



ANNUAL REPORT  
**2017**

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# OPENING REMARKS FROM COMPANY DIRECTOR

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Ladies and gentlemen,

20 years is a long time in the life of a Czech business. From the perspective of a truly Czech financial institution, moreover a successful one, it is, even if perhaps immodestly stated, an exceptional period of time length-wise. Indeed, AKCENTA CZ celebrated its 20th anniversary in 2017. During this time, we have grown from a daring, perhaps even naive idea, launched by a couple of enthusiasts, into an important player on the currency trading market. We are a player that has become market leader, not only in the Czech Republic, but which has also entered other markets in Central and Eastern Europe. Now, we are moving confidently to open doors to financial markets in Western Europe.

Never, in the past, did we hide our ambitions to enter those markets. We set entry on the French and German markets as our first goal. We invested lots of time and energy into preparations for the actual launches, so we could be sure of our success. The end of 2017 brought a “hard start” on the German market. Not only expansion to new markets, but also growth on existing markets have raised a

number of practical questions; particularly, on the issue of new and sufficiently large office space. So we decided for a dynamic solution and moved from our original offices to a new, modern space.

2017 was difficult, but without a doubt successful. Whether we speak of, for example, our average number of monthly transactions, which grew by 14%, or the further growth of our total number of clients to the 33,000 mark. There is also the total volume of customer transactions that came close to the 120 billion CZK level. All of these numbers led to our resulting net profit of 28 million CZK, which I cannot describe in any other way than excellent beyond our expectations, even considering our significant investments. Still, we should mention another figure in this regard: 48% growth in the volume of futures trades that our clients engaged in. Our properly-timed marketing campaign, together with our efforts to educate our clients prior to the springtime ending of the CNB's intervention regime, had a significant impact on this. Thanks to their being well-informed, our clients were able to fix exchange rates suited to their needs at the right time. I should also mention the fact that we also saw increased interest in more complicated futures (time-based) products such as stock options and options structures.

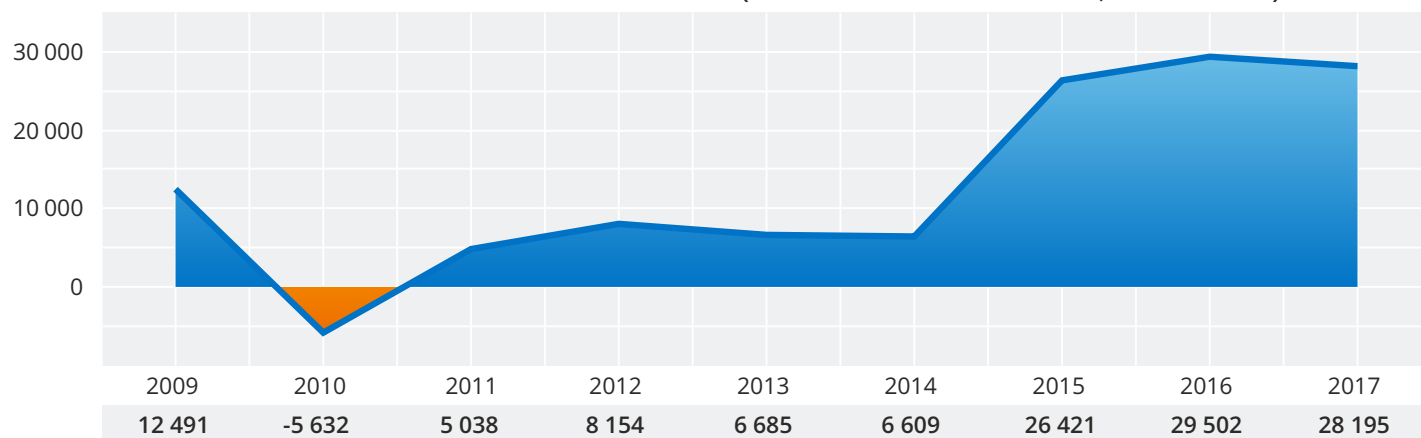
We will continue our educational and quality information service activities that help our clients with their business decision-making. Information prepared by our team of analysts, led by Miroslav Novák, are used by media on an almost daily basis. Central bodies of the state administration, for example, also incorporate our data in their analyses. We know that this is a big competitive advantage for us. Finally, the icing on the cake, as the saying goes, includes our free-time activities such as golf and tennis tournaments or festivals that we invite our clients to take part in.

Last year, I reported that AKCENTA CZ had grown to be one of the biggest non-bank players on the currency exchange market; not only in the Czech Republic. I would like to now add that we are also a successful, and mainly a respected, company. This can be measured not only by our excellent financial results or investors' strong interest in entering our company, but also by the growth of our client base on all markets. In the world of finance, trust is perhaps the most important asset. That is why we would like to thank you, our clients. Similarly, I would like to thank all my colleagues in our team, without whom AKCENTA CZ would not be where it is today. Each of you has contributed your best, which is clear when looking at our business results.

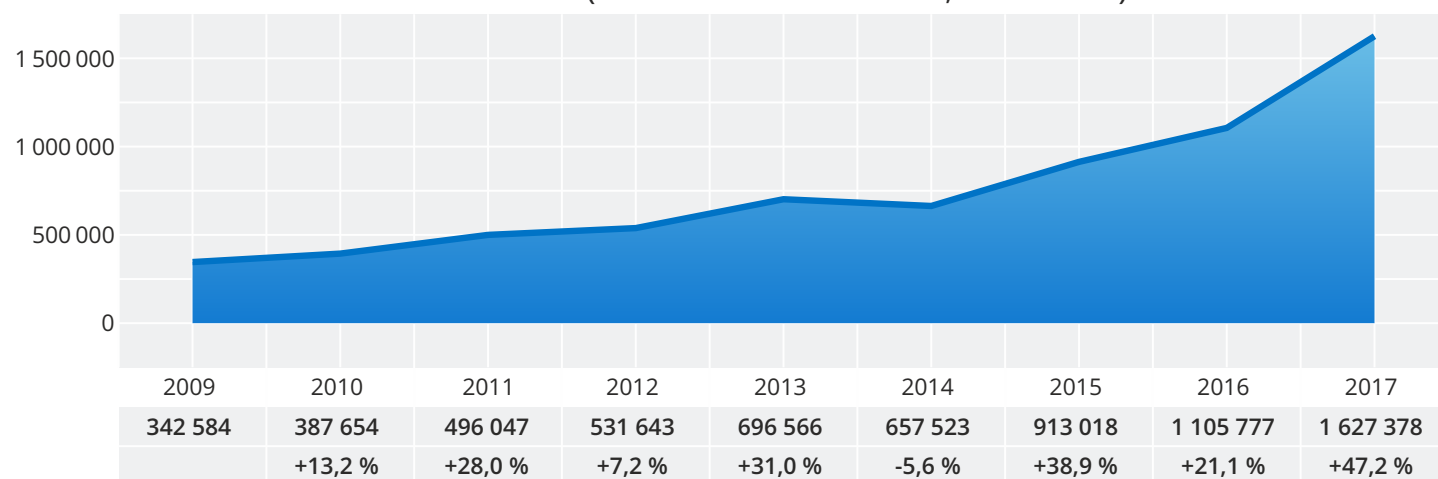
**MILAN CERMAN**  
CHAIRMAN OF THE BOARD  
SALES DIRECTOR

# KEY PERFORMANCE INDICATORS

## EVOLUTION OF AFTER-TAX FINANCIAL RESULTS (IN THOUSANDS OF CZK, 2009-2017)



## EVOLUTION OF BALANCE AMOUNTS (IN THOUSANDS OF CZK, 2009-2017)



## EVOLUTION OF FINANCIAL EARNINGS RESULTS (IN THOUSANDS OF CZK, 2009-2017)



# MOST IMPORTANT EVENTS OF 2017

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- ▶ Company moves to new offices in 2017



- ▶ Launch of active operations on German market



- ▶ Continued development of new trading system

# COMPANY EVOLUTION IN 2018

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- ▶ Development of company activities on the French market



- ▶ Further development and reinforcement of our position in Visegrad country markets

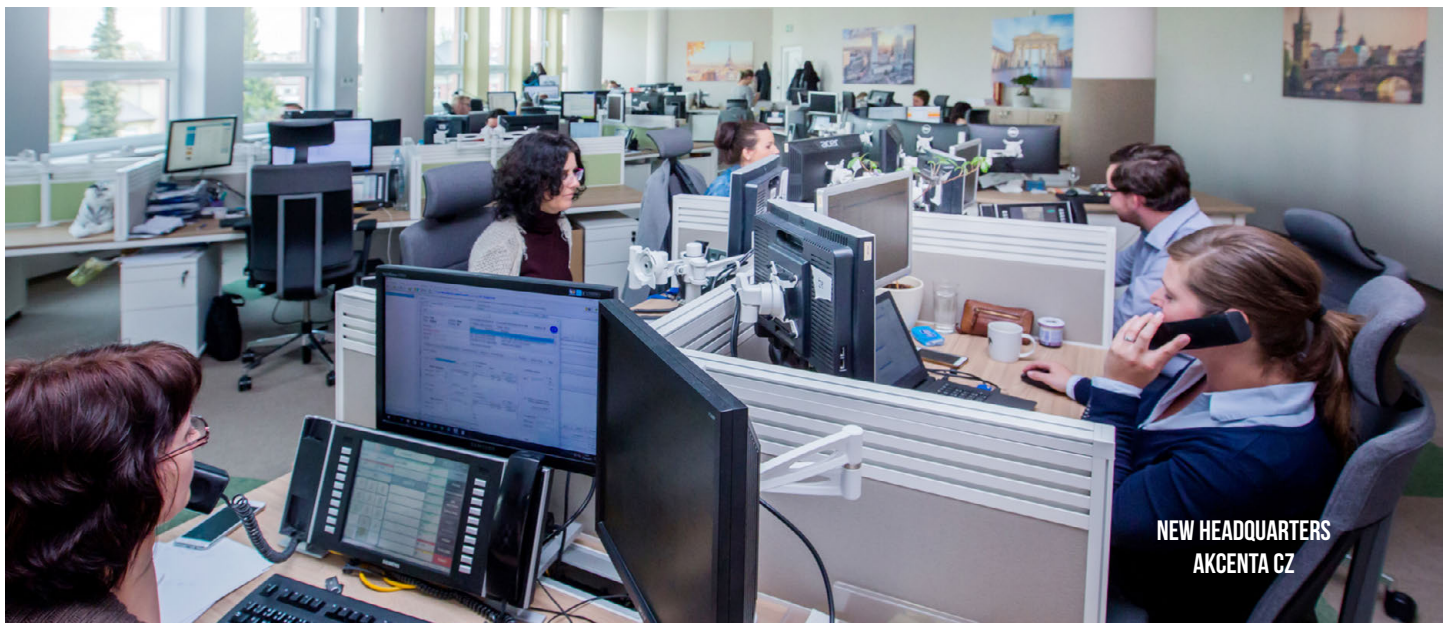
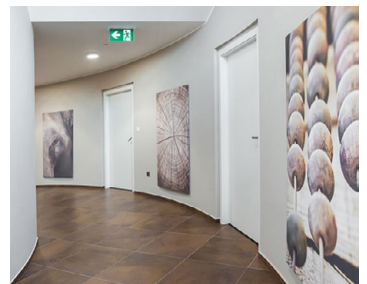


- ▶ Completion of development and implementation of new trading software

# COMPANY PROFILE

## BASIC COMPANY DATA/CHARACTERISTICS (STATUS AS OF 31 DEC. 2017)

Company Name:	AKCENTA CZ a.s.
Headquarters:	Salvátorská 931/8 110 00 Prague 1
Operations:	Nerudova 1361/31 500 02 Hradec Králové 2 Czech Republic
Org. ID Number:	251 63 680
Tax ID Number:	CZ 251 63 680
Registration Court:	Municipal Court in Prague, Section B, Entry 9662
Date Established:	16 June 1997
Share Capital:	24 030 000 CZK
Stocks:	Not publicly traded
Statutory Body:	Board of Directors
Number of Employees:	74 employees 3 board members



# PRODUCTS AND SERVICES

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

## **Payment transactions with currency exchange (currency sales)**

Spot currency sales that include the purchase and sale of currency instruments with processing done within 2 working days.

## **Payment services (domestic and foreign payment relations)**

Includes the processing and realization of domestic and foreign payments per our clients' requirements. The advantage for our clients is mainly the cost-affordability of our services, quick processing and reliability.

## **Covering exchange rate risk through futures operations**

Forward, swap and options trades – trades with longer payout periods than currency spot trades; ones that serve to mitigate risks stemming from future exchange movements.

## **Other services**

### ▶ **Online broker (OLB) platform**

Offers clients the possibility to convert money to online currency exchanges, to modify fixed orders for exchange rate monitoring and their non-stop automatic implementation, to send and receive payments to and from abroad at advantageous terms, to issue permanent and mass payment orders, to manage business partners, to generate regular statements, etc.

### ▶ **Dealing limits**

Based on assessment of your financial statements, it is possible to set a limit for zero security, for partial or full replacement for blocking monetary resources necessary when completing futures operations.

### ▶ **Orders**

Non-committal call orders or automatic trading when reaching a set exchange rate (FIX orders).

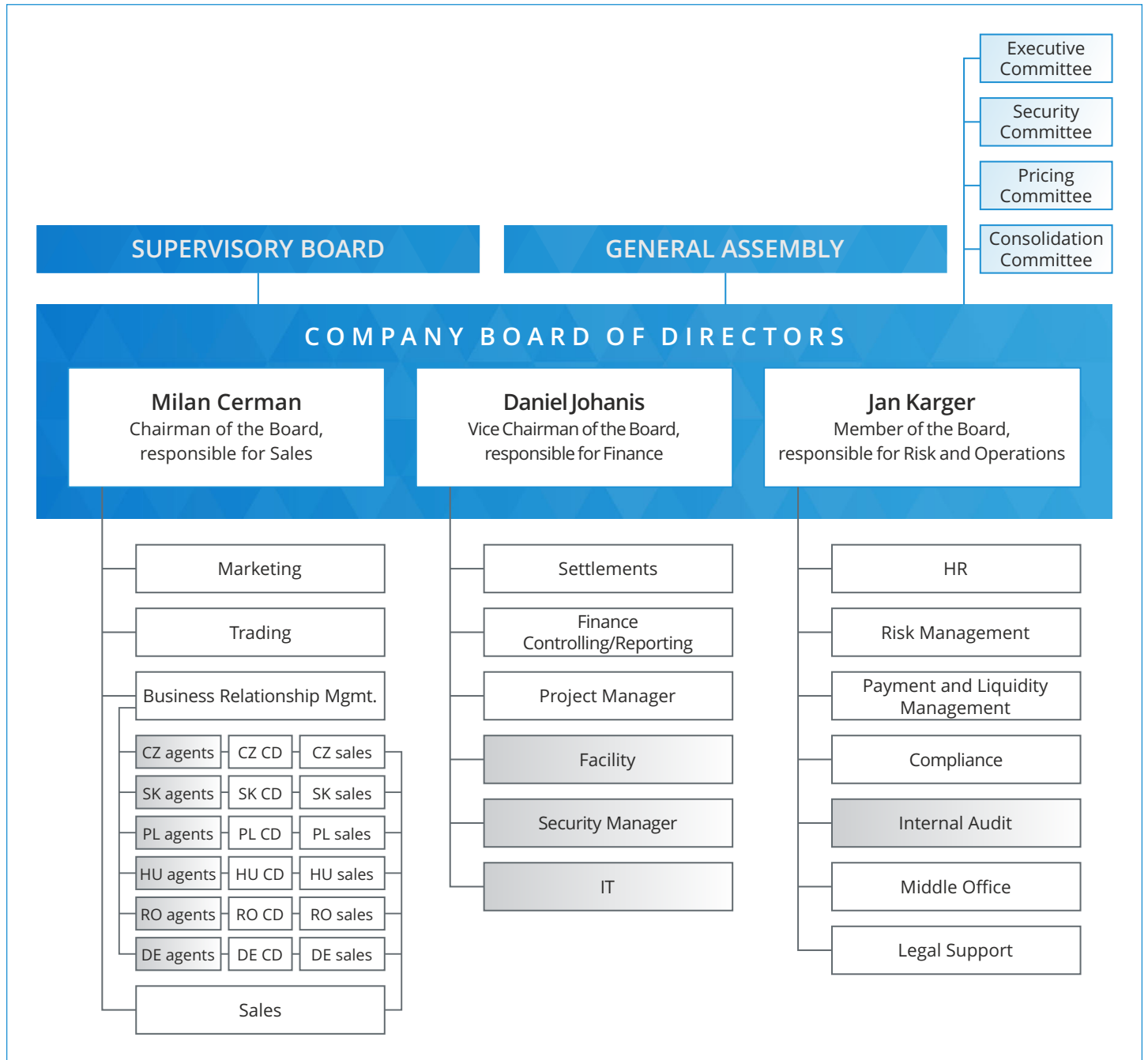
### ▶ **Advisories**

AKCENTA CZ a.s. has introduced into its service offer a new ADVISORY product that significantly expedites payment processing: even in cases involving banks where AKCENTA CZ a.s. does not have open bank accounts.

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 (STATUS AS OF 31 DEC. 2017)



Internal Activities



Outsourced



Committees





# OPINION ON RISK UNDERTAKEN AND INDICATORS

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## 1 OPINION ON RISK UNDERTAKEN

AKCENTA CZ a.s. (hereafter referred to as the "Company") is a hybrid institution as defined by CNB Decree No. 141/2011, Coll. It has thus been entrusted with a payment institution license and also an investment firm license in compliance with Act No. 256/2004, Coll. On the basis of these authorizations, the Company is obliged to manage all risks associated with doing business in the environment in which the Company operates. The Company dutifully complies with all applicable regulatory requirements for hybrid institutions based on relevant legal and regulatory requirements for risk management. The Company maintains its capital adequacy ratio well above regulatory limits.

The Company constantly compares the risk management system with the newly-adopted, relevant laws of the Czech Republic as well as all new legislation and CNB recommendations. It ensures the timeliness, along with the further development and improvement, of the risk management system in connection with the development of business activities, the state of the legal and economic environment and the development of information technologies and analytical tools. According to amended norms for Investment Firm institutions (Decree No. 141/2011, Coll.), the Company uses regulated C access to calculate its capital requirement.

*According to CNB Decree no. 163/2014, Coll., the Company uses the following methods and means of determining capital requirements:*

### **Credit Risk**

The Company is not exposed to any significant credit risk arising from its activities because the settlement of foreign exchange transactions agreed with clients always occurs only after crediting funds from clients to the Company's accounts. An exception is the provision of credit under the bank credit line. In the second half of 2016 (based on the extension of the payment institution license), the Company introduced a bank credit line for provision of short-term loans on the basis of notices (advisories) for selected clients in connection with the provision of a payment service. The aim of providing a bank credit line is to accelerate payment services for select clients. The purpose of this product is to bridge the time lag that occurs when sending funds, especially with clients who do not have accounts at the same banks as the Company.

For credit risk, the Company opted for a standardized approach to the capital requirement for the investment portfolio; for the counterparty's capital requirement the Company chose the market valuation method.

The aforementioned counterparty risk arises from forward transactions, in most cases the Company requires financial collateral from clients; mainly, in the form of cash which significantly reduces this risk. Clients with high credit standing may not be required, to a limited extent, to provide this assurance. The Company evaluates its clients based on an internal scoring model.

At the beginning of 2016, the Company received a positive opinion from the CNB on its application for recognition of a financial collateral agreement. Based on this statement, the Company reduces credit risk by recognizing a financial collateral arrangement and recognizing a final settlement agreement per European Parliament and Council Regulation 575/2013.

The Company's credit risk is also, to a certain extent, associated with the depositing of its own or clients' funds in banks. If the Company does undergo any such credit risk, limits are set. The Company's Board of Directors always approves credit risk limits.

### **Market Risk**

The Company's most important market risk is the currency risk arising from open positions in foreign currencies. The Company does not trade with instruments that generate equity, commodities and other market risks. The Company does not acquire instruments with a view to their short-term subsequent sales or with a view to using current or expected short-term price differences between purchase and sale prices or other fluctuations in prices of interest rates. The Company has chosen the following standardized approach to market risk management.

Currency Risk is managed as follows:

- a) prudent and efficient management of open foreign exchange positions,
- b) determining so-called stop/loss limits, and
- c) establishment and control of internal limits for the maximum amount of open foreign exchange positions.

The following limits and limitations have been set for currency risk:

- a) setting and checking internal limits for maximum FEP,
- b) setting the daily limit of operational risk - the Stop/Loss Limit.

### **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.

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) avoiding risk by eliminating activities that give rise to it;
- c) risk transfer through outsourcing or insurance.

The Company determines capital requirement 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 bank credit line. In this case, the Company is exposed to a short-term liquidity risk.

## **2 CAPITAL ADEQUACY INDICATORS AND OTHER RATIO INDICATORS**

According to regulations in force, the Company has an information duty vis-à-vis regulators. The Company has to record information regarding management, client assets, qualified participation and other additional information on a monthly or quarterly basis.

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

**Summary information on conditions and main capital characteristics and its components**

<b>INFORMATION ON CAPITAL LEVELS (in thousands of CZK)</b>	<b>31 Dec. 2017</b>
Total original capital (Tier 1)	92 772
Share capital	24 030
Share premium (emissions agio)	140
Reserve funds, Sunday funds and other profit-generated funds	28 002
Retained profit/losses from previous period – audited	55 510
Intangible assets (except for goodwill) reducing Tier 1	14 787
Total additional capital (Tier 2)	-
Total capital to cover market risk (Tier 3)	-
Total amount of deductible items from the original and additional capital	-
AVA – prudential filters	123
Total capital after consideration of deductible items	92 772

All regulatory capital items are part of the audited financial statement and the prudential filter shows the adjustment value of the instruments' fair value.

<b>INFORMATION ON CAPITAL REQUIREMENTS (in thousands of CZK)</b>	<b>31 Dec. 2017</b>
Sum of capital requirements for credit risk	33 907
<i>exposure to institutions</i>	25 128
<i>corporate exposure</i>	5 952
<i>retail exposure</i>	-
<i>other exposure</i>	2 827
Sum of capital requirements for settlement risk	-
Sum of capital requirements for position, currency and commodity risk	177
Sum of capital requirements for operational risk	-
Sum of capital requirements based on operating costs	29 981
Sum of capital requirements for valuation adjustments and credit risk	990
Sum of capital requirements for trading portfolio risk engagement levels	-
Sum of capital requirements for other instruments in the trading portfolio	-
Sum of capital requirements: other and transitional	-
Summary of all capital requirements	65 055

<b>CAPITAL RATIOS</b>	<b>31 Dec. 2017</b>
Capital ratio for Tier 1 root common equity (CET1)	11,41 %
Capital ratio for Tier 1 capital (T1)	11,41 %
Capital ratio for total capital	11,41 %

<b>POMĚROVÉ UKAZATELE OCP</b>	<b>31 Dec. 2017</b>
Indebtedness I (total debt without client assets/assets without client property)	42,72 %
Indebtedness II (total debt without client assets/equity)	124,10 %
Return on Average Assets (ROAA without client assets)	11,91 %
Return on Original Average Equity (ROAE)	36,75 %
Return on Turnover/Sales (after-tax profits/income from investment services)	13,26 %
Return on Assets (net profit/total balance sum)	1,73 %
Administrative overhead per employee (in thousands of CZK)	1 874

# COMPANY AS AN EMPLOYER

AKCENTA CZ a.s. considers its employees to be a key element in its business success. Thanks to their high levels of expertise and professional approach, the company provides its customers top-level service, quality financial services and custom-made solutions that fit customer needs. We continually invest in boosting our employees' expertise and needed skills, because this is the only way our company can continue to provide our clients the outstanding service they expect over the long term. In addition to regular training, employees are also regularly informed about the company's business objectives and are motivated to fulfil them; as well as to help define them.

During 2017, we also put increased emphasis on strengthening our corporate culture. At AKCENTA CZ a.s. we place great importance on open communications and teamwork and collaboration among individual departments. Thanks to our employees' high levels of information and cooperation, we can easily fulfil the goals we set. The company is aware of the high demands it puts on its employees. Thus, it tries to ensure they have the best work conditions possible. Alongside a modern workspace, the company looks after its employees by providing benefit packages and using a performance-based bonus system. Our low levels of employee fluctuation prove that we at AKCENTA CZ a.s. have chosen the right approach to how we engage and treat our employees.



# STATEMENT ON MEANS OF ESTABLISHING CONTRIBUTIONS TO THE SECURITIES BROKERS GUARANTEE FUND

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

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

Under § 129, paragraph 1 of the CMA, securities brokers are obliged to pay an annual contribution of 2% of the proceeds from fees and commissions received for providing investment services during the past calendar year to the Guarantee Fund. Given the above-stated fact that AKCENTA CZ does not collect any fees or commissions from its customers for providing investment services, nor does it report any fees for providing investment services in its accounting records, the basis for determining the amount of 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 customers 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 2017 FISCAL YEAR

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 between Controlling Entity, Mr. Milan Lacina**, born 3 June 1956, with permanent residence at Bližná 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 2017 fiscal year.

Related entities up to the date of 31 Dec. 2017 include the controlled entity, the controlling entity and the following entities:

**AKCENTA finanční a investiční a.s.**

Org. ID No.: 273 81 471, headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter “AFI”)

**AKCENTA GROUP SE**

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

**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.**

Org. ID No.: 274 83 771, headquartered at Dráby 542, Litomyšlské Předměstí, 566 01 Vysoké Mýto (hereafter “AGD”)

**Československé úvěrní družstvo**

Org. ID No.: 649 46 851, headquartered at Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter “ČSUD”)

**METROPOL SERVICES s.r.o.**

Org. ID No.: 024 04 958 headquartered at Gočárova třída 227/50, Pražské Předměstí, 500 02 Hradec Králové (hereafter “MS”)

**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, Gočárova třída 312/52, Pražské Předměstí, 500 02 Hradec Králové (hereafter “P”)

The business share amounts of the controlling entity in the above-mentioned companies as of 31 Dec. 2017 is as follows: AFI – 51.54% (indirect share), AG – 90.42%, AL – 100%, AGD – 8.14 %, ČSÚD – 48.48 %, MS – 90.42%, NP – 90.42%, P – 100%.

This report contains information on what contracts have been concluded between the controlled entity and the related entities during the 2017 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 2017 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	Framework Agreement for Forward Foreign Exchange Business Transactions No. 25087
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	Framework Agreement on the Provision of Select Services, Current Acct. Management
AKCENTA CZ X ČSUD	Contract on Providing Information about Actual 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 X AL	Agreement on Joint Financing and Subsequent Usage of Services
AKCENTA CZ x AG	Loan Agreement, in the version of Addendum No. 1
AKCENTA CZ x AG	Framework Agreement, Currency 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)
AKCENTA CZ X AL	Framework Agreement, Currency Trading No. 41147
AKCENTA CZ X AL	Agreement on Processing of Personal Data
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, Currency 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 abovementioned contracts, were performed in the interest of the Controlling Entity, nor has the Controlled Entity at the behest of the Controlling Entity taken any significant measures.

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

In Hradec Králové on 14 March 2018

**MILAN CERMAN**  
CHAIRMAN OF THE BOARD OF DIRECTORS

**DANIEL JOHANIS**  
VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

# SUPERVISORY BOARD REPORT

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## **Supervisory Board Composition**

Over the course of 2017, the Supervisory Board worked in this set-up: Milan Lacina, Supervisory Board Chairman; along with member Jiří Macek. The board convened at regular quarterly intervals and well as during extraordinary sessions; always in compliance with company by-laws.

## **Board Activities**

The Supervisory Board took part in meetings of the board of directors and the board briefed it regularly on company management and finances. It verified information related to the composition of the financial and strategic plan and reviewed the fulfilment of the latter including checks on indicators stipulated in existing legal norms. It also focused on review of the management and audit (checks) system; namely, from the findings from the internal audit and the Company's remuneration system. Further checks were aimed at fulfilment of board resolutions, compliance with by-laws and checks on compliance with indicators stipulated in legal norms based on documents from the Compliance Division.

## **Identified Shortcomings and Their Rectification**

The Board did not discover any facts that would be in contravention of the Company's approved by-laws or any valid legislative norms.

## **Financial Statement, Management and Proposal for Profit Distribution**

The Board discussed the financial statement for 2017 and reviewed the auditor's report and statement by KPMG Czech Republic Audit, s.r.o. on the statement. Based on these documents, the Commission states that it does not have any objections to the accounting statement.

The Supervisory Board recommends that the general assembly of AKCENTA CZ a.s. approve the standard annual financial statement for AKCENTA CZ a.s. for 2017.

In Prague on 25 April 2018



**MILAN LACINA**  
CHAIRMAN OF THE SUPERVISORY BOARD



# MISCELLANEOUS

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AKCENTA CZ a.s. activities do not have any impact on the environment. The company is not developing any activities related to the environment or in the field of research and development.

The company did not buy back any of its own stock in 2017, or in 2016.

As part of our strategy, we fulfil duties set out by law. The company complies with all legal norms and with the statutes of the Czech Republic in its labor relations (employee work relations).

The company is part of a consolidated whole for which AKCENTA GROUP SE has compiled this consolidated annual report for the period up to 31 December 2017.

# INDEPENDENT AUDITOR'S REPORT ON THE ACCOUNTING STATEMENT

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**KPMG Česká republika Audit, s.r.o.**

Pobřežní 1a  
186 00 Prague 8  
Czech Republic  
+420 222 123 111  
www.kpmg.cz

## **Independent Auditor's Report to the Shareholders of AKCENTA CZ a.s.**

### **Auditor's statement**

We have audited the attached financial statement of AKCENTA CZ a.s. (hereafter referred to as "the Company") compiled based on Czech accounting regulations, which consists of the balance sheet as of 31 December 2017, the consolidated profit and loss statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ending 31 December 2017 and appendices to these financial statements including a summary of significant accounting policies and other explanations. Information about the Company is presented in Appendix 1 to the financial statement.

In our opinion, the financial statements give an accurate and fair view of the assets and liabilities of the Company as of 31 December 2017 and its expenses, revenues and financial performance and cash flow for the year ending 31 December 2017 in compliance with Czech accounting regulations.

### **Basis for the statement**

We conducted the audit in accordance with the Act on Auditors and the Standards of the Chamber of Auditors of the Czech Republic for Auditing, which are the International Standards on Auditing (ISAs), possibly supplemented and amended by the related application clauses. Our responsibility as set out in these regulations is described in detail in the section of the annual report: Auditor's Responsibility for Audit of Consolidated Financial Statement. In accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, we are independent of the Company and have fulfilled other ethical obligations arising from these regulations. We believe that the evidence we have gathered provides a sufficient and appropriate basis for our statement.

### **Other Information**

Other information, in addition to the consolidated financial statement and our auditor's report, complies with § 2, par. b) of the Act on Auditors concerning information contained in the consolidated annual report. The statutory body of the Company is liable for all other information.

Our opinion on the financial statement does not apply to other information. It is, however, part of our duty relating to the audit of the financial statement to acquaint ourselves with the other information and to consider whether the other information is not materially inconsistent with the consolidated financial statement, or with our knowledge of the entity (information acquired during the audit of the consolidated financial statement), or whether this information does not appear to be significantly (materially) inaccurate. We also assess whether other information has been prepared in all material respects in accordance with the applicable legislation. This assessment is understood to mean whether other information meets the demands of regulatory requirements and the procedure for producing other information (in the context of materiality), i.e. whether non-compliance would likely affect judgment based on other information.

Based on the implementation of the procedures, to the extent that we are able to judge, we state that:

- ▶ other information describing the facts that are presented in the consolidated financial statement as such, are in



all material respects consistent with the consolidated financial statement and

- ▶ other information has been prepared in compliance with legislation.

Furthermore, we are required to state whether, on the basis of knowledge and awareness of the Company, i.e. information acquired over the course of the audit, other information does not contain significant (material) inaccuracies. During the above procedures, we did not discover any significant (material) inaccuracies in the other information received.

### **Responsibility of the statutory organ and the Company Supervisory Board for the consolidated financial statement**

The Company's statutory body is responsible for preparation of a consolidated financial statement that provides an accurate, honest picture in compliance with Czech law. It is also responsible for setting up an internal control system which it considers necessary for the preparation of a consolidated financial statement to exclude significant (material) misconduct caused by fraud or error.

When preparing the consolidated financial statement, the Company's statutory body is required to assess whether the Company is capable of continuous operations and, if relevant, to describe in the appendices to the consolidated financial statement matters regarding its continuous operations. The Company is to use the assumption of continuous operations in its preparation of the consolidated financial statement, except in cases where the Statutory body plans to wind down the Company or terminate its activities; respectively, when it does not have any other real option than to do so.

The Supervisory Board is responsible for overseeing the reporting process in the Company.

### **Responsibility of the auditor for the audit of the consolidated financial statement**

The underlying objective is to obtain reasonable assurance that the consolidated financial statement as a whole does not contain gross material inaccuracies resulting from fraud or error and to issue an auditor's report containing our statement. A reasonable degree of certainty is a great deal of certainty. However, it is not guaranteed that the audit of the consolidated financial statement, carried out in all cases in compliance with the above-mentioned principles, will not reveal the existence of significant (material) negligence. Misconduct may arise as a result of fraud or misconduct and is considered to be significant (material), provided it can be reasonably assumed that it could influence individually, or collectively, the economic decisions made based thereon by users of the consolidated financial statement.

When carrying out the audit in compliance with the above-mentioned rules, it is our duty to apply professional judgment during the whole process and to maintain professional skepticism.

It is also our duty to:

- ▶ Identify and evaluate the risks of significant (material) inaccuracy in the consolidated financial statement caused by fraud or error, to propose and carry out audit procedures that react to these risks and to obtain sufficient, appropriate evidence based on which we can make a statement. The risk of not revealing material inaccuracy that has been caused by fraud is greater than the risk of uncovering material misconduct caused by an error. This is because part of the fraud may also be caused by collusion, deliberate omissions, false declarations, or circumvention of internal controls.
- ▶ Get acquainted with the internal control systems of the Company relevant for the audit such that we can propose appropriate audit procedures with respect to the given circumstances, but not for expressing a view on the effectiveness of the internal control system,
- ▶ Assess the suitability of accounting rules used, adequacy of accounting estimates made, and information provided by the Statutory body in this context in the annexes to this consolidated financial statement.
- ▶ Assess suitability of the assumption of continuous duration during the preparation of the consolidated financial statement by the statutory body and the fact whether or not, in light of the audit evidence gathered, there is



significant (material) uncertainty arising from events or conditions that may cast significant doubt on the Company's ability to sustain itself. If we come to the conclusion that there is such significant (material) uncertainty, it is our duty to draw attention, in our report, to information found in this regard in the appendices to the consolidated financial statement. If this information is insufficient, we will issue a modified statement. Our conclusions regarding the Company's ability to continue without interruption rely on evidence received up to the time of our report. However, future events or conditions could lead to the Company's loss of its ability to sustain itself.

- ▶ Evaluate the overall presentation, organization and content of the consolidated financial statement, including appendices; and also, whether the consolidated financial statement shows the underlying transactions and events in a way that leads to their accurate portrayal.

It is our duty to inform persons mandated by the Company's administration and management of the planned scope and timing of the audit and of the significant findings that we have discovered during the course of the audit; including findings on significant internal control system deficiencies.

#### Statutory auditor responsible for the audit

Ing. Vladimír Dvořáček is the statutory auditor responsible for auditing the consolidated financial statement of AKCENTA CZ a.s. as of 31 December 2017, on the basis of which this independent auditor's report was prepared.

In Prague on 25 April 2018

*KPMG Česko republika Audit*  
KPMG ČESKÁ REPUBLIKA AUDIT, S.R.O.  
REGISTRATION NO. 71

*Vladimír Dvořáček*  
ING. VLADIMÍR DVOŘÁČEK  
PARTNER, REGISTRATION NO. 2332

# FINANCIAL STATEMENT

## FOR THE YEAR ENDING 31 DEC. 2017

**Company: AKCENTA CZ a.s.**

Headquarters: Salvátorská 931/8

Org. ID No.: 25163680

Subject of business: Securities brokerage

Moment of compiling this Financial Statement: 25 April 2018

### BALANCE SHEET FOR THE YEAR ENDING 31 DECEMBER 2017 (THOUSANDS OF CZK)

	ASSETS	ITEM	31 Dec. 2017	31 Dec. 2016
1	Cash on hand and deposits with central banks		103	47
3	Receivables from banks and credit unions	12	1 494 929	1 036 627
	<i>of which: a) repayable on demand</i>		1 463 929	1 004 276
	<i>b) other receivables</i>		31 000	32 351
4	Receivables from non-bank entities	13, 23	18 740	21 270
	<i>b) other receivables</i>		18 740	21 270
8	Participation (partnerships) with deciding influence	14	9 700	4 700
9	Fixed intangible assets	15	14 973	12 310
10	Fixed tangible assets	16	4 424	2 273
	<i>of which: land and buildings for operating activities</i>		15	15
11	Other assets	17	81 162	27 668
13	Prepayments and accrued income		3 347	882
	<b>Total Assets</b>		<b>1 627 378</b>	<b>1 105 777</b>

	LIABILITIES	ITEM	31 Dec. 2017	31 Dec. 2016
1	Payables/obligations to banks and credit unions	18	161 252	-
	<i>of which: a) repayable on demand</i>		161 252	-
2	Payables/obligations to non-bank entities	19	1 232 702	928 904
	<i>of which: a) repayable on demand</i>		1 232 702	928 904
4	Other liabilities	20	71 865	39 231
5	Accruals and deferred income	21	909	696
6	Reserves	23	24 773	14 264
	<i>b) for taxes</i>		3 579	2 845
	<i>c) other</i>		21 194	11 419
8	Share capital	22	24 030	24 030
	<i>of which: a) paid-up share capital</i>		24 030	24 030
9	Share premium (emission agio)		140	140
10	Reserve funds and other funds from profits		28 002	28 002
	<i>c) other funds from profits</i>		28 002	28 002
14	Retained earnings or unpaid losses from prior periods	24	55 510	41 008
15	Profit or loss for the accounting period		28 195	29 502
	<b>Total Liabilities</b>		<b>1 627 378</b>	<b>1 105 777</b>

**OFF-BALANCE SHEET ITEMS (THOUSANDS OF CZK)**

	OFF-BALANCE SHEET ASSETS	ITEM	31 Dec. 2017	31 Dec. 2016
2	Collateral provided	14, 26	31 000	32 351
3	Receivables from spot operations (trades)	26	822 198	603 126
4	Receivables from fixed-term operations	26	6 049 843	4 364 172
5	Receivables from options	26	390 133	-
6	Written-off (deducted) liabilities		30	-

	OFF-BALANCE SHEET LIABILITIES	ITEM	31 Dec. 2017	31 Dec. 2016
9	Assurances and guarantees accepted	18, 26	20 000	20 000
11	Liabilities from spot operations (trades)	26	821 795	603 586
12	Liabilities from fixed-term operations	26	6 035 923	4 359 528
13	Liabilities from options	26	390 065	-

**PROFIT-LOSS STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2017 (THOUSANDS OF CZK)**

		ITEM	31 Dec. 2017	31 Dec. 2016
1	Interest income and similar income	5	865	394
2	Interest expenses and similar costs	5	(148)	(45)
4	Fee and commissions income	6	13 662	12 835
5	Fee and commissions expenses	6	(14 159)	(12 836)
6	Profit or loss from financial operations	7	198 066	184 867
7	Other operating income	8	2 892	1 272
8	Other operating expenses	8	(956)	(1 049)
9	Administrative expenses	9	(142 438)	(137 280)
	<i>of which: a) employee costs</i>		(58 280)	(57 211)
	<i>of which: aa) wages and salaries</i>		(43 131)	(42 668)
	<i>ab) social security and health insurance</i>		(15 149)	(14 543)
	<i>b) other administrative costs</i>		(84 158)	(80 069)
11	Depreciation, establishment and use of provisions and adjustments of tangible and intangible fixed assets	15, 16	(2 460)	(2 086)
13	Write-offs, creation and use of adjustments and reserves for receivables and guarantees	23a	(9 786)	(1 593)
	Creation and use of other reserves	23b	(9 775)	(8 929)
19	<b>Profit or loss from ordinary activities during the accounting period before taxes</b>		<b>35 763</b>	<b>35 550</b>
23	Income tax	25	(7 568)	(6 048)
24	<b>Profit or loss for the accounting period after taxes</b>		<b>28 195</b>	<b>29 502</b>

**OVERVIEW OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DEC. 2017 (THOUSANDS OF CZK)**

	Share capital	Share premium	Other funds from profit	Profit (loss)	Total
Balance as of 1 January 2016	24 030	140	28 002	55 008	107 180
Dividends	-	-	-	(14 000)	(14 000)
Net profit/loss for accounting period	-	-	-	29 502	29 502
<b>Balance as of 31 December 2016</b>	<b>24 030</b>	<b>140</b>	<b>28 002</b>	<b>70 510</b>	<b>122 682</b>
Balance as of 1 January 2017	24 030	140	28 002	70 510	122 682
Dividends	-	-	-	(15 000)	(15 000)
Net profit/loss for accounting period	-	-	-	28 195	28 195
<b>Balance as of 31 December 2017</b>	<b>24 030</b>	<b>140</b>	<b>28 002</b>	<b>83 705</b>	<b>135 877</b>

**CASHFLOW OVERVIEW FOR THE YEAR ENDING 31 DECEMBER 2017 (THOUSANDS OF CZK)**

CASHFLOW FROM OPERATING ACTIVITIES	2017	2016
Profit or loss for accounting period from regular and extraordinary activities before taxes	35 763	35 550
<b>Adjustment for non-cash transactions:</b>		
<i>Write-offs and changes to status of adjustments for fixed tangible and intangible assets</i>	2 460	2 086
<i>Change in reserves status</i>	9 775	8 929
<i>Change in adjustments to receivables and write-offs of receivables</i>	3 876	1 593
<i>Net income from interest</i>	(717)	(349)
<i>Other adjustments to other non-cash transactions</i>	149 728	(4 652)
	<b>200 885</b>	<b>43 157</b>
<b>Changes in:</b>		
<i>Collateral for derivatives trades</i>	1 351	-9 297
<i>Receivables for non-bank entities</i>	(6 589)	1 573
<i>Other assets, expenses and deferred income</i>	(4 203)	4 718
<i>Payables to non-bank entities</i>	303 798	159 718
<i>Other liabilities, income and deferred expenditure</i>	1 441	1 413
	<b>496 683</b>	<b>201 282</b>
Interest earned	865	335
Interest paid	(148)	(45)
Paid income tax	(10 175)	(9 479)
<b>Net cashflow related to operating activities</b>	<b>487 225</b>	<b>192 093</b>

CASHFLOW FROM INVESTMENT ACTIVITIES	2017	2016
Expenditure related to acquisition of asset shares	(5 000)	(6 062)
Expenditure related to acquisition of fixed tangible and intangible assets	(7 516)	(10 000)
Income from sale of fixed tangible and intangible assets	-	73
<b>Net cashflow related to investment activities</b>	<b>-12 516</b>	<b>-15 989</b>

CASH FLOW FROM FINANCIAL ACTIVITIES	2017	2016
Paid earnings (profit) shares	(15 000)	(14 000)
<b>Net cash flow related to financial activities</b>	<b>(15 000)</b>	<b>(14 000)</b>
Net increase or decrease in cash funds and cash equivalents	459 709	162 104
State of cash and cash equivalents as of 1 January	1 004 323	842 219
State of cash and cash equivalents as of 31 December	1 464 032	1 004 323
Cash and cash equivalents include the following:		
<i>Cash on hand and deposits in central banks</i>	103	47
<i>Receivables from banks and credit unions repayable on demand</i>	1 463 929	1 004 276
<b>State of cash and cash equivalents as of 31 December</b>	<b>1 464 032</b>	<b>1 004 323</b>



# APPENDIX TO THE FINANCIAL STATEMENT FOR THE YEAR ENDING 31 DEC. 2017

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## 1 GENERAL INFORMATION

### (A) COMPANY CHARACTERISTICS

AKCENTA CZ a.s. was established 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

hereafter referred to as (“company” or “Company”)

#### Members of the Board of Directors and Supervisory Board as of 31 December 2017

Board Members

Milan Cerman (chairman)

Bc. Daniel Johanis, MBA (vice-chairman)

Jan Karger

Members of the Supervisory Board

Milan Lacina, born 3 June 1956 (chairman)

Bc. Jiří Macek

#### Changes/amendments in the Commercial Registry

The following change was submitted to the Commercial Registry during 2017:

- ▶ The place of residence was changed for Supervisory Board chairman, Milan Lacina. It is now Bližná 186, 382 26 Černá v Pošumaví. This change was recorded to the registry on 11 June 2017.
- ▶ The headquarters for AKCENTA CZ a.s. were changed to the address: Salvátorská 931/8, 110 00 Prague 1. This change was recorded to the registry on 24 April 2017.

#### Subject of Business

AKCENTA CZ a.s. is authorized, as part of its business activities based on the records from the commercial registry, to provide the following services:

- ▶ Production, sales and services not listed in Appendices 1-3 of the Trade Licenses (Concessionary) Act.

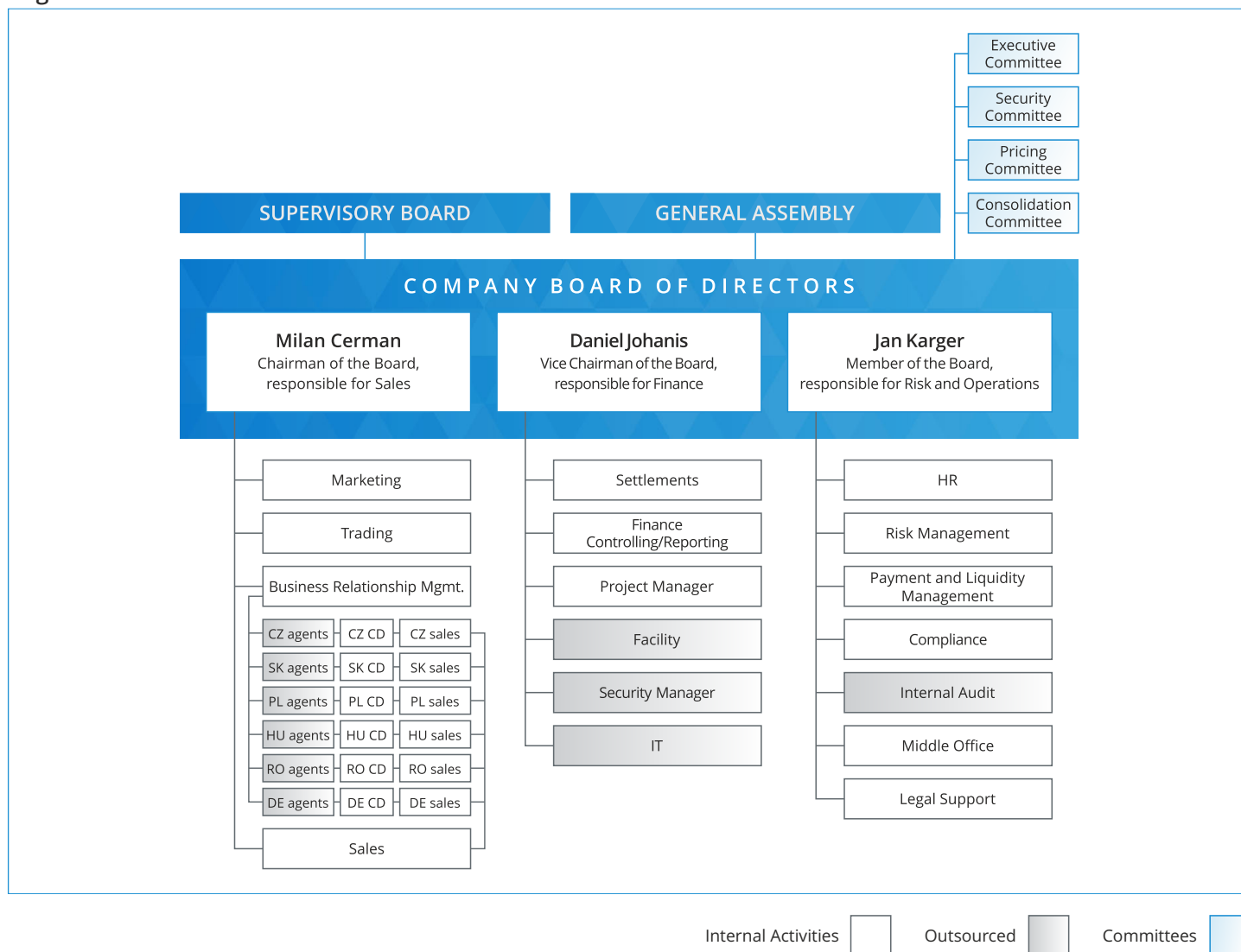
AKCENTA CZ a.s. is listed in the registry run by the Czech National Bank (CNB) in these sectors:

- ▶ Payment institutions and branch offices of foreign payment institutions,
- ▶ Brokers (brokerage) trading stocks and branch offices of foreign brokerage offices.

AKCENTA CZ a.s., based on a decision by the CNB to grant permission to carry out the activities of a payment institution dated 22 February 2011 and a license for securities trading dated 15 July 2011, is authorized to provide the following:

- ▶ Payment services under Act No. 284/09, Coll.:
  - ▶ cash deposits into a payment account maintained by the company per § 3, par. 1, letter a) of said Act, withdrawal of cash from the payment account maintained by the company per § 3, par. 1, letter b) of said Act;
  - ▶ money transfers per § 3, par. 1, letter c) of said Act;
  - ▶ execution of transfer of funds from the payment account per § 3, par. 1, letter d) of said Act for provision of transferred funds as credit (loans);
  - ▶ issuance and management of means of payment and facilities for acceptance of means of payment per § 3, par. 1, letter e) of said Act;
  - ▶ performing transfers of funds per § 3, par. 1, letter f) of said Act.
- ▶ Activities of a securities trader under Act No. 256/2004, Coll., in the extent of principal investment services, i.e.:
  - ▶ accepting and issuing orders related to investment instruments;
  - ▶ carrying out orders related to investment instruments on the customer's account;
  - ▶ trading investment instruments on own account;
  - ▶ supplementary investment services: depositing and managing investment instruments including additional investment services: custody and management of investment instruments including related services, all with respect to investment instruments per § 3, par. 1, letter d) of said Act.

#### Organizational Structure valid as of 31 December 2017



**(B) BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statement was prepared based on accounting kept in compliance with the Act No. 563/1991 Coll. on Accounting and the relevant regulations and decrees applicable in the Czech Republic. The financial statement was processed using the principles of accruals of cost and income and historic prices, except for select financial instruments appraised at a fair value.

This consolidated financial statement is prepared in accordance with Decree No. 501 of the Ministry of Finance of the Czech Republic, dated 6 November 2002, in its most recent amended version, which provides for the classification and identification of items in financial statements and the content definition of items of this statement and accounting methods and their use for banks and other financial institutions.

The Company is part of a consolidated whole, for which consolidated financial statements are compiled by AKCENTA GROUP SE for the period ending (up to) 31 December 2017.

**2 IMPORTANT ACCOUNTING METHODS**

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

**(A) 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 performance 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.

Accounting transactions for the purchase and sale of financial assets with usual delivery date (spot transactions) are reported directly under the corresponding item in the relevant asset or liability on the date of settlement. Unsettled spot transactions at the date of closing the financial statement are reported in the off-balance-sheet records.

Fixed-term forward transactions are recorded in the off-balance-sheet accounts from the trade date up to the trade settlement date. The fair value of the unsettled derivatives is recorded on the balance sheet and in the profit and loss statement.

**(B) DEBT SECURITIES, STOCKS, SHARE CERTIFICATES AND OTHER EQUITY**

AKCENTA CZ a.s. does not perform any operations with debt securities, shares, mutual fund certificates and other equity transactions.

**(C) STOCK/SECURITIES OPERATIONS FOR CLIENTS**

AKCENTA CZ a.s. does not perform securities transactions for clients.

**(D) PARTICIPATING INTERESTS WITH DECISIVE INFLUENCE**

Participation (partnership) with deciding 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.

Deciding 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 deciding 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.

▶ **Appraisals**

Participating interests with deciding influence are appraised at their purchase price.

▶ **Purchase price appraisals**

Participation(s) with deciding influence are appraised with a purchase price from which eventual adjustments are deducted based on temporary reductions in the value of this participation (partnerships). Appraisals are done on an individual basis for each partnership.

The creation, dissolution and usage of related adjustments are reported in the profit and loss statement under the headings "Dissolution of adjustments for partnerships with deciding influence" and "Losses from transfer of partnerships with deciding or fundamental influence, creation and usage of adjustments for partnerships with deciding influence".

**(E) RECEIVABLES FROM CLIENTS OF FINANCIAL OPERATORS**

Receivables from financial operations are entered into accounts at purchase prices and, in the case of foreign currency receivables, they are converted at the contractually-agreed rate on the trade date (the exchange rate is determined based on the current supply and demand situation of the currency pairing on the interbank foreign exchange market). Unsettled trades that remain on the last day of the month are revalued at the CNB exchange rate valid on the last day of the relevant month. On the date of closing the financial statement, receivables are recalculated at the CNB exchange rate valid on the date of closing accounts. Receivables and payables from transactions not realized by the date of closing accounts are reported as off-balance sheet items and are not a part of the financial statement on the date the statement is finalized.

The Company creates accounting adjustments and writes off the receivables. Adjustments and write-offs of receivables are reported under the "Write-offs, creation and use of adjustments and provisions for receivables and guarantees" heading.

Adjustments to receivables that were reimbursed have been diluted in favor of costs. Adjustments to receivables that were written off were used.

The Group creates adjustments for outstanding claims on the basis of individual assessments.

**(F) CREATION OF 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.

AKCENTA CZ a.s. creates a non-tax reserve for annual bonuses that are paid out in the following year. It also creates a reserve for 3-year bonuses and a reserve for unused vacation (holiday) time. The reserve is created such that it includes related social security and health insurance costs.

**(G) TANGIBLE AND INTANGIBLE FIXED ASSETS**

Tangible and intangible fixed assets are entered into the accounts at their historic purchase price and are written off (deducted) uniformly.

The depreciation (write-off) periods for individual categories of tangible and intangible fixed assets are as follows:

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

Accounting and tax depreciation is not the same for tangible fixed assets.

For intangible fixed assets and "TZ Software" items, tax and accounting depreciation is different. TZ Software is depreciated for 60 months (36 months for tax purposes); this after each change in the TZ.

▶ **Minor assets**

Intangible assets with an acquisition cost of less than 60 thousand CZK and minor tangible fixed assets with an acquisition cost of less than 40 thousand 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 1000 CZK are listed in the operational register for minor assets, based on their location.

**(H) ASSET AND LIABILITIES APPRAISAL**

The accounting unit uses the following for valuation of assets and liabilities:

- ▶ Purchase price – i.e. the price at which the property was acquired, the purchase price includes costs associated with the acquisition,
- ▶ Par value – for the valuation of cash and securities, receivables and payables incurred.

For the conversion of foreign currencies to CZK, exchange rates were used according to the CNB exchange rate sheet on the date of issue of the accounting statement.

**(I) FINANCIAL DERIVATIVES AND SPOT TRANSACTIONS**

As part of its activities, the company carries out spot, forward, swap and options trades.

▶ **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.

▶ **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 swaps**

Exchange of funds in one currency for their value in another currency for a fixed period of time. If this period begins in the future, it is referred to as 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 the agreed date in the future - Expiration Date. For this right, the buyer pays the seller for the option Premium.

On 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.

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.

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.

Unsettled derivatives are reported among off-balance sheet items in the undiscounted contractual value line for the underlying instrument under "Receivables from fixed term operations" and "Liabilities from fixed-term operations".

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.

**(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) ASSET SECURITIZATION**

AKCENTA CZ a.s. does not carry out asset securitization.

**3 CHANGES IN ACCOUNTING METHODS**

No significant changes were made in accounting methods in 2017.

#### 4 CORRECTIONS TO PREVIOUS PERIODS

No corrections to previous periods were made, nor were any additional tax returns filed for income tax on legal entities.

#### 5 NET INTEREST INCOME

NET INTEREST INCOME (thousands of CZK)	2017	2016
Interest income from bank accounts	570	242
Interest income from loans and credits	295	152
<b>Total</b>	<b>865</b>	<b>394</b>
Cost of interest and similar costs – other	(148)	(45)
<b>Total</b>	<b>(148)</b>	<b>(45)</b>
<b>Net interest income</b>	<b>717</b>	<b>349</b>

AKCENTA CZ a.s. reports earnings from loans to NERUDOVA property s.r.o., Org. ID No.: 04151640 for the amount of 191 thousand CZK (2016: 42 thousand CZK) and earnings from loans to AKCENTA GROUP SE for the amount of 104 thousand CZK (2016: 110 thousand CZK).

#### 6 INCOME AND EXPENSES FROM FEES AND COMMISSIONS

INCOME AND EXPENSES FROM FEES AND COMMISSIONS (thousands of CZK)	2017	2016
Income from fees and commissions		
<i>from spot trades, derivative operations and transfers</i>	13 662	12 835
<b>Total</b>	<b>13 662</b>	<b>12 835</b>
Expenses for fees and commissions		
<i>from spot trades, derivative operations and transfers</i>	(14 159)	(12 836)
<b>Total</b>	<b>(14 159)</b>	<b>(12 836)</b>
<b>Net income from fees and commissions</b>	<b>(497)</b>	<b>(1)</b>

#### 7 PROFIT OR LOSS ON FINANCIAL OPERATIONS

PROFIT OR LOSS ON FINANCIAL OPERATIONS (thousands of CZK)	2017	2016
Profit/(loss) on derivative transactions	82 691	30 333
Profit/(loss) on spot trades	156 987	150 667
Other exchange rate differences	(41 612)	3 867
<b>Total</b>	<b>198 066</b>	<b>184 867</b>

Profit from derivative operations rose year-on-year by 52 358 thousand CZK; mainly, due to the ending of the CNB's intervention. Other exchange rate differences fell year-on-year by 45 479 thousand CZK; mainly, due to the end of the CNB intervention.

**8 OTHER OPERATING INCOME AND EXPENSES**

PROFIT OR LOSS FROM FINANCIAL OPERATIONS (thousands of CZK)	2017	2016
Turnover from sale of services	70	112
Income – Other operating income	2 822	1 160
<b>Total</b>	<b>2 892</b>	<b>1 272</b>
Expenses – Other operating expenses	(956)	(1 049)
<b>Total</b>	<b>956</b>	<b>1 049</b>

The item “Income – Other operating income” represents mainly contractual fines, penalties and returned/refunded banking fees from OTP Bank Plc. and accepted reimbursement of damages.

The item “Expenses – Other operating expenses” mainly represents non-exercised VAT deductions.

**9 ADMINISTRATIVE EXPENSES**

ADMINISTRATIVE EXPENSES (thousands of CZK)	2017	2016
Employee wages and bonuses	37 495	37 313
Social security and health insurance	15 149	14 543
Board member wages and bonuses	5 636	5 355
<b>Expenses per employee</b>	<b>58 280</b>	<b>57 211</b>
Other administrative expenses	84 158	80 069
<i>of which: bonuses for brokers</i>	<i>39 438</i>	<i>37 795</i>
<i>of which: outsourcing expenses</i>	<i>5 708</i>	<i>4 699</i>
<i>of which: audit expenses</i>	<i>721</i>	<i>671</i>
<i>of which: tax and legal consultancy</i>	<i>1 723</i>	<i>2 347</i>
<i>of which: promotion, events, PR</i>	<i>6 124</i>	<i>7 934</i>
<i>of which: other services – software support and maintenance</i>	<i>5 913</i>	<i>6 138</i>
<b>Total</b>	<b>142 438</b>	<b>137 280</b>

AVERAGE RECALCULATED NUMBER OF EMPLOYEES	2017	2016
Employees	76	75
Board members	3	3
Supervisory Board members	2	2



**10 INCOME AND COSTS BY AREA OF ACTIVITY****(A) GEOGRAPHIC AREAS**

INCOME AND COSTS BY GEOGRAPHIC AREA (thousands of CZK)	Czech Republic		CEE	
	2017	2016	2017	2016
Income from interest and similar income	674	77	191	317
Costs of interest and similar costs	148	45	0	0
Income from fees and commissions	5 162	5 279	8 500	7 556
Costs of fees and commissions	10 064	8 378	4 095	4 503
<b>Profit or loss from financial operations</b>	<b>156 044</b>	<b>134 095</b>	<b>42 022</b>	<b>50 772</b>

**11 TRANSACTIONS WITH RELATED PARTIES**

TRANSACTIONS WITH RELATED PARTIES (thousands of CZK)	2017	2016
Receivables	19 789	19 429
Liabilities	1 090	187
Income	7 739	4 450
Expenses	31 950	13 854

Receivables with related parties as of 31 Dec. 2017 amounting to 19 789 thousand CZK (31 Dec. 2016: 19 429 thousand CZK) consist of the following:

- ▶ a receivable from a loan for AKCENTA GROUP SE amounting to 5 880 thousand CZK (31 Dec. 2016: 5 775 thousand CZK) based on a loan contract valid to 31 Dec. 2016. This receivable (debt obligation) has a fixed interest rate.
- ▶ a receivable from a loan for NERUDOVA property s.r.o. amounting to 10 743 thousand CZK (31 Dec. 2016: 10 553 thousand CZK) based on a loan contract valid to 9 July 2025. This receivable (debt obligation) has a fixed interest rate.
- ▶ membership fee for the Czechoslovak Credit Coop (Československé úvěrní družstvo) amounting to 1 thousand CZK (31 Dec. 2016: 1 thousand CZK)
- ▶ advance payments on deposits and services related to building rent paid by NERUDOVA property s.r.o. amounting to 1 345 thousand CZK (2016: 500 thousand CZK),
- ▶ deposit payment on supply and assembly of IT devices from AKCENTA LOGISTICS a.s. amounting to 1 226 thousand CZK (2016: 0 CZK) based on a co-financing agreement dating from 4 July 2017.
- ▶ positive fair value of unsettled derivatives as of 31 Dec. 2017 amounting to 594 thousand CZK (2016: 2 380 thousand CZK).

Liabilities (debt obligations) to related parties represent debt for unpaid invoices for services purchased from related parties for which the payment deadline is past due.

Income from related parties is generated mainly from exchange rate differences from commercial transactions made in 2017.

Costs from related parties mainly represent costs deriving from exchange rate differences for commercial transactions amounting to 19 620 thousand CZK (2016: 2 241 thousand CZK), outsourcing services amounting to 5 708 thousand CZK (2016: 4 969 thousand CZK), costs arising from office space rental amounting to 1 624 thousand CZK (2016: 805 thousand CZK) and related services, costs related to car rental amounting to 321 thousand CZK (2016: 466 thousand CZK).

AKCENTA GROUP SE is the 100% parent company of the Company. NERUDOVA property s.r.o. is the 100% daughter company.

**12 RECEIVABLES FROM BANKS****(A) RECEIVABLES FROM BANKS**

RECEIVABLES FROM BANKS (thousands of CZK)	31 Dec. 2017	31 Dec. 2016
Current accounts (nostro accounts)	1 463 929	1 004 276
Pledges for derivative trades	31 000	32 351
<b>Receivables from banks – gross amount</b>	<b>1 494 929</b>	<b>1 036 627</b>
Allowances for possible losses on receivables	-	-
<b>Receivables from banks – net amount</b>	<b>1 494 929</b>	<b>1 036 627</b>

Under the item Receivables from banks, the Company as of 31 Dec. 2017 and as of 31 Dec. 2016 reports a balance of 6 354 thousand CZK (i.e. 257 thousand EUR) for which it had, as of the date of this financial statement, limited disposal options. Company management is convinced that the reasons for limited disposal are illegitimate and is currently in the process of freeing up these resources/funds.

**(B) CLASSIFICATION OF RECEIVABLES FROM BANKS**

RECEIVABLES FROM BANKS (thousands of CZK)	31 Dec. 2017	31 Dec. 2016
Standard	1 494 929	1 036 627
Receivables from banks – gross amount	1 494 929	1 036 627
<b>Receivables from banks – net amount</b>	<b>1 494 929</b>	<b>1 036 627</b>

AKCENTA CZ a.s. reports all receivables from banks as standard.

**(C) RECEIVABLES FROM BANKS DUE TO RESIDUAL MATURITY**

All receivables from banks are due within one month.

**(D) ANALYSIS OF RECEIVABLES FROM BANKS BASED ON TYPE OF COLLATERAL**

Bank receivables reported on the balance sheet (item 14 a) represent funds deposited to individual bank accounts and the time discrepancy between the payment sent from a foreign bank and the payment credited to the AKCENTA CZ a.s. account. These are standard receivables and as such do not have any special type of backing.

**13 RECEIVABLES FROM NON-BANK ENTITIES****(A) VALUATION OF RECEIVABLES FROM NON-BANK ENTITIES**

RECEIVABLES FROM NON-BANK ENTITIES (thousands of CZK)	2017	2016
Receivables from clients	12 820	6 499
Deposits – trades	1	28
Receivables from related parties	16 624	16 328
Adjustments	(10 705)	(1 585)
<b>Total</b>	<b>18 740</b>	<b>21 270</b>

AKCENTA CZ a.s. does not have any obligation to categorize its receivables from non-bank subjects; nor is interest charged for these receivables.

► **Receivables from clients**

Receivables from clients consist of receivables for invoiced transaction fees.

Part of the receivables from clients also includes a receivable on grounds of a double payment to a client account for the amount of 5 910 thousand CZK (2016: 0 CZK) and a receivable due to exchange rate losses amounting to 4 225 thousand CZK (2016: 5 405 thousand CZK). An adjustment was created for 100% of the receivables shown as of the accounts' reckoning.

**(B) ANALYSIS OF RECEIVABLES FROM NON-BANK ENTITIES BASED ON SECTOR AND COLLATERAL TYPE**

Receivables for non-bank entities consisted mainly of receivables for non-financial organizations that do not have any special type of backing.

**(C) WRITTEN-OFF RECEIVABLES FOR NON-BANK ENTITIES AND INCOME FROM WRITTEN-OFF RECEIVABLES**

Written-off receivables are described in Item No. 28 of this appendix.

**14 PARTICIPATING INTERESTS WITH DECISIVE INFLUENCE**

As of 10 June 2015, AKCENTA CZ a.s. has a 100% stake in NERUDOVA property s.r.o., Org.ID No.: 04151640.

<b>Nerudova property s.r.o.</b>					
As of 31 Dec. 2017		Headquarters: Gočárova třída 227/50, Hradec Králové			
		Subject of business: property rental, apartments and commercial space			
As of 31 Dec. 2016		Headquarters: Gočárova třída 227/50, Hradec Králové			
		Subject of business: property rental, apartments and commercial space			
<b>BASIC INFORMATION (thousands of CZK)</b>	<b>Share capital</b>	<b>Other com- ponents of VK</b>	<b>Share of VK</b>	<b>Share of voting rights</b>	<b>Book value</b>
As of 31 Dec. 2017	200	9 500	100%	100%	9 700
<b>Total</b>	<b>200</b>	<b>9 500</b>	<b>100%</b>	<b>100%</b>	<b>9 700</b>
As of 31 Dec. 2016	200	4 500	100%	100%	4 700
<b>Total</b>	<b>200</b>	<b>4 500</b>	<b>100%</b>	<b>100%</b>	<b>4 700</b>

**15 LONG-TERM INTANGIBLE ASSETS****(A) CHANGES IN INTANGIBLE FIXED ASSETS**

CHANGES IN INTANGIBLE FIXED ASSETS (thousands of CZK)	Software	Quantifiable rights	Unclassified property	Total
<b>Purchase price</b>				
As of 1 Jan. 2016	13 976	32 540	6 700	53 216
Additions	2 230	0	3 887	6 117
Other changes	(275)	0	(2 230)	(2 505)
<b>As of 31 Dec. 2016</b>	<b>15 931</b>	<b>32 540</b>	<b>8 357</b>	<b>56 828</b>
As of 1 Jan. 2017	15 931	32 540	8 357	56 828
Additions	0	0	4 600	4 600
Other changes	0	0	0	0
<b>As of 31 Dec. 2017</b>	<b>15 931</b>	<b>32 540</b>	<b>12 957</b>	<b>61 428</b>
<b>Depreciation and adjustments</b>				
As of 1 Jan. 2016	10 323	32 540	0	42 863
Annual write-offs	1 930	0	0	1 930
Other changes	(275)	0	0	(275)
<b>As of 31 Dec. 2016</b>	<b>11 978</b>	<b>32 540</b>	<b>0</b>	<b>44 518</b>
As of 1 Jan. 2017	11 978	32 540	0	44 518
Annual write-offs	1 937	0	0	1 937
Other changes	0	0	0	0
<b>As of 31 Dec. 2017</b>	<b>13 915</b>	<b>32 540</b>	<b>0</b>	<b>46 455</b>
<b>Balance price (Net book value)</b>				
As of 31 Dec. 2016	3 953	0	8 357	12 310
<b>As of 31 Dec. 2017</b>	<b>2 016</b>	<b>0</b>	<b>12 957</b>	<b>14 973</b>

Additions amounting to 4 6000 thousand CZK for 2017 (2016: 3 887 thousand CZK) relate to the development and purchase of the new Alfa information system.

**16 TANGIBLE FIXED ASSETS****(A) CHANGES IN TANGIBLE FIXED ASSETS**

CHANGES IN TANGIBLE FIXED ASSETS (thousands of CZK)	Land and buildings	Machinery	Vehicles	Total
<b>Purchase prices</b>				
As of 1 Jan. 2016	20	8 187	536	8 743
Additions	0	1 084	1 091	2 175
Other changes	(5)	(1 389)	0	(1 394)
<b>As of 31 Dec. 2016</b>	<b>15</b>	<b>7 882</b>	<b>1 627</b>	<b>9 524</b>
<b>Depreciation and adjustments</b>				
As of 1 Jan. 2016	0	8 170	160	8 330
Annual write-offs	0	12	144	156
Other changes	0	(1 235)	0	(1 235)
<b>As of 31 Dec. 2016</b>	<b>0</b>	<b>6 947</b>	<b>304</b>	<b>7 251</b>
As of 1 Jan. 2017	0	6 947	304	7 251
Annual write-offs	37	241	245	523
Other changes	0	(2 664)	(294)	(2 958)
<b>As of 31 Dec. 2017</b>	<b>37</b>	<b>4 524</b>	<b>255</b>	<b>4 816</b>
<b>Balance price (net book value)</b>				
As of 31 Dec. 2016	15	935	1 323	2 273
<b>As of 31 Dec. 2017</b>	<b>606</b>	<b>2 982</b>	<b>837</b>	<b>4 424</b>

**(B) TANGIBLE FIXED ASSETS PURCHASED THROUGH FINANCIAL LEASING**

No tangible fixed assets were purchased through financial leasing during 2017, nor in 2016.

**17 OTHER ASSETS**

OTHER ASSETS (thousands of CZK)	31 Dec. 2017	31 Dec. 2016
Positive fair value of derivatives	72 245	24 654
Other assets	3 079	929
Deferred tax assets	5 838	2 085
<b>Total</b>	<b>81 162</b>	<b>27 668</b>

► **Positive fair value of derivatives**

Derivatives are secured by cash collateral for an initial value of 10% of the transaction's nominal value. From the conclusion of the trade until its maturity, the fair value of the transaction is monitored using the Marked to Market (MTM) method. If the MTM trade value reaches 80% of the posted collateral value, the client is asked to add to the collateral so that the MTM falls below 60% of the collateral value.

► **Other assets**

The Other Assets item represents operating advances provided amounting to 1 318 thousand CZK (2016: 804 thousand CZK) and employee receivables amounting to 92 thousand CZK (2016: 117 thousand CZK).

## 18 COMMITMENTS TO BANKS AND ACCEPTED PLEDGES AND GUARANTEES

For reasons of a non-standard situation on the swaps market for the CZK/EUR currency coupling, the Company signed an agreement on allowed debt valued at 161 252 thousand CZK for its Czech crown account at ING Bank with a subsequent blocking of funds on its Euro account at the same bank. For this reason, the balance of 161 252 thousand CZK is reported in the Commitments to Banks and Credit Cooperatives item as a receivable.

The credit facility account for a nominal value of 20 000 thousand CZK had not been used as of 31 Dec. 2017. It was reported as an off-balance sheet receivable in the Accepted Pledges and Guarantees item.

COMMITMENTS TO BANKS AND ACCEPTED PLEDGES AND GUARANTEES (thousands of CZK)	31 Dec. 2017	31 Dec. 2016
Type of credit (loan)	credit facility	credit facility
Nominal value	20 000	20 000
Maturity	January 2018	January 2017
Payment calendar	one-off renewal	one-off renewal
Draw down balance	0	0
Payable within 1 year	0	0
Payable within 1-5 years	0	0

## 19 COMMITMENTS TO NON-BANK ENTITIES

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

COMMITMENTS TO NON-BANK ENTITIES BASED ON MATURITY	31 Dec. 2017	31 Dec. 2016
Payable on demand	1 232 702	928 904
<b>Total</b>	<b>1 232 702</b>	<b>928 904</b>

### (B) COMMITMENTS TO PARTICIPATING INTERESTS WITH DECIDING INFLUENCE

AKCENTA CZ a.s. does not have any commitments to participating interests with deciding influence.

**20 OTHER LIABILITIES**

OTHER LIABILITIES (thousands of CZK)	31 Dec. 2017	31 Dec. 2016
Negative fair value of derivatives	50 492	16 198
Suppliers	5 599	7 025
Payables to employees	4 172	5 131
Payables to the Social Security and Health Insurance funds	2 216	2 943
Payables to the State budget	1 159	1 723
Payables from trades	6 835	3 589
Passive adjustments	1 392	2 622
<b>Total</b>	<b>71 865</b>	<b>39 231</b>

**21 DEFERRED INCOME AND EXPENDITURE**

The company report a passive time differential for the amount of 909 thousand CZK (2016: 696 thousand CZK).

**22 SHARE CAPITAL**

The registered capital of 24,030 thousand CZK consists of 21 ordinary registered assigned shares at nominal value of 450 thousand CZK and 162 ordinary registered assigned shares with a nominal value of 90 000 CZK.

Company shareholder structure as of 31 Dec. 2017 and 31 Dec. 2016:

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

**23 ADJUSTMENTS FOR LIABILITIES AND RESERVES****(A) EVOLUTION OF ADJUSTMENTS FOR LIABILITIES TO/FOR NON-BANK SUBJECTS**

EVOLUTION OF ADJUSTMENTS FOR LIABILITIES TO/FOR NON-BANK SUBJECTS (thousands of CZK)	Tax-deductible AI	Non-tax-deductible AI	Total
Balance as of 1 Jan. 2016	16	188	204
Creation	9	1 520	1 529
Release	(11)	(127)	(138)
Use	(1)	(9)	(10)
Adjustments balance as of 31 Dec. 2016	13	1 572	1 585
Balance as of 1 Jan. 2017	13	1 572	1 585
Creation	0	10 207	10 207
Release	(7)	(397)	(404)
Use	(6)	(677)	(683)
Adjustments balance as of 31 Dec. 2017	0	10 705	10 705

Adjustments amounting to 10 207 thousand CZK were created in 2017.

Liabilities amounting to 683 thousand CZK (2016: 212 thousand CZK) were written off in 2017; meanwhile, adjustments were used to enter onto the books these same liabilities amounting to 683 thousand CZK (2016: 10 thousand CZK).

**(B) EVOLUTION/STATUS OF RESERVES**

EVOLUTION OF RESERVES (thousands of CZK)	Reserves for bonuses and leave	Income Tax reserves	Total
Balance as of 1 Jan. 2016	2 490	-	2 490
Creation	11 419	9 922	21 341
Release of unnecessary reserves	0	(1 030)	(1 030)
Use	(2 490)	(6 047)	(837)
Reserves balance as of 31 Dec. 2016	11 419	2 845	14 264
Balance as of 1 Jan. 2017	11 419	2 845	14 264
Creation	12 275	3 579	23 276
Release of unnecessary reserves	-	-	-
Use	(2 500)	(2 845)	(5 345)
Reserves balance as of 31 Dec. 2017	21 194	3 579	24 773

AKCENTA CZ a.s. raised its reserves for bonuses by 11 783 thousand CZK (2016: 11 419 thousand CZK) in 2017; reserves for holidays/leave were raised by 492 thousand CZK (2016: 0 CZK) and income tax reserves by 3 579 thousand CZK (2016: 2 845 thousand CZK).

**24 RETAINED PROFIT OR UNPAID LOSSES FOR PREVIOUS PERIOD**

The company proposes the distribution of profits for 2017 for an amount of 28 195 thousand CZK into the undistributed profits for the prior period.



**25 INCOME TAX AND DEFERRED TAX OBLIGATIONS/LIABILITY****(A) INCOME TAX DUE**

INCOME TAX DUE (thousands of CZK)	2017	2016
Pre-tax profit or loss for the accounting period	35 763	35 550
Non-deductible costs in excess of the tax base	25 608	15 042
Other items lowering the tax base	(3 469)	(3 791)
<b>Sub-total</b>	<b>57 902</b>	<b>46 801</b>
<b>Tax calculated using the 19% rate</b>	<b>11 001</b>	<b>8 892</b>
<i>Taxes paid abroad</i>	<i>1 632</i>	<i>2 380</i>
<i>Additional tax calculated for the previous period</i>	<i>320</i>	<i>10</i>
<i>Credit for taxes paid abroad</i>	<i>(1 632)</i>	<i>(2 380)</i>
<b>Total tax obligation</b>	<b>11 321</b>	<b>8 902</b>

Total costs on grounds of income tax due in 2017 amounted to 11 321 thousand CZK (2016: 8 892 thousand CZK).

**(B) DEFERRED TAX OBLIGATIONS/ LIABILITIES**

The Company, as of 31 Dec. 2017, reports a deferred tax liability against other assets amounting to 5 83 thousand CZK (31 Dec. 2016: 2 085 thousand CZK) calculated at the 19% income tax rate. The impact of deferred taxes on the Income Tax 2017 item in the profit-loss statement equaled 3 753 thousand CZK (2016: 2 854 thousand CZK).

**26 OFF-BALANCE SHEET ITEMS**

▶ **Liabilities / obligations from spot and fixed forward operations**

AKCENTA CZ a.s. reports (enters onto its books), as off-balance sheet items, forward and swap transactions for clients and lists them there until the moment of settlement.

It further carries spot operations that are not yet settled, neither on the liabilities nor on the obligations side, to its off-balance sheet items.

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

▶ **Collateral provided**

An amount that serves as collateral for derivative trades is entered onto the books as a Collateral provided item.

▶ **Accepted pledges and guarantees**

The unused overdraft credit facility is entered onto the books in the Accepted pledges and guarantees item.

**27 FINANCIAL INSTRUMENTS – RISK MANAGEMENT****(A) CREDIT RISK**

AKCENTA CZ a.s. is exposed to minimum credit risk as concerns its activities.

The large part of payment transactions and forward transactions with foreign currencies agreed with clients are settled

after the money from the client arrives on the account managed by AKCENTA CZ a.s. In addition to this, AKCENTA CZ a.s. also asks the majority of its clients, with whom it has entered into forward or swap trades, for the blocking of clients' funds for the purpose of covering eventual future losses from these trades (cash-collateral). In the case of negative developments during the course of trades, AKCENTA CZ a.s. requests further raising of this collateral.

AKCENTA CZ's credit risk is also tied to the depositing of available company funds and entrusted client funds in bank accounts. The Company limits and manages this risk mainly by the fact that it works only with such banks-counterparties that have ratings assigned by international agencies; specifically, Moody's Investors Service and Standard & Poor's Corporation. Such ratings indicate that chosen institutions are sufficiently able to meet their own financial obligations.

## (B) MARKET RISK

Currency risk is the most significant market risk that AKCENTA CZ a.s. is exposed to as a result of its core business. Currency risk is managed using the following:

- ▶ prudent, effective management of open foreign exchange positions,
- ▶ setting stop/loss limits,
- ▶ setting and checking internal limits for the maximum amount of the total open foreign exchange position.

**The foreign exchange position of balance sheet and off-balance sheet items based on major currencies is as follows:**

UP TO 31 DEC. 2017 (thousands of CZK)	EUR	USD	PLN	HUF	CZK	Other	Total
Cash on hand and deposits at central banks	8	-	5	2	72	16	103
Receivables from banks	126 093	124 178	81 886	49 123	951 834	161 815	1 494 929
Receivables from non-bank subjects	1 697	-	114	65	16 853	10	18 740
Participating interests with deciding influence	-	-	-	-	9 700	-	9 700
Tangible and intangible fixed assets	-	-	-	-	19 397	-	19 397
Other assets	1 776	-	-	105	79 281	-	81 162
Prepayments and accrued income	-	-	-	2 664	683	-	3 347
<b>Total</b>	<b>129 574</b>	<b>124 178</b>	<b>82 005</b>	<b>51 959</b>	<b>1 077 820</b>	<b>161 841</b>	<b>1 627 378</b>
Obligations to banks	161 252	-	-	-	-	-	161 252
Obligations to non-bank subjects	512 792	260 129	104 113	65 595	196 607	93 466	1 232 702
Other liabilities	1 579	357	4 162	814	64 675	278	71 865
Accruals and deferred income	-	-	-	-	909	-	909
Reserves	-	-	-	-	24 773	-	24 773
Equity	-	-	-	-	135 877	-	135 877
<b>Total</b>	<b>675 623</b>	<b>260 486</b>	<b>108 275</b>	<b>66 409</b>	<b>422 841</b>	<b>93 744</b>	<b>1 627 378</b>
Long position for FX spots and derivatives	3 535 789	466 199	417 635	259 653	2 496 097	117 801	7 293 174
Short position for FX spots and derivatives	2 993 088	334 543	389 783	244 595	3 140 140	185 634	7 287 783
<b>Net foreign currency position</b>	<b>-3 348</b>	<b>-4 652</b>	<b>1 582</b>	<b>608</b>	<b>10 936</b>	<b>264</b>	<b>5 390</b>

UP TO 31 DEC. 2016 (thousands of CZK)	EUR	USD	PLN	HUF	CZK	Other	Total
Cash on hand and deposits at central banks	6	-	14	5	19	3	47
Receivables from banks	432 714	113 406	75 341	51 354	250 898	112 914	1 036 627
Receivables from non-bank subjects	56	4 324	321	100	16 463	6	21 270
Participating interests with deciding influence	-	-	-	-	4 700	-	4 700
Tangible and intangible fixed assets	-	-	-	-	14 583	-	14 583
Other assets	0	0	0	0	27 607	61	27 668
Prepayments and accrued income	-	-	-	-	882	-	882
<b>Total</b>	<b>432 776</b>	<b>117 730</b>	<b>75 676</b>	<b>51 459</b>	<b>315 152</b>	<b>112 984</b>	<b>1 105 777</b>
Payables to non-bank entities	441 299	124 056	141 879	53 527	83 899	84 244	928 904
Other liabilities	2 354	822	1 081	897	33 417	660	39 231
Accruals and deferred income	-	-	-	-	696	-	696
Reserves	-	-	-	-	14 264	-	14 264
Equity	-	-	-	-	122 682	-	122 682
<b>Total</b>	<b>443 653</b>	<b>124 878</b>	<b>142 960</b>	<b>54 424</b>	<b>254 958</b>	<b>84 904</b>	<b>1 105 777</b>
Long positions of FX spots and derivatives	2 132 392	323 394	499 142	102 177	1 848 566	61 627	4 967 298
Short positions of FX spots and derivatives	2 119 997	322 150	431 478	100 873	1 899 204	89 414	4 963 114
<b>Net foreign currency position</b>	<b>2 869</b>	<b>-5 904</b>	<b>380</b>	<b>-1 661</b>	<b>20 559</b>	<b>294</b>	<b>16 535</b>

The column with the heading Other Currencies includes GBP, CHF, SEK, AUD, JPY, CAD, DKK, RUB, NOK, CNY, RON and TRY. AKCENTA CZ a.s. does not regard interest rate risk as a significant risk; mainly due to the fact that around 95% of the total number of concluded client transactions are spot transactions. Forward transactions are usually payable within three months.

### (C) LIQUIDITY RISK

Liquidity is defined, in the Company's case, as the ability of to meet duly, and in a timely manner, clients' commitments arising from the realization of currency conversions and their associated payment transactions.

AKCENTA CZ a.s. has established mechanisms that separate client funds from the Company's operating resources.

The vast majority of closed spot / forward transactions are settled by AKCENTA CZ a.s. only after the company receives the financial coverage of the transaction from the client. This means that no trade is settled unless it is covered, which in fact prevents liquidity risk in AKCENTA CZ a.s. The exception is trades for clients who draw on a bank 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 bank credit line.

### (D) OPERATIONAL RISK

AKCENTA CZ a.s. operational risk is defined as the risk of loss as a result of deficiencies in or failure of internal processes, human factors or systems, and the risk of loss due to external factors, including risk arising from breach of or inability to meet legal requirements.

The Company's operational risk management process is expressed as a summary of activities performed on a quarterly

basis. In particular, this includes identification, evaluation and monitoring of risks, plus checks on the implementation of preventive and other measures to mitigate individual types of risks. Outputs from these activities are recorded in an internal Risk Matrix document.

Operational risks linked to the Company's operations are mitigated under the AKCENTA CZ a.s. terms and conditions as follows:

- ▶ system support for all processes,
- ▶ consistent separation of roles for business negotiations, trade settlement and trade accounting,
- ▶ setting user rights on all systems,
- ▶ standardized work procedures,
- ▶ multiple controls/checks for processes with a quantitatively high impact on profit-loss statements,
- ▶ by applying a four-eye monitoring principle,
- ▶ professional supervision by the Compliance, Internal Audit and Risk Management divisions,
- ▶ backup plans for dealing with emergencies.

## **28** IMPORTANT EVENTS AFTER THE CLOSING OF THE FINANCIAL STATEMENT

Based on Decree No. 501/2002, Coll. effective as of 1 Jan. 2018, which was amended by a decree dating from 7 Dec. 2017, the Company, as of 1 Jan. 2018, now proceeds (for purposes of reporting financial instruments, their appraisal and for listing information on them in the appendix to the accounting statement) according to international accounting standards outlined directly in applicable EU laws on the application of international accounting standards (hereafter referred to as "international accounting standards" or "IFRS").

The most significant impact of this change for the Company is the application, as of 1 Jan. 2018, of the IFRS 9 standard for Financial Instruments with Regard to Classification of Liabilities for Banks and Credit Unions and Calculating Accounting Losses (i.e. contra assets). Due to the application of IFRS 9, we moved from using an accrued losses concept to an expected losses concept.

For purposes of the Company's classification of individual liabilities for banks and credit unions, these are now evaluated based on the following:

- ▶ the business model for financial asset management (i.e. how the accounting unit manages its financial assets with an aim of creating monetary flows) and
- ▶ the characteristics of contractual monetary flows deriving from financial assets

For purposes of calculating credit losses (i.e. contra assets), the Company separated liabilities for banks and credit unions based on quantitative and qualitative criteria for the liabilities:

- ▶ without failure (so-called "stage 1"),
- ▶ with a higher degree of credit risk (so-called "stage 2"),
- ▶ failing (so-called "stage 3").

The main, key expectations and judgments for calculating credit losses for liabilities for banks and credit unions are primarily the following:


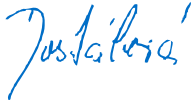

- ▶ defining the moment of failure,
- ▶ defining a significant increase in the credit risk,
- ▶ prognoses of future evolution of macro-economic indicators.

The company analyzed the impact of the above-mentioned changes and quantified the expected impact on contra assets for liabilities for banks and savings cooperatives up to 1 Jan. 2018. The above-created contra assets as of 1 Jan.

2018 amount to 221,000 CZK.

The above-mentioned change did not have any impact on the financial statement for the period up to 31 Dec. 2017.

As of the moment of compiling this financial statement, the Company management was not aware of any other important, consequential events that would impact the financial statement for the period up to 31 Dec. 2017.

Sent on:  25 April 2018	Stamp and signature of statutory body:  Milan Cerman	Person responsible for accounting:  Eva Dostálová +420 498 777 823	Person responsible for financial statement  Dana Sedláková +420 498 777 766
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# CONTACT

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