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forex and payments

ANNUAL REPORT 2018

AKCENTA CZ a.s.
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FOREWORD BY THE COMPANY DIRECTOR

Dear ladies and gentlemen,

Good luck is a reward for the daring. I would like to begin this year's report precisely with that phrase, for it was courage and daring that we had to muster when we decided some years ago to expand our activities beyond the Czech market. Still, we needed even more courage when we decided to enter the German market, and the French market as well, during the past year. Today, we can see that our product is fully functional and beneficial to clients also on those markets. Our expansion has now had, to a great degree, an impact on our company's very good financial results, its stability and its optimistic view of the future. We succeeded in the full process of bringing our business model to other markets and now it is clearly paying off. What's more, and also critical, is that we are growing on all markets. It is definitely fair to add that the economically favorable environment in 2018 helped us achieve good business results.

The numbers show best how successful last year was: we managed transactions for our clients amounting to over 180 billion CZK; the volume of our backup operations grew by 19% between 2017 and 2018; and our total client count jumped to 36,000. This is all underscored by after-tax profits of 36 million CZK, which we consider a very good result, given that we made significant investments into our expansion activities. We will continue with this trend in 2019. We also wish to invest further into company development, into developing new products and into setting up our own IT solutions. From our perspective, these investments are critical, provided we wish to maintain our position as market leader in the field of foreign exchange (FX) operations for corporate clients.

Moreover, we launched the first generation of our online platform OLB back in 2003, i.e. at a time when banks were just starting to explore such efforts. Now, our clients are using our third generation product. Today's trend is to shift to digital technologies and boost shares of clients who engage in electronic trading. Currently, an average 56% of our client transactions are executed using OLB. Of course, this varies between markets. However, we still expect further growth in this area. Still, our benchmark is not to achieve 100%, for we do not wish for our clients to become mere numbers and metadata files. Our competitive advantage is our knowledge of our clients and our personal approach to working with them. We definitely wish to continue to develop this philosophy further and provide our clients the top-level services they expect and solutions that precisely fit their needs. To achieve this, we need a high-quality, educated and motivated workforce. I am very glad that we have such a team at AKCENTA CZ and that this team remains stable at a time when a lack of workers on the labor market is impacting many companies' performance. That is why I would like to express my sincere thanks to all our employees and our salesforce members.

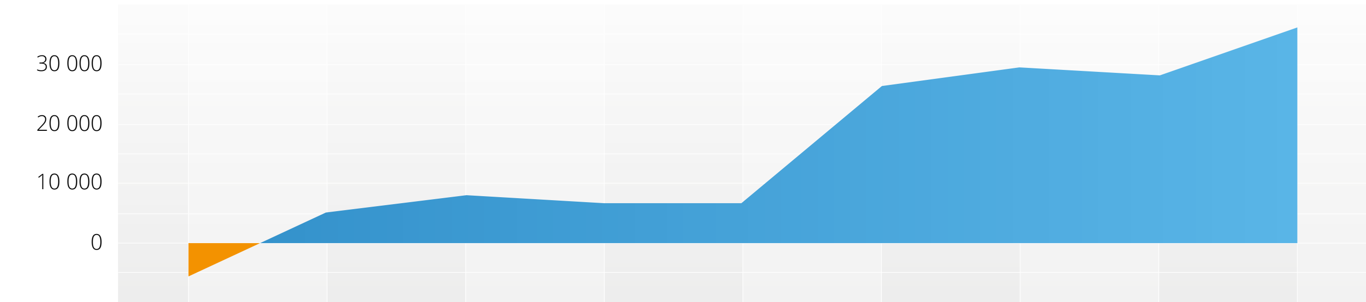
Finally, I would like to thank all our clients for their trust, which is the best recognition possible of the quality of our work. I believe that we will continue to provide above-standard, quality services and we will benefit our clients as much as possible: for their success is also our success.

Milan Cerman

Chairman of the Board
Sales Director

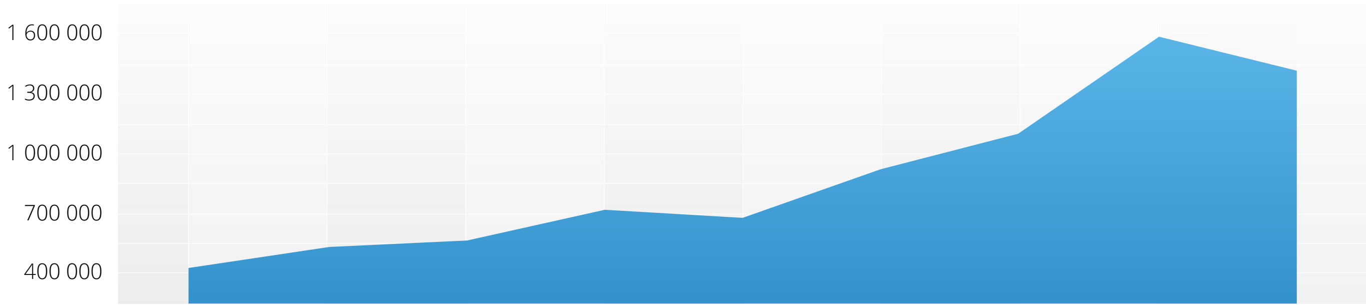
KEY PERFORMANCE INDICATORS

TRENDS IN AFTER-TAX ECONOMIC RESULTS (in thousands of CZK)



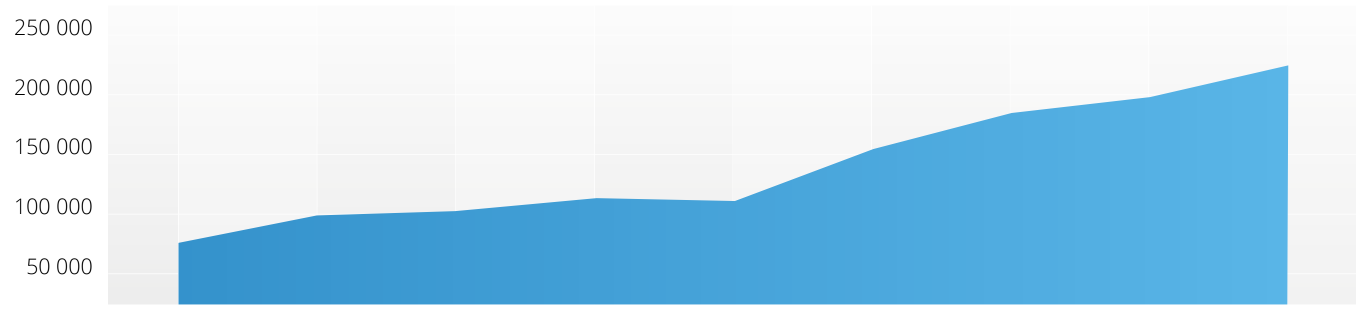
2010	2011	2012	2013	2014	2015	2016	2017	**2018**
- 5 632	5 038	8 154	6 685	6 609	26 421	29 502	28 195	**36 187**

EVOLUTION OF BALANCE SUMS (in thousands of CZK)



2010	2011	2012	2013	2014	2015	2016	2017	**2018**
387 654	496 047	531 643	696 566	657 523	913 018	1 105 777	1 627 378	**1 441 870**
	+ 28,0 %	+ 7,2 %	+ 31,0 %	- 5,6 %	+ 38,9 %	+21,1 %	+47,2 %	**- 11,4 %**

EVOLUTION OF FINANCIAL EARNINGS RESULTS (in thousands of CZK)



2010	2011	2012	2013	2014	2015	2016	2017	**2018**
76 715	98 832	103 199	114 035	111 038	155 290	184 867	198 066	**224 362**
	+ 28,8 %	+4,4 %	+ 10,5 %	- 2,6 %	+ 39,9 %	+ 19,0 %	+7,1 %	**+ 13,3 %**

IMPORTANT EVENTS OCCURRING AFTER THE CLOSING OF THE FISCAL YEAR

The company does not have any important events to report that occurred after the date for closing of accounts.

COMPANY PROFILE

BASIC COMPANY CHARACTERISTICS (as of 31 December 2018)

Company Name:	AKCENTA CZ a.s.
Headquarters:	Salvátorská 931/8 110 00 Prague 1 Czech Republic
Operations Center:	Nerudova 1361/31 500 02 Hradec Králové 2 Czech Republic
Organizational ID No.:	251 63 680
Tax ID No.:	CZ 251 63 680
Registration Court:	Municipal Court in Prague, Section B, Entry 9662
Date of Registration:	16 June 1997
Share Capital:	24 030 000 CZK
Stocks:	Not publicly traded
Statutory Body:	Board of Directors
Number of Employees:	83 employees 3 board members

DEFINITION OF CONSOLIDATION UNIT

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

Company Name	Headquarters	Share of Basic Capital (%)			
		31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
NERUDOVA property s.r.o.	Gočárova třída 227/50 Pražské Předměstí 500 02 Hradec Králové	100	100	100	100

PRODUCTS AND SERVICES

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

PAYMENT TRANSACTIONS WITH CURRENCY EXCHANGE (FX TRANSACTIONS)

Spot currency sales that include the purchase or 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 processing speed and reliability.

COVERING EXCHANGE RATE RISK THROUGH FORWARDS OPERATIONS

Forwards, swaps and options – trades with longer maturity than for FX spot trades; these products serve to mitigate risks deriving from future movements of exchange rates.

FURTHER SERVICES

ON-LINE BROKER (OLB) PLATFORM:

It offers clients the option to convert funds online, to file and to execute trades at the client‘s preferred exchange rate and to realize transactions automatically, 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:

This product provides clients with a valid Framework Agreement a line of collateral so that they can flexibly make use of hedging operations without the need for blocking funds.

ORDERS:

Non-binding call orders or automatic trading orders to execute transactions when the set exchange rate is achieved.

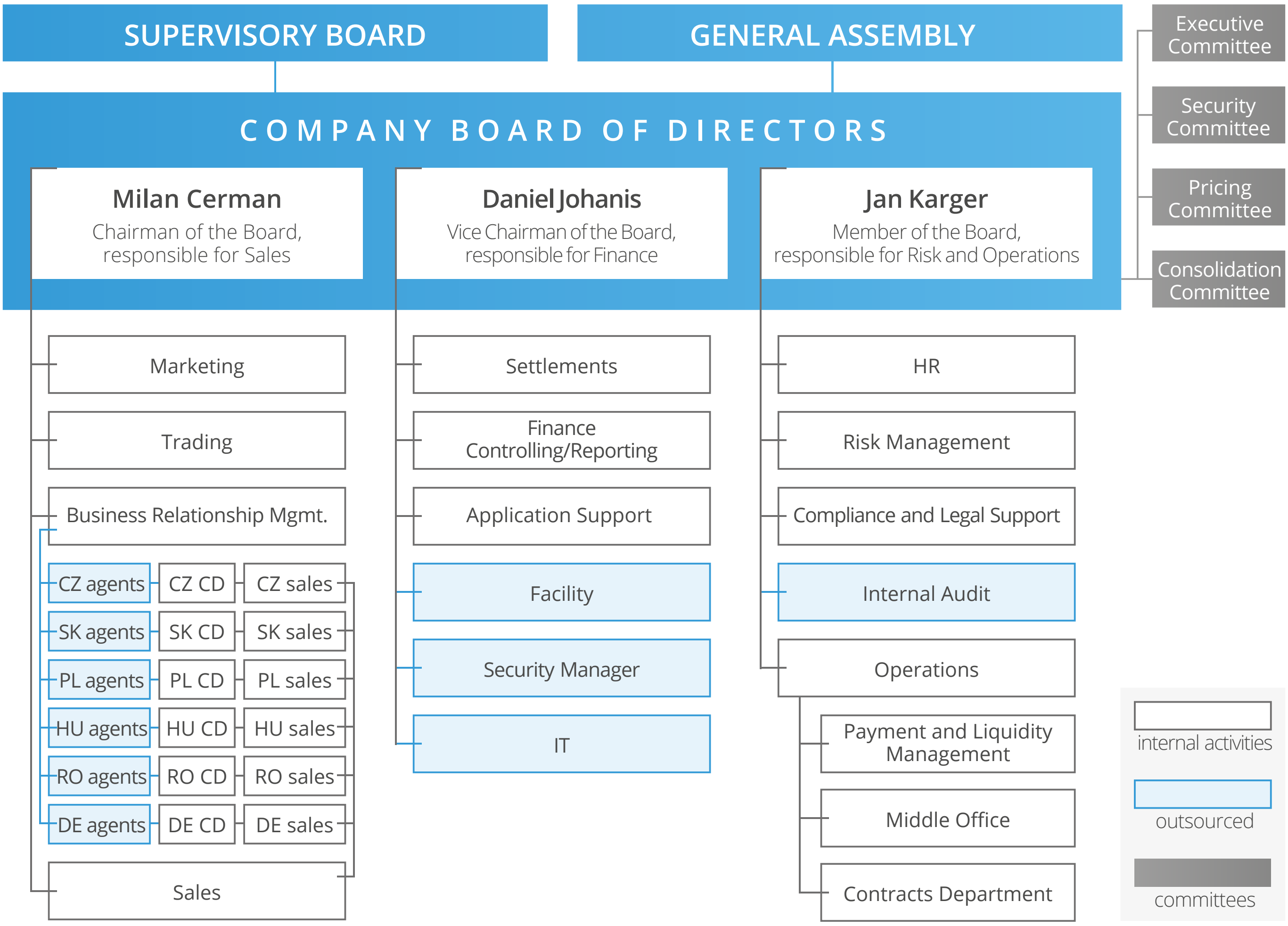
AVÍZO:

AKCENTA CZ a.s. added to its product offer the new AVÍZO product which provides clients a short-term credit line. This product significantly expedites processing payments, even in cases where a payment is done from 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 current exchange rates during important movements on the market.

ORGANIZATIONAL STRUCTURE

AKCENTA CZ a.s. ORGANIZATIONAL STRUCTURE (31. 12. 2018)



STATEMENT ON RISKS UNDERTAKEN AND INDICATORS

01 | STATEMENT ON RISK UNDERTAKEN

AKCENTA CZ a.s. (hereafter „Company“) is a hybrid institution as defined by the Decree No. 7/2018 Coll. on certain conditions for performing activities by payment institutions, information management for payment accounts, providers of small-scope payment services, e-money institutions and small-scope e-money issuers. It has a payment institution license and also an investment firm 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 compares its risk management system with newly-adopted laws in the Czech Republic, with new legal norms and with CNB recommendations. It looks after their being up-to-date with an aim to improve the risk management system in relation to development of its business activities, the state of the legal and economic environment, development of IT and analytical tools.

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

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

MARKET RISK

The main market risk in the Company environment is FX risk resulting from open positions in foreign currencies. The Company does not trade instruments that would bear a stock, commodities or other market risk. The Company does not purchase 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 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.

FX risk is managed as follows:

a) cautious and efficient management of open FX positions
b) establishing stop/loss limits
c) establishing (and checks on) internal limits for the maximum amount open FX positions

These limits and limitations are set for FX risk:

a) establishing (and checks on) internal limits for maximum FX position
b) establishing of a daily limit for maximum daily stop/loss limits

CREDIT RISK

The Company does not face, to any substantial degree, interest risk as part of its activities. This is because settlement of currency trades agreed with clients always takes place once client funds are credited to the Company’s bank accounts. 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 with clients who do not have accounts at the same banks as the Company.

Credit risk for the counterparty can result from derivative trades. In the majority of cases, the Company requires collateral from clients; this mainly in the form of cash deposits on the Company accounts. This signficantly reduces risk. For clients with a high scoring, the Company does not request, to a limited degree, collateral. The Company assesses its clients based on an internal scoring model.

The Company opted for market appraisal as a means of calculating risk-related capital requirements for counterparties. Based on a statement by the Czech National Bank (CNB), the Company reduces its credit risk through recognition of agreements on financial collateral and recognition of agreements on final settlements per the European Parliament and Council Directive (Resolution) 575/2013.

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

OPERATIONAL RISK

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

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

The Company uses the following processes to identify operational risk:

a) management and control systems,

b) risk maps

c) a database of operational incidents

d) internal and external audits

The Company uses the following methods to limit operational risk:

a) reducing risk through improved procedures, process changes, organization, introduction of limits and checks, use of technology;

b) risk transfer through outsourcing or insurance;

c) avoiding risk by eliminating activities that give rise to it.

The Company determines capital requirements based on overhead expenses.

LIQUIDITY RISK

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

The Company has limited exposure to liquidity risk since most of the trades the Company has entered into with its clients are fully covered by client funds at the time of settlement. This applies to all of the Company's products except provision of credit under the granted short-term credit line. 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 has to report information regarding management, client assets, qualified participation and other additional information on a monthly or quarterly basis. The Company now dispatches transaction reports on a daily basis.

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

AGGREGATE INFORMATION ON CONDITIONS AND MAIN CHARACTERISTICS OF CAPITAL AND ITS COMPONENTS

Data on capital (thousands of CZK)	31 Dec. 2018
Aggregate level of starting capital (Tier 1 component)	101 830
Share capital	24 030
Emissions agio	140
Reserve funds, non-divided funds and other funds (from profits)	28 002
Non-distributed profit/loss from prior period – audited	65 482
Intangible assets (besides goodwill) reduces Tier 1	15 739
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)	85
Aggregate level of capital after incorporating deductible items	**101 830**

Data on capital requirements (in thousands of CZK)	31 Dec. 2018
Capital requirements for credit risk	32 487
for exposure to institutions	*23 943*
for business exposure	*6 932*
for retail exposure	
for other exposure	*1 612*
Sum of capital requirements for settlement risk	
Sum of capital requirements for position, currency and commodity risk	488
Sum of capital requirements for operational risk	
Sum of capital requirements based on operating costs	34 885
Sum of capital requirements for debt risk cost adjustments	836
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	**68 696**

Capital ratios	31 Dec. 2018
Capital ratio for Tier 1 (CET1) equity capital	11.858%
Capital ratio for Tier 1 (T1) capital	11.858%
Capital ratio for total capital	11.858%

Ratio indicators for investments firms	31 Dec. 2018
Indebtedness I (total debt not including customer assets/assets without customer assets)	7.57%
Indebtedness II (overall debt not including customer assets/own capital)	11.24%
Rentability of ave. assets (ROAA not including customer assets)	14.53%
Rentability of ave. starting capital (ROAE)	36.25%
Rentability of turnover (after-tax profits/returns on investment services)	15.03%
Return on assets (net profit/total balance sum)	2.5%
Administrative costs per employee (in thousands of CZK)	2 344

COMPANY AS AN EMPLOYER

At AKCENTA CZ a.s. (hereafter just „AKCENTA CZ“) we realize that our commercial success is due to our employees. Indeed, thanks to their high level of expertise and their professionalism, we can provide the quality financial services that our clients have come to expect from us.

We very much appreciate our employees’ good work, and therefore we do our best to provide a pleasant work environment for them. To show our thanks, we offer employees a wide array of corporate benefits, a motivating bonus system and, first and foremost, a fair approach to negotiations. We want to be a company that provides work that satisfies and fulfills employees, which they enjoy and where they can further develop professionally and use their experience to the maximum degree possible. At AKCENTA CZ, we pay careful attention to strengthening our corporate culture: part of which is placing emphasis on open communications and teamwork. Thanks to this, we have been successful in further developing our services, accessing new markets and shaping our company’s future as a unified whole.

AKCENTA CZ works to be both a good and reliable employer as well as a socially responsible one that listens to its employees and also contributes to a healthy natural environment and a sustainable future. We are proud that we have been able to meet this often challenging goal thanks to our philosophy of operating a responsible enterprise.

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“) is money deposited as collateral to cover market risk („Collateral“) and the principal paid forward by the customer to the appropriate bank account during settlement of the forward.

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

Under § 129, paragraph 1 of the CMA, securities brokers are obliged to pay an annual contribution of 2% of the proceeds from fees and commissions received for providing investment services during the past calendar year to the Guarantee Fund. Given the above-stated fact that AKCENTA CZ does not collect any fees or commissions from its customers for providing investment services, nor does it report any fees for providing investment services in its accounting records, the basis for determining the amount of the contribution under § 129, paragraph 1 is null. AKCENTA CZ therefore pays an annual contribution of 10,000 CZK per § 129, paragraph 2 of the CMA.

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

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

REPORT ON RELATIONS

BETWEEN CONTROLLED AND CONTROLLING ENTITIES AND ON RELATIONS BETWEEN CONTROLLED ENTITIES AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY DURING THE 2018 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 2018 fiscal year.

Related entities up to the date of 31 Dec. 2018 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“)
- **AGILE Development s.r.o., O**rg. ID No.: 274 83 771, headquartered at Dráby 542, Litomyšlské Předměstí, 566 01 Vysoké Mýto (hereafter „AGD“)
- **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“)

The business share amounts of the controlling entity in the above-mentioned companies as of 31 Dec. 2018 is as follows: AG – 90.42%, NP – 90.42% (indirect share), P – 100%, AL – 100%, AGD – 8.14 % (indirect share), AFI – 84.09% (indirect share) and ČSÚD – 79.13% (indirect share).

This report contains information on what contracts have been concluded between the controlled entity and the related entities during the 2018 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 special legislative norms.

CONCLUDED CONTRACTS AND AGREEMENTS

Trade relations between the controlled entity and the related parties during the 2018 fiscal year were governed by the following contracts:

AKCENTA CZ X ČSUD	Contract on Rental of Commercial Premises, per Addenda No. 8 and 9

AKCENTA CZ X ČSUD	Contract on Commercial Representation (16 Nov. 2015)
AKCENTA CZ X ČSUD	Contract on Commercial Representation (1 Apr. 2015)
AKCENTA CZ X ČSUD	Contract on Commercial Representation (22 Dec. 2016).
AKCENTA CZ X ČSUD	Contract on Providing Information about Proprietary Monetary Resources, in the version of Addendum No. 1
AKCENTA CZ X ČSUD	Framework Agreement on Financial Market Trading, in the version of Addendum No. 1
AKCENTA CZ X ČSUD	Framework Agreement for Forward Foreign Exchange Business Transactions No. 25087
AKCENTA CZ X ČSUD	Framework Agreement on the Provision of Select Services, Current Acct. Management
AKCENTA CZ X ČSUD X AL	Agreement on Joint Financing and Subsequent Usage of Services
AKCENTA CZ x AG	Loan Agreement, in the version of Addenda No. 1 and 2
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. 3
AKCENTA CZ X AL	Car Rental Agreement (Subaru Outback), in the version of Addendum No. 6
AKCENTA CZ X AL	Car Rental Agreement (Suzuki Grand Vitara), in the version of Addendum No. 1
AKCENTA CZ X AL	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. 4, in the version of Addendum No. 1

FULFILMENT AND CONSIDERATIONS

Fulfilment of and considerations in the above-mentioned 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 above-mentioned 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 above-mentioned contracts make use of synergic effects in the group which results in cost savings. An eventual risk could occur in the form of higher costs for individual companies, provided all companies in the group did not take advantage of these synergic effects.

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

Hradec Králové, 14 March 2019

Milan Cerman
Chairman of the Board of Directors

Daniel Johanis
Vice-chairman of the Board of Directors

SUPERVISORY BOARD REPORT

COMPOSITION OF SUPERVISORY BOARD

Over the course of 2018, the Supervisory Board met in the following set-up: Milan Lacina – chairman of the supervisory board; thereafter, Jiří Macek was a member. The board met at regular quarterly intervals as well as during extraordinary sessions; all in compliance with company by-laws.

BOARD ACTIVITIES

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

DISCOVERED DEFICIENCIES AND THEIR ELIMINATION

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

FINANCIAL STATEMENT, ECONOMIC RESULTS AND PROPOSAL FOR PROFIT DISTRIBUTION

The Board discussed the Accounting Report for 2018 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 accounting report for 2018.

Prague, 30 April 2019

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 2018.

The company did not have a subsidiary office or any other part of its commercial operations in a foreign country during 2018.

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

The company is part of a consolidated whole for which the company AKCENTA GROUP SE compiled a consolidated annual report by 31 December 2018.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Praha 8
Česká republika
+420 222 123 111
www.kpmg.cz

Independent Auditor's Statement for AKCENTA CZ a.s. Shareholders

Auditor's Statement

We carried out an audit of the attached financial statement from AKCENTA CZ a.s. (hereafter "Company") compiled based on Czech accounting laws. It consists of a balance sheet report completed as of 31 December 2018, a profit and loss statement, an overview of changes in ownership capital and an overview of cashflow for the year ending 31 December 2018 and the appendix to the financial statement. The latter contains a description of fundamental accounting methods used and other explanatory information. Information on the Company is shown in Item 1 of the appendix to this financial statement.

According to our opinion, the attached financial statement provides an accurate, honest view of the Company's assets and liabilities as of 31 December 2018 as well as its income, expenditure, the results of its business activities and its cashflow for the year ending 31 December 2018; all in compliance with Czech accounting laws.

Basis for the Statement

We carried out the audit in compliance with the Act on Auditors and the Auditors' Chamber of the Czech Republic's standards for audits, which are the same as international standards for audits (ISA) and are otherwise complemented or amended by related applicational clauses. Our duty, as stipulated in these laws, is described in greater 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 Auditors' Chamber of the Czech Republic, we are independent of the Company and we have fulfilled further ethical obligations deriving from the aforementioned norms. We believe that the evidentiary information that we gathered provides a sufficient, suitable basis for expressing our opinion (findings).

Other information

Other information means, in compliance with § 2, item b) of the Act on Auditors, information reported in the annual report outside the accounting statement and our audit statement. The Company's statutory body is liable for other information (provided).

Our opinion (findings) on the financial statement does not apply to other information. Despite this, it is part of our duties relating to the audit of the financial statement to acquaint ourselves with the other information and to assess whether it is not in significant (material) non-compliance with the accounting statement or with our knowledge of the accounting unit as obtained during the audit of the financial statement or whether this information does not in any other way appear to be significantly (materially) inaccurate. We also assess whether the other information has been in all significant (material) regards processed in compliance with relevant legal norms. This assessment is understood to mean whether other information meets requirements in legal norms for formal matters and the procedure for processing other information in the context of significance (materialness), i.e. whether eventual non-compliance with aforementioned requirements would be able to impact the opinion handed down based on other information.

Based on the processes carried out, to the degree we are able to assess matters, we report that

- other information that describes facts that are also subject to reporting in the financial statement are, in all significant (material) regards, in compliance with the accounting statement and
- other information was processed in compliance with legal norms.

Furthermore, we are obligated to report whether, based on our findings and awareness of the Company that we achieved when carrying out the audit, other information does not contain significant (material) detailed inaccuracies. As part of the aforementioned processes, we have not, when acquiring other information, come across any significant (material) detailed inaccuracies.

Company statutory body's and supervisory board's liability for the financial statement (accounting report)

The Company's statutory body is liable for compiling a financial statement (report) that provides a true, honest image in compliance with Czech accounting laws and for (maintaining) such an internal monitoring system that is considered essential for compiling a financial statement such that it does not contain significant (material) inaccuracies caused by fraud or errors.

When compiling the accounting statement (report), the Company's statutory body is obligated to assess whether the Company is able to continue (its activities) uninterrupted, and provided it is relevant, to describe in the appendix to its accounting statement issues related to its continuing uninterrupted and usage of assumptions for continuing (activities) uninterrupted when compiling its accounting statement (report). An exception is cases where the statutory body plans to dissolve the Company or cease its activities, or it has no other valid option than to do so.

The Company's supervisory board is responsible for overseeing the accounting report process.

Auditor liability for auditing financial statement (accounting report)

Our aim is to gain adequate certainty that the accounting report as a whole does not contain significant (material) inaccuracies caused by fraud or errors and to issue an auditor's report containing our statement (findings). An adequate degree of certainty is a large degree of certainty; however, it is not a guarantee that an audit carried out in compliance with the aforementioned norms will uncover in the accounting report, in all cases, eventual existing significant (material) inaccuracies. Inaccuracies can arise as a result of fraud or errors, and they are considered significant (material), provided it can be realistically assumed that, either individually or collectively, they could impact the economic decisions that users of the financial statement (report) take based on said document.

When carrying out the audit in compliance with the aforementioned norms, it is our duty to formulate, during the entire audit, an expert opinion and maintain professional skepticism. Furthermore, it is our duty to

- identify and assess risks due to significant (material) inaccuracies in the accounting report (statement) caused by fraud or errors. We are to propose and carry out audit processes that react to these risks and to acquire sufficient, suitable information based upon which we can express our opinion, i.e. prepare our audit statement. There is a risk that not discovering significant (material) inaccuracies that occurred as a result of fraud is greater than the risk of not disclosing significant (material) inaccuracies caused by an error, because part of fraud may include hidden agreements (collusion), falsification, intentional forgetfulness, false declarations or circumventing internal checks/controls.

- acquaint ourselves with the Company's internal control (monitoring) system that is relevant for an audit of this scope, so that we can propose audit processes suitable with regard to the given circumstances, but by no means to express our opinion on the effectiveness of the Company's internal audit system.
- assess the suitability of accounting rules used, the adequacy of accounting estimates carried out and the information that the Company's statutory body listed in this regard in the appendix to the accounting report (statement).
- assess the suitability of using the assumption of uninterrupted duration when preparing (setting up) the accounting report by the statutory body and as such whether, with regard to the evidentiary information, there exists significant (material) incertitude deriving from events or conditions that can significantly cast doubt on the Company's ability to continue activities uninterrupted. Should we arrive at the conclusion that such significant (material) incertitude does exist, it is our duty to mention information shown in this regard in the appendix to the accounting statement (report). Provided this information is insufficient, we should express this in a modified statement. Our conclusions on the Company's ability to continue its activities uninterrupted come from evidentiary information that we acquired by the time our report was completed. However, future events or conditions could lead to the Company's inability to continue its activities uninterrupted.
- assess the full presentation, structure and content of the accounting statement including the appendix and, furthermore, whether the accounting report provides a view of financial/accounting transactions that gives an accurate image of how they actually occurred.

Our obligation is to inform persons authorized for administration and management about, among other things, the planned scope and timing of the audit and about important findings that we came across during the audit process. This includes findings on significant deficiencies in internal monitoring (control) systems.

Statutory auditor responsible for accounting audit

Ing. Veronika Strolená is the financial auditor responsible for the full accounting audit of AKCENTA, a.s. accounting reports for the period ending 31 December 2018. Those materials were used to prepare this report by an independent auditor.

Prague, 30 April 2019

KPMG Česká republika Audit

KPMG Czech Republic Audit LLC
Evidentiary Number: 71

Ing. Veronika Strolená
Partner
Evidentiary Number: 2195

FINANCIAL STATEMENT
FOR THE YEAR ENDING 31 DECEMBER 2018

Commercial Business: AKCENTA CZ a.s.
Headquarters: Salvátorská 931/8
ID Number: 25163680
Subject of Business: Securities Trader

Date of Issue in the Financial Statement: 30 April 2019
Units Used in the Financial Statement: thousands of CZK

BALANCE SHEET (as of 31 December 2018)

thous. CZK	ASSETS	Item	31 Dec. 2018	31 Dec. 2017
1	Cash in hand and balances with central banks		124	103
3	Receivables for banks and credit unions	12	1 329 499	1 494 929
	of this: a) payable on demand		*1 291 977*	*1 463 929*
	b) other liabilities		*37 522*	*31 000*
4	Receivables for non-bank subjects	13	19 088	18 740
	b) other liabilities		*19 088*	*18 740*
8	Ownership interests with controlling influence	14	9 700	9 700
9	Long-term intangible assets	15	15 888	14 973
10	Long-term tangible assets	16	5 078	4 424
	of this: land and buildings for operational activities		*15*	*15*
11	Other assets	17	61 450	81 162
13	Expenditures and earnings for upcoming period		1 043	3 347
	Total Assets		**1 441 870**	**1 627 378**

thous. CZK	LIABILITIES	Item	31 Dec. 2018	31 Dec. 2017
1	Liabilities toward banks and credit unions	18	1 809	161 252
	of this: a) payable on demand		*1 809*	*161 252*
2	Liabilities toward non-bank subjects	19	1 213 317	1 232 702
	of this: a) payable on demand		*1 213 317*	*1 232 702*
4	Other liabilities	20	68 268	71 865
5	Revenues and expenditures for the upcoming period		1 405	909
6	Reserves	22	3 230	24 773
	b) for taxes		-	*3 579*
	c) other		*3 230*	*21 194*
	Total Foreign Sources		**1 288 029**	**1 491 501**
8	Share capital	21	24 030	24 030
	of this: a) paid (deposited) share capital		*24 030*	*24 030*
9	Emission agio		140	140
10	Reserve funds and other profit-based funds		28 002	28 002
	c) other profit-based funds		*28 002*	*28 002*
14	Non-distributed profit or unpaid losses from the previous period	23	65 482	55 510
15	Profit or loss for the accounting period	23	36 187	28 195
	Total Ownership Capital		**153 841**	**135 877**
	Total Liabilities		**1 441 870**	**1 627 378**

thous. CZK	OFF-BALANCE SHEET ITEMS	Item	31 Dec. 2018	31 Dec. 2017
	Off-balance sheet assets			
2	Collateral provided	12	31 000	31 000
3	Liabilities from spot operations	25	978 762	822 198
4	Liabilities from fixed term operations	25	7 790 194	6 049 843
5	Liabilities from options	25	341 547	390 133
6	Liabilities write-offs		15	30
	Off-balance sheet liabilities			
9	Accepted pledges and guarantees	18	18 191	20 000
11	Liabilities from spot operations	25	980 377	821 795
12	Liabilities from fixed term operations	25	7 776 879	6 035 923
13	Liabilities from options	25	341 547	390 065

PROFIT-LOSS STATEMENT (for the year ending 31 December 2018)

thous. CZK		Item	2018	2017
1	Interest earnings and similar revenues	5	360	865
2	Interest costs and similar costs	5	(264)	(148)
4	Earnings from fees and commissions	6	16 038	13 662
5	Costs for fees and commissions	6	(16 169)	(14 159)
6	Profit or loss from financial operations	7	224 362	198 066
7	Other operating revenues	8	1 684	2 892
8	Other operating costs	8	(1 463)	(956)
9	Administrative costs	9	(194 604)	(142 438)
	of this: a) cost per employee		*(96 304)*	*(58 280)*
	of this: aa) wages and salaries		*(75 087)*	*(43 131)*
	ab) social security and health insurance		*(21 217)*	*(15 149)*
	b) other administrative costs		*(98 300)*	*(84 158)*
11	Write-offs, creation and usage of reserves and adjustment charges	15 a 16	(1 767)	(2 460)
12	for long-term tangible and intangible assets	22	104	421
13	Dissolution of adjustment charges and reserves for debts and guarantees	22	(190)	(10 207)
16	Dissolution of other reserves	22	4 707	-
17	Creation and usage of other reserves	22	13 257	(9 775)
19	**Profit or loss from regular activities for the accounting period pre-tax**		**46 055**	**35 763**
23	Income tax	24	(9 868)	(7 568)
24	**Profit or loss for the accounting period after-tax**		**36 187**	**28 195**

CHANGES OVERVIEW IN OWNERSHIP CAPITAL (for the year ending 31 December 2018)

thousands of CZK	Share Capital	Own Stock	Emission Agio	Reserve Funds	Capital Funds	Assessed Differen-ces	Profit (loss)	Total
Balance as of 1 Jan. 2017	**24 030**	**-**	**140**	**-**	**28 002**	**-**	**70 510**	**122 682**
Net profit/loss for account. period	-	-	-	-	-	-	28 195	28 195
Share of profit	-	-	-	-	-	-	(15 000)	(15 000)
Balance as of 31 Dec. 2017	**24 030**	**-**	**140**	**-**	**28 002**	**-**	**83 705**	**135 877**
Impact of processing expected credit losses (ECL) per IFRS 9 as of 1 Jan. 2018	-	-	-	-	-	-	(223)	(223)
Balance as of 1 Jan. 2018	**24 030**	**-**	**140**	**-**	**28 002**	**-**	**83 482**	**135 654**
Net profit/loss for account. period	-	-	-	-	-	-	36 187	36 187
Share of profit	-	-	-	-	-	-	(18 000)	(18 000)
Balance as of 31 Dec. 2018	**24 030**	**-**	**140**	**-**	**28 002**	**-**	**101 669**	**153 841**

CASHFLOW OVERVIEW (for the year ending 31 December 2018)

thousands of CZK	Item	2018	2017
CASHFLOW FROM OPERATING ACTIVITIES			
Pre-tax profit or loss for the accounting period from regular and extraordinary activities		46 055	35 763
Adjusted for non-cash operations:			
Write-offs and change of status for adjustment charges for long-term tangible and intangible assets		*1 767*	*2 460*
Change to state of reserves		*(17 964)*	*9 775*
Change to state of adjustment charges for liabilities and debt write-offs		*86*	*3 876*
Net interest earnings		*96*	*(717)*
Eventual adjustments due to other non-monetary (cash) operations		*5 785*	*149 728*
		35 825	**200 885**
Changes in:			
Collateral for derivative trades		-	1 351
Liabilities for non-bank subjects		1 169	-6 589
Other profits, costs and income from the upcoming period		(11 186)	-4 203
Liabilities to banks and credit unions		(159 443)	-
Liabilities to non-bank subjects		(19 385)	303 798
Other liabilities, earnings and expenditures for the upcoming period		15 383	1 441
		(137 637)	**496 683**
Accrued interest		360	865
Accrued shares of profit		-	-
Interest paid out		(264)	(148)
Paid income tax		(13 054)	(10 175)
Net cashflow related to operating activities		**(150 595)**	**487 225**
CASHFLOW FROM INVESTMENT ACTIVITIES			
Expenditure related to acquisition of ownership stakes		-	(5 000)
Expenditure related to acquisition of long-term tangible and intangible assets		(3 336)	(7 516)
Net cashflow related to investment activities		**(3 336)**	**(12 516)**
CASHFLOW FROM FINANCIAL ACTIVITIES			
Paid out shares of profit (dividends)		(18 000)	(15 000)
Net cashflow related to financial activities		**(18 000)**	**(15 000)**
Net increase or decrease of cash stocks and monetary equivalents		**(171 931)**	**459 709**
State of cash stocks and monetary equivalents as of 1 January		1 464 032	1 004 323
State of cash stocks and monetary equivalents as of 31 December		**1 292 101**	**1 464 032**
Cash stocks and monetary equivalents include:			
Cash on hand and central bank deposits		124	103
Liabilities for (to) banks and credit unions 1 – payable on demand		1 291 977	1 463 929
State of cash stocks and monetary equivalents as of 31 December		**1 292 101**	**1 464 032**

APPENDIX TO THE FINANCIAL STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2018

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 2018

Executive Board Members

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

Supervisory Board Members

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

Changes in the Commercial Register

No changes were made to the company entry in the Commercial Register during 2018.

Subject of Business:

The Company is authorized as part of its business activities based on its entry in the Commercial Registry to provide the following services:

a) Manufacture, trade and services not shown in Appendices 1-3 in the Trade Concessions Act.

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

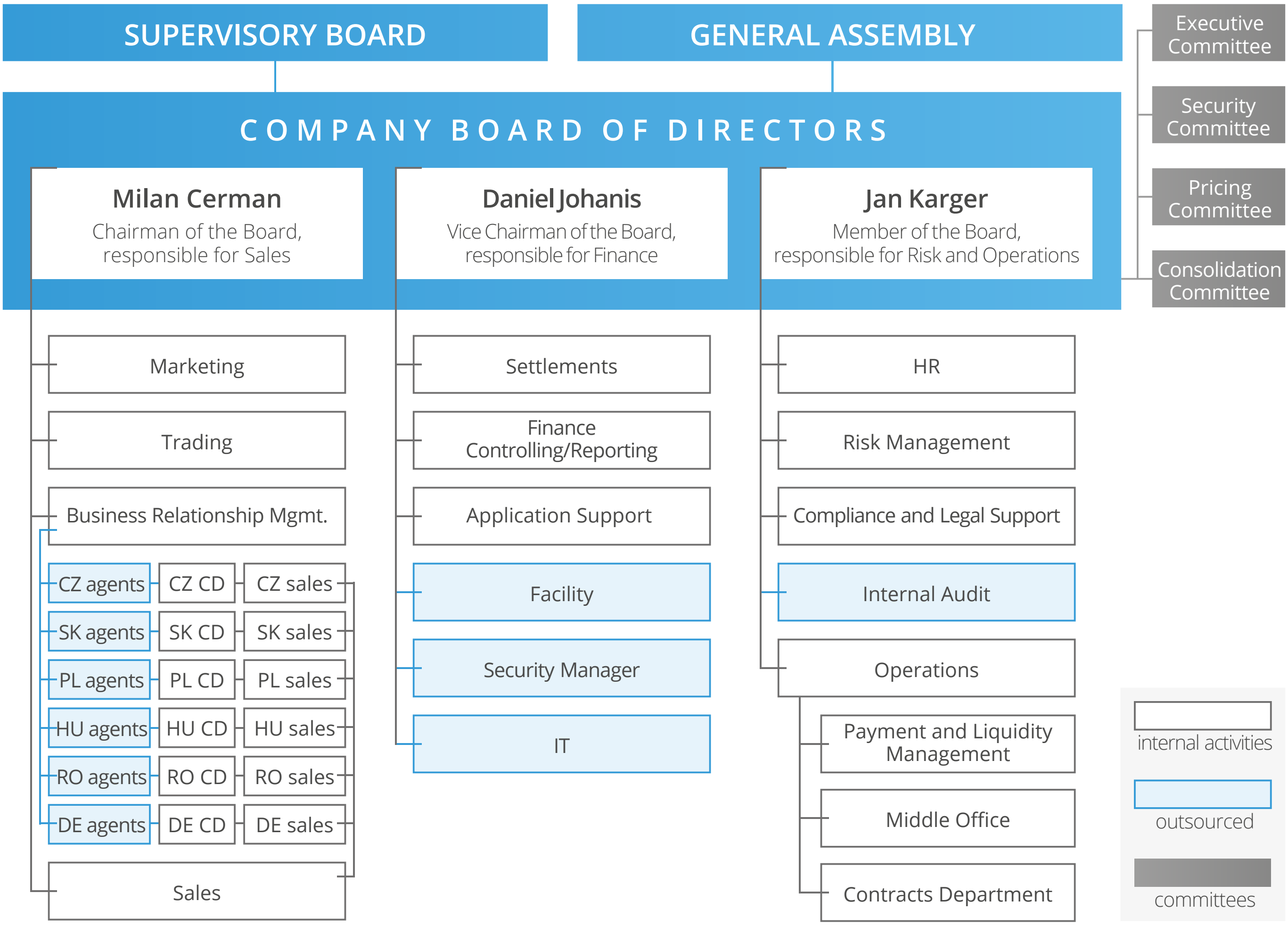
- Payment institutions and subsidiaries of foreign payment institutions,
- Securities trading and subsidiaries of foreign securities traders.

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

- Payment services according to the Act No. 284/2009 Coll.:
  - cash deposits on a payment account run by the company per § 3, par. 1, item a) of the aforementioned Act,
  - cash withdrawals from a payment account run by the company per § 3, par. 1, item b) of the aforementioned Act,
  - carrying out transfers of monetary/cash resources per § 3, par. 1, item c) of the aforementioned Act,
  - carrying out transfers of monetary/cash resources from a payment account per § 3, par. 1, item d) of the aforementioned Act for providing transfer of monetary resources as a loan,
  - issue and management of payment resources and devices for acceptance of payment resources per § 3, par. 1, item e) of the aforementioned Act,
  - carrying out transfers of monetary/cash resources per § 3, par. 1, item f) of the aforementioned Act.
- Securities trading activities according to the Act No. 256/2004 Coll. in the scope of main investment services, i.e.:
  - accepting and sharing 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 valid as of 31 December 2018



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 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 the financial statement, must proceed according to international accounting standards as amended directly in applicable EU regulations on the usage of international accounting standards (hereafter „international accounting standard" or „IFRS").

In this regard, it is important to underscore that the balances in the attached table relating to financial instruments as of 31 December 2017 and for the year 2017 have not been amended and are thus not comparable.

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 2018. The standard fiscal year runs from 1 January 2018 to 31 December 2018. The prior fiscal year ran from 1 January 2017 to 31 December 2017.

All information shown is listed in thousands of CZK (thous. 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, i.e. 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 (report) 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 reffered to as a Forward FX swap option.

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

Options

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

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

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

Fair value of derivatives

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

Reporting derivatives

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

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

- „Receivables from fixed term operations" and „Liabilities from fixed-term operations" in the case of currency forwards and currency swaps,
- „Liabilities from options" and „Liabilities 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.

Derivatives are considered to be a financial instrument. Up until 31 December 2017, derivatives were appraised in the appraisal category „appraised fair price against cost or revenue account". As of 1 January 2018, they are appraised in the appraisal category „Fair Value Trade through the Statement of Profit or Loss". For more detail, see Section 2b.

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 (FINANCIAL INSTRUMENTS) – METHODS VALID AS OF 1 JAN. 2018

(i) Settlement and initial appraisal

The accounting unit initially settles select financial assets and liabilities (i.e. 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 contracting party for provision in 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 with one exeption: provided the accounting unit during the standard fiscal period changes its trade (business) model for managing financial assets and then in the following fiscal period the relevant financial assets are re-classified.

Financial liabilities

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

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

(iii) Deductions

Financial assets

The accounting unit deducts financial assets, provided

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

When deducting financial capital, the difference between the

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

is reported in the profit and loss statement.

Financial liabilities

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

(iv) Modifications to financial assets and financial liabilities

Financial assets

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

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

Provided monetary flows are from modified assets appraised at their current price and are not significantly different, then the modification is not reported in the deduction of the financial asset. In such a case, the accounting unit recalculates the 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 adjusted cost items in the profit and loss statement. In other cases, the given profit or loss is reported together with interest earnings in the profit and loss statement.

Financial liabilities

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

Among evidence that a financial asset has been credit depreciated there are the following noticeable facts:

- significant financial problems for the debtor or the emitter;
- breach of contract, i.e. 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 adustable cost items and reserves for liabilities and guarantees, earnings from previously deducted liabilities“ heading.

C) LIABILITIES FOR BANKS AND CREDIT UNIONS AND LIABILITIES FOR NON-BANK SUBJECTS – METHODS EFFECTIVE UNTIL 31 DEC. 2017

Liabilities that are not acquired from third parties are appraised at their nominal value and are decreased by their loss from depreciation.

Purchased liabilities are appraised at their purchase price at the moment of the realization of the accounting incident (case) and are decreased by their loss from depreciation.

Interest earnings are reported (processed) for the period to which they are materially and temporally bound. The time differential for interesting earnings is part of the liabilities' accounting value.

Adjustable cost items for accounting

Liabilities are assessed as concerns potential ROI. Based thereon, the Company sets losses from depreciation for individual liabilities. Provided the Company does not directly write off part of the liability commensurate to the loss from depreciation, it will create an adjustable cost item for this part of the liability.

Adjustable cost items created to counter expenditures are reported under the „Deductions, creation and usage of adjustable cost items and reserves for liabilities and guarantees“ heading. Under this heading, we also report eventual, subsequent usage of adjustable cost items.

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

D) 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 debits from the client's account; the date of the correspondence 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.

E) PARTICIPATING INTEREST WITH CONTROLLING INFLUENCE – METHODS EFFECTIVE FROM 1 JANUARY 2018

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 is exposed to (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 which is then lowered by adjustable cost items on grounds of the temporary decrease in the value of this participation. This is done individually for each participation.

Creation, dissolution and usage of related cost adjustment items are reported in the profit and loss statement under the „Dissolution of adjustable cost items for participations with controlling and signficant 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.

F) PARTICIPATING INTEREST WITH CONTROLLING INFLUENCE – METHODS EFFECTIVE UP UNTIL 1 JANUARY 2017

Participation with controlling influence is understood to be participation in a daughter (subsidiary) company, in which AKCENTA CZ a.s. actually or legally exercises direct or indirect decision-making (controls or has influence thereon) as to how the latter runs or operates.

Controlling influence means the ability to run the company's financial or operational policies and thus benefit from its activities.

AKCENTA CZ a.s. always exercises its controlling influence by fulfilling one of the following conditions:

a) it is the majority shareholder, or
b) it has the majority of voting rights based on an agreement concluded with another shareholder or shareholders, or
c) it can push through the naming or election of the majority of persons who are a statutory body or a member thereof, or a majority of persons who are members of a legal entity's supervisory body in which they are a shareholder.

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

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

G) 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:

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.

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 recorded (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.

H) 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 perform 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.

I) 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.

J) TAXATION

The tax base for income tax is calculated from the company's financial results (profit or loss) for the current period by adding nondeductible 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 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 2017 and 2018.

03 | CHANGES TO ACCOUNTING METHODS

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

The most significant impact of this change for the Company is the application of IFRS 9 Financial Instruments as of 1 Jan. 2018; this as regards the calculation of credit losses (i.e. adjustable cost items). Due to the application of IFRS 9, the company moved from the concept of losses accrued to that of expected losses.

The new accounting methods for financial instruments as of 1 Jan. 2018 are described in Item 2 of this appendix.

The impact of this change on ownership capital as of 1 Jan. 2018 is shown in the table section labelled 3a below.

A) INITIAL APPLICATION OF IFRS 9

Appraisal categories

The following table shows the initial appraisal categories for financial assets and financial liabilities per decree 501/2002 valid until 31 Dec. 2017 and the new appraisal categories per IFRS 9 as of 1 Jan. 2018:

thousands of CZK	Initial classification per decree 501/2002 valid until 31 Dec. 2017	New classification per IFRS 9	Initial accounting value per decree 501/2002 valid until 31 Dec. 2017 as of 31 Dec. 2017	New accounting value per IFRS 9 as of 1 Jan. 2018
FINANCIAL ASSETS				
Cash on hand and central bank deposits	Current value	Current value	103	103
Liabilities for banks and credit unions	Current value	Current value	1 494 929	1 494 706
Liabilities for non-bank subjects	Current value	Current value	18 740	18 740
Participations with controlling influence	Purchase price	Purchase price	9 700	9 700
Other assets that are not financial instruments	Current value	Current value	3 079	3 079
Other assets that are financial instruments	Fair value	Fair value	72 245	72 245
Total financial assets			**1 598 796**	**1 598 573**
FINANCIAL LIABILITIES				
Liabilities to banks and credit unions	Current value	Current value	161 252	161 252
Liabilities to non-bank subjects	Current value	Current value	1 232 702	1 232 702
Other debts that are not financial instruments	Current value	Current value	12 434	12 434
Other debts that are financial instruments	Fair value	Fair value	50 492	50 492
Total financial liabilities			**1 456 880**	**1 456 880**

Matching of accounting values for financial assets and financial liabilities

The following table represents the matching of the accounting values of financial assets per decree 501/2002 valid until 31 Dec. 2017 and per IFRS 9 as of 1 Jan. 2018:

thousands of CZK	Initial classification per decree 501/2002 valid until 31 Dec. 2017	Reclassification	Reappraisal	New accounting value per IFRS 9
CURRENT VALUE				
Liabilities for banks and credit unions				
Initial balance	1 494 929	-		
Reappraisal			(223)	
Final balance				**1 494 706**

The accounting value of other financial assets and liabilities (debts) did not change.

Net impact of the transfer (move) from IFRS 9 to ownership capital

The following table shows the net impact of the move from IFS9 to Non-distributed assets or unpaid losses from the previous period:

thousands of CZK	Impact of IFRS 9 application as of 1 Jan. 2018
NON-DISTRIBUTED ASSETS OR UNPAID LOSSES FROM PREVIOUS PERIOD	
Final balance as of 31 Dec. 2017	55 510
Reclassification per IFRS 9	-
Impact from processing/calculating expected credit losses (ECL) per IFRS 9	(223)
Impact of deferred taxes	-
Initial balance as of 1 Jan. 2018	**55 287**

Matching of status of adjustable cost items

The following table matches the final status of adjustable cost items for company assets per decree 501/2002 valid until 31 Dec. 2017 to the initial status of expected credit losses (ECL) per IFRS as of 1 Jan. 2018.

thousands of CZK	31 Dec. 2017 per decree 501/2002 valid until 31 Dec. 2017	Reclassification	Reappraisal	1 Jan. 2018 per IFRS 9
Liabilities for banks and credit unions from current value to current value	-	-	(223)	(223)
Total	**-**	**-**	**(223)**	**(223)**

04 | CORRECTIONS TO PREVIOUS PERIODS

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

05 | NET INTEREST EARNINGS

thousands of CZK	2018	2017
Interest earnings from bank accounts	60	570
Interest earnings from loans made and credits	300	295
Total interest earnings	**360**	**865**
Interest costs and related costs	(264)	(148)
Total interest costs	**(264)**	**(148)**
Net interest earnings	**96**	**717**

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 194,000 CZK (2017: 191,000 CZK) and from loans made by AKCENTA GROUP SE for the amount of 106,000 CZK (2017: 104,000 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	2018
Financial assets appraised at current value	**360**
Financial liabilities appraised at current value	**(264)**

06 | INCOME AND EXPENSES FROM FEES AND COMMISSIONS

thousands of CZK	2018	2017
Income from fees and commissions from spot operations, derivative operations and transfers	16 038	13 662
Total	**16 038**	**13 662**
Expenses for fees and commissions from spot operations, derivative operations and transfers	(16 169)	(14 159)
Total	**(16 169)**	**(14 159)**
Net income from fees and commissions	**(131)**	**(497)**

The Company did not realize (generate) any income/expenses from fees/commissions for the trading, management, savings or holding of value funds in 2018.

07 | PROFIT OR LOSS FROM FINANCIAL OPERATIONS

thousands of CZK	2018	2017
Profit/(loss) from derivatives operations	46 207	82 691
Profit/(loss) from spot operations	169 086	156 987
Other exchange rate differences	9 069	(41 612)
Total	**224 362**	**198 066**

The „Profit/(loss) from derivatives operations“ heading represents the net profit or loss of financial instruments that are mandatorily appraised in the FVTPL. The year-on-year drop in profit from derivatives operations was influenced by the drop in the overall number of derivatives trades.

The growth in profit for other exchange rate differences was impacted mainly by changes in exchange rates that followed the loosening of the CNB’s exchange rate intervention in 2017. The latter had a impact on the repricing of foreign exchange current accounts and the subaccounts tied thereto.

08 | OTHER OPERATING INCOME AND EXPENSES

thousands of CZK	2018	2017
Turnover from sales of services	95	70
Income – Other operating income	1 589	2 822
Total	**1 684**	**2 892**
Expenses – Other operating expenses	(1 463)	(956)
Total	**1 463**	**956**

The „Income – Other operating income" heading represents mainly contractual fines, penalties, returned from the OTP HU bank and received payments for damages.

The „Expenses – Other operating expenses" heading represents mainly non-applied VAT deductions, membership fees, insurance of property/assets and gifts.

09 | ADMINISTRATIVE COSTS

thousands of CZK	2018	2017
Wages and employee bonuses	48 651	37 495
Social security and health insurance	21 217	15 149
Wages and bonuses paid to		
board members	*26 436*	*5 636*
Costs per employee	**96 304**	**58 280**
Other administrative costs	**98 300**	**84 158**
of this: bonuses/commissions for traders/consultants	*47 961*	*39 438*
of this: outsourcing costs	*6 051*	*5 708*
of this: statutory audit costs	*798*	*721*
of this: tax and legal consulting	*3 319*	*1 723*
of this: promotion, events, PR	*4 907*	*6 124*
of this: other services – software maintenance and support	*6 429*	*5 913*
Total	**194 604**	**142 438**

Year-on-year growth in bonuses paid to members of the board of directors was caused mainly by the pay-out of 3-year bonuses for the years 2015-2017. This was partially compensated for by using the reserves reported under the heading "Creation and usage of other reserves" in the profit and loss statement (see item 22).

The number of employees was as follows:

	2018	2017
Employees	83	76
Board members	3	3
Supervisory board members	2	2

10 | INCOME AND EXPENSES PER REGION OF ACTIVITY

A) GEOGRAPHIC AREAS

thousands of CZK	Czech Republic		Central and Eastern Europe	
	2018	2017	2018	2017
Interest earnings and similar earnings	312	674	48	191
Interest costs and similar costs	219	148	45	-
Income from fees and commissions	5 045	5 162	10 993	8 500
Expenses for fees and commissions	11 058	10 064	5 111	4 095
Profit or loss from financial operations	175 294	156 044	49 068	42 022

11 | TRANSACTIONS WITH RELATED PARTIES

thousands of CZK	2018	2017
Debts	19 239	19 789
Liabilities	2 067	1 090
Earnings	6 570	7 739
Costs	20 082	31 950

Liabilities with related parties as of 31 Dec. 2018 for an amount of 19,239,000 CZK (31 Dec. 2017: 19,789,000 CZK) consist of the following:

- liability from a loan for AKCENTA GROUP SE for the amount of 5,986,000 CZK (as of 31 Dec. 2017: 5,880,000 CZK) based on a loan agreement payable by 31 Dec. 2019. This liability (debt) has a fixed interest rate;
- liability from a loan for NERUDOVA property s.r.o. for the amount of 10,937,000 CZK (as of 31 Dec. 2017: 10,743,000 CZK) based on a loan agreement payable by 9 July 2025. This liability (debt) has a fixed interest rate;
- membership fee to the Czechoslovak Credit Union (Československé úvěrní družstvo) for the amount of 1,000 CZK (as of 31 Dec. 2017: 1,000 CZK);
- deposits paid for rental deposits and services related to building rental paid for by NERUDOVA property s.r.o. for the amount of 1,314,000 CZK (2017: 1,345,000 CZK);
- deposit balance for supply and set-up of IT devices from AKCENTA LOGISTICS a.s. for the amount of 904,000 CZK (2017: 1,226,000 CZK) based on a co-financing agreement dating from 4 July 2017;
- positive fair value of unsettled derivatives as of 31 Dec. 2018 for the amount of 97,000,000 CZK (2017: 594,000 CZK).

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

Earnings from related parties consist mainly of exchange rate differences for completed trades and interest on loans.

Costs from related parties represent mainly the following:

- costs stemming from exchange rate differences for trades amounting to 5,768,000 CZK (2017: 19,620,000 CZK),
- outsourcing services for the amount of 5,863,000 CZK (2017: 5,708,000 CZK),

- costs stemming from rental of space for the amount of 2,235,000 CZK (2017: 1,624,000 CZK) and related services,
- costs related to car rental for the amount of 159,000 CZK (2017: 321,000 CZK).

12 | LIABILITIES FOR BANKS

thousands of CZK	31 Dec. 2018	31 Dec. 2017
Current accounts (nostro accounts)	1 291 977	1 463 929
Backing for derivative trades	31 000	31 000
Other liabilities	6 670	-
Liabilities for banks – gross amount	**1 329 647**	**1 494 929**
Adjustable cost items	(148)	-
Liabilities for banks – net amount	**1 329 499**	**1 494 929**

All liabilities for banks as of 31 Dec. 2018 are appraised at their current vlaue per IFRS 9.

Other liabilities as of 31 Dec. 2018 consist of an obligation for UniCredit Bank Czech Republic and Slovakia, a.s. for 670,000 CZK.

As of 31 Dec. 2017 the obligation for UniCredit Bank Czech Republic and Slovakia, a.s. for an amount of 6,354,000 CZK was shown under the heading Current Accounts (nostro accounts) on grounds that we had an active current account with UniCredit Bank Czech Republic and Slovakia, a.s.

In January 2018, we closed our bank accounts at UniCredit Bank Czech Republic and Slovakia, a.s. However, the monetary funds were not returned to the Company on grounds of limited availability due to an active court process going on in Slovakia. Company management is convinced that the grounds for limitation based on availability are not legitimate and it is currently negotiating for their dispensation.

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

as of 31 Dec. 2018, in thousands of CZK	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the full period that financial assets are not credit-depreciated	Level 3 Expected credit loss for the full period that financial assets are credit-depreciated	Total
LIABILITIES FOR BANKS APPRAISED AT CURRENT VALUE				
Credit rating min. Baa3	1 329 647	-	-	1 329 647
Liabilities for banks for their gross amount	**1 329 647**	**-**	**-**	**1 329 647**
Adjustable cost item	(148)	-	-	(148)
Liabilities for banks for their net amount	**1 329 499**	**-**	**-**	**1 329 499**

As of 31 Dec. 2017 the Company reports that all liabilities for banks are standard.

B) LIABILITIES TO BANKS ACCORDING TO RESIDUAL MATURITY

All liabilities to banks are payable within one month.

C) ANALYSIS OF LIABILITIES FOR BANKS ACCORDING TO COLLATERAL TYPE

Liabilities for banks reported in the financial statement represent financial resources held on accounts of individual banks and and the time divergence (gap) between payments sent from a foreign bank and payments written onto the Company account. These liabilities have no backing.

13 | LIABILITIES FOR NON-BANK SUBJECTS

A) APPRAISAL OF LIABILITIES FOR NON-BANK SUBJECTS

thousands of CZK	31 Dec. 2018	31 Dec. 2017
Liabilities for clients for their gross amount	13 021	12 820
Deposit – trades in their gross amount	-	1
Adjustable cost items	(10 857)	(10 705)
Liabilities for clients for their net amount	**2 164**	**2 116**
Liabilities for related parties for their gross amount	**16 924**	**16 624**
Total liabilities for non-bank subjects for their net amount	**19 088**	**18 740**

All liabilities for non-bank subjects as of 31 Dec. 2018 are appraised at their current value per the IFRS 9.

Liabilities for clients

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

Part of liabilities for clients also include liabilities on grounds of sending a duplicate payment to a client account for the amount of 5,910 CZK (31 Dec. 2017: 5,910 CZK) and a liability on the grounds of an exchange rate loss for the amount of 4,225 CZK (31 Dec. 2017: 4,225 CZK). An adjustable cost item was created for these liabilities for the full amount (100%) as of the balance sheet reproting date.

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

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 APPRAISED AT THEIR CURRENT VALUE				
Liabilities for non-bank subjects for their gross amount	-	18 810	1 135	29 945
Adjustable cost item	-	-	(10 857)	(10 857)
Liabilities for non-bank subjects for their net amount	**-**	**16 924**	**2 164**	**19 088**

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

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

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. 21 of this appendix.

14 | PARTICIPATION WITH CONTROLLING INFLUENCE

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

Basic information (in thousands of CZK)

Company	Headquarters	Business activty	Share capital *	Other items OC *	Share of OC	Share of voting rights	Account. value
As of 31 Dec. 2018							
NERUDOVA property s.r.o.	Nerudova 1361/31, Hradec Králové	Rental of real estate, apartments and commercial spaces	200	9 541	100%	100%	9 700
Total			**200**	**9 541**			**9 700**

Company	Headquarters	Business activty	Share capital *	Other items OC *	Share of OC	Share of voting rights	Account. value
As of 31 Dec. 2017							
NERUDOVA property s.r.o.	Nerudova 1361/31, Hradec Králové	Rental of real estate, apartments and commercial spaces	200	9 500	100%	100%	9 700 *
Total			**200**	**9 500**			**9 700**

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

15 | LONG-TERM INTANGIBLE ASSETS

thousands of CZK	Software	Appraisable rights	Unasssigned assets	Total
PURCHASE PRICE				
As of 1 Jan. 2017	15 931	32 540	8 357	56 828
Add-ons	-	-	4 600	4 600
Other changes	-	-	-	-
As of 31 Dec. 2017	**-**	**32 540**	**12 957**	**61 428**
As of 1 Jan. 2018	15 931	32 540	12 957	61 428
Add-ons	-	-	1 805	1 805
Other changes	-	-	-	-
As of 31 Dec. 2018	**15 931**	**32 540**	**14 762**	**63 233**
ADJUSTMENTS AND ADJUSTABLE COST ITEMS				
As of 1 Jan. 2017	11 978	32 540	-	44 518
Annual write-offs	1 937	-	-	1 937
Other changes	-	-	-	(0)
As of 31 Dec. 2017	**13 915**	**32 540**	**-**	**46 455**
As of 1 Jan. 2018	13 915	32 540	-	46 455
Annual write-offs	890	-	-	890
Other changes	-	-	-	0
As of 31 Dec. 2018	**14 805**	**32 540**	**-**	**47 345**
BALANCE PRICE				
As of 31 Dec. 2017	**2 016**	**-**	**12 957**	**14 973**
As of 31 Dec. 2018	**1 126**	**-**	**14 762**	**15 888**

The growth (add-on) under the heading "Unassigned Assets" for the amount of 1,805,000 CZK for 2018 (2017: 4,600,000 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 and buildings	Machines and devices	Vehicles	Total
PURCHASE PRICE				
As of 1 Jan. 2017	15	7 882	1 627	9 524
Add-ons	628	2 288	-	2 916
Other changes	-	(2 664)	(536)	(3 200)
As of 31 Dec. 2017	**643**	**7 506**	**1 091**	**9 240**
As of 1 Jan. 2018	643	7 506	1 091	9 240
Add-ons	-	45	1 486	1 531
Other changes	-	-	-	-
As of 31 Dec. 2018	**643**	**7 551**	**2 577**	**10 771**
ADJUSTMENTS AND ADJUSTABLE COSTS ITEMS				
As of 1 Jan. 2017	-	6 947	304	7 521
Annual write-offs	37	241	245	523
Other changes	-	(2 664)	(294)	(2 958)
As of 31 Dec. 2017	**37**	**4 524**	**255**	**4 816**
As of 1 Jan. 2018	37	4 524	255	4 816
Annual write-offs	62	418	397	877
Other changes	-	-	-	-
As of 31 Dec. 2018	**99**	**4 942**	**652**	**5 693**
BALANCE PRICE				
As of 31 Dec. 2017	**606**	**2 982**	**837**	**4 424**
As of 31 Dec. 2018	**544**	**2 609**	**1 925**	**5 078**

17 | OTHER ASSETS

thousands of CZK	31 Dec. 2018	31 Dec. 2017
Positive fair value of derivatives	53 228	72 245
Other	5 783	3 079
Deferred tax liability	2 439	5 838
Total	**61 450**	**81 162**

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 to maturity, the fair trade value is monitored using the Market 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 operating deposits provided for an amount of 2,334,000 CZK (2017: 1,318,000 CZK); liabilities on behalf of employees for an amount of 24,000 CZK (2017: 92,000 CZK).

18 | LIABILITIES TO BANKS AND ACCEPTED PLEDGES AND GUARANTEES

For reasons of liquidity management, the Company made use of a credit agreement from Komerční banka (KB) and reported a debit balance of 1,809,000 CZK on its CZK denominated account at that bank. For this reason, the balance for an amount of 1,809,000 CZK as of 31 Dec. 2018 is reported under the heading „Liabilities to banks and credit unions" as a debt liability.

As of 31 Dec. 2017, on grounds of an atypical situation on the swap market for the CZK/EUR currency pairing, the Company concluded an agreement to allow a debit valued at 161,252,000 CZK on its CZK-denominated account at ING Bank with a subsequent blocking of funds on its EUR account at the same bank. For this reason, a balance for the amount of 161,252,000 CZK, as of 31 Dec. 2017, was reported under the heading „Liabilities to banks and credit unions" as debt liabilities.

An overdraft credit for a nominal value of 20,000,000 CZK was, as of 31 Dec. 2018, drawn down for an amount of 1,809,000 CZK. The unused balance of 18,191,000 CZK was reported in the off-balance sheet financial statement under heading "Accepted Pledges and Guarantees".

thousands of CZK	31 Dec. 2018	31 Dec. 2017
Type of credit (loan)	overdraft account	overdraft account
Nominal value	18 191	20 000
Maturitiy	Jan. 2018	Jan. 2017
Payment calendar	one-off renewal	one-off renewal
Balance to be drawn	-	-
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. 2018	31 Dec. 2017
(Re)payable on demand	1 213 317	1 232 702
From client collateral	*62 079*	*56 865*
Total	**1 213 317**	**1 232 702**

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. 2018	31 Dec. 2017
Negative fair amounts of derivatives	32 008	50 492
Suppliers	8 212	5 599
Liabilities to employees	9 091	4 172
Liabilities to the health insurance and social security fund	3 709	2 216
Liabilities to the national budget	2 682	1 159
Liabilities from trades	10 660	6 835
Debt cost estimate items	1 906	1 392
Total	**68 268**	**71 865**

21 | SHARE CAPITAL

Share capital at a value of 24,030,000 CZK consists of 21 shares of common stock per the bearer's name at a nominal value of 450,000 CZK and 162 common stock shares per the bearer's name for a nominal value of 90,000 CZK.

Company shareholder make-up as of 31 Dec. 2018 and 31 Dec. 2017:

Name	Headquarters	Number of shares (pc)	Basic capital share (%)
AKCENTA GROUP SE, ID No.: 28252900	Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové	183	100%
Total		**183**	**100%**

22 | ADJUSTABLE COST ITEMS FOR LIABILITIES AND RESERVES

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

thousands of CZK	Tax deductible	Non-tax deductible	Total
Balance as of 1 Jan. 2017	**13**	**1 572**	**1 585**
Creation	-	10 207	10 207
Dissolution	(7)	(414)	(421)
Usage	(6)	(677)	(683)
Exchange rate difference	-	17	17
Adjustable cost item balance as of 31 Dec. 2017	**-**	**10 705**	**10 705**
Balance as of 1 Jan. 2018	**-**	**10 705**	**10 705**
Creation	-	190	190
Dissolution	-	(104)	(104)
Usage	-	(62)	(62)
Exchange rate difference	-	128	128
Adjustable cost item balance as of 31 Dec. 2018	**-**	**10 857**	**10 857**

In 2018, we wrote off liabilities for a total amount of 62,000 CZK (2017: 683,000 CZK) and we also accounted for usage of adjustable cost items created for those liabilities for an amount of 62,000 CZK (2017: 683,000 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 2018 and 2017.

B) EVOLUTION OF RESERVES

thousands of CZK	Reserves for bonuses	Reserves for income tax	Total
Balance as of 1 Jan. 2017	**11 419**	**2 845**	**14 264**
Creation	12 275	3 579	23 276
Dissolution of unnecessary reserves	-	-	-
Usage	(2 500)	(2 845)	(5 345)
Reserves balance as of 31 Dec. 2017	**21 194**	**3 579**	**24 773**
Balance as of 1 Jan. 2018	**21 194**	**3 579**	**24 773**
Creation	16 548	-	16 548
Dissolution of unnecessary reserves	(4 707)	-	(4 707)
Usage	(29 805)	(3 579)	(33 384)
Reserves balance as of 31 Dec. 2018	**3 230**	**-**	**3 230**

Creation of Reserves for bonuses and vacations for 2018 for the amount of 16,548,000 CZK (2017: 12,275,000 CZK) consist of the following:

- creation of reserves for bonuses for the amount of 16,318,000 CZK (2017: 11,783,000 CZK),
- reserve for vacations for the amount of 230,000 CZK (2017: 492,000 CZK).

23 | RETAINED PROFIT OR UNPAID LOSSES FROM PREVIOUS PERIODS

The Company plans to transfer its profit from fiscal year 2018 amounting to 36,187,000 CZK to its undistributed profit from prior fiscal periods.

24 | INCOME TAX AND DEFERRED TAX DEBT / LIABILITIES

A) PAYABLE INCOME TAX (TAX DUE)

thousands of CZK	2018	2017
Pre-tax profit or loss for the fiscal period	46 055	35 763
Non-tax deductable costs increasing the tax base	20 777	25 608
Other items lowering the tax base	(35 704)	(3 469)
Subtotal	31 128	57 902
Tax calculated at the 19% rate	**5 914**	**11 001**
Taxes paid abroad	*1 718*	*1 632*
Additional calculated tax from the prior period	-	*320*
Cumulative taxes paid abroad	*(1 163)*	*(1 632)*
Total tax liability	**6 469**	**11 321**

Total cost due to payable income tax in 2018 equalled 6,469,000 CZK (2017: 11,321,000 CZK).

B) DEFERRED TAX OBLIGATIONS / LIABILITIES

Deferred tax liabilities and debts consist of the following items:

thousands of CZK	Deferred tax liability (+) / debt (-) 31 Dec. 2018	Deferred tax liability (+) / debt (-) 31 Dec. 2017	Change
Long-term tangible and intangible assets	(237)	(223)	(14)
Adjustable cost items for liabilities for non-bank subjects	2 063	2 034	29
Bonus and vacation (holiday) reserve fund	613	4 027	(3 414)
Net deferred tax debt/liability reported in the profit and loss statement	**2 439**	**5 838**	**(3 399)**

As of 31 December 2018, the Company reported a deferred tax debt in its other assets for the amount of 2,439,000 CZK (31 December 2017: 5,838,000 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 2018 equalled a cost amounting to 3,399,000 CZK (2017: 3,753,000 CZK).

25 | OFF-BALANCE SHEET ITEMS

Debts / liabilities from spot and fixed trade operations

The Company charges forward and spot 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.

A) NOMINAL AND FAIR VALUES FOR FIXED TRADE OPERATIONS AND OPTIONS

thousands of CZK	Off-balance sheet items as of 31 Dec. 2018			Off-balance sheet items as of 31 Dec. 2017		
	Debt	Oblig.	Diff.	Debt	Oblig.	Diff.
TRADING INSTRUMENTS						
Fixed currency operations	7 790 194	(7 776 879)	13 315	6 049 843	6 035 923	13 920
Currency options	341 547	(341 547)	-	390 134	390 065	69
Total	**8 131 741**	**8 118 426**	**13 315**	**6 439 977**	**6 425 988**	**13 989**

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	Unspeci-fied	Total
As of 31 December 2018						
TRADING INSTRUMENTS						
Fixed currency operations (debts)	4 520 495	2 844 372	425 327	-	-	**7 790 194**
Fixed currency operations (liabilities)	(4 515 094)	(2 837 325)	(424 460)	-	-	**(7 776 879)**
Currency options (debts)	264 581	76 966	-	-	-	**341 547**
Currency options (liabilities)	(264 581)	(76 966)	-	-	-	**(341 547)**
As of 31 December 2017						
TRADING INSTRUMENTS						
Fixed currency operations (debts)	2 856 916	2 774 570	418 357	-	-	**6 049 843**
Fixed currency operations (liabilities)	(2 843 875)	(2 770 879)	(421 169)	-	-	**6 035 923**
Currency options (debts)	70 289	273 060	46 784	-	-	**390 133**
Currency options (liabilities)	(70 260)	(273 021)	(46 784)	-	-	**390 065**

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:

thous. CZK	31 December 2018	Mandatory in FVTPL	Current value	Purchase price	Total
1	Cash on hand and central bank deposits	-	124	-	**124**
3	Liabilities for banks and credit unions	-	1 329 499	-	**1 329 499**
4	Liabilities for non-bank subjects	-	19 088	-	**19 088**
8	Participations with controlling influence	-	-	9 700	**9 700**
11	Other assets that are financial instruments	53 228	5 783	-	**59 011**
	Total financial assets	**53 228**	**1 348 711**	**15 483**	**1 417 422**

thous. CZK	31 December 2018	Mandatory in FVTPL	Current value	Total
1	Liabilities for banks and credit unions	-	1809	**1809**
2	Liabilities to clients – credit union members	-	1 213 317	**1 213 317**
4	Other debts that are financial assets	32 008	18 872	**50 880**
	Other financial liabilities	**32 008**	**1 233 998**	**1 266 006**

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 (i.e. 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. This reflects the fact that these institutions are sufficiently able to meet their own financial liabilities.

A) SETTING EXPECTED CREDIT LOSSES (ECL)

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

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

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

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

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

$$ECL = PD * EAD * LGD$$

Key outputs and requirements for ECL calculation include the following transitional/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 mother 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. Provide 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 was classified as EAD.

c) loss given default (LGD)

The user of this instrument has the option of choosing a 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 last accounting/processing (a significant increase in their credit risk since the initial accounting) and where the counterparty 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. 2018

thousands of CZK	12-month ECL (Level 1)	Full-life ECL for financial assets that are not in credit devaluation (default) (Level 2)	Full-life ECL for financial assets that are in credit devaluation (default) (Level 3)	Purchased or provided credit devaluated financial assets (POCI)	Total
Balance as of 1 Jan. 2018	**223**	**-**	**-**	**-**	**223**
Reappraisals and changes to models /risk parameters	(75)	-	-	-	(75)
Balance as of 31 Dec. 2018	**148**	**-**	**-**	**-**	**148**

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

thousands of CZK	12-month ECL (Level 1)	Full-life ECL for financial assets that are not in credit devaluation (default) (Level 2)	Full-life ECL for financial assets that are in credit devaluation (default) (Level 3)	Purchased or provided credit devaluated financial assets (POCI)	Total
Balance as of 1 Jan. 2018	**-**	**-**	**(10 705)**	**-**	**(10 705)**
Reappraisals and changes to models/risk parameters	-	-	152	-	152
Balance as of 31 Dec. 2018	**-**	**-**	**(10 857)**	**-**	**(10 857)**

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

C) MAXIMUM EXPOSURE TO CREDIT RISK

31 Dec. 2018	Balance sheet	Off-balance sheet	Total credit risk exposure	Collateral provided	Main collateral type
Liabilities for banks and credit unions	1 329 499	-	1 329 499	-	-
Liabilities for non-bank subjects	19 088	-	19 088	-	-
Other assets that are financial instruments and appraised at a fair value	53 228	-	53 228		
Total	**1 401 815**	**-**	**1 401 815**	**-**	**-**

D) CONCENTRATION BASED ON SECTOR

31 Dec. 2018	Financial organizations	Non-financial organizations	Total
Liabilities for banks	1 329 499	-	1 329 499
Liabilities for non-bank subjects	-	19 088	19 088
Total	**1 329 499**	**19 088**	**1 348 587**

31 Dec. 2017	Financial organizations	Non-financial organizations	Total
Liabilities for banks	1 494 929	-	1 494 929
Liabilities for non-bank subjects	-	18 740	18 740
Total	**1 494 929**	**18 740**	**1 513 669**

E) CONCENTRATION BASED ON GEOGRAPHIC AREA

31 Dec. 2018	Czech Republic	EU not incl. Czech Republic	Total
Liabilities for banks	581 492	748 007	1 329 499
Liabilities for non-bank subjects	17 170	1 918	19 088
Total	**598 662**	**749 925**	**1 348 587**

31 Dec. 2017	Czech Republic	EU not incl. Czech Republic	Total
Liabilities for banks	1 112 246	382 683	1 494 929
Liabilities for clients	18 474	266	18 740
Total	**1 130 720**	**382 949**	**1 513 669**

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 is as follows:

thousands of CZK	EUR	USD	PLN	HUF	CZK	Other	Total
As of 31 December 2018							
Cash on hand and central bank deposits	4	-	8	2	91	19	124
Liabilities for banks	466 589	148 885	38 308	226 205	230 210	219 302	1 329 499
Liabilities for non-bank subjects	1 561	135	130	119	17 140	3	19 088
Participations with controlling influence	-	-	-	-	9 700	-	9 700
Long-term tangible and intangible assets	-	-	-	-	20 966	-	20 966
Other assets	278	0	7	34	61 125	6	61 450
Expenditure and income for coming period	2	-	-	0	1 041	-	1 043
Total	**468 434**	**149 020**	**38 453**	**226 360**	**340 273**	**219 330**	**1 441 870**
Liabilities to banks	-	-	-	-	1 809	-	1 809
Liabilities to non-bank subjects	566 008	165 065	113 411	117 813	159 765	91 255	1 213 317
Other debts	3 473	2 526	946	4 952	55 722	649	68 268
Revenues and expenditure for coming period	172	-	-	-	1 220	13	1 405
Reserves	-	-	-	-	3 230	-	3 230
Ownership capital	-	-	-	-	153 841	-	153 841
Total	**569 653**	**167 591**	**114 357**	**122 765**	**375 587**	**91 917**	**1 441 870**
Long positions from FX spots and derivatives	3 953 853	391 106	422 270	136 694	3 746 620	459 960	9 110 503
Short positions from FX spots and derivatives	3 856 451	377 673	344 853	240 450	3 692 731	586 645	9 098 803
Net currency position	**(3 817)**	**(5 138)**	**1 513**	**(161)**	**18 575**	**728**	**11 700**

thousands of CZK	EUR	USD	PLN	HUF	CZK	Other	Total
As of 31 Dec. 2017							
Cash on hand and central bank deposits	8	-	5	2	72	16	103
Liabilities for banks	126 093	124 178	81 886	49 123	951 834	161 815	1 494 929
Liabilities for non-bank subjects	1 697	-	114	65	16 853	10	18 740
Participations with controlling influence	-	-	-	-	9 700	-	9 700
Long-term tangible and intangible assets	-	-	-	-	19 397	-	19 397
Other assets	1 776	-	-	105	79 281	-	81 162
Expenditure and income for coming period	-	-	-	2 664	683	-	3 347
Total	**129 574**	**124 178**	**82 005**	**51 959**	**1 077 820**	**161 841**	**1 627 378**
Liabilities to banks	161 252	-	-	-	-	-	161 252
Liabilities to non-bank subjects	512 792	260 129	104 113	65 595	196 607	93 466	1 232 702
Other debts	1 579	357	4 162	814	64 675	278	71 865
Revenues and expenditure for coming period	-	-	-	-	909	-	909
Reserves	-	-	-	-	24 773	-	24 773
Ownership capital	-	-	-	-	135 877	-	135 877
Total	**675 623**	**260 486**	**108 275**	**66 409**	**422 841**	**93 744**	**1 627 378**
Long positions from FX spots and derivatives	3 535 789	466 199	417 635	259 653	2 496 097	117 801	7 293 174
Short positions from FX spots and derivatives	2 933 088	334 543	389 783	244 595	3 140 140	185 634	7 287 783
Net currency position	**-3 348**	**-4 652**	**1 582**	**608**	**10 936**	**264**	**5 390**

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 95% 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 as of 1 December 2016, AKCENTA CZ a.s. offers 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. 2018 (thous. 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	1 809	1 809	1 809	-	-	-	-
Liabilities to non-bank subjects	1 213 317	1 213 317	1 213 317	-	-	-	-
Other debts that are financial instruments	18 872	18 872	18 872				-
Total	**1 233 998**	**1 233 998**	**1 233 998**	**-**	**-**	**-**	**-**
Derivative liabilities							
Instruments for trading:	(32 008)						
Expenditure		*(816 764)*	*(32 470)*	*(84 322)*	*(205 515)*	*(494 457)*	-
Income		*784 756*	*23 176*	*74 605*	*201 041*	*485 935*	-

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

Type of financial instrument	Means, requirements and reasons for determining residual contractual maturity
Non-derivative financial instruments	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 stated 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 acquistion 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;
- model-based recalculation;
- checks and approval procedures for new appraisal models and changes thereto;
- analysis and investigation of 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:

	thousands of CZK	31 Dec. 2018 Accounting value	31 Dec. 2018 Fair value
	FINANCIAL ASSETS		
1	Cash on hand and central bank deposits	124	124
3	Liabilities for banks and credit unions	1 329 499	1 329 499
4	Liabilities for non-bank subjects	19 088	19 088
8	Participations with controlling influence	9 700	9 741
11	Other assets that are financial tools	5 783	5 783
	FINANCIAL LIABILITIES		
1	Liabilities to banks and credit unions	1 809	1 809
2	Liabilities to non-bank subjects	1 213 317	1 213 317
4	Other financial liabilities that are financial instruments	18 872	18 872

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

Cash on hand and central bank deposits

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

Liabilities for banks and credit unions

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

Liabilities for non-bank subjects

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

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

Participations with controlling influence

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

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

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

	thousands of CZK	31 Dec. 2018		
		Level 1	Level 2	Level 3
	FINANCIAL ASSETS		**53 228**	
11	Other assets – Positive fair value of derivatives	-	-	-
	FINANCIAL LIABILITIES			
4	Other liabilities – Negative fair value of derivatives	-	32 008	-

Transfers between Level 1 and Level 2

During 2018, 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

The most important impact on the Company since 1 January 2019 is the application of the IFRS 16 Leasing accounting standard. That is, all assets (namely rented buildings) that the Company uses based on operative leasing will be activated and reported in the balance sheet as assets. Based on the IFRS 16 standard, an increase in leasing assets and financial liabilities will occur. Linear costs for operative leasing will be covered by write-offs for leasing assets and interest costs.

After assessment of individual leasing agreements, the Company set rental periods (lengths) and asset values, i.e. it did not include leasing contracts for which the termination period was less than 12 months and which did not have the option for automatic renewal or had a low asset value.

The aforementioned change did not have any impact on the accounting report for the period up to 31 December 2018.

At the time the accounting report was completed, the Company management did not know of any further important events that would have impacted the accounting report as of 31 December 2018.

Dispatched on 30 April 2019	Stamp and signature of the statutory body	Person responsible for accounting	Person responsible for the accounting report
		Name and signature	Name and signature
	Milan Cerman	Eva Dostálová tel.: +420 498 777 823	Lenka Fialová tel: +420 498 777 766

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