
2017 Annual Report



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I. General Part

Introduction

Dear Sirs and Madams,

The Czech Republic and Slovakia have seen economic growth which includes an increase in gross domestic product and average wages, with the unemployment rate achieving a record minimum. In this context, the banking sector has also experience positive results. The success of Fio banka (the "Company") is largely dependent on its employees and clients. In 2017, the Company's unique offer of current account with zero fees attracted more than 120 thousand clients.

During 2017, the Company was developing a new product – credit cards – which have been offered to clients since the beginning of 2018. Credit cards completed the Company's credit product offering for individuals. Entrepreneurs and legal entities were offered a new business overdraft account. In the prior and current periods, the Company has worked on a long-term project which relates to the development of own card processing. We have already launched the issuance of own cards and transaction processing. The following phases will include, for example, ATM machines interconnection, including the contactless withdrawal function, and own payment terminal processing.

Therefore, I consider 2017 to be a successful year in which the Company achieved many good results.

No matter if you read the annual report as the Company's client, potential client or for a different reason, let me wish you a pleasant reading.



Jan Sochor
Chairman of the Board of Directors

A. Principal Information

Name of the Company: Fio banka, a.s. (hereinafter the "Company" or "Fio banka")

Registered office: V Celnici 1028/10, 117 21 Prague 1

Corporate ID: 618 58 374

B. Information on Shares, Share Capital, Shareholders and Subsidiaries

- The Company's registered capital amounting to CZK 760,000 thousand is divided into 760,000 of ordinary book-entry registered shares (ISIN: CZ0008034246) with a nominal value of CZK 1,000.
- Transferability of the shares is not restricted; the shares may be transferred based on share transfer agreements.
- The shares entail rights as provided for in legislation and the statutes; no other rights or preferential rights are attached to the shares.
- The shares are not listed on any regulated market.
- As of 31 December 2017, the Company had a sole shareholder – Fio holding, a.s., corporate ID: 60192763, Prague 1, V Celnici 1028/10, Postal Code: 117 21.
- No dividends were paid in the past eight years.
- The Company or any entity in which the Company has a direct or indirect equity interest exceeding 50% of the share capital or voting rights own no shares of the Company.
- As of 31 December 2017, the Company had the following subsidiaries: Družstevní záložna PSD, Corporate ID: 64946835, Prague 1, V Celnici 1028/10, Postal Code 117 21, Czech Republic, RM-SYSTÉM, česká burza cenných papírů a.s., Corporate ID: 47116404, V Celnici 1028/10, Postal Code: 11721, Czech Republic, RM-S FINANCE, s.r.o., Corporate ID: 62915240, V Celnici 1028/10, Postal Code: 11721, Czech Republic, Fio Slovakia, a.s., Corporate ID: 35828137, Nám. SNP 21, Bratislava 811 01, Slovakia and Fio forexová, s.r.o., Corporate ID: 27589587, V Celnici 1028/10, Postal Code: 11721, Czech Republic.

C. Information on Activity

Business authorisation:

- The Ministry of Finance of the Czech Republic dated 15 August 1994, ref. no. 102/38 536/94;
- Decision of the Czech Securities Commission dated 18 June 1999, ref. no. 521/1388-k/99, whereby the authorisation granted by the Ministry of Finance of the Czech Republic on 15 August 1994, ref. no. 102/38 536/94, continued to be fully effective;
- Certification concerning the scope of the securities trading authorisation issued on 25 January 2001, ref. no. 43/Z/19/2001, by the Czech Securities Commission under Article II Transitory Provisions, Subparagraph 9 of Act No. 362/2000 Coll.;
- Decision of the Czech Securities Commission of 10 February 2004, ref. no.: 43/N/226/2003/1 – extension of the business authorisation;
- Decision of the Czech National Bank of 31 August 2006, ref. no.: 43/N/158/2005/6, 2006/7096/540 – extending the business authorisation to include derivatives trading; and
- Decision of the Czech National Bank of 5 May 2010, ref. no. 2010/4201/570 – granting a banking licence.

Commencement of operation: 31 August 1994

Information on the Company's Formation, its Participation and Principal Business Activity:

Fio banka, a.s. was formed by a single Memorandum of Association on 20 June 1994 (under the former name Fio, burzovní společnost, a.s.) and was incorporated following its registration in the Register of Companies in Prague on 31 August 1994. Since 15 March 1995, the Company has been a shareholder of Burza cenných papírů Prague, a.s. As of 31 December 2016, the Bank owned 100 registered shares of Burza cenných papírů Prague, a.s. in the certificate form with a nominal value of CZK 1,000. On 20 February 1995, the Company obtained membership in Burza cenných papírů Prague, a.s., starting its trading activity there in April 1995.

In line with a decision of the Czech Securities Commission of 10 February 2004, ref. no.: 43/N/226/2003/1, and with regard to the decision of the Czech Securities Commission, ref. no.: 512/1388-k/99 of 18 June 1999, the extent of the authorisation to perform securities trading granted to Fio, burzovní společnost, a.s. (Fio banka, a.s. at present) was as follows since 11 March 2004:

- Provision of principal investment services under Section 4 (2) (a), (b), (c), (d), (e) of Act No. 256/2004 Coll., the Capital Market Undertaking Act (hereinafter the "Act"), in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Act; and
- Provision of additional investment services under Section 4 (3) (a), (b), (c), (e) of the Act, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Act, and additional investment services under Section 4 (3) (d), (f) of the Act, in respect of investment instruments as defined in Section 3 (1) (a), (b), (c), (d) of the Act.

In line with a decision of the Czech National Bank of 31 August 2006, ref.no. 43/N/158/2005/6, 2006/7096/540, the extent of the authorisation to perform securities trading granted to Fio, burzovní společnost, a.s. (Fio banka, a.s. at present) was as follows since 12 September 2006:

- I. Principal investment activities under Section 4 (2) of the Act:
 - a) Receipt and provision of instructions relating to investment instruments (Section 4 (2) (a) of the Act);
 - b) Performance of instructions relating to investment instruments to a customer's account (Section 4 (2) (b) of the Act);
 - c) Proprietary trading with investment instruments (Section 4 (2) (c) of the Act);
 - d) Discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments (Section 4 (2) (d) of the Act);
 - e) Investment advisory concerning investment tools (Section 4 (2) (e) of the Act);
 - f) Underwriting of investment instruments or their placement with the subscription obligation (Section 4 (2) (g) of the Act); and
 - g) Placement of investment instruments without the subscription obligation (Section 4 (2) (h) of the Act).
- II. Additional investment activities under Section 4 (3) of the Act:
 - a) Custody and administration of investment tools including related services (Section 4 (3) (a) of the Act);
 - b) Provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider participates (Section 4 (3) (b) of the Act);
 - c) Provision of advisory services related to the capital structure, industrial strategies and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies (Section 4 (3) (c) of the Act);
 - d) Provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading (Section 4 (3) (d) of the Act); and
 - e) Execution of foreign exchange operations related to the provision of investment services (Section 4 (3) (e) of the Act).

The provision of investment services under art. I., a) through d) relates to investment instruments in line with Section 3 (1) (a), (b), (d) through (k) of the Capital Market Undertaking Act, ie investment securities, collective investment securities and derivatives. The provision of investment services under art. I., d), g) and h) relates to investment instruments in line with Section 3 (1) (a), (b) of the Capital Market Undertaking Act, ie investment securities and collective investment securities.

The provision of investment services under art. II., b) relates to investment instruments in line with Section 3 (1) (a) and (b) of the Capital Market Undertaking Act, ie investment securities and collective investment securities. The provision of investment services under art. II., a) and d) relates to investment instruments in line with Section 3 (1) (a), (b), (d) through (k) of the Capital Market Undertaking Act, ie investment securities, collective investment securities and derivatives.

In line with a decision of the Czech National Bank of 5 May 2010, ref.no. 2010/4201/570, the extent of the authorisation to perform securities trading granted to Fio banka, a.s. has been as follows since 5 May 2010:

- Undertaking the activities listed in Section 1 (1) of the Banking Act as follows:

- a) Acceptance of deposits from the general public;
- b) Extension of credit;

- Undertaking the activities listed in Section 1 (3) of the Banking Act as follows:

- a) Investing in securities on the Company's own account;
- b) Finance lease;
- c) Payments and clearing;
- d) Issuance and administration of payment facilities, eg credit cards and traveller's cheques;
- e) Issuance of guarantees;
- f) Opening of letters of credit;
- g) Collection services; and
- h) Provision of investment services within the scope of principal investment services

Within the scope of principal investment services including:

- Under Section 4 (2) (a) of the Capital Market Undertaking Act No. 256/2004 Coll., as amended (hereinafter referred to as the "Capital Market Undertaking Act"), receipt and provision of instructions relating to investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;

- Under Section 4 (2) (b) of the Capital Market Undertaking Act, performance of instructions relating to investment instruments to a customer's account, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;

- Under Section 4 (2) (c) of the Capital Market Undertaking Act, proprietary trading with investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;

- Under Section 4 (2) (d) of the Capital Market Undertaking Act, discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

- Under Section 4 (2) (e) of the Capital Market Undertaking Act, investment advisory concerning investment tools, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;

- Under Section 4 (2) (g) of the Capital Market Undertaking Act, underwriting of investment instruments or their placement with the subscription obligation, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

- Under Section 4 (2) (h) of the Capital Market Undertaking Act, placement of investment instruments without the subscription obligation, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

and within the scope of additional investment services

- Under Section 4 (3) (a) of the Capital Market Undertaking Act, custody and administration of investment tools including related services, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;

- Under Section 4 (3) (b) of the Capital Market Undertaking Act, provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider participates, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (3) (c) of the Capital Market Undertaking Act, provision of advisory services related to the capital structure, industrial strategies and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies;
- Under Section 4 (3) (d) of the Capital Market Undertaking Act, provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (3) (e) of the Capital Market Undertaking Act, execution of foreign exchange operations related to the provision of investment services;
 - i) Financial brokerage;
 - j) Foreign exchange services;
 - k) Provision of banking information;
 - l) Proprietary trading or trading on a client's account with foreign currencies and gold;
 - m) Rental of safe-deposit boxes; and
 - n) Activities that directly relate to the activities in the banking licence.

D. Report on the Company's Business Activity and Assets

Assessment of retail banking:

2017 was by far the most successful year in the Company's history with respect to profit which amounted to CZK 408 million after tax. The Company acquired 119 thousand new clients (a year-on-year increase), reaching a total of 785 thousand clients. The Company also recorded positive results in Slovakia where the number of new clients grew by 24% year-on-year.

The Company's aggregate assets saw a year-on-year increase of 34%, amounting to CZK 108 billion as of 31 December 2017. The volume of payables to clients increased from CZK 77.9 billion to CZK 103.7 billion during 2017. Interest income amounted to CZK 625 million in aggregate which is a 24% increase, predominantly resulting from normalisation of interest rates following the discontinuation of the Czech National Bank's currency interventions. Net interest income grew from CZK 431 million to CZK 559 million. The amount of provisions and reserves grew from CZK 379 million to CZK 408 million. Despite the policy of zero fees for regular banking services, the Company achieved a profit before tax in the amount of CZK 408 million.

The Bank was successful in acquiring new clients among individuals. The current account with zero maintenance fees continues to be the Company's core product which is offered to both individuals conducting business and corporate entities.

The Company operates based on the model of a low-cost bank and intends to continue such operation in the future to acquire new clients.

Throughout 2017, the Company expanded and optimised the network of its branches reflecting the wishes and needs of clients. In early 2017, the Company's network expanded with the opening of a branch in Vysočany as the 13th branch in Prague (and the 79th branch in the Czech Republic). The branch offers the complete product portfolio of the Company, including an opportunity to obtain a mortgage loan with the assistance of a mortgage specialist. The growing interest in housing loans resulted in the opening of the first branch specialising solely on clients interested in this product; this branch was opened in the vicinity of the Company's headquarters in Prague 1 in spring 2017. Outside the Capital of Prague, the branches in Břeclav, Svitavy and Žďár nad Sázavou were relocated to more spacious, discrete and representative premises during 2017, while the latter two aforementioned

branches also received a new ATM machine as part of this move. New ATM machines were also installed at the branches in Jablonec nad Nisou and Vsetín and together with five new ATM machines, the aggregate number of the Company's ATMs was 168 as of 31 December 2017.

As in 2016, the Company expanded its network in Slovakia by opening new branches in two other towns in 2017: a new branch was opened in Michalovce in the first half of 2017 and in Liptovský Mikuláš in the autumn. The Company intends to continue expanding its network in Slovakia at a similar pace also in 2018 whereby expansion including new branches and ATM machines is also anticipated in the Czech Republic.

Assessment of investment banking:

In 2017, the liquidity of the stock exchanges in the Czech Republic (RM-SYSTÉM and Prague Stock Exchange) unfortunately reported a 17% decrease. The Company's clients gave increased attention to markets in the USA and Germany where 63% of the total volume of mediated transactions was realised. With a 58% share, stock exchanges in the USA were the most preferred market, followed by Czech markets (37%). The Company acquired 9,000 new clients utilising its investment services.

As in previous years, promotion of investment services was based on educational courses organised in cooperation with RM-SYSTÉM, česká burza cenných papírů a.s. In 2017, the Company realised 70 courses in the Czech Republic and Slovakia as part of the "Investment Academy" which is intended for both the general public and experts. The courses were attended by 5,000 participants willing to obtain new information on capital markets who could choose between three topics intended for complete beginners and experienced investors.

In 2017, the Company discontinued to offer its clients trading on the Warsaw stock exchange.

In cooperation with the Czech stock exchange RM-SYSTÉM, the Company participates in educating university students in the Czech Republic and Slovakia. Within the Studentbroker projects, the Company explains the operation of capital markets in reality. Students have an opportunity to trade with fictitious investment funds in the amount of CZK 1,000,000 which they invest, during the semester, in shares in the Czech Republic, USA, Germany and Poland and investment funds of USD 50,000 which are traded in derivatives (futures contracts) with underlying assets including gold, silver, oil, sweetcorn, wheat, stock indices etc. In 2017, a total of 13 higher educational institutions and universities and 525 students participated in the Studentbroker project, together concluding 16,000 transactions. This project facilitates the link between the theoretical knowledge of students and the real environment on stock exchange markets.

The most important events in 2017

Own payment card processing

During 2017, the Company gradually launched the first part of the project of transfer to own payment card processing. The Company will newly process payment card transactions on its own, from payment authorisation to recognition, maintain own payment card records (card management system) and generate chip data for the issuance of new payment cards to holders.

New overdraft account for entrepreneurs

The Company prepared a new business overdraft account intended specifically for entrepreneurs. The new business overdraft account has zero fees for opening and maintenance, offering an advantageous segmented interest rate. Loans exceeding CZK 300,000 bear interest at 9.9% and any excess amount bears interest at 7.9%. Aside from that, all client will receive a 1% discount from the interest rate for each year of incident-free loan utilisation. As a result, the basic interest rate may decrease up to 4.9%.

The first mortgage centre

In Prague, the Company opened the first branch specialising solely in housing loans. The Company has responded to the increased interest in mortgage loans which became evident especially in the past two years.

Taking out insurance online

The Company has introduced another simplification of its services. Clients may newly take out or modify insurance online in Internetbanking. This applies to all cards, both new and those already issued, and all types of insurance, such as travel insurance, insurance of card loss and theft as well as legal protection of drivers.

Payments without authorisation

Faster and simpler money transfers without the need for authorisation. The Company's Internetbanking newly includes an option to make payments between the client's multiple accounts, to selected known accounts as well as low-value payments without the authorisation code sent via a text message.

Business cards for entrepreneurs free of charge

The Company has introduced a new product for entrepreneurs – Mastercard Business payment card with zero fees offered to all business accounts. A free payment card is offered not only to the account holder but also to another authorised individual. The new product is offered to both new and existing clients.

Acceleration of standard domestic payments

The Company's clients make domestic payments in CZK being aware that the payment will be executed on the same business day. The payment just needs to be made until noon via Internetbanking, Smartbanking or in person at the Company's branch. The acceleration is with no extra fee and payments are still with zero fees.

Major Awards



The Company took first place in the survey entitled "User-friendly bank", following second place from last year and a series of first places in previous years. The survey is organised by bankovnipolatky.com.



The Company obtained seven awards (of which four were first place), such as for the best personal and business account. A professional jury also awarded the Company's Internetbanking, business loan and the e-broker investment application

Structure of the branch network

Name of the company: Fio banka, a.s.

Corporate ID: 61858374

Registered office: V Celnici 1028/10, 117 21, Prague 1

Branches (as of 31 December 2017) – town, street, postal code, (country), telephone number:

Czech Republic

Beroun, nám. M. Poštové 854, 266 01, 224 346 417-418

Blansko, nám. Svobody 5, 678 01, 224 346 750-1

Brno, Gajdošova 4489/26, 615 00, 224 346 411-3

Brno, Joštova 4, 602 00, 224 346 815 - 819

Brno, Nové Sady 988/2, 602 00, 224 346 463 - 465

Brno, Veverčí 2581/102, 616 00, 224 346 865, 867, 869

Bruntál, K.Čapka 80/1, 792 01, 224 346 478-9

Břeclav, J. Palacha 3152, 690 02, 224 346 941-2

Česká Lípa, Barvířská 737, 470 01, 224 346 854-5

České Budějovice, Nám. Přemysla Otakara II. 117/32, 370 01, 224 346 858-9-
 Český Těšín, Náměstí ČSA 182/7, 737 01, 224 346 764-5
 Děčín, Lázeňská 58/1, 405 02, 224 346 973-4
 Frýdek-Místek, Zámecké nám. 42, 738 01, 224 346 936-937, 888
 Havířov, Hlavní třída 64, 736 01, 224 346 963 - 964
 Havlíčkův Brod, Dolní 1, 580 01, 224 346 958-9
 Hodonín, Národní třída 79, 695 01, 224 346 913 – 914, 443
 Hradec Králové, Masarykovo náměstí 511, 500 02, 224 346 835-9
 Cheb, Svobody 31, 350 02, 224 346 971-2
 Chomutov, náměstí 1. máje 91, 430 01, 224 346 984-6
 Chrudim, Resselovo náměstí 61, 537 01, 224 346 954-5
 Jablonec nad Nisou, Dolní náměstí 716/3, 466 01, 224 346 975-6
 Jihlava, Masarykovo náměstí 20, 586 01, 224 346 870 – 71, 410
 Jindřichův Hradec, Růžová 41, 377 01, 224 346 770-1
 Karlovy Vary, T.G.Masaryka 38, 360 01, 224 346 872-874
 Karviná- Fryštát, Fryštátská 73/3, 733 01, 224 346 892-3
 Kladno, Suchardova 515, 272 01, 224 346 924-925
 Klatovy, Vídeňská 181, 339 01, 224 346 875-6
 Kolín, Karlovo náměstí 7, 280 02, 224 346 932-3, 409
 Kroměříž, Dobrovského 170/5, 767 01, 224 346 877-8
 Liberec, Pražská 12/15, 460 07, 224 346 879-880
 Louny, Česká 158, 440 01, 224 346 773-4
 Mladá Boleslav, tř. T.G.Masaryka 1455, 293 01, 224 346 926-7
 Most, Moskevská 3336, 434 01, 224 346 966
 Náchod, Tyršova 64, 547 01, 224 346 882-3
 Nový Jičín, Dobrovského 1292/4, 741 01, 224 346 969 - 970
 Nymburk, Náměstí Přemyslovců 129, 288 02, 224 346 458-9
 Olomouc, Dolní náměstí 20, 779 00, 224 346 920-22
 Olomouc, Masarykova třída 736/19, 779 00, 224 346 434-5
 Ostrava, Hlavní třída 682/110, 708 00, 224 346 445,447-8
 Ostrava, Nádražní 39, 702 00, 224 346 846-8, 224 346 885-6
 Opava, Ostrožná 262/9, 746 01, 224 346 930-31, 444
 Pardubice, Masarykovo náměstí 1544, 530 02, 224 346 841.843-5
 Pelhřimov, Dr. Tyrše 58, 393 01, 224 346 956-957
 Písek, Nerudova 88, 397 01, 224 346 767-8
 Plzeň, Prešovská 13, 301 00, 224 346 977-9
 Plzeň, Náměstí Generála Píky 2703/27, 326 00, 224 346 830-32
 Prague 1, Rybná 14, 110 00, 224 346 808-10
 Prague 1, Senovážné nám. 24, 116 47, 224 346 801-805
 Prague 1, V Celnici 1028/10, 117 21, 224 346 938-40; 989; 224 346 987-8 (Hypoteční centrum)
 Prague 2, Ječná 37, 120 00, 224 346 895-897
 Prague 4, Budějovická 1523/9a, 140 00, 224 346 863-4, 890, 993-4
 Prague 5, Archeologická 2256/1, 155 00, 224 346 430-3
 Prague 5, Štefánikova 75/48, 150 00, 224 346 946-7, 476-7
 Prague 6, Čs. armády 785/22, 160 00, 224 346 759-761
 Prague 6, Křenova 438/3, 162 00, 224 346 471, 473-4
 Prague 8, Klapkova 124/10, 182 00, 224 346 437-9
 Prague 9, Sokolovská 352/215, 190 00, 224 346 402-7
 Prague 10, Moskevská 268/53, 101 00, 224 346 754-6
 Prague 11, Opatovská 964/18, 149 00, 224 346 421-3
 Prostějov, Kostelní 6, 796 01, 224 346 420, 948-9
 Přerov, Palackého 2820/27, 750 02, 224 346 950, 951
 Příbram, Pražská 126, 261 02, 224 346 952-3
 Sokolov, 5. května 163, 356 01, 224 346 460-1
 Strakonice, Palackého nám. 102, 386 01, 224 346 401, 928-9
 Svitavy, Erbenova 205/1, 568 02, 224 346 934-5
 Šumperk, Bulharská 229/1, 787 01, 224 346 915, 916
 Tábor, Palackého 359/1, 390 01, 224 346 898-9
 Teplice, U radnice 6/2, 415 01, 224 346 960 - 961
 Trutnov, Krakonošovo náměstí 17, 541 01, 224 346 900-1

Třebíč, Jihlavská brána 5/4, 674 01, 224 346 943 - 944
Třinec, Nám. Svobody 527, 739 61, 224 346 990-1
Uherské Hradiště, Havlíčkova 160, 686 01, 224 346 -453-5
Ústí nad Labem, Dlouhá 3458/2A, 400 01, 224 346 902-3
Ústí nad Orlicí, 17. listopadu 1394, 562 01, 224 346 917-8, 442
Valašské Meziříčí, Křížkovského 117/1, 757 01, 224 346 456-457
Vsetín, Smetanova 810, 755 01, 224 346 968, 408
Zlín, Dlouhá 489, 760 01, 224 346 906-908
Znojmo, Pražská 1539/7, 669 02, 224 346 909 - 910
Žďár nad Sázavou, Nádražní 1, 591 01, 224 346 911 - 912

Organisational branch:

Fio banka, a.s., pobočka zahraničnej banky (Slovensko)
Corporate ID No.: 36 869 376, sídlo Nám. SNP 21, Bratislava 811 01

Offices:

Banská Bystrica, Národná 6, 974 01
Bratislava, Nám. SNP 21, 811 01
Bratislava, Záhradnícka 74, 821 08
Košice, Hlavná 8, 040 01
Liptovský Mikuláš, Námestie Osloboditeľov 7, 031 01
Lučenec, T. G. Masaryka 12, 984 01
Michalovce, Sama Chalupku 2, 071 01
Nitra, Štefánikova trieda 27, 949 01
Nové Zámky, Komárňanská 1/B, 940 02
Poprad, Námestie svätého Egídia 50, 058 01
Prešov, Hlavná 45, 080 01
Prievidza, Š. Moyzesa 10, 971 01
Trenčín, Sládkovičova 8, 911 01
Trnava, Hlavná 25, 917 01
Žilina, Na priekope 37, 010 01

Trading on the markets in the Czech Republic

The Prague Stock Exchange experienced growth in 2017. The PX index grew by +16.99% and the PTXR index, the performance of which also includes dividend income, by 23.60%. A 6% dividend income makes the domestic market truly unique. Nevertheless, it is less optimistic for investors that the issue with the best last year's performance (Fortuna, Unipetrol) is likely to leave the Prague Stock Exchange in 2018.

In 2017, titles with appreciation exceeding 100% included the shares of Fortuna (107%) and Unipetrol (104.6%). Unipetrol was positively impacted by persistent above-average refinery and petrochemical margins, almost full utilisation of production capacities for both refineries as well as received insurance premium relating to the accidents in Kralupy nad Vltavou and Litvínov. In line with its commitment to systematic dividend increase, Unipetrol paid out the 2016 dividend in the amount of CZK 8.3 per share. In late 2017, the majority shareholder, PKN Orlen, made a proposal for the voluntary purchase of Unipetrol's shares at approximately CZK 380 per share which was accepted by two largest minority shareholders associated with the J&T financial group. However, it is less optimistic for investors that Unipetrol is highly likely to leave the Prague Stock Exchange in 2018. The same will also apply to Fortuna's shares as its majority shareholder declares its intent to delist Fortuna's shares from the stock exchanges in Prague and Warsaw. Following improving results and a substantial increase in received bets, its majority shareholder filed three proposals for a voluntary purchase of share whereby the third proposal made in early 2018 in the amount of CZK 182.5 per share was higher by approximately 85% than the original proposal made in March 2017. With the proceeds of 51% (in the CZK equivalent), the shares of the media company CETV placed third with respect to capital appreciation.

Of the banking issues present on the Prague Stock Exchange, the best results in 2017 were reported by Erste Group. The shares of the Austrian banking group increased by 22% in 2017 and their performance significantly exceeded the development of the European banking index STOXX EUR 600

Banks (+10.9% r/r). With the results reported for 1-3Q/17, Komerční banka regularly outperformed in 2017 the estimated level determined by analysts due to risk expenses being at record minimum level. The shares of Komerční banka increased by 3.4% in 2017. By including the dividend paid in the amount of CZK 40 per share, the aggregate proceeds for investors from Komerční banka's shares amounted to 7.7%. Although Moneta managed to meet the goals set by its management in 2017, its shares experienced stagnation on an annual basis. Phillip Morris ČR, which is known for regular dividend payments, found its investors also in the environment of proceeds from alternative investments (other than in shares). By including the dividend paid in the amount of CZK 1,000 per share, the aggregate proceeds for the investor amounted to 36%.

The most traded issue on the Prague Stock Exchange in 2017 traditionally included the shares of the energy company ČEZ which benefited from a persistent growth in electricity prices on the market, following the increasing prices of coal and emission allowances. With the reinvestments of the dividend paid in the amount of CZK 33 per share, the aggregate proceeds for investors amounted to 25%. The shares of Pegas Nonwovens, a manufacturer of non-woven textile, saw substantial fluctuations in 2017. Changes in the shareholders' structure were completed in 3Q/17 when R2G Rohan Czech became the company's majority shareholder as part of a proposal for the purchase of shares at CZK 1010 per share. Only slightly more than 11% of Pegas Nonwovens's shares are held by an entity other than the majority shareholder. The liqueur company Stock Spirits must have pleased its shareholders in 2017. A 38% share increase reflects a substantial year-on-year growth of the company's operating profit in the first half of 2017. The shares of the telecom company O2 ČR saw a capital appreciation of 6.4% in 2017. The Austrian insurance group VIG reported a 16.4% growth in the share value, following a partial recovery of revenues on the bond market and a year-on-year increase in all of the key indicators of the Company's performance.

Trading on foreign markets

Last year brought positive results for the global economy and for this reason, exchange markets saw extraordinarily favourable developments in 2017. The global MSCI ACWI index, which includes both developed and developing countries, reported a growth of almost 22%, achieving the best performance since 2009. The values of leading global indices repeatedly improved their historical maximum profits. The typical features of US indices predominantly included very low volatility, the absence of more significant drops and continuous growth throughout the entire 2017. This seemingly calm development was, however, rather surprising, considering the large number of risks arising from measures taken by the new administration of President Trump.

Favourable developments were also recorded by other classes of assets, with an almost 13% growth reported for oil. Despite slower growth in the first half of 2017, interventions taken by OPEC to decrease the mining volume resulted in the WTI exchange rate gradually achieving USD 60/barrel, which was the local maximum value in summer 2015. The best performance in the past seven years was reported by gold which increased by 13%. The currency market showed the continuous depreciation of the US dollar which lost almost 15% towards the euro, hitting the level of 1.2. This development was contrary to the policies of central banks when ECB continued its relaxed monetary policy while the FED gradually increased its rates. The basic interest rate increased three times in the USA, achieving the range from 1.25% - 1.50%.

The wider US index S&P reported a growth of almost 20% and, during the course of 2017, repeatedly improved its historical maximum values. Extremely low volatility stems from the fact that the index recorded no correction movements of at least 5% during the growth phase, with the most significant partial drop being at less than 3%. The growth was fuelled by favourable economic environment, GDP growth at a decent rate and continuous improvements on the labour market. Positive factors affected the profitability of businesses which increased by approximately 10% during the year. In terms of individual sectors, the best results were seen in the technology segment: with a 37% increase, this sector became an unambiguous driver of the entire growth. Appreciation of over 20% was also reported by the segment of basic materials or the financial sector. A loss was recorded by telecommunication (-6%) and energy (-4%) sectors. Distribution of performance corresponds to the growth phase of the economic cycle with cyclical industries booming and more-defensive sectors falling behind.

In terms of regional development, 2017 saw stronger development in the USA than in Europe, with the pan-European index STOKKE Europe 600 increasing by less than 8%. Weaker performance of European markets emphasised the substantial appreciation of EUR in consideration of monetary developments.

The entire year was marked with expectations of specific steps by President Trump and their impacts on stock markets. President Trump was rather unsuccessful at realising his pre-election commitments (migration measures, cancellation of the Obama care reform), giving rise to concerns as to his ability to implement the most significant reform of taxes. FBI's investigation of the presidential election being influenced by Russia or a quarrel with North Korea due to weapons testing did not result in more-substantial drops on the market. In the end, the tax reform was implemented and was one of the reasons why indices even escalated their already favourable developments so far. Lower taxes will also significantly contribute to the economic results of US companies in 2018.

Proprietary trading

In 2017, the Company managed to retain or even further strengthen its position on financial markets which was gained in previous years. The Company continued to operate as a market creator at the Xetra business platform of the Prague Stock Exchange. As in previous years, all issues which are part of the PX index and, concurrently, are placed on the Prime or Standard regulated markets were listed at the Xetra business platform. Based on the statistical data on transactions made by Prague Stock Exchange members, the Company increased the aggregate annual volume realised in shares by 2%, despite a 17% year-on-year decrease in the aggregate volume of shares traded at Prague Stock Exchange.

The market with Czech government bonds started to normalise in 2017. This followed the termination of the Czech National Bank's interventions as regards the CZK/EUR exchange rate as of 6 April 2017 and a double two-week increase in the repo rate to 0.5% in the latter half of 2017. The short end of the yield curve thus broke out from negative proceeds. Nevertheless, due to anticipated future developments of debt instruments, ie continuous normalisation and increase on market interest rates, the Company did not realise reinvestments in maturing bonds or new investments and the entire volume of bonds in the Company's portfolio decreased, as of 31 December 2017, by 11% year-on-year in the CZK equivalent. The portfolio is predominantly composed of Czech government bonds (96.5%) and along with Slovak state bonds (2%), government bonds account for 98.5% of the entire portfolio.

After the discontinuation of the Czech National Bank's exchange rate commitment, exchange rates became once again the main instrument of monetary policy. Following an increase in the repo rate in August 2017, a growth to 0.5% was also seen on 2 November. The situation on the monetary market significantly improved, enabling the Company to generate higher proceeds from deposited liquid funds. Realised volumes also saw a considerable increase, with the overwhelming majority of transactions being concluded with the Czech National Bank within two-week repo transactions and the deposit facility.

Information on the Company's assets and financial situation

The Company's total assets amounted to CZK 107,573,557 thousand as of 31 December 2017, principally comprising cash in hand and balances with central banks of CZK 86,779,607 thousand, balances with banks and cooperative credit unions of CZK 2,063,513 thousand, receivables from clients of CZK 13,146,914 thousand, from debt securities of CZK 4,405,540 thousand, from shares, share certificates and other investments of CZK 20,236 thousand, from participation interests of CZK 154,778 thousand and from other assets of CZK 963,553 thousand.

In 2017, the Company recorded net fee and commission income of CZK 356,857 thousand, net interest income of CZK 561,124 thousand and income from financial transactions of CZK 613,232 thousand. The Company's operating profit before tax was CZK 480,897 thousand.

The Company's situation has been stable in the long-term. The Company has permanently a sufficient amount of liquid financial assets to settle its liabilities; it makes allocations, on a regular basis and in full, to the Stock Exchange's guarantee funds, to the Deposit Insurance Fund and the Securities Dealers Guarantee Fund. The Company has never been insolvent throughout its existence.

Successful expansion of the Company's credit portfolio as well as an increase in other indicators resulted in the larger volume of risk exposures. As of 31 December 2017, the Company's capital ratio was 12.505% (of which 11.782% constitutes Tier 1 capital ratio), which is above the level of regulatory requirements, constituting a secure level for risk coverage.

E. Statutory, Supervisory and Other Bodies

Board of Directors:

Jan Sochor, Chairman of the Board of Directors

Mr Sochor graduated from the Faculty of Mathematics and Physics of Charles University and has been active on the capital market for more than 20 years. He has been Chairman of the Board since 22 May 2002. From 30 April 2001 to 23 April 2002, he worked as a statutory executive of the securities trading company Fio brokerská, spol. s r.o. Prior to holding this post, he had been already employed in Fio brokerská, spol. s r.o., predominantly focusing on creating an electronic trading system. Jan Sochor also held the post of director and sole statutory executive in Fio, burzovní společnost, a.s.

Josef Valter, Member of the Board of Directors

Mr Valter graduated from the Faculty of Law of Charles University in Prague. He has been employed in the Fio Financial Group since 2002 when he obtained the position of Head of the Legal Division (later becoming Director of the Legal and Compliance Division). Josef Valter was a member of the Board of Directors of Fio, družstevní záložna from 2002 to 2006 and Chairman of the Board of Directors of Fio, družstevní záložna from 2006 to 2010. He has been a member of the Board of Directors of Fio banka since 5 May 2010.

Jan Bláha, Member of the Board of Directors

Mr Bláha graduated from the Faculty of Economics of VŠB - Technical University of Ostrava and has been employed in the Fio Financial Group since 2000. At present, he is Director of the Sales Division. He has been a member of the Company's Board of Directors since 25 March 2015.

Marek Polka, Member of the Board of Directors

Mr Polka graduated from the Faculty of Finance and Accounting of the University of Economics, Prague (VSE) and has worked for the Fio Financial Group since May 2001 when he took up the position of a client assistant in the Prague branch. Mr Polka gradually held the positions of the acting head of the Plzeň branch, head of the Group's largest branch in Prague as well as the head of the entire Client Service Department. Since April 2006, he has been the head of the Group's Client Division. On 1 April 2006 he became a member of the Board of Directors of Fio, družstevní záložna and on 3 May 2010 Chairman of the Board of Directors of Fio, družstevní záložna. His key responsibilities as the head of the Client Service Department predominantly involved ensuring proper operation of branches, managing customer relations and product range administration. Since 24 September 2014, Mr Polka has been Director of the Company's Credit Division. He has been a member of the Board of Directors of the Company since 25 March 2015.

Under Section 8 (1) of Act No. 21/1992 Coll. on Banks, as amended, the Company's Board of Directors has four members as of 31 December 2017.

Supervisory Board:

Petr Marsa, Chairman of the Supervisory Board

Mr Marsa graduated from the Faculty of Mathematics and Physics of Charles University. He has been active on the financial market for more than 20 years. He has held various positions in the bodies of several entities within the Fio Financial Group.

Romuald Kopún, Member of the Supervisory Board

Mr Kopún graduated from the Faculty of Mathematics and Physics of Charles University. He has been a member of the Supervisory Board since 1994. By holding this position, he has gained the necessary experience in the capital market sector.

Ján Franek, Member of the Supervisory Board

Mr Franek graduated from the Faculty of Nuclear Sciences and Physical Engineering of the Czech Technical University in Prague. He has been working for the Fio Financial Group since 1995. Since 2001, he has been the head of the Development Division, being responsible for development projects aimed at expanding and improving the quality of client services.

Audit Committee:

Jan Kotíšek, Chairman of the Audit Committee

Mr Kotíšek graduated from the faculty of International Relations of the University of Economics, Prague (VSE) and completed the Executive MBA in Finance at the University of New York in Prague. Mr Kotíšek has worked on the financial market for more than 20 years, holding posts at Vojenský otevřený penzijní fond, a.s., Foresbank, a.s., Spořitelní a úvěrové družstvo Unibon, Záložna CREDITAS, spořitelní družstvo as well as at the Supervisory Office for Credit Unions.

Petr Marsa, Vice-chairman of the Audit Committee

Mr Marsa graduated from the Faculty of Mathematics and Physics of Charles University. He has been active on the financial market for more than 20 years. He has held various positions in the bodies of several entities within the Fio Financial Group.

Václav Svoboda, Member of the Audit Committee

Mr Svoboda graduated at the Faculty of Economics of the University of Economics, Prague. He has worked as a statutory auditor for over 20 years.

Members of the Board of Directors, Supervisory Board, Audit Committee or the Company's management hold no treasury shares of the Company.

The Company's employees do not have an opportunity to have equity interests in the Company.

F. Other Information

The statement of changes in equity for the last two reporting periods is included in the financial statements which form part of this annual report.

The number of average recalculated headcount and changes thereof are disclosed in the notes to the financial statements for the year ended 31 December 2017 which are part of this annual report. Increasing the number of the Company's staff corresponds to the Company's strategy aimed at the continuous increase of the quality of provided services.

The Company incurred no costs on research, development and environmental protection in 2017. The costs of labour relations incurred in 2017 are disclosed in the notes to the financial statements for the year ended 31 December 2017 which are part of this annual report.

Based on a decision of the Board of Directors of 5 May 2010, an organisational branch of the Company was established in Slovakia: Fio banka, a. s., pobočka zahraničnej banky, corporate ID: 36 869 376, Nám. SNP 21, Bratislava 811 01, Slovakia.

The Company will continue to operate as a going concern.

No events occurred subsequent to the balance sheet date that would have a significant impact on meeting the purpose of this annual report.

Head of the organisational branch:

Marek Polka

Mr Polka graduated from the Faculty of Finance and Accounting of the University of Economics, Prague (VSE) and has worked for the Fio Financial Group since May 2001 when he took up the position of a client assistant in the Prague branch. Mr Polka gradually held the positions of the acting head of the Plzeň branch, head of the Group's largest branch in Prague as well as the head of the entire Client Service Department. Since April 2006, he has been head of the Group's Client Division. On 1 April 2006 he became a member of the Board of Directors of Fio, družstevní záložna and on 3 May 2010 Chairman of the Board of Directors of Fio, družstevní záložna. His key responsibilities as head of the Client Service Department predominantly involved ensuring proper operation of branches, managing customer relations and product range administration. Since 24 September 2014, Mr Polka has been Director of the Company's Credit Division. He has been a member of the Board of Directors of the Company since 25 March 2015.

G. Persons Responsible for the Annual Report

Jan Sochor, birth certificate no. 690222/0050, residing at Prague 1, Opletalova 30, Postal Code 110 00, Chairman of the Board of Directors of Fio banka, a.s., holds responsibility for the annual report.

The financial statements were audited by:

Deloitte Audit s.r.o., corporate ID: 49620592, Karolinská 654/2, Prague 8.

In Prague on 27 April 2018


Jan Sochor
Chairman of the Board of Directors


Josef Valter
Member of the Board of Directors

II. Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fio banka, a.s.

Having its registered office at: Praha 1, V Celnici 1028/10, 11721

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fio banka, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2017, and the profit and loss account, statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Fio banka, a.s. as of 31 December 2017, and of its financial performance for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | Related audit procedures |
|---|---|
| Provisions for amounts due from clients | |
| (Notes 3.5 and 4.4. to the Financial Statements) | |
| As of 31 December 2017, gross amounts due from clients (hereinafter "loans") were CZK 13,674,364 thousand against which provisions for loans (hereinafter "provisions") of CZK 527,450 thousand were recorded. The directors exercise significant judgment when determining both when and how much to record as provisions. | We evaluated whether internal policies for recognising provisions for loans are set. |
| Loans are assessed in terms of recovery. Based on this assessment, individual loans are provided for. | <u>Testing of internal controls</u> |
| The Company categorises its loans in line with the CNB's Regulation No. 163/2014 Coll., as amended. In determining the loan impairment loss, the Company uses coefficients, ie it | We tested the design and operating effectiveness of the key internal controls to determine which loans are impaired and provisions for those assets. Our procedures included testing: |
| | <ul style="list-style-type: none"> • System-based and manual controls over the timely recognition of provisions for loans; • Controls over the provision calculation and recording; • Controls over collateral valuation estimate; • The governance process of management validation of provision calculations; and |

| Key audit matter | Related audit procedures |
|--|---|
| <p>multiplies the difference between the loan principal increased by accrued interest and fees and underlying collateral by the coefficient. The Company recognises a provision for each loan impairment loss. The Company determines the impairment loss on the same basis for compliance with prudential business rules and for accounting and financial reporting purposes.</p> <p>The Company always assesses loans individually, no portfolio provisions are recorded.</p> <p>Because of the significance of these judgements and the size of loans, the audit of provisions is a key audit matter.</p> | <ul style="list-style-type: none"> IT controls relating to access rights and change management of relevant IT applications with the assistance of our IT specialists. <p><u>Identification of impaired loans</u></p> <p>We tested a sample of loans (including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment events had occurred and to assess whether a provision had been identified in a timely manner.</p> <p><u>Provisions for loans</u></p> <p>The Company assesses all loans on an individual basis, no portfolio provisions are recorded.</p> <p>We selected a sample of loans and, where we deemed them to be impaired, tested the amount of provisions recorded by the Company in terms of loan categorisation, expected recovery and collateral held. In some cases, we used our own industry experts, particularly in respect of commercial real estate, to assess the appropriateness of valuations and estimates used by the Company. Where we determined that a more appropriate assumption or input in provision measurement could be made, we recalculated the provision on that basis and compared the results in order to evaluate management estimate.</p> <p>We performed analytical procedures and benchmarking.</p> |
| <p>Interest and fee income recognition</p> <p>(Notes 3.11, 4.17 and 4.18 to the Financial Statements)</p> <p>For the year ended 31 December 2017 the interest income and similar income amounted to CZK 627,744 thousand. Total fee and commission income for the same period amounted to CZK 549,917 thousand. With the main source being provided loans, client deposits and client transactions, these are the main contributors to the income of the Company affecting the profitability.</p> <p>Interest income and fee income are recognised in the profit and loss account in the period to which they relate on an accrual basis. Loan interest is accrued on a daily basis. Fees for services provided are recognised when the service is provided and are presented as fee and commission income. Fees for the execution of an act are recognised when the act has been completed and are presented as fee and commission income.</p> <p>Revenue recognition specifics, a high volume of individually small transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording resulted in this matter being identified as a key audit matter.</p> | <p>We tested the design and operating effectiveness of the key internal controls and focused on:</p> <ul style="list-style-type: none"> Assessment of interest/fees recognition; Interest/fee inputs on client loans and deposits, including authorisation of the changes in the interest and fee price list and authorisation of non-standard interest/fees; IT controls relating to access rights and change management of relevant IT applications with the assistance of our IT specialists; and We evaluated the accounting treatment performed by the Company in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard. <p>We focused our testing on challenging the correct classification of interest income and fee income.</p> <p>On a sample basis, we checked the correctness of the calculation of interest income for the main types of provided loans to assess the completeness and accuracy of data used for the calculation. We also reviewed the correctness of accounting for the main types of fees.</p> <p>We performed analytical procedures and benchmarking.</p> |

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the Financial Statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the Financial Statements is, in all material respects, consistent with the Financial Statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors, Supervisory Board and Audit Committee for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 23 January 2018 and our total uninterrupted engagement has lasted for 8 years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 27 April 2018 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

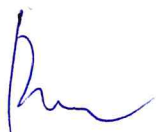
Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the annual report.

In Prague on 27 April 2018


Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

David Batal
registration no. 2147



III. Financial Statements for the Year Ended 31 December 2017

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Name of the Company: Fio banka, a.s.
Registered Office: V Celnici 1028/10, 117 21 Praha 1
Legal Status: Joint Stock Company
Corporate ID: 618 58 374

Components of the Financial Statements:

Balance Sheet

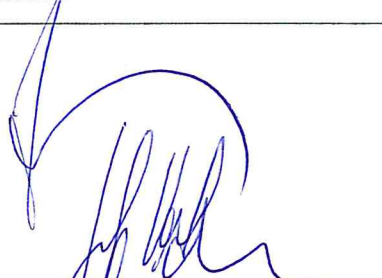
Profit and Loss Account

Off Balance Sheet Accounts

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 27 April 2018.

| Statutory body of the reporting entity: | Signature |
|--|--|
| Jan Sochor Chairman of the Board of Directors |  |
| Josef Valter Member of the Board of Directors | |

Fio banka, a.s.

| Balance sheet as of 31 December 2017 in CZK thousand | | | Current period | | | Prior period |
|---|--|------|----------------|------------|-------------|--------------|
| No. | Description | Line | Gross | Adjustment | Net | Net |
| 1. | Cash in hand and balances with central banks | 1 | 86 779 607 | 0 | 86 779 607 | 58 841 992 |
| 2. | State zero-coupon bonds and other securities eligible for refinancing with the CNB | 2 | 0 | 0 | 0 | 0 |
| 2.a) | State securities | 3 | 0 | 0 | 0 | 0 |
| 2.b) | Other | 4 | 0 | 0 | 0 | 0 |
| 3. | Amounts due from banks and cooperative credit unions | 5 | 2 063 513 | 0 | 2 063 513 | 1 454 128 |
| 3.a) | Repayable on demand | 6 | 1 754 419 | 0 | 1 754 419 | 1 333 628 |
| 3.b) | Other receivables | 7 | 309 094 | 0 | 309 094 | 120 500 |
| 4. | Amounts due from clients | 8 | 13 674 364 | 527 450 | 13 146 914 | 13 801 282 |
| 4.a) | Repayable on demand | 9 | 413 693 | 86 876 | 326 817 | 235 166 |
| 4.b) | Other receivables | 10 | 13 260 671 | 440 574 | 12 820 097 | 13 566 116 |
| 5. | Debt securities | 11 | 4 405 540 | 0 | 4 405 540 | 4 996 478 |
| 5.a) | Issued by Government institutions | 12 | 4 343 354 | 0 | 4 343 354 | 4 929 636 |
| 5.b) | Issued by other entities | 13 | 62 186 | 0 | 62 186 | 66 842 |
| 6. | Shares, share certificates and other equity investments | 14 | 20 236 | 0 | 20 236 | 16 757 |
| 7. | Participation interests with substantial influence | 15 | 0 | 0 | 0 | 0 |
| | of which: in banks | 16 | 0 | 0 | 0 | 0 |
| 8. | Participation interests with controlling influence | 17 | 154 778 | 0 | 154 778 | 198 531 |
| | of which: in banks | 18 | 0 | 0 | 0 | 0 |
| 9. | Intangible fixed assets | 19 | 29 188 | 25 492 | 3 696 | 5 604 |
| 9.a) | Start-up costs | 20 | 0 | 0 | 0 | 0 |
| 9.b) | Goodwill | 21 | -1 143 | -816 | -327 | -505 |
| 10. | Tangible fixed assets | 22 | 45 735 | 31 989 | 13 746 | 12 180 |
| | Land and buildings for operating activities | 23 | 0 | 0 | 0 | 0 |
| 11. | Other assets | 24 | 963 761 | 208 | 963 553 | 1 143 337 |
| 12. | Receivables for subscribed capital | 25 | 0 | 0 | 0 | 0 |
| 13. | Prepayments and accrued income | 26 | 21 974 | 0 | 21 974 | 9 703 |
| | TOTAL ASSETS | 27 | 108 158 696 | 585 139 | 107 573 557 | 80 479 992 |
| 1. | Amounts owed to banks and cooperative credit unions | 28 | | | 172 892 | 171 668 |
| 1.a) | Repayable on demand | 29 | | | 160 391 | 151 618 |
| 1.b) | Other payables | 30 | | | 12 501 | 20 050 |
| 2. | Amounts owed to clients | 31 | | | 103 710 721 | 77 876 184 |
| 2.a) | Repayable on demand | 32 | | | 99 697 354 | 73 564 344 |
| 2.b) | Other payables | 33 | | | 4 013 367 | 4 311 840 |
| 3. | Payables from debt securities | 34 | | | 0 | 0 |
| 3.a) | Issued debt securities | 35 | | | 0 | 0 |
| 3.b) | Other payables from debt securities | 36 | | | 0 | 0 |
| 4. | Other liabilities | 37 | | | 1 772 212 | 1 050 418 |
| 5. | Deferred income and accrued expenses | 38 | | | 0 | 0 |
| 6. | Reserves | 39 | | | 168 723 | 40 579 |
| 6.a) | Reserves for pensions and similar liabilities | 40 | | | 0 | 0 |
| 6.b) | Reserves for taxes | 41 | | | 87 122 | 39 261 |
| 6.c) | Other reserves | 42 | | | 81 601 | 1 318 |
| 7. | Subordinated liabilities | 43 | | | 90 000 | 90 000 |
| 8. | Share capital | 44 | | | 760 000 | 760 000 |
| 8.a) | Share capital paid up | 45 | | | 760 000 | 760 000 |
| 8.b) | Treasury shares | 46 | | | 0 | 0 |
| 8.c) | Changes in share capital | 47 | | | 0 | 0 |
| 9. | Share premium | 48 | | | 0 | 0 |
| 10. | Reserve funds and other funds from profit | 49 | | | 0 | 0 |
| 11.a) | Mandatory reserve funds and risk funds | 50 | | | 0 | 0 |
| 11.c) | Other reserve funds | 51 | | | 0 | 0 |
| 11.d) | Other funds from profit | 52 | | | 0 | 0 |
| 11. | Revaluation reserve | 53 | | | 0 | 0 |
| 12. | Capital funds | 54 | | | 0 | 0 |
| 13. | Gains or losses from revaluation of | 55 | | | 16 309 | 16 657 |
| 13.a) | Assets and liabilities | 56 | | | 16 309 | 16 657 |
| 13.b) | Hedging derivative instruments | 57 | | | 0 | 0 |
| 13.c) | Retranslation of equity holdings | 58 | | | 0 | 0 |
| 14. | Retained earnings or accumulated losses brought forward | 59 | | | 474 486 | 296 030 |
| 15. | Profit/(loss) for the period | 60 | | | 408 214 | 178 456 |
| | TOTAL LIABILITIES | 61 | | | 107 573 557 | 80 479 992 |

Profit and loss account for the year ended 31 December 2017
in CZK thousand

| No. | Description | Line No. | Current period | Prior period |
|--------|---|----------|----------------|--------------|
| 1. | <i>Interest income and similar income</i> | PL1 | 627 744 | 504 415 |
| | Interest income from debt securities | PL2 | 39 743 | 91 989 |
| 2. | <i>Interest expense and similar expense</i> | PL3 | 66 620 | 73 533 |
| | Interest expense from debt securities | PL4 | 374 | 6 883 |
| 3. | <i>Income from shares and participation interests</i> | PL5 | 131 | 48 381 |
| 3.a. | Income from participation interests with substantial influence | PL6 | 0 | 0 |
| 3.b. | Income from participation interests with control. influence | PL7 | 0 | 0 |
| 3.c. | Income from other shares and participation interests | PL8 | 131 | 48 381 |
| 4. | <i>Commission and fee income</i> | PL9 | 549 917 | 404 507 |
| 5. | <i>Commission and fee expense</i> | PL10 | 193 060 | 151 196 |
| 6. | <i>Net profit or loss on financial operations</i> | PL11 | 613 232 | 440 425 |
| 7. | <i>Other operating income</i> | PL12 | 18 637 | 10 360 |
| 8. | <i>Other operating expenses</i> | PL13 | 57 010 | 45 134 |
| 9. | <i>Administrative expenses</i> | PL14 | 612 884 | 535 138 |
| 9.a. | Staff costs | PL15 | 32 333 | 29 224 |
| 9.a.1. | of which: social security and health insurance | PL16 | 8 011 | 7 289 |
| 9.b. | Other administrative expenses | PL17 | 580 551 | 505 914 |
| 10. | <i>Release of reserves and provisions for tangible and intangible fixed assets</i> | PL18 | 0 | 0 |
| 11. | Depreciation/amortisation, charge for and use of reserves and provisions for tangible and intangible fixed assets | PL19 | 8 622 | 6 921 |
| 12. | Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off | PL20 | 0 | 0 |
| 13. | Write-offs, charge for and use of provisions and reserves for receivables and guarantees | PL21 | 312 562 | 379 189 |
| 14. | Release of provisions for participation interests | PL22 | 0 | 0 |
| 15. | Loss on the transfer of participation interests, charge for and use of provisions for participation interests | PL23 | 0 | 0 |
| 16. | Release of other reserves | PL24 | 0 | 0 |
| 17. | Charge for and use of other reserves | PL25 | 80 000 | 0 |
| 18. | Share of profits/(losses) of subsidiaries and associates | PL26 | 1 994 | 639 |
| 19. | <i>Profit/(loss) for the period from ordinary activities before taxes</i> | PL27 | 480 897 | 217 616 |
| 20. | <i>Extraordinary income</i> | PL28 | 0 | 0 |
| 21. | <i>Extraordinary expenses</i> | PL29 | 0 | 0 |
| 22. | <i>Profit/(loss) for the period from extraordinary activities before taxes</i> | PL30 | 0 | 0 |
| 23. | <i>Income tax</i> | PL31 | 72 683 | 39 160 |
| 24. | <i>Net profit/(loss) for the period</i> | PL32 | 408 214 | 178 456 |

Off balance sheet accounts as of 31 December 2017
in CZK thousand

| No. | Description | Current period | Prior period |
|-----|---|----------------|--------------|
| 1. | Issued commitments and guarantees | 25 118 943 | 20 994 799 |
| 2. | Provided collateral | | |
| 3. | Amounts due from spot transactions | | |
| 4. | Amounts due from term transactions | 18 253 430 | 10 397 803 |
| 5. | Amounts due from option transactions | | |
| 6. | Receivables written off | | |
| 7. | Assets provided into custody, administration and safe-keeping | | |
| 8. | Assets provided for management | | |
| 9. | Accepted commitments and guarantees | | |
| 10. | Received pledges and collateral | 89 772 204 | 48 239 802 |
| 11. | Amounts owed from spot transactions | | |
| 12. | Amounts owed from term transactions | 18 684 490 | 10 385 783 |
| 13. | Amounts owed from option transactions | | |
| 14. | Assets received into custody, administration and safe-keeping | 40 325 747 | 36 645 692 |
| 15. | Assets received for management | 78 977 | 82 571 |

STATEMENT OF CHANGES IN EQUITY
in CZK thousand

| | Share capital | Reserve funds | Valuation gains or losses | Retained earnings/ (loss) brought forward | Profit or loss in the approval process | Profit (loss) for the period | Total |
|---|---------------|---------------|---------------------------|---|--|------------------------------|-----------|
| Balance at 1 January 2016 | 760 000 | 0 | 0 | 243 117 | 52 913 | | 1 056 030 |
| Changes in accounting policies | | | | | | | |
| Corrections of significant errors | | | | | | | |
| FX differences and valuation differences not included in profit or loss | | | 16 657 | | | 178 456 | |
| Net profit/loss for the period | | | | | | | |
| Dividends | | | | | | | |
| Transfers to funds | | | | | | | |
| Use of funds | | | | | | | |
| Issue of shares | | | | 52 913 | -52 913 | | |
| Share capital decrease | | | | | | | |
| Purchase of treasury shares | | | | | | | |
| Other changes | | | | | | | |
| Balance at 31 December 2016 | 760 000 | 0 | 16 657 | 296 030 | 0 | 178 456 | 1 251 143 |
| Balance at 1 January 2017 | 760 000 | 0 | 16 657 | 296 030 | 178 456 | | 1 251 143 |
| Changes in accounting policies | | | | | | | |
| Corrections of significant errors | | | | | | | |
| FX differences and valuation differences not included in profit or loss | | | -348 | | | | |
| Net profit/loss for the period | | | | | | | |
| Dividends | | | | | | | |
| Transfers to funds | | | | | | | |
| Use of funds | | | | | | | |
| Issue of shares | | | | 178 456 | -178 456 | 408 214 | |
| Share capital decrease | | | | | | | |
| Purchase of treasury shares | | | | | | | |
| Other changes | | | | | | | |
| Balance at 31 December 2017 | 760 000 | 0 | 16 309 | 474 486 | 0 | 408 214 | 1 659 009 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Name of the Company: Fio banka, a.s.
Registered Office: V Celnici 1028/10, 117 21 Prague 1
Legal status: Joint Stock Company
Corporate ID: 618 58 374

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1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

Fio banka, a.s. (hereinafter the "Company" or the "Bank") was formed by a single Memorandum of Association on 20 June 1994 (under the former name Fio, burzovní společnost, a.s.) and was incorporated following its registration in the Register of Companies in Prague on 31 August 1994.

The Company's business activity is in line with the provisions of Banking Act No. 21/1992 Coll., as amended, and the licence granted by the Czech National Bank. The subject of the Company's business activity involves:

- Undertaking the activities listed in Section 1 (1) of the Banking Act as follows:

- a) Acceptance of deposits from the general public;
- b) Extension of credit; and

- Undertaking the activities listed in Section 1 (3) of the Banking Act as follows:

- a) Investing in securities on the Company's own account;
- b) Finance lease;
- c) Payments and clearing;
- d) Issuance and administration of payment facilities, eg credit cards and traveller's cheques;
- e) Issuance of guarantees;
- f) Opening of letters of credit;
- g) Collection services;
- h) Provision of investment services within the scope of principal investment services

Within the scope of principal investment services including:

- Under Section 4 (2) (a) of the Capital Market Undertaking Act No. 256/2004 Coll., as amended (hereinafter referred to as the "Capital Market Undertaking Act"), receipt and provision of instructions relating to investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (b) of the Capital Market Undertaking Act, performance of instructions relating to investment instruments to a customer's account, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (c) of the Capital Market Undertaking Act, proprietary trading with investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (d) of the Capital Market Undertaking Act, discretionary management of individual portfolios under a contractual arrangement with the client if this portfolio includes defined investment instruments, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (2) (e) of the Capital Market Undertaking Act, investment advisory concerning investment tools, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (2) (g) of the Capital Market Undertaking Act, underwriting of investment instruments or their placement with the obligation to issue, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (2) (h) of the Capital Market Undertaking Act, underwriting of investment instruments issues or their placement without the obligation to issue, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;

and within the scope of additional investment services

- Under Section 4 (3) (a) of the Capital Market Undertaking Act, custody and administration of investment tools including related services, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (3) (b) of the Capital Market Undertaking Act, provision of loans or borrowings to clients so as to facilitate trading with the investment tool in which the loan or borrowing provider participates, in respect of investment instruments as defined in Section 3 (1) (a), (b) of the Capital Market Undertaking Act;
- Under Section 4 (3) (c) of the Capital Market Undertaking Act, provision of advisory services related to the capital structure, industrial strategies and related issues, as well as provision of advisory services and services related to the transformation or transfers of companies;
- Under Section 4 (3) (d) of the Capital Market Undertaking Act, provision of investment recommendation and analyses of investment opportunities or similar general recommendation related to investment tool trading, in respect of investment instruments as defined in Section 3 (1) (a), (b) and (d) through (k) of the Capital Market Undertaking Act;
- Under Section 4 (3) (e) of the Capital Market Undertaking Act, execution of foreign exchange operations related to the provision of investment services;
 - i) Financial brokerage;
 - k) Foreign exchange services;
 - l) Provision of banking information;
 - m) Proprietary trading or trading on a client's account with foreign currencies and gold;
 - n) Rental of safe-deposit boxes; and
 - o) Activities that directly relate to the activities in the banking licence.

| | |
|--|----------------------|
| Company's share capital: | CZK 760,000 thousand |
| Balance sheet date: | 31 December 2017 |
| Financial statements prepared on: | 23 April 2018 |
| Accounting period: | Calendar year |
| Currency used in the financial statements: | Czech crown (CZK) |

The following table shows individuals and legal entities with an equity interest greater than 20 percent and the amount of their equity interest:

| Shareholder | Ownership percentage |
|--|----------------------|
| Fio holding, a.s., V Celnici 1028/10, Postal Code 117 21, Prague 1 | 100% |
| Total | 100% |

On 31 October 2014, the Company, by means of its organisational branch Fio banka, a.s., pobočka zahraničnej banky (established in Slovakia) acquired part of the business of Fio o.c.p., a.s., in line with the decisions of the Czech National Bank dated 8 October 2014, the National Bank of Slovakia dated 9 October 2014 as well as the decision of the sole shareholder of Fio o.c.p., a.s. dated 31 October 2014, whereby the sole shareholder (the Company) acting in the capacity of the General Meeting approved concluding the respective Contract for the sale of part of business. On 24 August 2017, the Contract on transferring the shares of Fio o.c.p. was concluded based on which a 100% equity investment in Fio o.c.p. was transferred. This fact is reflected in Note 4.7.

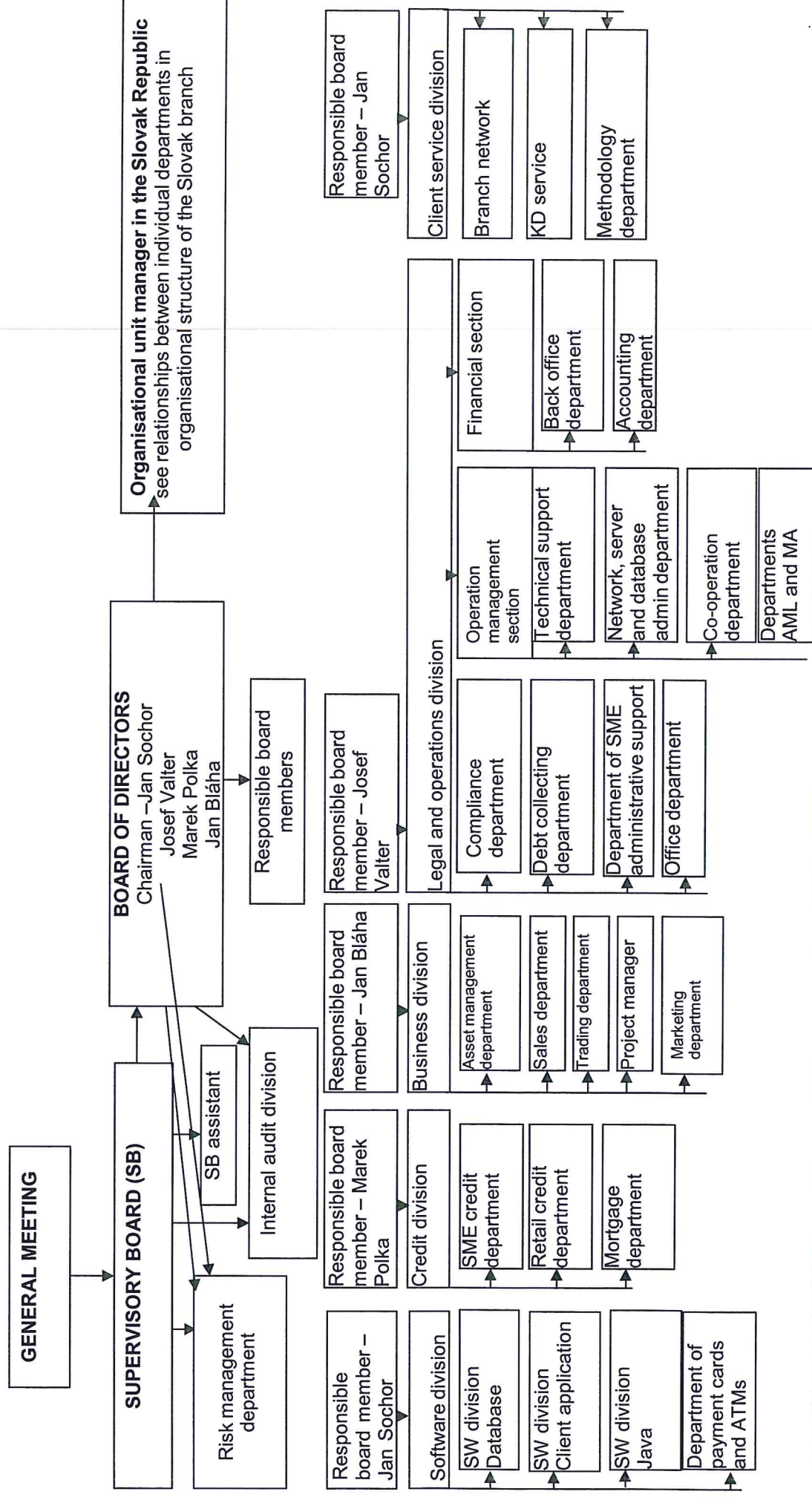
1.2. Year-on-Year Changes and Amendments to the Register of Companies

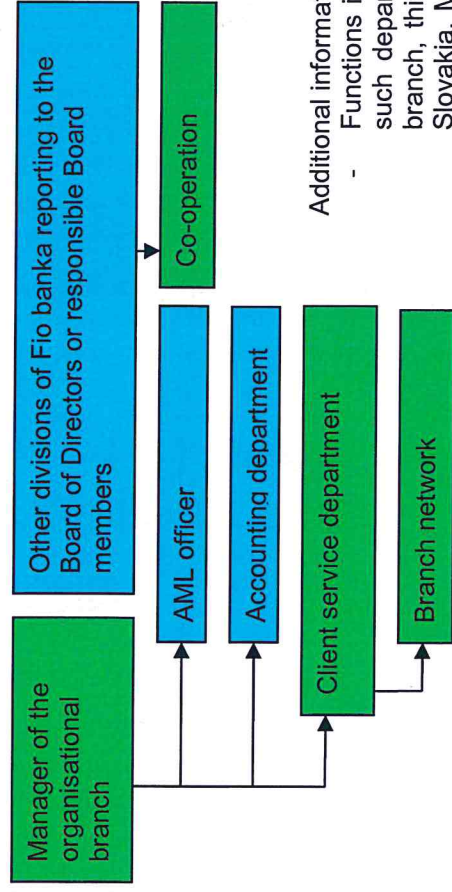
In the year ended 31 December 2017, **no changes were made** in the Register of Companies held by the Municipal Court in Prague in respect of Fio banka, a.s.

In the year ended 31 December 2017, no changes were made in the Register of Companies of Slovakia held by the District Court in Bratislava I in respect of the principal activity Fio banka, a.s. pobočka zahraničnej banky. However, a change in the manner of acting and staffing of the statutory body was recorded (the change was only made to ensure compliance with the information recorded in the Czech Register of Companies).

1.3. Organisational Structure

1.3.1. Fio banka, a.s.



1.3.2. Fio banka, a.s., pobočka zahraničnej banky**Additional information:**

- Functions in blue boxes are managed centrally from the Czech Republic. If such department or function reports to the manager of the organisational branch, this relation only applies to the activities of the foreign branch in Slovakia. More detailed specification of "other divisions" is disclosed in the current organisational structure of Fio banka, a.s.
- Functions in green boxes are performed directly in the Slovak Republic.

1.4. Group Identification

The Company is part of the Fio financial group.

1.5. Board of Directors and Supervisory Board

| | Function | Name |
|---------------------------|-----------------|---------------|
| Board of Directors | Chairman | Jan Sochor |
| | Member | Josef Valter |
| | Member | Jan Bláha |
| | Member | Marek Polka |
| Supervisory Board | Chairman | Petr Marsa |
| | Vice-chairman | Romuald Kopún |
| | Member | Ján Franek |

Acting on behalf of the Company by the Board of Directors is performed jointly by the Chairman and Vice-chairman or by the Vice-chairman and another Vice-chairman or by the Chairman with a Board member or by the Vice-chairman with a Board member.

2. PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended; Regulation 501/2002 Coll., which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are financial institutions maintaining double-entry accounting records, as amended; and Czech Accounting Standards for financial institutions, as amended.

The financial statements have been prepared in compliance with the accruals principle whereby transactions and other facts are recognised when they arise and accounted for in the period to which they relate. The financial statements have been prepared on a historical cost valuation basis, which is modified following the revaluation of financial instruments for trading. Assets which are not remeasured to fair value are reported in net recoverable amount. The accounting records adhere to the prudence concept and the going concern assumption.

The presentation of financial statements requires management of the Company to make estimates and assumptions that affect the amounts of assets and liabilities and contingent assets and liabilities reported at the date of the financial statements and the amounts of revenues and expenses reported in the relevant reporting period. These estimates are based on the information available at the balance sheet date and may differ from actual results.

These financial statements are presented in thousands of Czech crowns (CZK '000).

The financial statements have been prepared as of 31 December 2017.

These financial statements are unconsolidated.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of the financial statements are set out below.

3.1. Recognition Date

The date of the recognition of individual transactions is principally the date of payment or receipt of cash, the day of purchase or sale of foreign currencies/securities, the date on which a payment is made or an amount is collected from the client's account, the day of issuing an order to the correspondent to make a payment, the day of settlement of the Company's orders with the CNB Clearing Centre, the day on which funds are credited according to a report from the Company's correspondent ('a report' is taken to mean a report in SWIFT, a bank notice, medium take-over, account statement, or other documents as appropriate), the trade date and the settlement date relating to transactions with securities, foreign currencies, options or other derivatives, the date of issuance or acceptance of a guarantee or loan commitment, and the date of accepting assets into custody.

The Company derecognises a financial asset from its balance sheet when it loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). The Company loses such control if it realises the rights to benefits specified in the contract, the rights expire, or the Company surrenders those rights.

3.2. Debt Securities, Shares, Share Certificates and Other Equity Investments

State treasury bills, bonds and other debt securities and shares including share certificates and other equity investments are included, in line with the Company's intention, in the portfolio of securities held to maturity or for trading (securities at fair value through profit or loss). The "held to maturity" portfolio may only be composed of debt securities.

Debt securities and shares, share certificates and other equity investments for trading are measured at fair value and the profit/loss from the remeasurement is presented in the profit and loss account in the line 'Net profit or loss on financial operations'.

Fair value used for the remeasurement of securities is defined as the market price promulgated at the fair value measurement date if the Company demonstrates that those securities may be sold for the market price.

The fair value of publically traded debt securities and equity securities is equal to the prices on public markets in the OECD countries, provided that the requirements for securities liquidity have been met.

Repo transactions (ie the sales of securities with a concurrent commitment to repurchase these securities at an agreed-upon price) or reverse repo transactions (ie the purchase of securities with a concurrent commitment to resell these securities) are accounted for as collateralised loans received or provided. The ownership title to securities is passed to the entity providing the loan. Securities transferred within repo transactions continue to be presented as part of securities in the relevant lines of the Company's balance sheet and the amount obtained as a result of transferring securities within repo transactions is recognised under 'Amounts owed to banks' or 'Amounts owed to clients'. Securities received within reverse repo transactions are only presented in off-balance sheet accounts in the line 'Received pledges and collateral'. The loan granted within reverse repo transaction is presented in the line 'Amounts due from banks' or 'Amounts due from clients'. The interest on debt securities transferred within repo transactions is accrued, as opposed to the interest on debt securities obtained within reverse repo transactions.

Income or expense arising from repo transactions or reverse repo transactions as the difference between the selling and purchase price is accrued over the term of the transaction and recorded in 'Interest income and similar income' or 'Interest expense and similar expense' in the profit and loss account.

Upon the initial classification in the portfolio of securities available for sale, securities are remeasured against equity accounts, gains or losses from remeasurement.

3.3. Transactions with Securities on behalf of Clients

Securities received by the Company into custody, administration or safe-keeping are recorded at market value and reported within the off balance sheet line 'Assets received into custody, administration and safe-keeping'.

Securities received by the Company for management are recorded at market value and reported within the off balance sheet line 'Assets received for management'. On the balance sheet, liabilities include the Company's payables to clients arising principally from cash received to purchase securities, cash to be refunded to the client, etc.

3.4. Participation Interests with Controlling or Substantial Influence

Participation interests with controlling influence refer to investments in an entity in which the Company is a majority shareholder. In such a case, the Company has controlling influence on the entity's management, exercising full control over its activity. The influence is based on the ownership percentage or an agreement or the Articles regardless of the participation interest value.

Participation interests with substantial influence refer to investments in an entity in which the Company has ownership percentage (participation) of at least 20%. In such a case, the Company has substantial influence on the entity's management arising from ownership percentage or an agreement or the Articles regardless of the participation interest value.

Participation interests with controlling and substantial influence are recorded at acquisition cost which also includes direct costs related to the acquisition. At the balance sheet date, the Company measures participation interests using the equity method of accounting. The equity investment recognised at cost on acquisition is revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity.

3.5. Amounts due from Banks and Clients

Amounts due from banks and clients are carried at amounts net of provisions. Accrued interest income is included in the carrying amount of these receivables.

Receivables are regularly reviewed for recoverability. Based on such reviews, provisions are created against individual receivables. Receivables charged to expenses are recognised in the line 'Write-offs, charge for, and use of provisions and reserves for receivables and guarantees' in the analytical records for the purpose of calculating tax liability.

The write-off of unrecoverable receivables is presented in the line 'Write-offs, charge for, and use of provisions and reserves for receivables and guarantees'. Recoveries on receivables previously written off are included in the line 'Release of provisions and reserves for receivables and guarantees, recoveries of receivables assigned and recoveries of receivables previously written off'.

The Company recognises provisions against receivables from clients. The Company classifies receivables from clients in line with Regulation of the Czech National Bank No. 163/2014 Coll., as amended. The impairment loss of a receivable is determined by way of coefficients; this means that the difference between the principal of the receivable increased by the accrued interest and the collateral of the relevant receivable is multiplied by the coefficient defined in the Regulation. Provisions against each impairment loss are created by the Company. The Company determines the amount of impairment loss by applying the same prudence concept as in the maintenance of accounting records and preparation of the financial statements.

Default interest on receivables is presented in off-balance sheet accounts.

3.6. Charge for Reserves

Reserves represent a probable performance which is uncertain as to the date on which it will arise and as to its amount. The Bank recognises a reserve when:

- It has a present performance obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation whereby "probable" refers to the probability of more than 50 percent; and
- A reliable estimate as to the amount of the obligation can be made.

3.7. Tangible and Intangible Assets

Tangible and intangible assets are recognised at historical cost and depreciated over the estimated useful life using the straight-line method.

| | Depreciation method | Number of months |
|---|---------------------|------------------|
| Intangible outcomes of research and development | Straight-line | 36 |
| Software | Straight-line | 36 |
| Technical improvements on buildings | Straight-line | 108 |
| Computer systems | Straight-line | 36 |
| Vehicles | Straight-line | 36 |
| Furniture and fixtures | Straight-line | 36 |
| Other | Straight-line | 36-120 |

Intangible assets with an acquisition cost lower than CZK 60 thousand and tangible assets with an acquisition cost greater than CZK 40 thousand and with useful life not exceeding one year are expensed in the period in which they were acquired.

3.8. Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in the local currency at the exchange rate prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies and foreign exchange spot transactions before their due dates are translated into the local currency at the exchange rate of the Czech National Bank prevailing on the balance sheet date.

The resulting gain or loss arising from the translation of assets and liabilities denominated in foreign currencies, except for participation interests in foreign currencies, is presented in the profit and loss account line 'Net profit or loss on financial operations'.

3.9. Financial Derivatives

All financial derivatives are recorded by the Company as derivatives for trading.

Financial derivatives held for trading are recorded at fair value and the profit (loss) from the changes in fair value is presented in the profit and loss account line 'Net profit or loss on financial operations'.

3.10. Taxation

The income tax base is calculated using the operating result of the current period increased by tax non-deductible expenses and net of income that is not subject to the income tax which is further adjusted by tax relief and tax credit, if any. Tax receivables and payables are calculated using the tax rate effective at the year-end and recognised in the amount of the estimated payment to be made to the relevant tax authority.

Deferred tax is based on all temporary differences between the carrying and tax values of assets and liabilities using the anticipated tax rate effective for the subsequent period. Deferred tax assets are only recognised and accounted for if no doubt exists as to their recovery in the following reporting periods.

3.11. Interest Income and Expense

Interest income and expense is presented in the profit and loss account when earned or incurred, on an accruals basis. Interest on loans and deposits is accrued on a daily basis. Interest income and expense also involve a discount or a bonus, or other differences between the acquisition cost of the interest-bearing instrument and its value at the maturity date which is determined using the effective interest rate method.

The accruals principle does not apply to default interest on distressed receivables.

3.12. Use of Estimates

The presentation of financial statements in line with Czech Accounting Standards requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, the information disclosed on contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period.

These estimates, which predominantly involve determining the fair value of financial instruments, measurement of intangible assets, impairment of assets and reserves, are based on the information available at the balance sheet date.

Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it.

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

4.1. Cash in Hand and Balances with Central Banks

| | (CZK '000) | |
|--|-------------------|-------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Cash in hand | 200 942 | 126 827 |
| Accounts at central banks | 1 738 629 | 20 081 873 |
| Loans provided – reverse repo transactions | 83 805 939 | 38 000 509 |
| Cash in ATMs | 1 034 097 | 632 783 |
| Total | 86 779 607 | 58 841 992 |

As of 31 December 2017, loans arising from reverse repo transactions were secured by debt securities in the amount of CZK 79,879,337 thousand (CZK 36,935,280 thousand as of 31 December 2016).

4.2. State Zero-coupon Bonds and Other Securities Eligible for Refinancing with the ČNB

As of 31 December 2016 and 31 December 2017, the Company held no state treasury bills.

4.3. Amounts Due from Banks and Cooperative Credit Unions

| | (CZK '000) | |
|---|------------------|------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Current accounts | 1 754 419 | 1 333 628 |
| Term deposits | 309 094 | 120 500 |
| Total amounts due from banks and cooperative credit unions | 2 063 513 | 1 454 128 |

To provide a more accurate presentation, a year-on-year change in the recognition of cashless money in transit was made as of 31 December 2017 in the amount of CZK 203,456 thousand; this item is recognised under 'Other amounts due from banks and cooperative credit unions' instead of 'Other assets'.

4.4. Amounts Due from Clients

By contractual maturity

| | (CZK '000) | |
|---------------------------------------|-------------------|-------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Short-term loans | 6 145 909 | 8 022 497 |
| Medium-term loans | 1 029 271 | 1 036 356 |
| Long-term loans | 5 971 734 | 4 742 429 |
| Total amounts due from clients | 13 146 914 | 13 801 282 |

By territory

| | (CZK '000) | |
|---------------------------------------|-------------------|-------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Czech Republic | 11 162 652 | 12 157 349 |
| Slovakia | 1 907 389 | 1 556 481 |
| Other countries | 76 873 | 87 452 |
| Total amounts due from clients | 13 146 914 | 13 801 282 |

By type of client

| | (CZK '000) | |
|---------------------------------------|-------------------|-------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Individuals | 5 370 436 | 4 465 391 |
| Legal entities | 7 776 478 | 9 335 891 |
| Total amounts due from clients | 13 146 914 | 13 801 282 |

By segment

| | (CZK '000) | |
|---------------------------------------|-------------------|-------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Households | 5 306 936 | 4 423 299 |
| Real estate | 1 992 992 | 1 695 967 |
| Finance | 260 806 | 2 908 535 |
| Other personal services | 1 375 124 | 1 154 454 |
| Sundry | 4 211 056 | 3 619 027 |
| Total amounts due from clients | 13 146 914 | 13 801 282 |

By classification2017

| | (CZK '000) | | |
|---------------------------------------|-------------------|----------------|-------------------|
| | 31 Dec 2017 | | |
| | Gross | Provision | Net |
| Standard | 11 411 684 | 0 | 11 411 684 |
| Watch | 652 898 | 559 | 652 339 |
| Non-standard | 673 336 | 60 253 | 613 083 |
| Doubtful | 390 076 | 91 085 | 298 991 |
| Loss-making | 546 370 | 375 553 | 170 817 |
| Total amounts due from clients | 13 674 364 | 527 450 | 13 146 914 |

2016

| | (CZK '000) | | |
|---------------------------------------|-------------------|----------------|-------------------|
| | 31 Dec 2016 | | |
| | Gross | Provision | Net |
| Standard | 12 166 802 | 0 | 12 166 802 |
| Watch | 457 070 | 384 | 456 686 |
| Non-standard | 1 011 439 | 44 985 | 966 454 |
| Doubtful | 163 779 | 13 425 | 150 354 |
| Loss-making | 217 381 | 156 394 | 60 987 |
| Total amounts due from clients | 14 016 471 | 215 189 | 13 801 282 |

Amounts due from clients are secured by real estate, movable property, securities, receivables from third parties, state guarantees etc in the aggregate amount of CZK 9,892,867 thousand as of 31 December 2017 (31 December 2016: CZK 11,596,220 thousand).

During 2017, the Company released provisions against receivables from clients in the amount of CZK 105,354 thousand and created provisions against receivables from clients in the amount of CZK 417,615 thousand.

4.5. Debt Securities

| | (CZK '000) | |
|---|------------------|------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Non-government bonds in the trading portfolio | 21 498 | 26 158 |
| Government bonds held to maturity | 4 343 354 | 4 929 636 |
| Non-government bonds held to maturity | 40 688 | 40 684 |
| Total debt securities | 4 405 540 | 4 996 478 |

Debt securities in the Company's portfolio were issued predominantly in the Czech Republic.

4.6. Shares, Share Certificates and Other Equity Investments

As of 31 December 2017, the Company holds in its available-for-sale securities portfolio 100 shares of Burza cenných papírů Praha, a.s. with the carrying value of CZK 100 thousand (31 December 2016: CZK 100 thousand) and 597 preference shares of VISA Inc with the carrying value of CZK 20,136 thousand (31 December 2016: CZK 16,657 thousand). The shares of VISA Inc. were obtained by the Company as part of a transformation of VISA Europe in 2016.

Upon initial classification in the portfolio of securities available for sale, securities are remeasured against equity accounts, gains or losses from revaluation.

4.7. Participation Interests with Substantial Influence

2017

| (CZK '000) | | | | | |
|--|---|------------------|----------------------|--------------------|--------------------------|
| Name of the company | Registered office | Acquisition cost | Ownership percentage | Voting rights in % | Valuation at 31 Dec 2017 |
| RM-SYSTÉM, česká burza cenných papírů a.s. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 31 705 | 100 | 100 | 31 235 |
| RM-S FINANCE, s.r.o. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 991 | 100 | 100 | 592 |
| Družstevní záložna PSD | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 58 744 | 73,4 | 73,4 | 102 082 |
| Fio forexová, s.r.o. | Prague 1, V Celnici 1028/10 Postal Code 117 21 | 210 | 100 | 100 | 869 |
| Fio investiční společnost, a.s. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 20 000 | 100 | 100 | 20 000 |
| Total | | 111 650 | | | 154 778 |

2016

| (CZK '000) | | | | | |
|--|---|------------------|----------------------|--------------------|--------------------------|
| Name of the company | Registered office | Acquisition cost | Ownership percentage | Voting rights in % | Valuation at 31 Dec 2016 |
| Spoločnosť Fio o.c.p., a.s. | Nám. SNP 21, 811 01 Bratislava | 59 257 | 100 | 100 | 45 747 |
| RM-SYSTÉM, česká burza cenných papírů a.s. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 31 705 | 100 | 100 | 30 741 |
| RM-S FINANCE, s.r.o. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 991 | 100 | 100 | 379 |
| Družstevní záložna PSD | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 58 744 | 73.4 | 73.4 | 101 105 |
| Fio forexová, s.r.o. | Prague 1, V Celnici 1028/10 Postal Code 117 21 | 210 | 100 | 100 | 559 |
| Fio investiční společnost, a.s. | Prague 1, V Celnici 1028/10, Postal Code 117 21 | 20 000 | 100 | 100 | 20 000 |
| Total | | 170 907 | | | 198 531 |

Upon acquisition, the Company recognises the acquired share or participation interest at cost. At the balance sheet date, the Company records participation interests at the value established using the equity method of accounting. The equity investment recognised at cost on acquisition is revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity. The revaluation difference at the balance sheet date is presented in the line 'Share of profits/(losses) of subsidiaries and associates'.

In the year ended 31 December 2016, the share capital in the amount of CZK 20,000 thousand was paid for the newly established Fio investiční společnost a.s. This entity was registered in the Register of Companies in 2018.

During the reporting period, the Company sold a 100% share in the registered capital of Fio o.c.p., a.s. based on the Contract on transferring shares dated 24 August 2017.

4.8. Fixed Assets

4.8.1. Intangible Fixed Assets (Intangible FA)

Cost

| | (CZK '000) | | | | | | |
|---------------------|---------------|--------------|-----------|---------------|------------|-----------|---------------|
| | 31 Dec 2015 | Additions | Disposals | 31 Dec 2016 | Additions | Disposals | 31 Dec 2017 |
| Software | 17 952 | 0 | 0 | 17 952 | 812 | 0 | 18 764 |
| Other intangible FA | 6 831 | 4 736 | 0 | 11 567 | 0 | 0 | 11 567 |
| Goodwill | -1 143 | 0 | 0 | -1 143 | 0 | 0 | -1 143 |
| Total | 23 640 | 4 736 | 0 | 28 376 | 812 | 0 | 29 188 |

Accumulated Amortisation

| | (CZK '000) | | | | | | |
|---------------------|---------------|--------------|-----------|---------------|--------------|-----------|---------------|
| | 31 Dec 2015 | Additions | Disposals | 31 Dec 2016 | Additions | Disposals | 31 Dec 2017 |
| Software | 17 895 | 57 | 0 | 17 952 | 0 | 0 | 17 952 |
| Other intangible FA | 3 406 | 2 052 | 0 | 5 458 | 2 898 | 0 | 8 356 |
| Goodwill | -459 | -179 | 0 | -638 | -178 | 0 | -816 |
| Total | 20 842 | 1 930 | 0 | 22 772 | 2 720 | 0 | 25 492 |

Net Book Value

| | (CZK '000) | | |
|---------------------|-------------|--------------|--------------|
| | 31 Dec 2016 | 31 Dec 2017 | |
| Software | | 0 | 812 |
| Other intangible FA | | 6 109 | 3 211 |
| Goodwill | | -505 | -327 |
| Total | | 5 604 | 3 696 |

The Company's negative goodwill originated on the acquisition of enterprises. The Company purchased enterprises for a price determined based on an expert's opinion which was lower than the difference between the transferred assets and liabilities.

4.8.2. Tangible Fixed Assets (Tangible FA)

Cost

| | (CZK '000) | | | | | | |
|-------------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | 31 Dec 2015 | Additions | Disposals | 31 Dec 2016 | Additions | Disposals | 31 Dec 2017 |
| Vehicles | 2 849 | 0 | 324 | 2 525 | 0 | 0 | 2 525 |
| Other tangible FA | 29 323 | 12 677 | 6 257 | 35 743 | 15 384 | 7 917 | 43 210 |
| Total | 32 172 | 12 677 | 6 581 | 38 268 | 15 384 | 7 917 | 45 735 |

Accumulated Depreciation

| | (CZK '000) | | | | | | |
|-------------------|---------------|--------------|------------|---------------|--------------|-----------|---------------|
| | 31 Dec 2015 | Additions | Disposals | 31 Dec 2016 | Additions | Disposals | 31 Dec 2017 |
| Vehicles | 1 581 | 589 | 324 | 1 846 | 578 | 0 | 2 424 |
| Other tangible FA | 19 840 | 4 402 | 0 | 24 242 | 5 323 | 0 | 29 565 |
| Total | 21 421 | 4 991 | 324 | 26 088 | 5 901 | 0 | 31 989 |

Net Book Value

| | (CZK '000) | | |
|-------------------|-------------|---------------|---------------|
| | 31 Dec 2016 | 31 Dec 2017 | |
| Vehicles | | 679 | 101 |
| Other tangible FA | | 11 501 | 13 645 |
| Total | | 12 180 | 13 746 |

In the year ended 31 December 2017, the Company acquired tangible assets in the amount of CZK 1,935 thousand charged directly to expenses (31 December 2016: CZK 5,202 thousand). These assets principally include low-value tangible assets composed of other movable assets and their sets with useful life exceeding one year which are not recognised under fixed assets but are directly expensed.

4.9. Other Assets

| | (CZK '000) | |
|---|----------------|------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Provided deposits and prepayments | 570 075 | 676 655 |
| Receivables from securities markets | 140 388 | 138 463 |
| Estimated receivables | 55 067 | 38 132 |
| Guarantee funds | 1 013 | 1 001 |
| Margin contribution for derivatives trading | 11 581 | 18 329 |
| Positive fair value of open derivatives (FX swap) | 19 105 | 12 138 |
| Cash in transit | 101 862 | 164 377 |
| Other | 64 670 | 94 453 |
| Provisions | -208 | -211 |
| Total other assets | 963 553 | 1 143 337 |

Other assets in the amount of CZK 64,670 thousand principally include prepayments made for corporate income tax in the amount of CZK 39,250 thousand and a deferred tax asset of CZK 10,128 thousand.

Provisions are created against receivables past their due dates by more than one year and presented in the line 'Other'.

The positive fair value of open derivatives is based on the receivable from fixed term transactions amounting to CZK 1,635,996 thousand (2016: CZK 2,463,597 thousand) and a payable amounting to CZK 1,616,891 thousand (2016: CZK 2,451,459 thousand).

Cash in transit is predominantly composed of resources for the funding of branches and ATMs.

Provided deposits and prepayments

| | (CZK '000) | |
|--|----------------|----------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Fio leasing, a.s., a deposit paid for the lease term | 8 687 | 7 879 |
| Deposits paid to card associations | 534 091 | 637 356 |
| Other | 27 297 | 31 420 |
| Total deposits and prepayments | 570 075 | 676 655 |

4.10. Prepayments and Accrued Income

Prepayments and accrued income in the amount of CZK 21,974 thousand (31 December 2016: CZK 9,703 thousand) predominantly include prepayments for rental.

4.11. Amounts Owed to Banks and Cooperative Credit Unions

| | (CZK '000) | |
|---------------------|----------------|----------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Repayable on demand | 160 391 | 151 618 |
| Other | 12 501 | 20 050 |
| Total | 172 892 | 171 668 |

4.12. Amounts Owed to Clients

| | (CZK '000) | |
|--------------------------------------|--------------------|-------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| Repayable on demand | 99 697 354 | 73 564 344 |
| Other | 4 013 367 | 4 311 840 |
| Total amounts owed to clients | 103 710 721 | 77 876 184 |

4.13. Other Liabilities

| | (CZK '000) | |
|---|------------------|------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| A deficit on the fair value of open derivatives (FX swap) | 446 901 | 118 |
| Outgoing payments | 1 062 285 | 913 751 |
| Payables to securities markets | 655 | 59 |
| Payables to employees | 1 652 | 1 733 |
| Estimated payables | 40 694 | 40 868 |
| Payables to the state budget | 15 439 | 2 631 |
| Domestic suppliers | 8 978 | 13 278 |
| Foreign suppliers | 770 | 7 122 |
| Unidentified contributions | 12 089 | 5 316 |
| Other | 182 749 | 65 542 |
| Total other liabilities | 1 772 212 | 1 050 418 |

The negative fair value of open derivatives is based on a receivable from fixed term transactions in the amount of CZK 16,612,376 thousand (2016: CZK 7,934,206 thousand) and a payable in the amount of CZK 17,059,277 thousand (2016: CZK 7,934,325 thousand).

The item 'Other' principally involves accounts used for the settlement with card associations in the amount of CZK 177,560 thousand.

Amounts due arising from social security and health insurance contributions

As of 31 December 2017, the amount due arising from the contribution to social security and state employment policy was CZK 837 thousand (31 December 2016: CZK 726 thousand). The Company records no payables past their due dates arising from the contribution to social security and state employment policy.

As of 31 December 2017, the amount due arising from health insurance contributions was CZK 358 thousand (31 December 2016: CZK 310 thousand). The Company records no payables past their due dates arising from health insurance contributions.

4.14. Reserves

As of 31 December 2017, reserves in the amount of CZK 168,723 thousand (31 December 2016: CZK 40,579 thousand) principally comprises a reserve for the corporate income tax of CZK 87,122 thousand, a reserve for outstanding vacation days of CZK 1,602 thousand and a reserve for court expenses of CZK 80,539 thousand.

| | 31 Dec 2016 | Release | Charge | 31 Dec 2017 |
|---------------------------------------|---------------|---------------|----------------|----------------|
| Income tax reserve | 39 261 | 39 261 | 87 122 | 87 122 |
| Reserve for court disputes | 539 | 539 | 80 539 | 80 539 |
| Reserve for outstanding vacation days | 779 | 779 | 1 062 | 1 062 |
| Total | 40 579 | 40 579 | 168 723 | 168 723 |

4.15. Subordinated Liabilities

As of 31 December 2017, the Company records a subordinated liability of CZK 90,000 thousand (2016: CZK 90,000 thousand). This liability bears interest at 15% p. a. with a notice period of 5 years.

4.16. Equity

The Company's equity comprises 760 thousand ordinary shares with a nominal value of CZK 1 thousand.

As of 31 December 2017, CZK 760,000 thousand was paid.

The Company's share capital was fully paid as of 19 December 2014.

In the years ended 31 December 2017 and 31 December 2016, no increase was made in the Company's share capital by the subscription of shares.

As of 31 December 2017 and 31 December 2016, no treasury shares were held by the Company.

Upon initial classification in the portfolio of securities available for sale, securities are revalued against equity accounts, gains or losses from revaluation.

Distribution of Profit

Based on a decision of the sole shareholder acting in the capacity of the General Meeting, the following distribution of the 2016 profit was approved:

| | (CZK '000) | |
|---|----------------|----------------|
| | 2017 | 2016 |
| Retained earnings brought forward at the beginning of the period | 296 030 | 243 117 |
| Operating result of prior years | 178 456 | 52 913 |
| Retained earnings brought forward at the end of the period | 474 486 | 296 030 |

At the balance sheet date, the Company did not make any decision as to the distribution of profit for the current period.

4.17. Interest Expense and Income

| | (CZK '000) | |
|--|----------------|----------------|
| | 2017 | 2016 |
| Interest on deposits provided to other banks | 114 226 | 5 017 |
| Interest on loans provided to clients | 473 775 | 407 409 |
| Interest on debt securities | 39 743 | 91 989 |
| Interest income and similar income | 627 744 | 504 415 |
| Interest on deposits received from clients | 51 749 | 53 042 |
| Interest on debt securities | 374 | 6 601 |
| Interest on the subordinated liability | 13 500 | 13 537 |
| Other interest and interest fee | 997 | 353 |
| Interest expense and similar expense | 66 620 | 73 533 |
| Net interest income | 561 124 | 430 882 |

In the years ended 31 December 2017 and 31 December 2016, uncollected default interest on distressed receivables amounted CZK 123,406 thousand and CZK 43,607 thousand, respectively.

To provide a more accurate presentation, interest income in the amount of CZK 31,024 thousand relating to loans provided for purchasing securities is presented as part of interest on loans provided to clients. In the comparable period, this interest was recorded under interest on debt securities.

4.18. Fees and Commissions

| | (CZK '000) | |
|---|----------------|----------------|
| | 2017 | 2016 |
| Transactions with securities | 91 743 | 99 918 |
| Other investment services | 19 753 | 13 184 |
| Client accounts and loans | 270 130 | 147 325 |
| Fees charged by card associations | 168 291 | 144 080 |
| Total fee and commission income | 549 917 | 404 507 |
| Payment system and card transactions | 161 379 | 120 132 |
| Transactions with securities | 31 681 | 31 064 |
| Total fee and commission expense | 193 060 | 151 196 |
| Net fee and commission income | 356 857 | 253 311 |

4.19. Net Profit or Loss on Financial Operations

| | (CZK '000) | |
|---|----------------|----------------|
| | 2017 | 2016 |
| Profit/(loss) on securities | -233 | 3 770 |
| Profit on FX differences | 818 073 | 436 249 |
| Profit/(loss) on currency derivatives | -204 608 | 402 |
| Profit/(loss) on other operations | 0 | 4 |
| Net profit or loss on financial operations | 613 232 | 440 425 |

4.20. Other Operating Expenses

Other operating expenses amounting to CZK 57,010 thousand (2016: CZK 45,134 thousand) predominantly include contributions to the Securities Dealers Guarantee Fund, a contribution to the Crisis Resolution Fund, contributions to the Deposit Insurance Fund. In 2017, the expense of the Securities Dealers Guarantee Fund amounted to CZK 2,234 thousand (2016: CZK 2,122 thousand). The expense of the Deposit Insurance Fund for 2017 amounts to CZK 42,796 thousand (2016: CZK 35,692 thousand). A contribution to the Crisis Resolution Fund amounted to CZK 11,985 thousand (2016: CZK 7,056 thousand).

4.21. Administrative Expenses

| | (CZK '000) | |
|---|----------------|----------------|
| | 2017 | 2016 |
| Wages and bonuses | 23 770 | 21 443 |
| Social security and health insurance expenses | 8 011 | 7 289 |
| Other staff costs | 552 | 492 |
| Staff costs and bonuses | 32 333 | 29 224 |
| Audit | 2 213 | 2 242 |
| Rental | 54 471 | 59 029 |
| Postage fees | 3 852 | 1 151 |
| Advertising | 74 384 | 60 705 |
| Information resources | 4 399 | 3 593 |
| Outsourced services | 200 686 | 170 376 |
| Other purchased consumables and services | 240 546 | 208 818 |
| Other administrative expenses | 580 551 | 505 914 |
| Total administrative expenses | 612 884 | 535 138 |

Bonuses to the Company's top management amounted to CZK 1,511 thousand in 2017.

4.22. TaxationIncome Tax Payable

The Company's operating result for the year ended 31 December 2017 consisted of the profit before tax amounting to CZK 480,897 thousand (2016: a profit of CZK 217,616 thousand).

The table below sets out adjustments to the profit on ordinary activities before tax to arrive at the income tax base:

| | (CZK '000) | |
|--|---------------|---------------|
| | 2017 | 2016 |
| Profit/loss before tax | 480 897 | 217 616 |
| Expenses not deductible for tax purposes | 88 849 | 8 010 |
| Income not taxable | 111 157 | 18 935 |
| Gifts | 50 | 55 |
| Tax base | 458 539 | 206 636 |
| Tax relief | 0 | 0 |
| Adjustment to the tax payable of prior years | 0 | -160 |
| Total tax payable | 87 122 | 39 101 |
| Change in deferred tax | -14 439 | 59 |
| Total | 72 683 | 39 160 |

Deferred Tax

As disclosed in Note 3.10, as of 31 December 2017 the Company records a temporary difference between the tax and net book values of tangible fixed assets, reserves for outstanding vacation days and revaluation of the VISA shares. As of 31 December 2017, the Company records a deferred tax liability of CZK 5,273 thousand (2016: CZK 561 thousand). As of 31 December 2017, the Company also records a deferred tax asset of CZK 15,402 thousand arising from the created reserve for legal disputes.

4.23. Off-Balance Sheet Transactions

Items recorded on the Company's off-balance sheet accounts include:

- Securities received for management;
- Securities received for custody, administration and safe-keeping; this constitutes the fair value of securities deposited on the accounts of the Company's clients as of the balance sheet date;
- Collateralisation of provided loans;
- Collateralisation of loans from reverse repo transactions;
- Nominal value of open derivatives – receivables and payables arising from currency swaps; and
- Unused credit lines.

4.24. Average Number of Employees and Supervisory Board Members

| | (number of persons) | |
|---|---------------------|------|
| | 2017 | 2016 |
| Employees | 49 | 76 |
| Of which: members of the Board of Directors | 4 | 4 |
| Members of the Supervisory Board | 3 | 3 |

5. Related Party Transactions

Relations with related parties in the Fio Group

31 December 2017

| | (CZK '000) | | | |
|--|--|------------------------|------------------------------|-------------------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Družstevní záložna PSD | RM-S FINANCE, s.r.o. |
| Amounts due from banks and cooperative credit unions | 0 | 0 | 43 987 | 0 |
| Other assets | 0 | 248 402 | | 0 |
| TOTAL ASSETS | 0 | 248 402 | 43 987 | 0 |
| Amounts owed to banks and cooperative credit unions | 0 | 0 | 46 645 | |
| Other payables | 67 880 | 279 829 | | 14 353 |
| TOTAL LIABILITIES | 67 880 | 279 829 | 46 645 | 14 353 |

31 December 2016

| | (CZK '000) | | | | |
|--|--|------------------------|------------------------------|----------------------------|-----------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Družstevní záložna PSD | RM-S FINANCE, s.r.o. | Fioo.c.p., a.s. |
| Amounts due from banks and cooperative credit unions | 0 | 0 | 7 241 | 0 | 0 |
| Other assets | 0 | 55 518 | 0 | 0 | 0 |
| TOTAL ASSETS | 0 | 55 518 | 7 241 | 0 | 0 |
| Amounts owed to banks and cooperative credit unions | 0 | 0 | 47 903 | 0 | 0 |
| Other payables | 67 932 | 12 211 | 0 | 10 373 | 46 049 |
| TOTAL LIABILITIES | 67 932 | 12 211 | 47 903 | 10 373 | 46 049 |

1 January – 31 December 2017

| | (CZK '000) | | | |
|--|--|------------------------|------------------------------|-------------------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Družstevní záložna PSD | RM-S FINANCE, s.r.o. |
| Interest income | 0 | 0 | 0 | 0 |
| Interest expense | -110 | -4 180 | 0 | 0 |
| Fee and commission income | 1 | 50 778 | 0 | 0 |
| Fee and commission expense | -7 327 | 0 | 0 | 0 |
| Profit or loss from financial operations | 0 | 0 | 0 | 0 |
| Other operating income | 0 | 0 | 0 | 0 |
| Administrative expenses | -1 951 | 0 | 0 | -181 216 |
| TOTAL | -9 387 | 46 598 | 0 | -181 216 |

1 January – 31 December 2016

| | (CZK '000) | | | | |
|--|--|------------------------|------------------------------|----------------------------|------------------|
| | RM-SYSTÉM, česká burza cenných papírů a.s. | Fio forexová s.r.o. | Družstevní záložna PSD | RM-S FINANCE, s.r.o. | Fio o.c.p., a.s. |
| Interest income | 0 | 0 | 0 | 0 | 0 |
| Interest expense | -119 | 3 185 | 0 | 0 | 0 |
| Fee and commission income | 7 | 54 519 | 0 | 0 | 0 |
| Fee and commission expense | -6 647 | 0 | 0 | 0 | 0 |
| Profit or loss from financial operations | 0 | 0 | 0 | 0 | 0 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Administrative expenses | -2 022 | 0 | 0 | -158 943 | -227 |
| TOTAL | -8 781 | 57 704 | 0 | -158 943 | -227 |

As of 31 December 2017, the aggregate amount of the loans provided by the Company to members of the Supervisory Board and the Board of Directors was CZK 1,068,946 thousand (31 December 2016: CZK 1,078,077 thousand). The loans predominantly comprise loans for the purchase of state bonds.

6. Risk Management

6.1. Bank Risks

The Company manages the risks to which it is exposed in its activity, predominantly using the methods as follows:

- Identification of the risks taken;
- Analysis, quantification and regular monitoring of the risks taken;
- Assessment of the degree of risk in executed transactions including the manner of approval;
- Setting the limits in relation to the Company's exposures towards counterparties;
- Minimisation of the degree of risk in transactions, eg by utilising collateral;
- Manners of approving new products; and
- Rigorous separation of risk management from the Company's business activity.

6.2. Market Risks

These are the risks which the Company is exposed to predominantly as a result of fluctuations of prices, interest rates and foreign exchange rates of financial instruments on individual markets.

The primary tool for monitoring and managing market risks includes VaR (Value at Risk) and stress testing. VaR is subject to regular regressive testing using actual results in order to verify the model validity. Hypothetical as well as historical situations are used for developing stress scenarios. Set out below are individual risks, including specification of their management.

6.2.1. Liquidity Risk

The Company classifies individual items of assets and liabilities into time-based groups by their residual maturity. The selected structure of the groups is in line with generally binding legislation and the regulator's requirements.

The Company seeks to reduce the liquidity risk, particularly by maintaining a sufficient reserve of high liquid assets.

Risk Management regularly analyses the structure of assets and liabilities structure as well as cash flows to identify any increase in the liquidity risk.

The principal sources of quick liquidity are deposits with the Czech National Bank and government bonds of the Czech Republic, as well as bank deposits with other commercial banks.

6.2.2. Currency Risk

Positions in currency instruments result from the structure of the Company's assets and liabilities. The Company has foreign currencies in its own positions as it also provides its clients with services in foreign currencies.

Risk Management determines volume limits for open positions in individual currencies and the VaR limit for the currency portfolio.

Hedging currency operations are used to meet the set limits.

A confidence level as equal to 99% and the 1D and 1Y intervals of holding are used in calculating risks by means of VaR. The estimated similarity of the statistical distribution of changes in market variables with a regular distribution is assumed. The time independence principle is utilised in recalculations between individual intervals. VaR is calculated by means of the historical method, using historical periods of the last 100 or 1,000 business days, whichever is higher.

6.2.3. Interest Rate Risk

Interest rate risk is the risk of changes in the value of financial instruments due to changes in market interest rates. The period for which the interest rate is fixed indicates to what extent the instrument in question is exposed to the interest rate risk.

The Company maintains a stable structure of interest rate sensitive and insensitive assets and liabilities. Discrepancies (if any) are managed by way of changes in the manner of applying interest rates to the Company's assets and liabilities.

The gap analysis is used to observe the degree of using interest rates which are not determined by the Company and the degree of the interest rate risk taken whereby interest rate sensitive assets and liabilities are classified into seven time baskets. Stress scenarios of the impacts of the parallel shift of the yield curve on the present value of equity and profit/loss within one year are also used. These analyses take place on a quarterly basis.

6.2.4. Proprietary Trading

The Company only purchases debt securities of highly creditworthy counterparties for its portfolio. These are predominantly government bonds and bonds of companies with investment rating. The degree of risk in those transactions is limited by the set limits and is regularly observed by Risk Management.

6.2.5. Credit Risk

Credit risk means the risk arising from the counterparty's failure to meet its contractual obligations under the terms of a contract.

The Company generally monitors the credit risk for all balance sheet and off-balance sheet positions.

Basic procedures for mitigating risk exposures:

A loan applicant and a debtor are evaluated by assessing several criteria, such as their property situation, income generated in prior periods, the ability to repay the loan in the future, business plan, purpose of the loan and the value of the proposed collateral. As regards business loans, financial statements, or, more precisely, tax returns, for a number of prior years are required. Furthermore, the previous activity in Fio banka, or in other entities of the Fio Group, is also assessed,

The most liquid Czech shares traded on Burza cenných papírů Praha, a.s. are used to collateralise loans. The monitoring of the value of the collateral by means of these shares is governed by an internal policy (the value of the collateral is monitored on a daily basis). In other situations, loans are principally secured by immovable property, guarantees, acceptance of the debtor's obligation, or the pledge of the debtor's receivables from solvent business partners and other types of collateral. The collateral is usually not required for low-value overdraft loans.

The classification of receivables is based upon an internal policy and applicable legislation defining the rules for the classification of receivables and provisioning by banks. Reserves and provisions for receivables are created based on an internal policy which, to a reasonable extent, follows the law.

The Company has also prepared for the new legislation, IFRS 9, which contains changes in provisioning, predominantly by introducing probability of default (PD) and loss given default (LGD). The Company has applied the revised policies since 2018.

The Company seeks to use all legal instruments for the collection of receivables such that the costs of collection were not inadequate to the anticipated outcome.

The limits of the Company's exposure are governed by generally binding regulations stipulating the rules for credit exposure of banks. The Company applies the definition of a group of connected clients under Regulation (EU) No 575/2013 which also sets the limits of large exposures to a debtor or a group of connected clients at 25% of eligible capital.

The Company does not use credit derivatives to reduce the credit risk.

The Company enters into relations with counterparties, which include other banks or securities traders, only if they have been provided with a non-zero credit line by Risk Management. In determining the credit line, Risk Management observes the rules specified in an internal policy. In particular, Risk Management utilises information on the share capital and equity of those financial institutions as well as the structure of assets, credit portfolio quality and collateralisation of receivables. Additionally, the risk management methods, requirements of the counterparty's supervisory bodies and rating (if available) are also considered. Limits for deposits are subsequently determined as part of the counterparty's equity.

6.3. Operational Risks

The Company defines operational risk as the risk of loss resulting from the inadequacy or the failure of internal processes, persons, systems or external factors.

Basic procedures for reducing risk

The risk of human factor failure is reduced particularly by the appropriate training of the relevant persons as well as by consistent controls.

The risk of loss or theft of cash on hand is managed by appropriate storage facilities (safe, bank safe, safety box etc), insurance, by setting the limits for the amount of cash as well as by inspecting compliance of the actual amount of cash with the recorded figures.

Record-keeping and the notification obligation as regards operational risk events are provided for in the specific internal policy of the Company.

There is a special internal regulation for specifying risks, procedures and measures for the reduction of risks resulting from the use of information systems.

A specific internal policy of the Company regulates the procedures and processes for the minimisation of risks arising from the launch of new products and services.

The Company currently determines the degree of operational risk by applying the basic indicator in accordance with applicable legal regulations and, concurrently, monitors operational risk events, creating a database of these events to be able to evaluate them by own statistic models.

The Company has developed plans for business continuity in the event of an unexpected suspension or limitation of its activities, such as due to a failure of external infrastructure; these plans are tested on a regular basis.

7. RESIDUAL MATURITY OF ASSETS AND LIABILITIES

31 December 2017

| | (CZK '000) | | | | | | Total |
|---|-----------------------------------|------------------|-------------------------|------------------------|-------------------|------------------|--------------------|
| | Repayable on demand within 7 days | Within 3 months | From 3 months to 1 year | From 1 year to 5 years | More than 5 years | Not defined | |
| Cash in hand and balances with central banks | 86 779 607 | 0 | 0 | 0 | 0 | 0 | 86 779 607 |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts due from banks and cooperative credit unions | 1 754 419 | 0 | 309 094 | 0 | 0 | 0 | 2 063 513 |
| Amounts due from clients | 396 938 | 866 100 | 6 852 961 | 1 317 653 | 3 713 262 | 0 | 13 146 914 |
| Debt securities | 0 | 0 | 47 114 | 994 782 | 3 363 644 | 0 | 4 405 540 |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 0 | 20 236 | 20 236 |
| Participation interests with substantial influence | 0 | 0 | 0 | 0 | 0 | 154 778 | 154 778 |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 0 | 17 442 | 17 442 |
| Other assets | 872 734 | 33 484 | 49 378 | 7 954 | 0 | 3 | 963 553 |
| Receivables for subscribed capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments and accrued income | 0 | 21 974 | 0 | 0 | 0 | 0 | 21 974 |
| TOTAL ASSETS | 89 803 698 | 921 558 | 7 258 547 | 2 320 389 | 7 076 906 | 192 459 | 107 573 557 |
| Amounts owed to banks and cooperative credit unions | 160 391 | 12 501 | 0 | 0 | 0 | 0 | 172 892 |
| Amounts owed to clients | 100 380 388 | 1 192 272 | 953 420 | 1 184 641 | 0 | 0 | 103 710 721 |
| Other liabilities | 1 745 259 | 26 879 | 74 | 0 | 0 | 0 | 1 772 212 |
| Reserves | 0 | 0 | 87 122 | 0 | 0 | 81 601 | 168 723 |
| Subordinated liabilities | 0 | 0 | 0 | 0 | 90 000 | 0 | 90 000 |
| Equity | 0 | 0 | 0 | 0 | 0 | 1 659 009 | 1 659 009 |
| TOTAL LIABILITIES | 102 286 038 | 1 231 652 | 1 040 616 | 1 184 641 | 90 000 | 1 740 610 | 107 573 557 |
| Net liquidity risk | -12 482 340 | -310 094 | 6 217 931 | 1 135 748 | 6 986 906 | -1 548 151 | 0 |
| Cumulative liquidity risk | -12 482 340 | -12 792 434 | -6 574 503 | -5 438 755 | 1 548 151 | 0 | 0 |

31 December 2016

| | (CZK '000) | | | | | | Total |
|---|-----------------------------------|------------------|-------------------------|------------------------|-------------------|------------------|-------------------|
| | Repayable on demand within 7 days | Within 3 months | From 3 months to 1 year | From 1 year to 5 years | More than 5 years | Not defined | |
| Cash in hand and balances with central banks | 58 841 992 | 0 | 0 | 0 | 0 | 0 | 58 841 992 |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amounts due from banks and cooperative credit unions | 1 333 628 | 0 | 120 500 | 0 | 0 | 0 | 1 454 128 |
| Amounts due from clients | 235 166 | 804 529 | 7 978 973 | 2 643 423 | 2 139 191 | 0 | 13 801 282 |
| Debt securities | 0 | 169 561 | 502 635 | 1 045 929 | 3 278 353 | 0 | 4 996 478 |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 0 | 16 757 | 16 757 |
| Participation interests with substantial influence | 0 | 0 | 0 | 0 | 0 | 198 531 | 198 531 |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 0 | 17 784 | 17 784 |
| Other assets | 1 089 945 | 15 988 | 21 214 | 16 187 | 0 | 3 | 1 143 337 |
| Receivables for subscribed capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prepayments and accrued income | 0 | 9703 | 0 | 0 | 0 | 0 | 9 703 |
| TOTAL ASSETS | 61 500 731 | 999 781 | 8 623 322 | 3 705 539 | 5 417 544 | 233 075 | 80 479 992 |
| Amounts owed to banks and cooperative credit unions | 151 618 | 20 050 | 0 | 0 | 0 | 0 | 171 668 |
| Amounts owed to clients | 73 564 344 | 1 982 995 | 994 868 | 1 333 977 | 0 | 0 | 77 876 184 |
| Other liabilities | 1 025 615 | 24 224 | 579 | 0 | 0 | 0 | 1 050 418 |
| Reserves | 0 | 0 | 39 261 | 0 | 0 | 1 318 | 40 579 |
| Subordinated liabilities | 0 | 0 | 0 | 0 | 90 000 | 0 | 90 000 |
| Equity | 0 | 0 | 0 | 0 | 0 | 1 251 143 | 1 251 143 |
| TOTAL LIABILITIES | 74 741 577 | 2 027 269 | 1 034 708 | 1 333 977 | 90 000 | 1 252 461 | 80 479 992 |
| Net liquidity risk | -13 240 846 | -1 027 488 | 7 588 614 | 2 371 562 | 5 327 544 | -1 019 386 | 0 |
| Cumulative liquidity risk | -13 240 846 | -14 268 334 | -6 679 720 | -4 308 158 | 1 019 386 | 0 | 0 |

8. ASSETS AND LIABILITIES BY CURRENCY**31 December 2017**

| | (CZK '000) | | | | |
|---|--------------------|-------------------|------------------|------------------|--------------------|
| | CZK | EUR | USD | Other | Total |
| Cash in hand and balances with central banks | 86 447 225 | 247 812 | 84 541 | 29 | 86 779 607 |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 |
| Amounts due from banks and cooperative credit unions | 493 478 | 742 308 | 326 511 | 501 216 | 2 063 513 |
| Amounts due from clients | 10 913 940 | 1 948 829 | 216 848 | 67 297 | 13 146 914 |
| Debt securities | 4 283 166 | 100 876 | 21 498 | 0 | 4 405 540 |
| Shares, share certificates and other equity investments | 20 236 | 0 | 0 | 0 | 20 236 |
| Participation interests with substantial influence | 154 778 | 0 | 0 | 0 | 154 778 |
| Tangible and intangible fixed assets | 17 442 | 0 | 0 | 0 | 17 442 |
| Other assets | 251 045 | 45 372 | 660 002 | 7 134 | 963 553 |
| Receivables for subscribed capital | 0 | 0 | 0 | 0 | 0 |
| Prepayments and accrued income | 12 538 | 9 432 | 4 | 0 | 21 974 |
| TOTAL ASSETS | 102 593 848 | 3 094 629 | 1 309 404 | 575 676 | 107 573 557 |
| Amounts owed to banks and cooperative credit unions | 149 132 | 16 503 | 7 257 | 0 | 172 892 |
| Amounts owed to clients | 83 778 221 | 14 962 618 | 3 968 289 | 1 001 593 | 103 710 721 |
| Other liabilities | 1 372 226 | 383 412 | 12 716 | 3 858 | 1 772 212 |
| Reserves | 168 723 | 0 | 0 | 0 | 168 723 |
| Subordinated liabilities | 90 000 | 0 | 0 | 0 | 90 000 |
| Equity | 1 659 009 | 0 | 0 | 0 | 1 659 009 |
| TOTAL LIABILITIES | 87 217 311 | 15 362 533 | 3 988 262 | 1 005 451 | 107 573 557 |
| Net currency risk | 15 376 537 | -12 267 904 | -2 678 858 | -429 775 | 0 |
| Cumulative currency risk | 15 376 537 | 3 108 633 | 429 775 | 0 | 0 |

31 December 2016

| | (CZK '000) | | | | |
|---|-------------------|-------------------|------------------|----------------|-------------------|
| | CZK | EUR | USD | Other | Total |
| Cash in hand and balances with central banks | 58 775 157 | 61 922 | 4 882 | 31 | 58 841 992 |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 |
| Amounts due from banks and cooperative credit unions | 356 884 | 409 587 | 320 984 | 366 673 | 1 454 128 |
| Amounts due from clients | 11 875 605 | 1 626 910 | 225 102 | 73 665 | 13 801 282 |
| Debt securities | 4 773 611 | 196 709 | 26 158 | 0 | 4 996 478 |
| Shares, share certificates and other equity investments | 100 | 0 | 16 657 | 0 | 16 757 |
| Participation interests with substantial influence | 152 784 | 45 747 | 0 | 0 | 198 531 |
| Tangible and intangible fixed assets | 17 784 | 0 | 0 | 0 | 17 784 |
| Other assets | 338 281 | 34 338 | 768 954 | 1 764 | 1 143 337 |
| Receivables for subscribed capital | 0 | 0 | 0 | 0 | 0 |
| Prepayments and accrued income | 9 090 | 613 | 0 | 0 | 9 703 |
| TOTAL ASSETS | 76 299 296 | 2 375 826 | 1 362 737 | 442 133 | 80 479 992 |
| Amounts owed to banks and cooperative credit unions | 152 771 | 6 970 | 11 927 | 0 | 171 668 |
| Amounts owed to clients | 63 645 961 | 10 024 692 | 3 244 076 | 961 455 | 77 876 184 |
| Other liabilities | 768 524 | 257 388 | 24 042 | 464 | 1 050 418 |
| Reserves | 40 579 | 0 | 0 | 0 | 40 579 |
| Subordinated liabilities | 90 000 | 0 | 0 | 0 | 90 000 |
| Equity | 1 251 143 | 0 | 0 | 0 | 1 251 143 |
| TOTAL LIABILITIES | 65 948 978 | 10 289 050 | 3 280 045 | 961 919 | 80 479 992 |
| Net currency risk | 10 350 318 | -7 913 224 | -1 917 308 | -519 786 | 0 |
| Cumulative currency risk | 10 350 318 | 2 437 094 | 519 786 | 0 | 0 |

9. INTEREST RATE ANALYSIS

31 December 2017

| | Within 3 months | From 3 months to 1 year | From 1 to 5 years | More than 5 years | Not defined | (CZK '000) | Total |
|---|--------------------|-------------------------|-------------------|-------------------|------------------|--------------------|-------|
| Cash in hand and balances with central banks | 86 779 607 | 0 | 0 | 0 | 0 | 86 779 607 | |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 | 0 | |
| Amounts due from banks and cooperative credit unions | 1 754 419 | 309 094 | 0 | 0 | 0 | 2 063 513 | |
| Amounts due from clients | 1 263 038 | 6 965 226 | 3 977 702 | 940 948 | 0 | 13 146 914 | |
| Debt securities | 62 186 | 4 268 094 | 0 | 75 260 | 0 | 4 405 540 | |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 20 236 | 20 236 | |
| Participation interests with substantial influence | 0 | 0 | 0 | 0 | 154 778 | 154 778 | |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 17 442 | 17 442 | |
| Other assets | 896 314 | 49 378 | 17 858 | 0 | 3 | 963 553 | |
| Receivables for subscribed capital | 0 | 0 | 0 | 0 | 0 | 0 | |
| Prepayments and accrued income | 21 974 | 0 | 0 | 0 | 0 | 21 974 | |
| TOTAL ASSETS | 90 777 538 | 11 591 792 | 3 995 560 | 1 016 208 | 192 459 | 107 573 557 | |
| Amounts owed to banks and cooperative credit unions | 172 892 | 0 | 0 | 0 | 0 | 172 892 | |
| Amounts owed to clients | 101 572 660 | 953 420 | 1 184 641 | 0 | 0 | 103 710 721 | |
| Other liabilities | 1 772 138 | 74 | 0 | 0 | 0 | 1 772 212 | |
| Reserves | 0 | 87 122 | 0 | 0 | 81 601 | 168 723 | |
| Subordinated liabilities | 0 | 0 | 0 | 90 000 | 0 | 90 000 | |
| Equity | 0 | 0 | 0 | 0 | 1 659 009 | 1 659 009 | |
| TOTAL LIABILITIES | 103 517 690 | 1 040 616 | 1 184 641 | 90 000 | 1 740 610 | 107 573 557 | |
| Net interest rate risk | -12 740 152 | 10 551 176 | 2 810 919 | 926 208 | -1 548 151 | 0 | |
| Cumulative interest rate risk | -12 740 152 | -2 188 976 | 621 943 | 1 548 151 | 0 | 0 | |

31 December 2016

| | Within 3 months | From 3 months to 1 year | From 1 to 5 years | More than 5 years | Not defined | (CZK '000) | Total |
|---|-------------------|-------------------------|-------------------|-------------------|------------------|-------------------|-------|
| Cash in hand and balances with central banks | 58 841 992 | 0 | 0 | 0 | 0 | 58 841 992 | |
| State zero-coupon bonds | 0 | 0 | 0 | 0 | 0 | 0 | |
| Amounts due from banks and cooperative credit unions | 1 333 628 | 120 500 | 0 | 0 | 0 | 1 454 128 | |
| Amounts due from clients | 1 035 773 | 11 718 183 | 990 796 | 56 530 | 0 | 13 801 282 | |
| Debt securities | 712 881 | 4 257 439 | 26 158 | 0 | 0 | 4 996 478 | |
| Shares, share certificates and other equity investments | 0 | 0 | 0 | 0 | 16 757 | 16 757 | |
| Participation interests with substantial influence | 0 | 0 | 0 | 0 | 198 531 | 198 531 | |
| Tangible and intangible fixed assets | 0 | 0 | 0 | 0 | 17 784 | 17 784 | |
| Other assets | 1 105 933 | 21 214 | 16 187 | 0 | 3 | 1 143 337 | |
| Receivables for subscribed capital | 0 | 0 | 0 | 0 | 0 | 0 | |
| Prepayments and accrued income | 9 703 | 0 | 0 | 0 | 0 | 9 703 | |
| TOTAL ASSETS | 63 039 910 | 16 117 336 | 1 033 141 | 56 530 | 233 075 | 80 479 992 | |
| Amounts owed to banks and cooperative credit unions | 171 668 | 0 | 0 | 0 | 0 | 171 668 | |
| Amounts owed to clients | 75 547 339 | 994 868 | 1 333 977 | 0 | 0 | 77 876 184 | |
| Other liabilities | 1 049 839 | 579 | 0 | 0 | 0 | 1 050 418 | |
| Reserves | 0 | 39 261 | 0 | 0 | 1 318 | 40 579 | |
| Subordinated liabilities | 0 | 0 | 0 | 90 000 | 0 | 90 000 | |
| Equity | 0 | 0 | 0 | 0 | 1 251 143 | 1 251 143 | |
| TOTAL LIABILITIES | 76 768 846 | 1 034 708 | 1 333 977 | 90 000 | 1 252 461 | 80 479 992 | |
| Net interest rate risk | -13 728 936 | 15 082 628 | -300 836 | -33 470 | -1 019 386 | 0 | |
| Cumulative interest rate risk | -13 728 936 | 1 353 692 | 1 052 856 | 1 019 386 | 0 | 0 | |

10. POST BALANCE SHEET EVENTS

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements of the Company.

IV. Information on Capital

Information on Capital, Capital Requirements and Ratio Indicators

(Information published under Section 102 (1) of Decree No. 163/2014 Coll.)

In 2014, new legal regulations came into force providing for capital adequacy by launching the Basel III requirements, namely Capital Requirements Regulation (EU) No 575/2013 (CRR) and Decree No. 163/2014 Coll. of the Czech National Bank. Nevertheless, the changes arising for the Company due to the new regulations are rather insignificant.

Information on capital on an individual basis as of 31 December 2017 (CZK '000)

| Common Equity Tier 1 capital: instruments and reserves | | |
|--|---|------------------|
| 1 | Capital instruments and related share premium = Paid share capital | 760 000 |
| 2 | Retained earnings | 710 910 |
| 6 | Common Equity Tier 1 capital before normative adjustments | 1 487 220 |
| Common Equity Tier 1 capital: normative adjustments | | |
| 8 | Intangible assets (net of related tax liabilities) (negative value) | -4 023 |
| 28 | Total normative adjustments to Common Equity Tier 1 capital | -20 840 |
| 29 | Common Equity Tier 1 | 1 466 379 |
| 44 | Additional Tier 1 capital | 0 |
| 45 | Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital | 1 466 379 |
| Tier 2 capital: Instruments and items | | |
| 46 | Capital instruments and related share premium | 90 000 |
| 57 | Total normative adjustments to Tier 2 capital | 0 |
| 58 | Tier 2 capital | 90 000 |
| 59 | Total capital = Tier 1 capital + Tier 2 capital | 1 556 379 |

**Information on capital requirements on an individual basis as of 31 December 2017
(CZK '000)**

The Company applies the standardised approach to calculating the capital requirements for credit risk.

| | | |
|--|---|-------------------|
| Credit risk – 8% of the volume of risk-weighted exposures for each category of exposures listed in Article 112 | Exposures to central governments or central banks | 810,27 |
| | Exposures to regional governments or local authorities | |
| | Exposures to public sector entities | |
| | Exposures to international development banks | |
| | Exposures to international organisations | |
| | Exposures to institutions | 45 063,52 |
| | Exposures to companies | 505 753,36 |
| | Retail exposures | 51 301,01 |
| | Exposures secured by property | 80 733,33 |
| | Exposures in default | 62 106,66 |
| | Exposures related with extremely high risk | 64 260,51 |
| | Exposures in secured bonds | |
| | Items representing securitised positions | |
| | Exposures to institutions and businesses with short-term credit rating | |
| | Exposure in the form of share units or shares in collective investment entities | |
| | Share exposure | |
| | Other items | 15 105,75 |
| Capital requirement calculated under Section 92 (3) b) and c) | Regarding the position risk | 96,74 |
| | These limits may be exceeded for large exposures listed in Articles 395 through 401 if institutions are permitted to do so. | |
| | Regarding currency risk | 21 885,35 |
| | Regarding settlement risk | |
| | Regarding commodity risk | |
| Under Title III Chapter 2 – regarding operating risk, by way of the basic indicators | | 148 217,75 |
| TOTAL | | 995 696,50 |

Capital ratios as of 31 December 2017 (as a percentage share of the risk exposure)

| | | |
|----|------------------------------|---------|
| 61 | Common Equity Tier 1 capital | 11.782% |
| 62 | Tier 1 capital | 11.782% |
| 63 | Total capital | 12.505% |

Ratio indicators

| | As of 31 December 2017 |
|--|-------------------------------|
| Return on average assets (ROAA) | 0,41% |
| Return on assets (ROA) | 0,38% |
| Return on average equity (ROAE) | 30,28% |
| Assets per employee (CZK '000) | 2 338 556 |
| Administrative costs per employee (CZK '000) | 13 324 |
| Profit or loss after tax per employee (CZK '000) | 8 874 |

The information on the Company that has to be published is available at: <http://www.fio.cz/o-nas/fio-banka>

V. Related Party Transactions Report

Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity (hereinafter the "Report on Relations") prepared pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations, of Fio banka, a.s., Corporate ID: 61858374, with its registered office at Prague 1, V Celnici 1028/10, postal code 11721, recorded in the Register of Companies held by the Municipal Court in Prague, Section B, Insert 2704, for the **reporting period from 1 January 2017 to 31 December 2017.**

I. Structure of Relations

1. Controlled Entity

Fio banka, a.s.

Corporate ID: 61858374

Praha 1, V Celnici 1028/10, postal code 11721

recorded in the Register of Companies held by the Municipal Court in Prague, Section B, Insert 2704, represented by the Chairman of the Board of Directors, Jan Sochor, and a member of the Board of Directors Josef Valter,

(hereinafter the "Bank" or the "Controlled Entity")

2. Controlling Entity

Fio holding, a.s.

Corporate ID: 60192763

with its registered office at: 117 21 Prague 1, V Celnici 1028/10

recorded in the Register of Companies held by the Municipal Court in Prague, Section B, Insert 2270

The company's shareholders are Petr Marsa and Romuald Kopún, acting in concert, who represent the Controlling Entity, thus indirectly controlling the Controlled Entity.

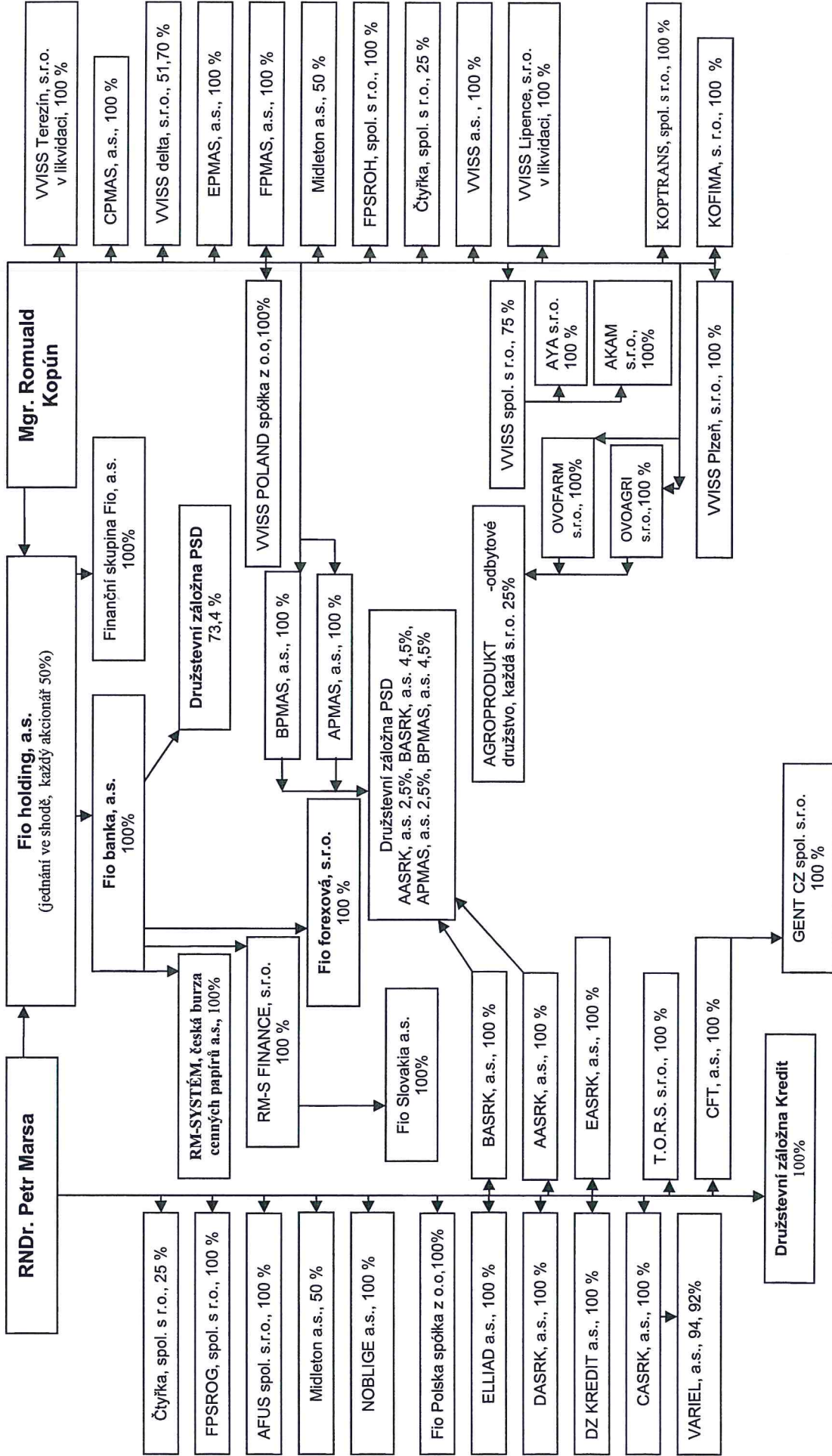
(hereinafter also the "Controlling Persons")

3. Entities Controlled by the Same Controlling Persons, Petr Marsa and Romuald Kopún

- AASRK, a.s., Corporate ID: 28205367, Praha 1, V Celnici 1028/10, postal code 117 21;
- AFUS, spol. s r.o., Corporate ID: 27407748, Praha 1, Senovážné náměstí 977/24, postal code 116 47;
- AGROPRODUKT-odbytové družstvo, Corporate ID: 43903797, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- AKAM, s.r.o., Corporate ID: 36037419, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- APMAS, a.s., Corporate ID: 28206436, Praha 1, V Celnici 1028/10, postal code 117 21;
- AYA, s.r.o., Corporate ID: 35764716, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- BASRK, a.s., Corporate ID: 28204107, Praha 1, V Celnici 1028/10, postal code 117 21;
- BPMAS, a.s., Corporate ID: 28212703, Praha 1, V Celnici 1028/10, postal code 117 21;
- CASRK, a.s., Corporate ID: 28207483, Praha 1, V Celnici 1028/10, postal code 117 21;
- CFT, a.s., Corporate ID: 61859079, Praha 1, V Celnici 1028/10, postal code 117 21;
- CPMAS, a.s., Corporate ID: 28211138, Praha 1, V Celnici 1028/10, postal code 117 21;
- Čtyřka, spol. s r.o., Corporate ID: 44268866, Krynická 504, Praha 9, postal code 182 00;
- DASRK, a.s., Corporate ID: 282 12 711, Praha 1, V Celnici 1028/10, postal code 117 21;
- Družstevní záložna Kredit, Corporate ID: 64946649, Praha 1, V Celnici 1028/10, postal code 117 21;
- Družstevní záložna PSD, Corporate ID: 64946835, Praha 1, V Celnici 1028/10, postal code 117 21;
- DZ KREDIT a.s., Corporate ID: 25623184, Praha 1, V Celnici 1028/10, postal code 117 21;
- EASRK, a.s., Corporate ID: 28206576, Praha 1, V Celnici 1028/10, postal code 117 21;
- ELLIAD a.s., Corporate ID: 25623192, Praha 1, V Celnici 1028/10, postal code 117 21;
- EPMAS, a.s., Corporate ID: 28206517, Praha 1, V Celnici 1028/10, postal code 117 21;

- Finanční skupina Fio, a.s., Corporate ID: 26761858, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio holding, a.s., Corporate ID: 60192763, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio Polska spółka z o.o, Corporate ID: 140192608, Szpitalna 1/17, 00-020 Warszawa, Poland;
- Fio Slovakia, a.s., Corporate ID: 35828137, Kollárovo nám. 15, Bratislava 811 06;
- FPMAS, a.s., Corporate ID: 282 11 502, Praha 1, V Celnici 1028/10, postal code 117 21;
- FPSROG, spol. s r.o., Corporate ID: 25718843, Praha 1, V Celnici 1028/10, postal code 117 21;
- FPSROH, spol. s r.o., Corporate ID: 25738755, Praha 1, V Celnici 1028/10, postal code 117 21;
- GENT CZ spol. s r.o., Corporate ID: 48593753, Praha 1, V Celnici 1028/10, postal code 117 21;
- KOFIMA, s. r.o., Corporate ID: 25269241, Praha 9, Kolmá 5/597, postal code 190 00;
- KOPTRANS, spol. s r. o., Corporate ID: 46577335, Praha 9, Kolmá 5/597, postal code 190 00;
- Midleton a.s., Corporate ID: 35942177, Nám. SNP 21, Bratislava 811 01, Slovak Republic;
- Fio forexová, s.r.o., Corporate ID: 27589587, Praha 1, V Celnici 1028/10, postal code 117 21;
- NOBLIGE a.s., Corporate ID: 26145090, Praha 1, V Celnici 1028/10, postal code 117 21;
- OVOAGRI s.r.o., Corporate ID: 36463388, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- OVOFARM s.r.o., Corporate ID: 36015067, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- RM-S FINANCE, s.r.o., Corporate ID: 62915240, Praha 1, V Celnici 1028/10, postal code 117 21;
- RM-SYSTÉM, česká burza cenných papírů a.s., Corporate ID: 471 16 404, Praha 1 - Nové Město, V Celnici 1028/10, postal code 117 21;
- T.O.R.S. s.r.o., Corporate ID: 49682024, Praha 1, V Celnici 1028/10, postal code 117 21;
- VARIEL, a.s., Corporate ID: 45148287, Zruč nad Sázavou, Průmyslová 1034, postal code 285 22;
- VVISS a.s., Corporate ID: 48585131, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS delta, s.r.o., Corporate ID: 36015105, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- VVISS Lipence, s.r.o., in liquidation, Corporate ID: 64581314, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS Plzeň, s.r.o., Corporate ID: 64581331, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS POLAND spółka z o.o, Cisownica 72, Goina, Goleszów;
- VVISS spol. s r.o., Corporate ID: 30229529, Kostolanská 2/540, Madunice postal code 922 42, Slovak Republic;
- VVISS Terežín, s.r.o., in liquidation, Corporate ID: 25125931, Praha 9, Kolmá 5/597, postal code 190 00.

4. Graphics Depicting the Structure of Relations between Entities Controlled by Petr Marsa and Romuald Kopún



II. Role of the Controlled Entity

The Controlled Entity, as a provider of payment and banking services, enters into business relationships with entities within the group of controlled entities, predominantly with RM-S Finance, s.r.o., which is a tied agent of the Bank, and further with Družstevní záložna PSD and RM-SYSTÉM, česká burza cenných papírů a.s., with which the Bank cooperates in the field of provision of banking services and trading with securities.

Other entities within the group of controlled entities are principally provided with standard banking services as well as services the Bank is authorised to provide as a securities trader.

III. Manner and Means of Control

1. The Bank is directly controlled by Fio holding, a.s., which holds 100% of the Bank's shares.
2. The Bank is indirectly controlled by the sole shareholders of Fio holding, a.s., Messrs Petr Marsa and Romuald Kopún, acting in concert, who thus indirectly control the Controlled Entity and represent the Controlling Persons.

IV. Contracts and Agreements Concluded in the Year Ended 31 December 2017 and Contracts and Agreements Still Effective in the Year Ended 31 December 2017

1. Contracts and agreements concluded between the Controlling Persons and the Controlled Entity

a) Contracts concluded prior to 1 January 2017 still effective as of 31 December 2017

Romuald Kopún

Loan agreement No. 131000091

Loan agreement No. 131000105

Loan agreement No. 131000119

Bank account agreements

Agency contract and other arrangements

Petr Marsa

Loan agreement No. 131000093

Loan agreement No. 131000107

Loan agreement No. 131000121

Bank account agreements

Agency contract and other arrangements

Fio holding, a.s.

Shares subscription agreement

Account maintenance agreements

Agency contract and other arrangements

b) Contracts concluded in the year ended 31 December 2017

In the year ended 31 December 2017, no contracts or agreements were concluded.

2. Contracts and agreements concluded between the Controlled Entity and entities controlled by the same Controlling Persons

a) Contracts concluded prior to 1 January 2017 still effective as of 31 December 2017

RM-SYSTÉM, česká burza cenných papírů a.s. (hereinafter also "Česká burza")

Contract regulating the conditions for the activities of a market maker

Contract on a special validation method

Hedging agreement

Mutual cooperation agreement on the validation of the technical and programme service solution

Contract on the usage of a current account for securities trading on the RM-SYSTÉM market

Sublease agreement
Contract on the definition of rights and obligations following from the membership in a VAT group registration
Account maintenance agreements
Agreement on the usage of a bank account held by ČSOB for the settlement of securities trading on the Česká burza market
Internal audit services agreement
Compliance services agreement
Contract on the representation of Česká burza with the registration of clients
Contract on the internalisation of settlement
Contract on access to the market of Česká burza
Contract on the report of transactions

Družstevní záložna PSD

Cooperation agreement
Account maintenance agreements
Agency contract and other arrangements

RMS-Finance s.r.o.

Agency agreement
Contract on the definition of rights and obligations following from membership in a VAT group registration
Contract on the administration and development of an IT system and other ICT equipment
Account maintenance agreements

Fio forexová, s.r.o.

Account maintenance agreement
Loan agreement No. 151000061

Finanční skupina Fio, a.s.

Account maintenance agreement
Contract on the transfer of a business interest

FIO POLSKA SP Z O O

Account maintenance agreements

Družstevní záložna Kredit

Account maintenance agreements
Agency contract

DZ KREDIT a.s.

Account maintenance agreements
Agency contract and other arrangements

AASRK, a.s.

Account maintenance agreements

AFUS, spol. s r.o.

Account maintenance agreement

AGROPRODUKT - odbytové družstvo

Account maintenance agreement

AKAM, s.r.o.

Account maintenance agreement

APMAS, a.s.

Account maintenance agreement

AYA s.r.o.
Account maintenance agreement

BASRK, a.s.
Account maintenance agreement

BPMAS, a.s.
Account maintenance agreement

CASRK, a.s.
Account maintenance agreement

CFT a.s.
Account maintenance agreement

CPMAS, a.s.
Account maintenance agreement

DASRK, a.s.
Account maintenance agreement

EASRK, a.s.
Account maintenance agreement

ELLIAD a.s.
Account maintenance agreement
Agency contract and other arrangements

EPMAS, a.s.
Account maintenance agreement

Fio Slovakia, a.s.
Account maintenance agreements
Contract on the definition of rights and obligations following from the membership in a VAT group registration
Contract of mandate

FPMAS, a.s.
Account maintenance agreement

FPSROH spol. s r.o.
Account maintenance agreement

FPSROG spol. s r.o.
Account maintenance agreement

GENT CZ spol. s r.o.
Agency contract and other arrangements

KOPTRANS, spol. s r. o.
Account maintenance agreement

KOFIMA, s.r.o.
Account maintenance agreement

Midleton a.s.
Account maintenance agreements

NOBLIGE a.s.
Account maintenance agreement

Odbytové družstvo ovoce Český ráj
Account maintenance agreements

OVOAGRI s.r.o.
Account maintenance agreements

OVOFARM s.r.o.
Account maintenance agreement

T.O.R.S. s.r.o.
Account maintenance agreement

VARIEL, a.s.
Account maintenance agreement
Loan agreement No. 141000078
Loan agreement No. 151000002
Master agreement on investment

VVISS, a.s.:
Account maintenance agreements
Contract on the definition of rights and obligations following from membership in a VAT group registration
Loan agreement No. 151000039
Contract on the provision of a borrowing
Contract on the provision of a guarantee No. 163000008

VVISS delta, s.r.o.
Account maintenance agreement

VVISS Plzeň, s.r.o.
Account maintenance agreements
Loan agreement No. 111000039
Loan agreement No. 131000016
Loan agreement No. 161000051

VVISS spol. s r.o.
Account maintenance agreements
Loan agreement No. 131000045

b) Contracts concluded in the year ended 31 December 2017

Družstevní záložna PSD

Framework service level agreement
Agreement on ensuring the activity of the Legal and Compliance division in line with the organisational rules of Družstevní záložna PSD
Agreement on ensuring the activity of the Internal audit division in line with the organisational rules of Družstevní záložna PSD
Agreement on ensuring the activity of the Client division in line with the organisational rules of Družstevní záložna PSD
Agreement on ensuring the activity of the Marketing division in line with the organisational rules of Družstevní záložna PSD
Agreement on ensuring the activity of the Business division in line with the organisational rules of Družstevní záložna PSD
Agreement on ensuring the activity of the Operation division in line with the organisational rules of Družstevní záložna PSD
Agreement on ensuring the activity of the SWD division in line with the organisational rules of Družstevní záložna PSD
Receivable Offset Agreement

VARIEL, a.s.

Loan Agreement No. 171000065

Loan Agreement No. 171000066

VVISS, a.s.

Agreement on current account maintenance

In some cases, other contracts on the provision of standard banking services were concluded in relation to the account maintenance agreements (eg agreements on the issuance of bank cards, activation of internet banking etc). Also, amendments to some of the aforementioned contracts and agreements were concluded.

V. List of the Acts Made in the Latest Reporting Period at the Instigation or in the Interest of the Controlling Entity or Entities Controlled by the Controlling Entity with Respect to Assets Exceeding 10% of Equity identified in the Financial Statements for the Year Ended 31 December 2017

VI. Assessment of Detriment Incurred by the Controlled Entity and the Settlement thereof pursuant to Sections 71 and 72 of Act No. 90/2012 Coll.

The Bank as the Controlled Entity did not incur any detriment. All transactions made between the Controlling Entity and the Controlled Entity and between the Controlled Entity and entities controlled by the same Controlling Entity were made pursuant to the applicable legal regulations.

VII. Assessment of Advantages and Disadvantages Arising from Control

Within the group of controlled entities, as far as the Bank is concerned, advantages of being a controlled entity prevail, the main reason being the fact that, the Bank is ultimately controlled by two natural persons acting in concert, which provides the Bank with stability in decision-making processes.

Controlled entities cooperate predominantly in credit syndication, foreign currency trading and in mediation of bank services, both the payment and investment ones. The controlled entities are not in competition in terms of the services provided and, therefore, such a situation has no negative impact on their market position and the Bank and its management have sufficient space to maximally exploit the market potential in the respective area of business.

In Prague on 29 March 2018



.....
Jan Sochor

Chairman of the Board of Directors
Fio banka, a.s.



.....
Josef Valter

Member of the Board of Directors
Fio banka, a.s.