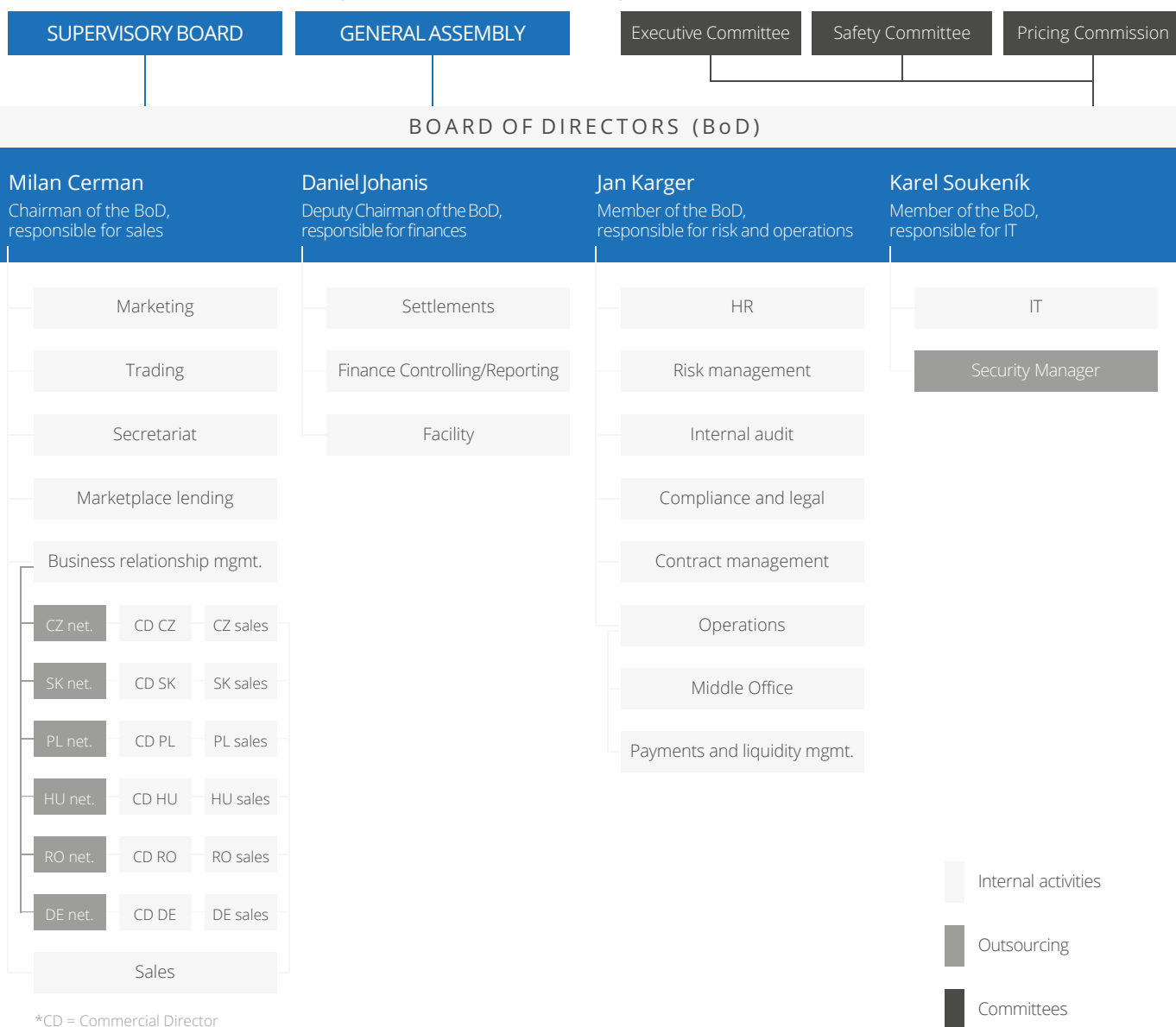
Based on a decision by the Czech National Bank (CNB) on the issue of a permit for Payment Institution activities dating from 22 February 2011 and a permit for Securities Trading Activities dating from 15 July 2011, the Company is authorized to provide the following services:

- payment services according to the Act No. 370/2017 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 2020)



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 standards“ 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 2020. The standard fiscal year runs from 1 January 2020 to 31 December 2020. The prior fiscal year ran from 1 January 2019 to 31 December 2019.

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 Company's trading 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 (forwards, swaps and options) 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 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 modified 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 adjustable cost 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

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 under the heading „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 under the heading „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 2020 and 2019.

03 CHANGES TO ACCOUNTING METHODS

The accounting department (unit) did not make any changes to its accounting methods in 2020.

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

(thousands of CZK)	2020	2019
Interest earnings from bank accounts	85	86
Interest earnings from loans made and credits	201	237
Total interest earnings	286	323
Interest costs and related costs	(341)	(130)
Interest costs from leasing obligations		(625)
Total interest costs	(968)	(755)
Net interest earnings	(682)	(432)

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 201,000 CZK (2019: 198,000 CZK) and from loans made by AKCENTA GROUP SE for the amount of 39,000 CZK (2019: 106,000 CZK).

Expense/cost interest represents interest paid to banking institutions for an amount of 341,000 CZK (2019: 130,000 CZK); growth compared to 2019 represents interest paid to Saxo Bank for the amount of 189,000 CZK (2019: 2,000 CZK).

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 627,000 CZK (2019: 625,000 CZK).

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

(thousands of CZK)	2020	2019
Financial assets appraised at current value	286	323
Financial liabilities appraised at current value	341	(130)

06 INCOME AND EXPENSES FROM FEES AND COMMISSIONS

(thousands of CZK)	2020	2019
Income from fees and commissions		
from spot operations, derivative operations and transfers		17 233
Total	16 105	17 233
Expenses for fees and commissions		
from spot operations, derivative operations and transfers	(23 039)	(24 349)
Total	(23 039)	(24 349)
Net income from fees and commissions	(6 934)	(7 116)

The Company did not realize neither in 2020 nor in 2019 any income/expenses from fees/commissions for the trading, management, savings or holding of value funds.

07 PROFIT OR LOSS FROM FINANCIAL OPERATIONS

(thousands of CZK)	2020	2019
Profit/(loss) from FX spots	220 951	181 010
Incurred profit/(loss) from FX derivatives	19 977	9 750
Non-incurred profit/(loss) from FX derivatives	43 272	(9 931)
Other exchange rate differences	12 051	35 859
Total	296 251	216 688

08 OTHER OPERATING INCOME AND EXPENSES

(thousands of CZK)	2020	2019
Turnover from sales of services	1 237	513
Other	1 099	1 410
Total	2 336	1 923
Other operating expenses	(1 632)	(1 444)
Total	(1 632)	(1 444)

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

(thousands of CZK)	2020	2019
Wages and employee bonuses	60 645	48 979
Social security and health insurance	24 885	20 417
Wages and bonuses paid to board members	9 473	8 895
Costs per employee	95 003	78 291
Other administrative costs	98 311	96 154
of this: bonuses/commissions for traders/consultants	53 036	49 410
of this: outsourcing costs	1 764	4 773
of this: statutory audit costs	720	708
of this: tax and legal consulting	2 366	1 730
of this: promotion, events, PR	4 510	5 842
of this: other services – software maintenance and support	8 833	7 885
of this: rental and other leasing	301	574
Total	193 314	174 445

The average adjusted number of employees	2020	2019
Employees	94	88
Board members	4	3
Supervisory board members	2	2

RENTALS AND LEASING

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.

Neither for the year 2020 or the year 2019 were the given costs 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 2020. These amount to 254,000 CZK (2019: 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:

(thousands of CZK)	2020	2019
Costs related to short-term leasing agreements	--	83
Cost related to leasing agreements with low purchase prices	254	432
Total costs related to short-term leasing agreements and leasing agreements with low purchase prices	254	515

Total cash expenditure on all leasing agreements for 2020 was for a total amount of 3,021,000 CZK (2019: 2,841,000 CZK).

10 INCOME AND EXPENSES PER REGION OF ACTIVITY

A) GEOGRAPHIC AREAS

(thousands of CZK)	Czech Republic		Central and Eastern Europe	
	2020	2019	2019	2019
Interest earnings and similar earnings	273	255	13	68
Interest costs and similar costs	908	682	60	73
Income from fees and commissions	3 204	4 320	12 901	12 913
Expenses for fees and commissions	7 048	13 207	15 991	11 142
Profit or loss from financial operations	229 539	164 028	66 712	52 660

11 TRANSACTIONS WITH RELATED PARTIES

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
Debts	12 876	13 295
Liabilities	775	1 299

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
Earnings	1 321	2 282
Costs	9 994	16 732

Liabilities with related parties as of 31 Dec. 2020 for an amount of 12,876,000 CZK (31 Dec. 2019: 13,295,000 CZK) consist of the following:

- liability from a loan for NERUDOVA property s.r.o. for the amount of 11,336,000 CZK (as of 31 Dec. 2019: 11,136,000 CZK) based on a loan agreement payable by 9 July 2025. This liability (debt) has a fixed interest rate;
- deposits paid for rental deposits and services related to building rental paid for by NERUDOVA property s.r.o. for the amount of 1,303,000 CZK (2019: 1,314,000 CZK);
- deposit balance for supply and set-up of IT devices from AKCENTA LOGISTICS a.s. for the amount of 46,000 CZK (2019: 475,000 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. 2020 for the amount of 147,000 CZK (2019: 235,000 CZK);
- paid deposits for services related to rental fees paid to PROAKCENT a.s. as of 31 Dec. 2020 for the amount of 43,000 CZK (2019: 37,000 CZK);
- liability (debt) for True Finance s.r.o. for cross-invoicing expenses for upgrading the "zalep.to" portal in 2020 for the amount of 451,000 CZK (2019: 0.00 CZK);
- liability (debt) for True Finance s.r.o. for providing deposits for services for the amount of 37,000 CZK (2019: 0.00 CZK).

Debts to related parties include debts for unpaid invoices for services from related parties that are already mature (due). Earnings from related parties consist mainly of interest on loans and revenues from outsourcing:

- turnover from sale of outsourcing services for the amount of 1,114,000 CZK (2019: 409,000 CZK).

Costs from related parties represent mainly the following:

- outsourcing services for the amount of 1,721,000 CZK (2019: 4,773,000 CZK),
- costs stemming from rental of space for the amount of 2,501,000 CZK (2019: 2,204,000 CZK) and related services,
- costs related to car rental for the amount of 396,000 CZK (2019: 337,000 CZK),
- costs related to the rental of a telephone switchboard for the amount of 2,203,000 CZK (2019: 2,023,000 CZK).

12 LIABILITIES FOR BANKS

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
Current accounts (nostro accounts)	2 073 826	1 594 828
Backing for spot trades	78 660	37 718
Other liabilities	11 338	7 822
Liabilities for banks – gross amount	2 163 824	1 640 368
Adjustable cost items	(103)	(97)
Liabilities for banks – net amount	2 163 721	1 640 271

All liabilities for banks as of 31 Dec. 2020 and 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 78,660,000 CZK as of 31 Dec. 2020 (31 Dec. 2019: 37,718,000 CZK). This is a deposit for ongoing spot trades.

The „Other liabilities“ heading was created as of 31 Dec. 2020 and consists mainly of liability from ongoing spot trades with Saxo Bank for an amount of 11,267,000 CZK (31 Dec. 2019: 0.00 CZK). The Other liabilities heading was created from liabilities as of 31 Dec. 2019 on grounds of limited ability to use monetary resources for an amount of 7,087,000 CZK. The limited ability to use (restrictions on using) those monetary resources was cancelled during 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. 2020 (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	2 163 824	--	--	2 163 824
Liabilities for banks for their gross amount	2 163 824	--	--	2 163 824
Adjustable cost item	(103)	--	--	(103)
Liabilities for banks for their net amount	2 163 721	--	--	2 163 721

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
Liabilities for Banks Appraised at Current Value				
Credit rating min. Baa3	1 640 368	-	-	1 640 368
Liabilities for banks for their gross amount	1 640 368	-	-	1 640 368
Adjustable cost item	(97)	-	-	(97)
Liabilities for banks for their net amount	1 640 271	-	-	1 640 271

B) LIABILITIES TO BANKS ACCORDING TO RESIDUAL MATURITY

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

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
Liabilities for clients for their gross amount	13 895	11 594
Adjustable cost items	(11 802)	(10 691)
Liabilities for clients for their net amount	2 093	903
Liabilities for related parties for their gross amount	11 928	11 136
Total liabilities for non-bank subjects for their net amount	14 021	12 039

All liabilities for non-bank subjects as of 31 Dec. 2020 and 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 6,073 CZK (31 Dec. 2019: 5,879 CZK) and a liability on the grounds of an exchange rate loss for the amount of 4,244 CZK (31 Dec. 2019: 4,488 CZK). An adjustable cost item was created for these liabilities for the full amount (100%) as of 31 Dec. 2020 and 31 Dec. 2019.

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. 2020 (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	--	11 928	13 895	25 823
Adjustable cost item	--	-	(11 802)	(11 802)
Liabilities for non-bank subjects for their net amount	--	11 928	2 093	14 021

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 items	--	-	(10 691)	(10 691)
Liabilities for non-bank subjects for their net amount	--	11 136	903	12 039

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

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.

As of 13 March 2020, the Company has a 100% stake in True Finance s.r.o., ID No. 05177138.

Company As of 31 Dec. 2020	Headquarters	Business activity	Share capital*	Other items OC*	Share of OC*	Share of voting rights	Accounting value
NERUDOVA property s.r.o.	Gočárova 227/50 Hradec Králové	Rental of real estate, apartments and commercial spaces	200	10 657	100%	100%	9 700
True Finance s.r.o.	Nerudova 1361/31, HradecKrálové	Electronic marketplace for trading debt	20	(75)	100%	100%	5 207
Celkem			220	10 582	100%	100%	14 907

* According to the company's trial balance sheets.

Company As of 31 Dec. 2019	Headquarters	Business activity	Share capital*	Other items OC*	Share of OC*	Share of voting rights	Accounting value
NERUDOVA property s.r.o.	Gočárova 227/50 Hradec Králové	Rental of real estate, apartments and commercial spaces	200	10 389	100%	100%	9 700
Celkem			200	10 389			9 700

* According to the company's trial balance sheets.

15 LONG-TERM INTANGIBLE ASSETS

A) CHANGES TO LONG-TERM INTANGIBLE ASSETS

(thousands of CZK)	Software	Appraisable rights	Unassigned assets	Total
Purchase price				
As of 1 Jan. 2019	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
As of 1 Jan. 2020	16 727	32 540	17 595	66 862
Add-ons	2 407	--	3 631	6 038
Decreases	--	--	(2 407)	(2 407)
As of 31 Dec. 2020	19 134	32 540	18 819	70 493
Adjustments and adjust. cost items				
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
As of 1 Jan. 2020	15 450	32 540	--	47 990
Annual deductions	--	--	--	809
Decreases	--	--	--	-
As of 31 Dec. 2020	16 259	32 540	--	48 799
Balance price				
As of 31 Dec. 2019	1 277	--	17 595	18 872
As of 1 Jan. 2020	2 875	--	18 819	21 694

The growth (add-on) under the heading Unassigned Assets for the amount of 1,224,000 CZK for 2020 (2019: 2,833,000 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

(thousands of CZK)	Land/ buildings	Machines/ devices	Vehicles	Total
Rights from usage per IRFS 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
Decreases	--	--	(1 091)	(1 091)

As of 1 Jan. 2019	14 099	9 594	8 319	32 012
As of 1 Jan. 2020	14 099	9 594	8 319	32 012
Add-ons	--	6 776	--	6 776
Decreases	(14)	--	(1 130)	(1 144)
As of 31 Dec. 2020	14 085	16 370	7 189	37 644
Adjustments and adjust. cost items				
As of 1 Jan. 2019	99	4 942	652	5 693
Annual deductions	1 303	597	2 320	4 220
Decreases	--	--	(1 091)	(1 091)
As of 31 Dec. 2019	1 402	5 539	1 881	8 822
As of 1 Jan. 2020	1 402	5 539	1 881	8 822
Annual deductions	1 357	1 198	2 347	4 902
Decreases	(14)	--	(1 130)	(1 144)
Other changes		--	1 010	1 010
As of 31 Dec. 2020	2 745	6 737	4 108	13 590
Balance price				
As of 31 Dec. 2019	12 697	4 055	6 438	23 190
As of 1 Jan. 2020	11 340	9 632	3 082	24 054

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.

(thousands of CZK)	Land/ buildings	Machines/ devices	Vehicles	Total
As of 1 Jan. 2019	13 301	230	1 129	14 660
Add-ons	155	253	1 465	1 873
Decreases	--	--	--	--
As of 31 Dec. 2019	13 456	483	2 594	16 533
As of 1 Jan. 2020	13 456	483	2 594	16 533
Add-ons	--	--	--	--
Decreases	--	--	(1 130)	(1 130)
As of 31 Dec. 2020	13 456	483	1 464	15 403
As of 1 Jan. 2019	--	--	--	--
Annual deductions	1 240	89	806	2 135
Decreases	--	--	--	--
As of 31 Dec. 2019	1 240	89	806	2 135
As of 1 Jan. 2020	1 240	89	806	2 135
Annual deductions	1 280	106	886	2 271

Decreases	--	--	(1 130)	(1 130)
As of 31 Dec. 2020		195	562	3 276
Balance price				
As of 31 Dec. 2019	12 216	394	1 788	14 398
As of 1 Jan. 2020	10 936	288	902	12 126

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

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
Positive fair value of derivatives	148 186	42 436
Deferred tax liability	5 130	2 739
Other	3 873	8 213
Total	157 189	53 388

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 Marked 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 1,585,000 CZK (31 Dec. 2019: 1,897,000 CZK);
- liabilities on behalf of employees for an amount of 50,000 CZK (31 Dec. 2019: 204,000 CZK); and
- an overpayment on corporate income tax advance deposits for the amount of 0.00 CZK (31 Dec. 2019: 6,112,000 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. 2020. The unused balance is reported in the non-balance sheet accounts under the heading Accepted pledges and guarantees.

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
Type of credit (loan)	overdraft account	overdraft account
Nominal value	--	--
Unused balance (to be drawn)	20 000	20 000
Maturity	--	--
Payment calendar	one-off renewal	one-off renewal
Repayable within 1 year	--	--
Repayable within 1-5 years	--	--

19 COMMITMENTS TO NON-BANK ENTITIES

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

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
(Re)payable on demand	2 003 257	1 527 738
From client collateral	66 195	31 504
Total	2 003 257	1 527 738

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

(thousands of CZK)	31 Dec. 2020	31 Dec. 2019
Negative fair amounts of derivatives	98 562	29 701
Suppliers	8 327	9 836
Liabilities to employees	6 095	4 669
Liabilities to the health insurance and social security fund	3 684	2 691
Liabilities to the national budget	1 608	1 503
Liabilities from trades	30 661	11 999
Liabilities from leasing	12 595	14 638
Debt cost estimate items	2 197	1 671
Essox obligation (liability)	441	--
Total	164 170	76 708

LIABILITIES TO THE HEALTH INSURANCE AND SOCIAL SECURITY FUND

Liabilities to the health insurance and social security fund amounted to 3,684,000 CZK as of 31 Dec. 2020 (as of 31

Dec. 2019, they equalled 2,691,000 CZK). None of these liabilities are past their maturity date.

LIABILITIES FROM LEASING

Liabilities from leasing amount to 12,595,000 CZK as of 31 Dec. 2020. They represent obligations for leasing related to the application of the IFRS 16 accounting standard as of 1 Jan. 2019 (as of 31 Dec. 2019 these obligations equalled 14,638,000 CZK).

LIABILITIES FROM TRADING

Growth in the item Liabilities from Trading as of 31 Dec. 2020 was caused primarily by receipt of collateral from commercial banks and credit unions for the amount of 13,911,000 CZK as of 31 Dec. 2020 (5,800,000 CZK as of 31 Dec. 2019). An increased volume of unmatched payments for an amount of 16,581,000 CZK (6,122,000 CZK as of 31 Dec. 2019) had further influence on said growth for this item.

Liabilities from leasing based on maturity are segmented as follows:

Time frame 2020 (thousands of CZK)	Future leasing payments	Interest	Current value of min. leasing payments
Payable within a year	1 970	547	1 423
Payable within 1-5 years	6 900	1 547	5 353
Payable within over 5 years	6 415	596	5 819
Total	15 285	2 690	12 595

Time frame 2019 (thousands of CZK)	Future leasing payments	Interest	Current value of min. leasing payments
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

(thousands of CZK)	Reserves for Bonuses and Unused Vacation	Reserves for income tax	Total
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
Balance as of 1 Jan. 2020	4 830	--	4 830
Creation	17 288	5 758	23 046
Dissolution of unnecessary reserves	(2 415)	--	(2 415)

Usage	(2 415)	--	(2 415)
Reserves balance as of 31 Dec. 2020	17 288	5 758	23 046

Segmentation of creation of reserves for bonuses and unused vacation time for 2020 for the amount of 17,288,000 CZK (2019: 4,830,000 CZK) consists of the following:

- creation of reserves for bonuses for the amount of 15,050,000 CZK (2019: 4,415,000 CZK);
- a reserve for vacations for the amount of 2,238,000 CZK (2019: 415,000 CZK).

22 ADJUSTABLE COST ITEMS FOR LIABILITIES

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

(thousands of CZK)	Tax deductible	Non-tax deductible	Total
Balance as of 1 Jan. 2019	10 857	148	11 005
Creation		--	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

(thousands of CZK)	Tax deductible	Non-tax deductible	Total
Balance as of 1 Jan. 2020	10 691	97	10 788
Creation		5	1 180
Dissolution	--	--	--
Usage	--	--	--
Exchange rate difference	(64)	1	(63)
Adjustable cost item balance as of 31 Dec. 2020	11 802	103	11 905

In 2020, we wrote off liabilities for a total amount of 0.00 CZK (2019: 248,000 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 2020 and 2019.

23 SHARE CAPITAL

Share capital as of 31 Dec. 2020 for an amount of 100,125,000 CZK consisted of 21 shares of common stock in the bearer's name at a nominal value of 1,875,000 CZK per share and 162 shares of common stock in the bearer's name at a nominal value of 375,000 CZK per share.

Share capital as of 31 Dec. 2019 for an amount of 24,030,000 CZK was increased based on the decision of a single shareholder acting as the shareholders meeting (general assembly) dating from 17 June 2020 by the amount of

76,095,000 CZK; this as follows:

- from emissions agio for the amount of 140,000 CZK;
- from reserve funds and other profit-based funds for an amount of 28,002,000 CZK;
- and from not-distributed profit from prior periods for the amount of 47,953,000 CZK.

Company shareholder structure as of 31 Dec. 2020 and 31 Dec. 2019:

Name	Headquarters	Number of Shares (pc.)	Share of basic capital (%)
AKCENTA GROUP SE, ID No.: 28252900	Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové	183	100%
Total		183	100%

The Company plans to transfer profits from 2020 for the amount of 30,000,000 CZK to the non-distributed profit for the prior period (for 2019 the amount of transferred profit equalled 22,617,000 CZK). Planned transfer of profits is subject to approval by the shareholders meeting (general assembly).

24 INCOME TAX

Segmentation of income tax is as follows:

(thousands of CZK)	2020	2019
Payable tax	18 166	6 312
Changes to deferred taxes reported in P/L statement	(2 391)	(300)
Total income tax	15 775	6 012

A) PAYABLE INCOME TAX (TAX DUE)

(thousands of CZK)	2020	2019
Pre-tax profit or loss for the fiscal period	76 676	28 629
Non-tax deductible costs increasing the tax base	22 184	21 567
Other items lowering the tax base	(5 992)	(17 698)
Subtotal	92 868	32 948
Tax calculated at the 19% rate	17 645	6 175
Taxes paid abroad	3 101	2 015
Cumulative taxes paid abroad	(2 580)	(1 878)
Total tax liability	18 166	6 312

Total costs due to payable income tax for the year equalled 18,166,000 CZK (2019: 6,312,000 CZK).

B) DEFERRED TAX OBLIGATIONS / LIABILITIES

Deferred tax liabilities and debts consist of the following items:

(thousands of CZK)	Deferred tax liability (+) / debt (-)	Deferred tax liability (+) / debt (-)	Change
	31 Dec. 2020	31 Dec. 2019	
Long-term tangible and intangible assets	(397)	(210)	(187)
Adjustable cost items for liabilities for non-bank subjects	2 242	2 031	211
Bonus and vacation (holiday) reserve fund	3 285	918	2 367
Net deferred tax debt/liability for which changes are reported in the profit and loss statement	5 130	2 739	2 391

As of 31 December 2020, the Company reported a deferred tax debt in its other assets for the amount of 5,130,000 CZK (31 December 2019: 2,739,000 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 2020 equalled earnings amounting to 2,391,000 CZK (2020: it was earnings of 300,000 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

(thousands of CZK)	Off-balance sheet items as of 31 Dec. 2020			Off-balance sheet items as of 31 Dec. 2019		
	Debt	Oblig.	Diff.	Debt.	Oblig.	Diff.
Trading Instruments						
Fixed currency operations	10 181 662	(10 129 839)	51 823	6 418 646	(6 407 127)	11 519
Currency options	15 554	(15 524)	30	286 859	(286 907)	(48)
Total	10 197 216	(10 145 363)	51 853	8 131 741	(8 118 426)	13 315

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.

(thousands of CZK)	Within 3 months	3 months to 1 year	1-5 years	Over 5 years	Un-specified	Total
Trading Instruments as of 31 December 2020						
Fixed currency operations (debts)	4 003 072	5 598 431	580 159	--	--	10 181 662
Fixed currency operations (liabilities)	(4 004 840)	(5 550 667)	(574 332)	--	--	(10 129 839)
Currency options (debts)	15 554	--	--	--	--	15 554
Currency options (liabilities)	(15 524)	--	--	--	--	(15 524)
Trading Instruments as of 31 December 2019						
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)	(116 315)	(170 591)	--	--	--	(286 907)

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. 2020 and 31 Dec. 2019:

31 December 2020 (thousands of CZK)	Mandatory in FVTPL	Current value	Purchase price	Total
1 Cash on hand and central bank deposits	--	49	--	49
3 Liabilities for banks and credit unions	--	2 163 721	--	2 163 721
4 Liabilities for non-bank subjects	--	14 021	--	14 021
8 Participations with controlling influence	--	--	14 907	14 907
11 Other assets that are financial instruments	148 186	1 650	--	149 836
Total financial assets	148 186	2 179 441	14 907	2 342 534

31 December 2020 (thousands of CZK)	Mandatory in FVTPL	Current value	Total
1 Liabilities to banks and credit unions	-	12	12
2 Liabilities to clients – credit union members	-	2 003 257	2 003 257
4 Other debts that are financial assets		52 023	150 585
Total financial liabilities	98 562	2 055 292	2 153 854

31 December 2019 (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
Total financial assets		42 436	1 654 279	9 700	1 706 415

31 December 2019 (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	66 174
Total financial liabilities		29 701	1 564 211	1 593 912

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 (commitments).

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. 2020

Balance as of 1 Jan. 2020 (thousands of CZK)	Level 1 12-month ECL	Level 2 Full-life ECL for financial assets that are not in credit devaluation (default)	Level 3 Full-life ECL for financial assets that are in credit devaluation (default)	POCI Purchased or provided credit devaluated financial assets	Total
Balance as of 1 Jan. 2020	97	--	--	--	97
Reappraisals and exchange rate differences	6	--	--	--	6
Balance as of 31 Dec. 2020	103	--	--	--	103

LIABILITIES FOR BANKS AND CREDIT UNIONS APPRAISED AT THEIR CURRENT PRICE – 31 DEC. 2019

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

LIABILITIES FOR NON-BANK SUBJECTS APPRAISED AT THEIR CURRENT VALUE – 31 DEC. 2020

Balance as of 1 Jan. 2020 (thousands of CZK)	Level 1 12-month ECL	Level 2 Full-life ECL for financial assets that are not in credit devaluation (default)	Level 3 Full-life ECL for financial assets that are in credit devaluation (default)	POCI Purchased or provided credit devaluated financial assets	Total
Balance as of 1 Jan. 2020	--	--	(10 691)	--	(10 691)
Reappraisals and exchange rate differences	--	--	(1 111)	--	(1 111)
Balance as of 31 Dec. 2020	--	--	(11 802)	--	(11 802)

During 2020, 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. 2019

Balance as of 1 Jan. 2020 (thousands of CZK)	Level 1 12-month ECL	Level 2 Full-life ECL for financial assets that are not in credit devaluation (default)	Level 3 Full-life ECL for financial assets that are in credit devaluation (default)	POCI Purchased or provided credit devaluated financial assets	Total
Balance as of 1 Jan. 2019	--	--	(10 857)	--	(10 857)
Reappraisals and exchange rate differences	--	--	(166)	--	(166)
Balance as of 31 Dec. 2019	--	--	(10 691)	--	(10 691)

During 2019, 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. 2020 (thousands of CZK)	Balance sheet	Off-balance sheet	Total credit risk exposure	Collateral provided	Main collateral type
Liabilities for banks and credit unions	2 163 721	--	2 163 721	--	--
Liabilities for non-bank subjects	14 021	--	14 021	--	--
Other assets that are financial instruments and appraised at a fair value	148 186	--	148 186	--	--
Other assets that are financial instruments and appraised at current value	1 650	--	1 650	--	--
Total	2 327 578	--	2 327 578	--	--

31 Dec. 2019 (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	--	--
Total	1 696 643	--	1 696 643	--	--

D) CONCENTRATION BASED ON SECTOR

31 Dec. 2020 (thousands of CZK)	Financial organizations	Non-financial organizations	Total
Liabilities for banks	2 163 721	--	2 163 721
Liabilities for non-bank subjects	--	14 021	14 021
Total	2 163 721	14 021	2 177 742

31 Dec. 2019 (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
Total	1 640 271	12 039	1 652 310

E) CONCENTRATION BASED ON GEOGRAPHIC AREA

31 Dec. 2020 (thousands of CZK)	Czech Republic	EU (not incl. Czech Rep.)	Total
Liabilities for banks	1 288 495	875 226	2 163 721
Liabilities for non-bank subjects	12 832	1 189	14 021
Total	1 301 327	876 415	2 177 742

31 Dec. 2019 (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
Total	543 129	1 109 181	1 652 310

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. 2020 (thousands of CZK)	EUR	USD	PLN	HUF	CZK	Other	Total
Cash on hand and central bank deposits	1	--	7	2	20	19	49
Liabilities for banks	1 191 185	266 710	91 184	102 632	189 749	322 261	2 163 721
Liabilities for non-bank subjects	197	518	194	552	12 553	7	14 021
Participations with controlling influence	--	--	--	--	14 907	--	14 907
Long-term tangible and intangible assets	--	--	--	--	45 748	--	45 748
Other assets	2 403	--	--	--	154 786	--	157 189
Expenditure and income for coming period	--	--	--	--	2 079	--	2 079
Total	1 193 786	267 228	91 385	103 186	419 842	322 287	2 397 714
Liabilities to banks	--	--	--	--	--	12	12
Liabilities to non-banks subjects	1 008 700	392 056	160 383	169 074	161 611	111 433	2 003 257
Other debts	20 725	1 137	983	1 967	135 819	3 539	164 170
Revenues and expenditure for coming period	--	--	--	--	154	--	154
Reserves	679	--	--	491	21 876	--	23 046
Ownership capital	--	--	--	--	207 075	--	207 075
Total	1 030 104	393 193	161 366	171 532	526 535	114 984	2 397 714
Long positions from FX spots and Derivatives	4 972 864	859 123	2 250 904	484 701	3 120 671	374 493	12 062 756
Short positions from FX spots and Derivatives	5 207 270	744 363	2 142 183	420 103	2 931 623	571 939	12 017 481
Net currency position	(70 724)	(11 205)	38 740	(3 748)	82 355	9 857	45 275

31 Dec. 2019 (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
Total	716 591	202 657	77 661	315 859	234 049	212 550	1 759 367

Liabilities to banks	-	-	-	-	-	-	-
Liabilities to non-bank 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
Total	707 842	236 965	99 530	143 999	480 688	90 343	1 759 367
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
Net currency position	(16 014)	(6 610)	4 587	(844)	27 947	3 108	12 174

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 93% 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. 2020 (thousands of CZK)	Account. value	Non- discret. monetary flows	In one month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years
FINANCIAL LIABILITIES							
Non-derivative liabilities							
Liabilities to banks and credit unions	12	12	12	--	--	--	--

Liabilities to non-bank subjects	2 003 257	2 003 257	2 003 257	--	--	--	--
Other debts that are financial instruments	52 053	52 053	39 119	263	1 161	5 370	6 110
Total	2 055 322	2 055 322	2 042 388	263	1 161	5 370	6 110

Derivative liabilities

Instruments for trading:	(98 562)	--	--	--	--	--	--
Expenditure	--	(4 586 623)	(858 416)	(1 239 680)	(2 299 023)	(156 758)	--
Income	--	4 488 061	868 337	1 216 456	2 261 532	151 658	--

31 Dec. 2019 (thousands of CZK)	Account. value	Non- discret. monetary flows	In one month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years
FINANCIAL LIABILITIES							
Non-derivative liabilities							
Liabilities to non-bank subjects	1 527 738	1 527 738	1 527 738	--	--	--	--
Other debts that are financial instruments	36 473	36 473	22 007	354	1 517	6 776	5 819
Total	1 564 211	1 564 211	1 549 745	354	1 517	6 776	5 819
Derivative liabilities							
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	--

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	Non-discounted monetary flows that include anticipated interest payments
Trade derivatives that the accounting unit has concluded with its customers	Contractual non-discounted monetary flows. 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:

31 Dec. 2020 (thousands of CZK)	Accounting value	Fair value
FINANCIAL ASSETS		
1 Cash on hand and central bank deposits	49	49
3 Liabilities for banks and credit unions	2 163 721	2 163 721
4 Liabilities for non-bank subjects	14 021	14 021

8	Participations with controlling influence	14 907	15 108
11	Other assets that are financial instruments	1 650	1 650
FINANCIAL LIABILITIES			
1	Liabilities to banks and credit unions	12	12
2	Liabilities to non-bank subjects	2 003 257	2 003 257
4	Other financial liabilities that are financial instruments	52 023	52 023

31 Dec. 2019 (thousands of CZK)		Accounting value	Fair value
FINANCIAL ASSETS			
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 instruments	1 897	1 897
FINANCIAL LIABILITIES			
2	Liabilities to non-bank subjects	1 527 738	1 527 738
4	Other financial liabilities that are financial instruments	36 473	36 473

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. 2020 (thousands of CZK)		Level 1	Level 2	Level 3
FINANCIAL ASSETS				
11	Other assets – Positive fair value of derivatives	--	148 186	--
FINANCIAL LIABILITIES				
4	Other liabilities – Negative fair value of derivatives	--	98 562	--

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

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

During 2019 and 2020, 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

In February 2021, a contract was signed for the sale of 100% of AKCENTA CZ a.s.' shares to an important international banking group. The sale is subject to approval by the Czech National Bank and the sale process is expected to be concluded during the first half of 2021.

As of the date of completing this financial report, there are no other significant subsequent events that are known to us that would influence this financial statement dated 31 December 2020.

Dispatched on
31 March 2021

Stamp and signature of the
statutory body



Milan Cerman

Person responsible for
accounting



Romana Mašínová

Person responsible for the
financial statement



Eva Dostálová

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