

2018 Annual Report

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I. General Part

Introduction

Dear Sirs and Madams,

Allow me to thank you for the trust you placed in us in the prior year. From Fio banka's perspective, 2018 has been one of its most successful years in its history to date. The bank's net profit exceeded CZK 1 billion and the number of new clients increased by more than 100,000 year-on-year. At present, Fio banka's services are used by over 900,000 clients.

As in prior years, the bank continued launching new services and products in 2018. In early 2018, it extended the portfolio of its existing services to include MasterCard credit cards, which offer one of the lowest interest rates on the market, issuing and maintaining the card free of charge or an optional start of the interest-free period. We devoted plenty of time and energy to launching our own mutual funds, which we have offered since 2018 through the subsidiary Fio investiční společnost. In doing so, we filled the gap between standard banking products, such as savings accounts or term deposits, and direct access to domestic and foreign equity markets.

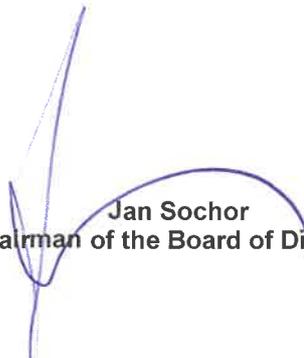
As the tradition goes, we continue educating the general non-professional as well as professional public, for which we organise a series of gratuitous educational investment-focused seminars on an annual basis in cooperation with the Czech RM-SYSTÉM securities exchange. Thanks to the Studentbroker project, which provides assistance to students from Czech as well as Slovak universities, young people may have a go at trading in shares and derivatives free of risk and thereby gain experience that they may later find useful in their personal and professional lives.

Notable internal projects include continuing in the long-term project concerning own card processing, thanks to which we may implement new services in respect of payment cards, ATMs, e-commerce and POS terminals faster and more cheaply. The first tangible result is the launch of contactless card readers on all our ATMs, making cash withdrawals from ATMs faster and more secure.

We will continue seeking to achieve gradual, yet stable growth. Only a few days ago, we enabled our clients who use smart phones with the Android operating system to make payments via Google Pay. During the coming year, a second, similar service – Apple Pay – is expected to be added. Moreover, we are currently finalising a brand new mobile application – Smartbanking.

Last but not least, let me thank our employees for their loyalty and great efforts they put into work, without which it would be impossible to achieve the above-listed successes.

I would also like to thank our clients for the trust they place in us and for using our services. After all, 2018 marked 25 years from the moment when our first colleagues filled our ranks and our first clients were served, albeit not under the bank's name.



Jan Sochor
Chairman of the Board of Directors

A. Principal Information

Name of the Company: Fio banka, a.s. (hereinafter the "Company", "Fio banka" or the "Bank")
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 2018, 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 nine 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 2018, 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: 117 21, Czech Republic, RM-S FINANCE, s.r.o., Corporate ID: 62915240, V Celnici 1028/10, Postal Code: 117 21, Czech Republic, Fio Slovakia, a.s., Corporate ID: 35828137, Nám. SNP 21, Bratislava 811 01, Slovakia, Fio forexová, s.r.o., Corporate ID: 27589587, V Celnici 1028/10, Postal Code: 117 21, Czech republic, Fio Consulting, spol. s.r.o., Corporate ID: 25740334, V Celnici 1028/10, Postal Code: 117 21, Czech Republic and Fio investiční společnost, a.s., Corporate ID: 06704441, V Celnici 1028/10, Postal Code: 117 21.

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 2018, 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 c) and e) 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:

2018 was by far the most successful year in the Company's history with respect to profit which amounted to CZK 1,028 million after tax. The Company acquired more than 100 thousand new clients, reaching a total of almost 900 thousand clients. The Company also recorded positive results in Slovakia, where the number of new clients grew by almost 20 thousand year-on-year.

The Company's aggregate assets amounted to CZK 124.500 billion as of 31 December 2018. The volume of payables to clients increased from CZK 103.711 billion to CZK 120.583 billion during 2018. Interest income and similar income amounted to CZK 1.562 billion in aggregate (compared to CZK 628 million in 2017), predominantly resulting from normalisation of interest rates following the discontinuation of the Czech National Bank's currency interventions. Net interest income grew from CZK 561 million to CZK 1,303 million. The recognition and use of provisions and reserves for receivables grew from CZK 313 million to CZK 297 million. Despite the policy of zero fees for regular banking services, the Company achieved a profit before tax in the amount of CZK 1,028 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 2018, the Company expanded and optimised the network of its branches, reflecting the wishes and needs of clients. During the year, the Company's network expanded to include the third branch in Ostrava in Vyškovská street and the fourteenth and fifteenth branches in Prague (Nuselská and Táborská streets). The Company also opened new branches in Litoměřice and Jičín, thereby increasing the total number of branches in the Czech Republic to 84. During the year, branches were also moved to larger, more discreet and representative premises in Prague Dejvice, Liberec, Trutnov and Svitavy. All the new branches also feature ATMs, which has increased the number of the Company's ATMs by 11 to 179.

As in 2017, the Company expanded its network in Slovakia by opening new branches in two additional towns in 2018: a new branch was opened in Komárno in mid-2018 and in Martin in the autumn. The Company also intends to continue expanding its network in Slovakia at a similar pace in 2019, whereby expansion including new branches and ATM machines is also anticipated in the Czech Republic.

Assessment of investment banking:

In 2018, the Company's clients gave increased attention to stock markets in the USA and Germany, where 61% of the total volume of mediated transactions was realised. With a 56% share, stock exchanges in the USA were the most preferred market, followed by Czech markets (39%). The Company acquired 7,000 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 2018, the Company organised 72 courses in the Czech Republic and Slovakia during what was the 28th and 29th semester of the "Investment Academy", which is intended for both the general public and experts. Participants could choose between three topics intended for complete beginners and experienced investors.

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 2018, a total of 11 higher educational institutions and universities and 459 students participated in the Studentbroker project, jointly concluding 11,899 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 2018

Own payment card processing

During 2018, the Company gradually launched another 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. Going forward, this will make it possible to faster introduce new payment card-related features.

Contactless withdrawals from ATMs

As of 31 January 2019, all ATMs in respect of which Fio banka provides processing were equipped with the contactless technology that makes it possible to withdraw cash without the necessity of inserting the payment card in the ATM. The grounds for introducing this new feature were not only to increase the comfort, but also the safety and protection of ATM users. As a matter of fact, it is impossible to place a skimming device on a contactless reader, which is used by fraudsters to derive card information and misuse it. As the user does not need to let go of the card at all, he or she is not at risk of forgetting the card in the ATM or of it becoming stuck in the machine. Each ATM transaction continues to be confirmed by a PIN code.

The second mortgage centre

In Brno, the Company opened its second branch solely specialising in housing loans. In doing so, the Company responded to the ever-increasing interest in mortgage loans from Fio banka.

Prabos and Avast shares on the Czech RM-SYSTÉM securities exchange

Fio banka has enabled clients to trade in Prabos and Avast placements not only on the Prague stock exchange, where the entities were listed in mid-May 2018, but also on the RM-SYSTÉM, which brings a series of advantages. On the Czech RM-SYSTÉM exchange, both placements may be traded in the EasyClick discounted fee regime.

Furthermore, Prabos' shares – which may only be traded on the START market on the Prague stock exchange four times a year – may be, as standard, traded in the continuous regime on the RM-SYSTÉM exchange. In addition, investors may purchase a random number of shares compared to the Prague stock exchange, where Prabos makes purchases on a lot-by-lot basis, with each lot containing 125 shares.

Fio banka offers own mutual funds

Through its subsidiary, Fio investiční společnost, Fio banka has expanded its portfolio of investment products to include trading in own mutual funds. In terms of the revenue to risk ratio, they represent a reasonable compromise between savings accounts and separate trading on stock markets.

Thanks to the possibility of regularly investing minor amounts, starting from CZK 300 on a monthly basis, mutual funds represent an optimal form of increasing the value of savings in the long term. As is customary for Fio banka, no entry fees are paid for the purchase of investment fund participation certificates. Establishing and maintaining the investment account is also free of charge, as is the use of the e-Broker application, through which investment fund participation certificates may be purchased and sold. A brand new website – www.fiofondy.cz – has also been set up for mutual funds.

New campaign of Fio banka: Good practice in the spotlight

In late 2018, Fio banka also launched a new advertising campaign based on the good habits of different cultures and nations as compared to Fio banka's good practice. Individual spots resemble nature documentaries and compare it to the benefits of the bank's products. The creative concept was prepared by the Mark/BBDO agency and the portion of spots featuring actors were directed by the experienced director Tomáš Bařina.

Major Awards



In 2018, Fio banka won four significant awards in the Golden Crown competition. In the Business Accounts category, our Sole Traders and Firms' Free-of-Charge Account took first place, which it has continuously defended since 2011. Other products, such as the Business Loan and e-Broker applications, also came first. The silver crown, ie the second place, was won by Fio's personal account, which has regularly placed on medal positions for eight consecutive years.

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 2018) – 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, Veveří 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
Jičín, Husova 103, 506 01, 224 346 793-4
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
Litoměřice, Dlouhá 2018/16, 412 01, 224 346 480-1
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
Opava, Ostrožná 262/9, 746 01, 224 346 930-31, 444
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
Ostrava Zábřeh, Výškovická 2526/118, 700 30, 224 346 335-8
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, Náměstí Generála Píky 2703/27, 326 00, 224 346 830-32
Plzeň, Prešovská 13, 301 00, 224 346 977-9
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 3, Táboritská 1782/40, 130 00, 224 346 484-6
Prague 4, Budějovická 1523/9a, 140 00, 224 346 863-4, 890, 993-4
Prague 4, Nuselská 401/4, 140 00, 224 346 494-6
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, Dejvická 574/33, 160, 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, Náměstí Míru 50/65, 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
Bardejov, Radničné námestie 22, 085 01
Bratislava, Nám. SNP 21, 811 01
Bratislava, Záhradnícka 74, 821 08
Komárno, Nám. M.R.Štefánika 11, 945 01
Košice, Hlavná 8, 040 01
Liptovský Mikuláš, Námestie Osloboditeľov 7, 031 01
Lučenec, T. G. Masaryka 12, 984 01
Martin, Divadelná 7, 036 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

In 2018, shares on the Prague stock exchange developed in the context of global affairs and their values (measured using the PX index) dropped by 9%, net of dividends paid in the amount of 4%. Losses were incurred in late 2018, when the Czech market was affected by events on global stock exchanges. These were, among others, impacted by the uncertainty regarding the development of business relations between the US and China and concerns about the slowdown of the global economy.

In 2018, the most profitable shares on the Prague stock exchange were those of the energy company ČEZ (+7.7%). The shares of the semi-state energy company strengthened thanks to the growing electricity prices and thereby an outlook of greater profits in the coming years. Following the crediting of dividends, investors generated over 13% in respect of this share last year. Besides this, the securities of the antivirus developer Avast also concluded 2018 slightly in the black. Other share titles generated losses last year, with the greatest fall (-38%) recorded by the shares of the CME media group. On regulatory grounds, the Company deferred the completion of the sale of Slovenian assets several times. This is despite the fact that the proceeds of the sale were intended to be partially used to decrease debt. Kofola's shares were also unsuccessful: the steep decline (-32.5%) was due to the exit of the Polish minority shareholder. Among banks, the worst results were recorded by the Austrian Erste bank (-19.2%), whose shares were hit late in the year by a report on sector tax on bank assets planned to be imposed by the Romanian government. The negative sentiments in the sector and the decline in bonds affected the developments at the insurance company VIG (-21.3%). In 2018, domestic banks were aided by the Czech National Bank's increases in interest rates; however, they were not spared declines either. Komerční banka's shares recorded a decrease to -7.4%, and those of Moneta to -14.2%. Besides this sentiment, Moneta was affected by uncertainty relating to the upcoming merger with Air Bank and Home Credit. Losses were also recorded by the telecommunications company O2 (-11.6%), which was removed from the Czech MSCI stock index in November. The traditional dividend "fixed star", Philip Morris ČR (-15%), was not a portfolio anchor this time.

During the year, stock exchange trading was discontinued in respect of the shares of the Fortuna betting company and Unipetrol, which were fully taken over by their majority shareholders. In contrast, AVAST was listed on the London stock exchange, which focuses on cyber security. As part of "dual listing" the title also started to be traded in Prague.

Trading on foreign markets

In 2018, new record highs were achieved on US share markets; however, at the same time, it had been the worst year since the financial crisis. Following an exceptionally calm year, volatility returned to the share market. While in 2017, the number of movements on the S&P 500 index exceeding 1% was only eight, in 2018, their number was as many as 64. In the course of history, the Dow Jones index changed by more than 1,000 points during a single transaction day only eight times, of which five occurred last year.

The market volatility was caused by the uncertainty regarding the organisation of international trade and the relating global economic slowdown. The synchronised global economic recovery became global economic slowdown. The slowdown, which the Chinese economy has been experiencing for some time, has also started to manifest itself in other regions. The uncertainty relating to the introduction of international trade barriers as part of Donald Trump's policy also had an adverse effect, as did the non-transparent situation in the UK, which debated the issue of Brexit for the whole year. The principal market decline commenced after the Fed's October meeting, where the intention to increase the rates threefold in 2019 and to keep decreasing its balance by maturing bonds held was confirmed. At the time, the Fed was still concerned about the US economy overheating and the outlook of rates growth sent revenues from US ten-year bonds plummeting to 3.25%. In addition, firms often introduced weaker outlooks during the fiscal year and weaker data also started coming in from the US economy. Investors also started to be more and more anxious about the flattening yield curve. Stock markets did not withstand the economy's weaker development and the planned tightening of the monetary policy, recording the worst December in 30 years.

The global stock index for advanced markets, MSCI World, saw its record high as early as in late January and decreased by 10.5% over the whole of 2018. During the year, certain regional stock indices entered a bear market, which is generally defined as a decrease of at least 20%. The Chinese Shanghai Composite index ended the year at a 24.6% loss, Stoxx Europe 600 (pan-European) at 13.2%, FTSE at 12.5% (UK) and Nikkei at 12.1%. The US economy and shares were positively affected by the approved tax reform and the S&P 500 index dropped at a minor rate of 6.2%. Oil prices also collapsed, declining from USD 75 per barrel to USD 45 in respect of WTI. Besides the economic slowdown, oil was also affected by the abolition of extraction limits as part of the OPEC countries, the weaker-than-expected sanctions on Iran and the strong growth of fracking in the US. In late 2018, the shares compensated for at least a portion of the losses, with the decline on markets forcing the Fed to make a U-turn in its currency policy and Donald Trump to relax his attitude towards China.

Proprietary trading

In 2018, Fio banka managed to further strengthen its position on financial markets which was gained in previous years. The Bank continued to operate as a market maker 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 26.3% from CZK 23,953 million in 2017 to CZK 30,254 million in 2018. In the overall ranking based on the traded volume of shares in 2018, Fio banka moved up to third place.

Yields from Czech government bonds experienced continued growth, which commenced in 2017 following the discontinuation of the exchange rate commitment and was supported in 2018 by an additional increase in the Czech National Bank's interest rates. In 2018, the central bank increased the key repo rate five times by 0.25% to 1.75%. Nevertheless, yields from Czech government bonds did not reach a level that would made them attractive for the Bank, which was due to the expected further developments in debt instruments – the ongoing growth of market interest rates. Therefore, Fio banka did not re-invest the funds from maturing bonds and neither did it make new investments. The total volume of bonds in the Bank's portfolio decreased, as of 31 December 2018, by 4% year-on-year in the CZK equivalent. The portfolio was only composed of government bonds, with Czech government bonds accounting for 98.3% and Slovak government bonds for the remaining portion.

The developments in inflation, economy and weaker Czech crown enabled the Czech National Bank to continue increasing interest rates towards neutral levels. Therefore, in late 2018, the Czech National Bank's repo rate was as high as 1.75%. The situation on the monetary market improved along with this, which enabled the Bank to generate greater proceeds from CZK liquid funds, with the majority of transactions with the Czech National Bank concluded within two-week repo transactions.

Information on the Company's assets and financial situation

The Bank's total assets amounted to CZK 124,499,525 thousand as of 31 December 2018, principally comprising cash in hand and balances with central banks of CZK 101,908,472 thousand, balances with banks and cooperative credit unions of CZK 1,810,201 thousand, receivables from clients of CZK 15,133,792 thousand, from debt securities of CZK 4,334,763 thousand, from shares, share certificates and other investments of CZK 104,841 thousand, from participation interests of CZK 159,352 thousand and from other assets of CZK 991,798 thousand.

In 2018, the Company recorded net fee and commission income of CZK 318,228 thousand, net interest income of CZK 1,302,961 thousand and income from financial transactions of CZK 591,716 thousand. The Bank's operating profit before tax was CZK 1,256,885 thousand.

The Bank's situation has been stable in the long-term. The Bank 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 Bank has never been insolvent throughout its existence.

Successful expansion of the Bank's credit portfolio as well as an increase in other indicators resulted in a larger volume of risk exposures. As of 31 December 2018, the Bank's capital ratio was 15.271% (of which 14.650% constitutes the Tier 1 capital ratio), which is above the level of regulatory requirements, constituting a secure level for risk coverage.

Information on the contribution to the Guarantee Fund

As a securities trader, Fio banka, a.s., contributes to the Guarantee Fund of traders in securities, which provides a guarantee system from which compensation is paid to customers of securities traders that are unable to meet commitments towards their clients. The basis for calculating the Bank's contribution to the Guarantee Fund for 2018 amounted to CZK 114,497,242.46. The amount of the Bank's contribution amounted to CZK 2,289,944.85.

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 Chairman of the Board of Directors at 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 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.

Filip Novotný, Member of the Board of Directors

Mr Novotný graduated from the Faculty of Mathematics and Physics at Charles University. He joined the Fio financial group in October 2004, when he joined the company as a client-focused employee at the Prague office. Since 2006, he has held the position of chief risk manager at Fio, burzovní společnost, a.s. At present, he holds the position of chief risk manager at Fio banka and a member of the Board of Directors responsible for risk management.

Under Section 8 (1) of Act No. 21/1992 Coll. on Banks, as amended, the Bank's Board of Directors has five members as of 31 December 2018.

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 2018 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 2018. The costs of labour relations incurred in 2018 are disclosed in the notes to the financial statements for the year ended 31 December 2018 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

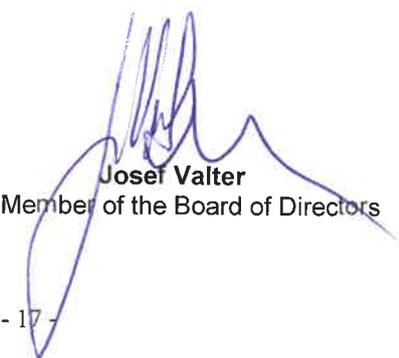
Jan Sochor, birth certificate no. 690222/0050, residing at Prague 1, Opletalova 30, Postal Code 110 00, Chairman of the Board of Directors of Fio banka, a.s., holds responsibility for the annual report.

The financial statements were audited by:

Deloitte Audit s.r.o., corporate ID: 49620592, Italská 2581/67, Vinohrady, 120 00 Prague 2.

In Prague on 29 April 2019


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 2018, and the profit and loss account and 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 2018, 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
<p>Provisions for amounts due from clients</p> <p>(Notes 3.5 and 4.4. to the Financial Statements)</p> <p>As of 31 December 2018, gross amounts due from clients (hereinafter "loans") were CZK 15,688,498 thousand against which provisions for loans (hereinafter "provisions") of CZK 554,706 thousand were recorded.</p> <p>Since 1 January 2018 the Bank has adopted IFRS 9 resulting in impairment charges being recognised when losses are expected rather than when they have been incurred. Management has disclosed the information regarding the transitional effect of IFRS 9 in Note 3.13 including the impact on equity as of 1 January 2018.</p> <p>The provisions are determined either (i) individually for significant credit impaired exposures (stage 3 defaulted) or (ii) using statistical models for performing loans (stage 1&2).</p>	<p>We evaluated whether internal policies for recognising provisions for loans are set.</p> <p><u>Testing of internal controls</u></p> <p>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:</p> <ul style="list-style-type: none"> • System-based and manual controls over the timely identification and 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 • IT controls relating to access rights and change management of relevant IT applications with the assistance of our IT specialists.

Key audit matter	Related audit procedures
<p>Because of the significance of professional judgements and the size of loans, the audit of provisions is a key audit matter.</p> <p>The most significant judgements are:</p> <ul style="list-style-type: none"> • Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer. • Timely identification of exposures with a significant increase in credit risk and credit impaired exposures. • Valuation of collateral and assumptions of future cash flows on individually assessed credit-impaired exposures. 	<p><u>Assumptions used in the expected credit loss models</u></p> <p>We assessed, in cooperation with our specialists, the methodology of the models. We assessed whether the modelling assumptions considered all relevant risks, were reasonable in light of historical experience and forward outlook, economic climate, and the circumstances of the customers. We performed analytical procedures on a portfolio basis.</p> <p><u>Identification of exposures with a significant increase in credit risk and credit impaired loans</u></p> <p>In cooperation with our specialists, we evaluated assumptions used for staging models and we recalculated the staging on a portfolio basis.</p> <p>We tested a sample of loans (including loans that had not been classified by management as stage 3) to form our own assessment as to whether impairment events had occurred and to assess whether impairment had been identified in a timely manner.</p> <p><u>Provisions for individually assessed credit impaired loans</u></p> <p>The Bank determines provisions individually for significant credit impaired exposures (stage 3 defaulted).</p> <p>We selected a sample of loans and, where we deemed them to be impaired, tested the amount of provisions recorded by the Bank 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 2018 the interest income and similar income amounted to CZK 1,562,151 thousand. Total fee and commission income for the same period amounted to CZK 594,913 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</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 requirements of the relevant accounting standard. <p>We focused our testing on challenging the correct classification of interest income and fee income.</p>

Key audit matter	Related audit procedures
<p>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>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 and Supervisory Board 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 is 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 the basis of a tender on 23 October 2018 and our total uninterrupted engagement has lasted for 9 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 29 April 2019 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 29 April 2019

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 2018

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

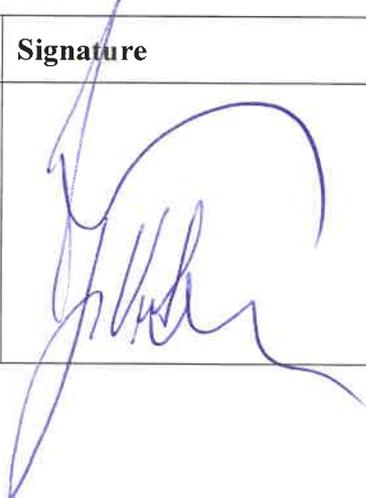
Off Balance Sheet Accounts

Profit and Loss Account

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 29 April 2019.

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

Business name of the entity
Fio banka, a.s.
Registered office of the entity
Praha 1, V Celnici 1028/10, 11721
Corporate ID
61858374

Balance sheet as of 31 December 2018 in CZK thousand		Current period			Prior period	
No.	Text	Line	Gross	Adjustment	Net	Net
1.	Cash in hand and balances with central banks	1	101 908 472	0	101 908 472	86 779 607
	State zero-coupon bonds and other securities eligible for refinancing with the CNB					
2.	State securities	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	1 810 201	0	1 810 201	2 063 513
3.a)	Repayable on demand	6	1 613 116	133	1 612 983	1 754 419
3.b)	Other receivables	7	197 218	0	197 218	309 094
4.	Amounts due from clients	8	15 688 498	554 706	15 133 792	13 146 914
4.a)	Repayable on demand	9	249 039	52 366	196 673	326 817
4.b)	Other receivables	10	15 439 459	502 340	14 937 119	12 820 097
5.	Debt securities	11	4 334 763	0	4 334 763	4 405 540
5.a)	Issued by Government institutions	12	4 334 763	0	4 334 763	4 343 354
5.b)	Issued by other entities	13	0	0	0	62 186
6.	Shares, share certificates and other equity investments	14	104 841	0	104 841	20 236
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	159 352	0	159 352	154 778
	of which: in banks	18	0	0	0	0
9.	Intangible fixed assets	19	30 234	27 935	2 299	3 696
9.a)	Start-up costs	20	0	0	0	0
9.b)	Goodwill	21	-1 142	-994	-148	-327
10.	Tangible fixed assets	22	49 735	37 520	12 215	13 746
	Land and buildings for operating activities	23	0	0	0	0
11.	Other assets	24	993 140	1 342	991 798	963 553
12.	Receivables for subscribed capital	25	0	0	0	0
13.	Prepayments and accrued income	26	41 792	0	41 792	21 974
	TOTAL ASSETS	27	125 121 028	621 503	124 499 525	107 573 557
1.	Amounts owed to banks and cooperative credit unions	28			236 590	172 892
1.a)	Repayable on demand	29			236 544	160 391
1.b)	Other payables	30			46	12 501
2.	Amounts owed to clients	31			120 583 239	103 710 721
2.a)	Repayable on demand	32			116 503 504	99 697 354
2.b)	Other payables	33			4 079 735	4 013 367
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			731 606	1 772 212
5.	Deferred income and accrued expenses	38			0	0
6.	Reserves	39			216 031	168 723
6.a)	Reserves for pensions and similar liabilities	40			0	0
6.b)	Reserves for taxes	41			214 463	87 122
6.c)	Other reserves	42			1 568	81 601
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			19 904	16 309
13.a)	Assets and liabilities	56			19 904	16 309
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			833 842	474 486
15.	Profit/(loss) for the period	60			1 028 313	408 214
	TOTAL LIABILITIES	61			124 499 525	107 573 557

Off balance sheet accounts as of 31 December 2018
in CZK thousand

No.	Text	Current period	Prior period
1.	Issued commitments and guarantees	22 962 500	25 118 943
2.	Provided collateral		
3.	Amounts due from spot transactions		
4.	Amounts due from term transactions	14 526 721	18 253 430
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	113 283 300	89 772 204
11.	Amounts owed from spot transactions		
12.	Amounts owed from term transactions	14 521 460	18 684 490
13.	Amounts owed from option transactions		
14.	Assets received into custody, administration and safe-keeping	40 153 929	40 325 747
15.	Assets received for management	92 227	78 977

Profit and loss account for the year ended 31 December 2018
in CZK thousand

No.	Text	Line No.	Current period	Prior period
1.	<i>Interest income and similar income</i>	PL1	1 562 151	627 744
	Interest income from debt securities	PL2	57 352	39 743
2.	<i>Interest expense and similar expense</i>	PL3	259 190	66 620
	Interest expense from debt securities	PL4	2 153	374
3.	<i>Income from shares and participation interests</i>	PL5	1 221	131
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	1 221	131
4.	<i>Commission and fee income</i>	PL9	594 913	549 917
5.	<i>Commission and fee expense</i>	PL10	276 685	193 060
6.	<i>Net profit or loss on financial operations</i>	PL11	591 716	613 232
7.	<i>Other operating income</i>	PL12	14 035	18 637
8.	<i>Other operating expenses</i>	PL13	72 829	57 010
9.	<i>Administrative expenses</i>	PL14	677 456	612 884
9.a.	Staff costs	PL15	42 149	32 333
9.a.1.	of which: social security and health insurance	PL16	10 334	8 011
9.b.	Other administrative expenses	PL17	635 307	580 551
10.	<i>Release of reserves and provisions for tangible and intangible fixed assets</i>	PL18	0	0
	Depreciation/amortisation, charge for and use of reserves and provisions for tangible and intangible fixed assets	PL19	7 973	8 622
	Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off	PL20	0	0
	Write-offs, charge for and use of provisions and reserves for receivables and guarantees	PL21	297 092	312 562
14.	<i>Release of provisions for participation interests</i>	PL22	0	0
	Loss on the transfer of participation interests, charge for and use of provisions for participation interests	PL23	0	0
	Release of other reserves	PL24	0	0
17.	<i>Charge for and use of other reserves</i>	PL25	-80 000	80 000
18.	<i>Share of profits/(losses) of subsidiaries and associates</i>	PL26	4 074	1 994
19.	<i>Profit/(loss) for the period from ordinary activities before taxes</i>	PL27	1 256 885	480 897
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	228 572	72 683
24.	<i>Net profit/(loss) for the period</i>	PL32	1 028 313	408 214

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 2017	760 000	0	16 657	296 030	408 214		1 480 901
Net profit/loss for the period						408 214	
Transfers to funds				178 456	-408 214		
Balance at 31 December 2017	760 000	0	16 657	474 486	0	408 214	1 659 357
Balance at 1 January 2018	760 000	0	16 657	474 486	408 214		1 659 357
Changes in accounting policies				-48 858			
Net profit/loss for the period						1 028 313	
Transfers to funds				408 214	-408 214		
Balance at 31 December 2018	760 000	0	16 657	833 842	0	1 028 313	2 638 812

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018
Financial statements prepared on:	29 April 2019
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.

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

In the year ended 31 December 2018, the following changes were made in the Register of Companies held by the Municipal Court in Prague in respect of Fio banka, a.s. (in chronological order):

- On 18 October 2018, the following changes were made:
 - As a new member of the Board of Directors, Filip Novotný, was recorded (position originated: 27 September 2018);
 - In item Number of Members, number 4 was deleted; and
 - In item Number of Members, number 5 was recorded.

In the year ended 31 December 2018, some 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 (in chronological order):

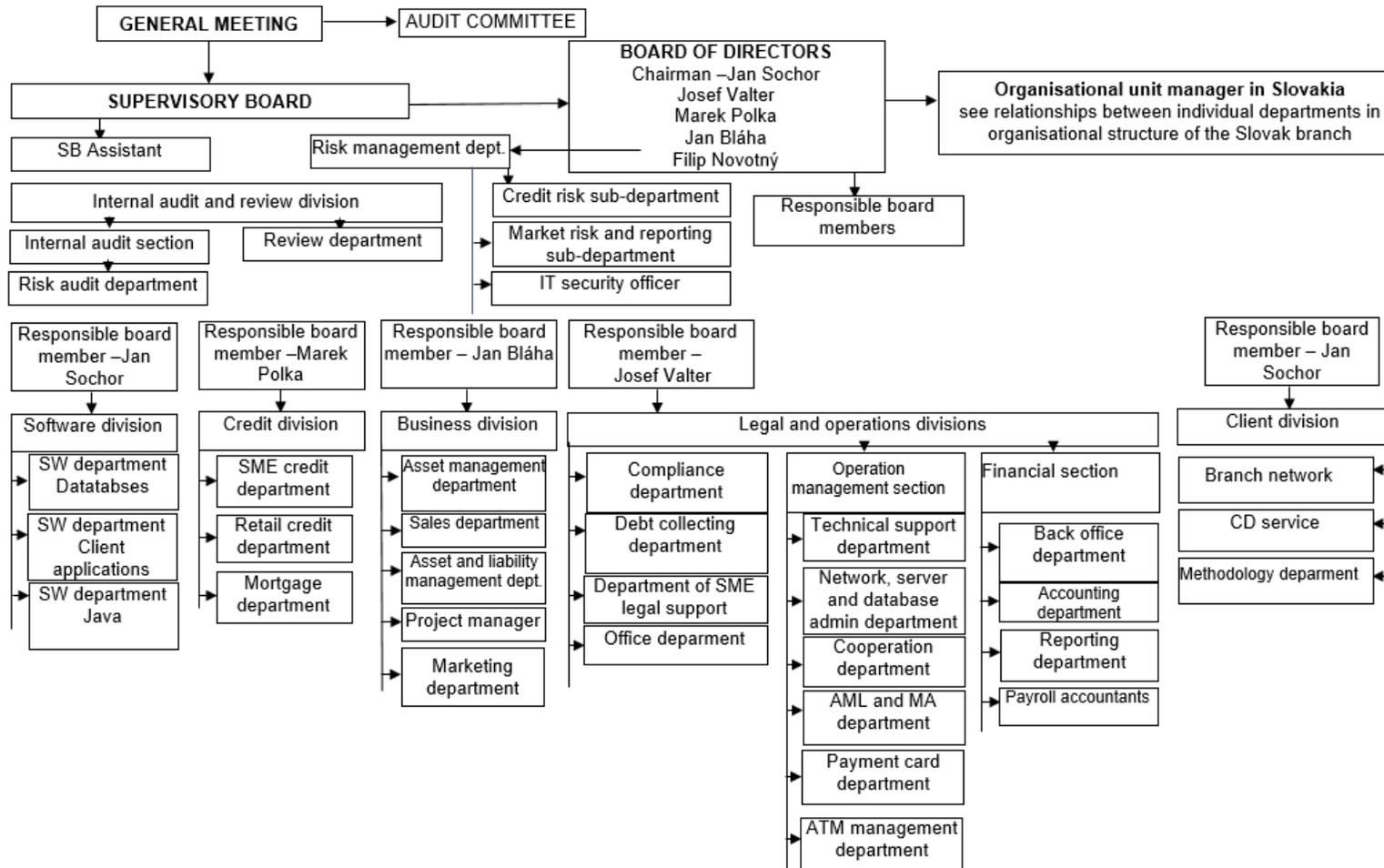
- On 23 March 2018, the following changes were made:
 - In section Business Activities, the following entry was recorded:
 - *“Proprietary trading in relation to the following financial instruments: a) transferable securities, b) equity investments in collective investment enterprises, c) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning securities, currencies, interest rates or revenues or other derivative instruments, financial indices or financial measures that may be settled physically or in cash, d) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning commodities that have to be settled in cash or they may be settled in cash based on the option of one of the parties (for other reasons than due to insolvency or another event leading to termination), e) futures, swaps, agreements on future interest rates and other derivative contracts concerning commodities that have to be settled physically provided that they concern a regulated market and/or MTF.”*
- On 13 June 2018 and 14 June 2018, the registry court corrected the entry as follows:
 - On 13 June 2018, the following entry was removed from section Business Activities:
 - *“Proprietary trading in relation to the following financial instruments: a) transferable securities, b) equity investments in collective investment enterprises, c) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning securities, currencies, interest rates or revenues or other derivative instruments, financial indices or financial measures that may be settled physically or in cash, d) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning commodities that have to be settled in cash or they may be settled in cash based on the option of one of the parties (for other reasons than due to insolvency or another event leading to termination), e) futures, swaps, agreements on future interest rates and other derivative contracts concerning commodities that have to be settled physically provided that they concern a regulated market and/or MTF.”*
 - On 14 June 2018, the following entry was recorded in section Business Activities:
 - *“Proprietary trading in relation to the following financial instruments: a) transferable securities, b) equity investments in collective investment enterprises, c) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning securities, currencies, interest rates or revenues or other derivative instruments, financial indices or financial measures that may be settled physically or in cash, d) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning commodities that have to be settled in cash or they may be settled in cash based on the option of one of the parties (for other reasons than due to insolvency or another event leading to termination), e) options, futures, swaps and other derivative contracts concerning commodities that have to be settled physically provided that they concern a regulated market and/or MTF.”*

- On 11 September 2018, the following changes were made:
 - o The following entry was recorded in section Business Activities:
 - *“exchange rate services, if these are connected to the provision of investment services in relation to the following financial instruments: a) transferable securities, b) equity investments in collective investment enterprises, c) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning securities, currencies, interest rates or revenues, emission quotas or other derivative instruments, financial indices or financial measures that may be settled physically or in cash, d) options, futures, swaps, forwards and other derivative contracts concerning commodities that have to be settled in cash or may be settled based on the option of one of the parties for other reasons than due to insolvency or another event leading to termination, e) options, futures, swaps and other derivative contracts concerning commodities that may be settled physically provided that they are traded on a regulated market, MTF or OTF, with the exception of wholesale energy products traded in OTF, which have to be settled physically, f) options, futures, swaps, forwards and other derivative contracts concerning commodities that may be settled physically and that are not listed in item 6 of this section and that are not used for business purposes, having features like other derivative financial instruments; g) derivative instruments for the transfer of credit risk, h) financial contracts for difference, i) options, futures, swaps, agreements on future interest rates and other derivative contracts concerning climatic variables, transport tariffs, emission quotas or inflation levels or other official economic statistics which have to be settled or may be settled based on the option of one of the parties for other reasons than due to insolvency or another event leading to termination, as well as other derivative contracts concerning assets, rights, obligations, indices and measures that are not otherwise listed in this section with respect to, among other things, whether they are traded on a regulated market, MTF or OTF.*

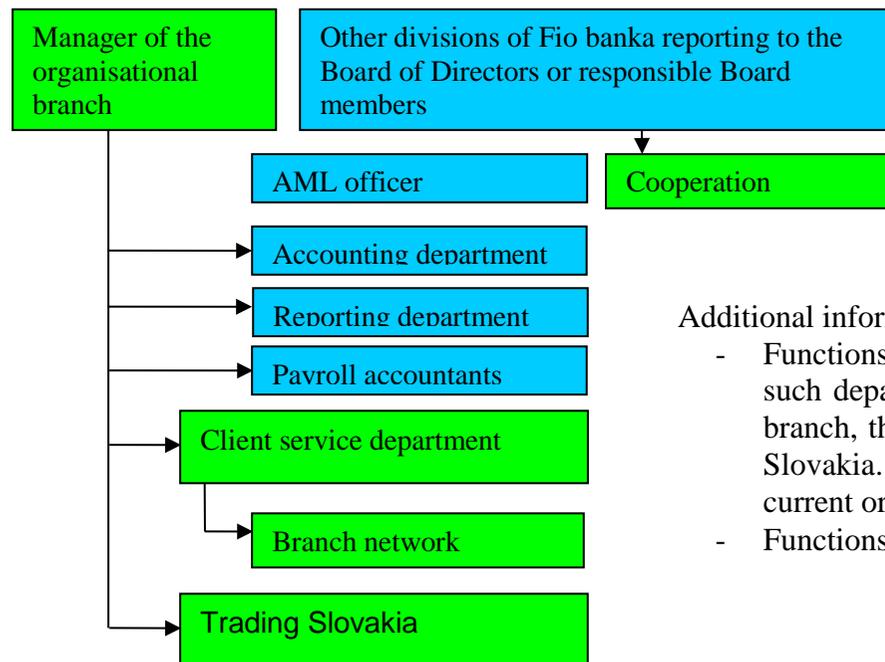
- On 19 September 2018, the following changes were made:
 - o The following entry was recorded in section Business Activities:
 - *“mediation on the money market”.*

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
	Member	Filip Novotný
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, with the exception of selected financial instruments, which are measured at fair value. 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 2018.

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.

3.2. Financial Assets (methods effective from 1 January 2018)

In line with Czech accounting regulations, as of 1 January 2018 the Company measures financial instruments based on International Accounting Standards.

Upon initial recognition, financial assets are stated at fair value increased or decreased by transaction costs, with the exception of financial assets at fair value through profit or loss.

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.

3.2.1. Amounts Due from Banks and Clients, Debt Securities

Amounts due from banks, from clients and debt securities (debt financial assets) are classified and after initial recognition subsequently measured at:

- Amortised cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

Classification is determined based on the characteristics on contractual cash flows of the debt financial asset and the business model in which the financial asset is included:

The Bank distinguishes the following business models:

- Business model whose objective is to retain the financial asset until maturity and collect contractual cash flows;
- Business model whose objective is achieved simultaneously by collecting contractual cash flows and the sale of assets; and
- Business model whose objective is to trade the financial asset.

The Bank assesses whether the contractual cash flows represent solely a repayment of principal and interest on the unpaid portion of principal. Principal is the fair value of the financial asset on initial recognition. Interest reflects the time value of money, interest rate risk related to the unpaid portion of the principal for the specific period of time and other basic risks and expenses related to the provision of a loan as well as the profit margin

If the financial asset is held within a business model with the objective to hold the financial asset until maturity and to collect contractual cash flows and all these flows simultaneously represent payment of principal and interest on the unpaid part of principal, the financial asset is classified and valued at amortised cost. Income from debt financial assets measured at amortised cost is reported in the profit and loss account under "Net gains or losses from financial operations".

If the financial asset is held within a business model whose objective is achieved simultaneously by collecting contractual cash flows and the sale of assets and all these flows simultaneously represent payment of principal and interest on the unpaid part of principal, the financial asset is classified and valued at fair value through other comprehensive income. Unrealised gains/losses from this remeasurement are reported in other comprehensive income as part of "Valuation gains and losses".

If the financial asset is held within a business model whose objective is to trade the financial asset or the related cash flows do not represent solely payment of principal and interest on the unpaid part of principal, irrespective of the business modal, the financial asset is classified and valued at fair value through profit or loss. Gains/losses from this remeasurement are reported in the profit and loss account as part of "Net profit or loss from financial transactions".

The fair value used for the revaluation of securities is set as the arm's length price promulgated as of the date of determination of the fair value, provided that the Bank proves that the security can be sold for the arm's length price.

In case of publicly tradable debt securities and equity securities, fair values are equal to prices achieved on a public market of OECD countries, provided that the requirements for the liquidity of the securities are met at the same time.

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.

All debt financial assets held by the Bank as of the balance sheet date are included in the business model with the objective to hold the financial asset until maturity and to collect contractual cash flows and they meet the characteristics of cash flows representing solely repayment of principal and interest on the unpaid part of principal and they are classified and measured at amortised cost.

Debt financial securities are reported in the balance sheet under:

- Amounts due from banks and cooperative credit unions;
- Amounts due from clients; and
- Debt securities.

Debt financial assets are recognised in amounts net of provisions. Provisions from impairment of debt securities are determined based on the model of expected losses based on the requirements of IFRS 9. In order to determine expected losses the Bank divides debt financial assets into three categories based on the level of risk:

- Stage 1 – this category includes debt securities whose credit risk had not significantly increased since initial recognition as of the balance sheet date. Impairment of financial assets is determined as expected credit loss over 12 months after the balance sheet date. Interest income is calculated using the effective interest rate method and it is determined from the gross carrying amount of the asset.
- Stage 2 – this category includes debt securities whose credit risk had significantly increased since initial recognition as of the balance sheet date but default had not occurred. Impairment of financial assets is determined as expected credit loss until maturity. Interest income is calculated using the effective interest rate method and it is determined from the gross carrying amount of the asset.
- Stage 3 – this category includes debt securities in default. Impairment of financial assets is determined as expected credit loss until maturity of the asset. Interest income is calculated using the effective interest rate method and it is determined from the net carrying amount of the asset, taking into account the provision.

A separate category includes purchased or originated credit impaired (POCI) assets. POCI assets are financial assets that are credit impaired already on initial recognition and they are reported in net value throughout the lifetime of the asset without the option of transfer to the other risk categories. Impairment of these financial assets is determined as the expected credit loss until maturity. Income is determined using the effective interest rate adjusted for the credit risk.

As of the balance sheet date and during the reporting period, the Bank did not hold any purchased or originated credit impaired assets in its portfolio.

A material increase in credit risk is considered to be an event where the debtor is in default by 30 or more days since the maturity of the contractual payment.

The Bank considers assets to be impaired if the debtor is in default by 90 or more days since the maturity of the contractual payment. For overdraft credit products, the Bank considers assets to be impaired if the debtor is in default by 40 or more days since the maturity of the contractual payment.

Provisions are charged to expenses and they are reported under “Write-offs, charge for, and use of provisions and reserves for receivables and guarantees.”

Write-off of irrecoverable receivables is included in “Write-offs, charge for, and use of provisions and reserves for receivables and guarantees.” Income from previously written-off financial assets is included in the profit and loss account under “Release of provisions and reserves for receivables and guarantees, recoveries of receivables assigned and recoveries of receivables previously written off.”

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

3.2.2. Shares, Share Certificates and Other Equity Investments

Equity financial assets are classified and measured at fair value through profit or loss under “Net profit or loss from financial transactions”, unless the Bank decided on initial recognition of this asset to classify and measure it at fair value through other comprehensive income under “Valuation gains and losses” without the option of reclassification of the accumulated change in fair value from other comprehensive income to profit or loss. Dividends from equity securities are always reported in the profit and loss account under “Net profit or loss from financial transactions”.

3.2.3. Financial Derivatives

The Bank records all financial derivatives as derivatives held for trading.

Financial derivatives held for trading are stated at fair value under “Other assets” or “Other liabilities” based on the resulting positive/negative fair value. Gains (losses) from changes in fair value are reported in the profit and loss account under “Gains and losses from financial transactions”.

3.3. Financial Assets (methods effective until 31 December 2017)

The Bank 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 Bank loses such control if it realises the rights to benefits specified in the contract, the rights expire, or the Bank surrenders those rights.

3.3.1. 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.

3.3.2. 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 amounts due from clients. The Company classifies amounts due 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.

3.3.3. Financial Derivatives

The Bank records all financial derivatives as derivatives held for trading.

Financial derivatives held for trading are stated at fair value and gains (losses) from changes in fair value are reported in the profit and loss account under "Gains and losses from financial transactions".

3.4. 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.

3.5. 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.

3.6. 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 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. 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.

3.10. 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.

3.11. 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.

3.12. Valuation of Leases

IFRS 16, replacing the current standard IFRS 17, will enter into force in 2019. The Bank as the lessee of especially office premises and branches will have to report these leases in the form of rights to use and lease contract liabilities. The Bank has analysed all lease contracts in order to collect lease specifications and parameters to calculate the anticipated impact. In line with the valuation model, the adoption of the new standard should result in an increase in the balance as of 1 January 2019 of CZK 208 million.

3.13. Change in Accounting Policies

On 1 January 2018, Regulation No. 442/2017 Coll., changing Regulation No. 501/2002 Coll., came into force, and as a result the Bank reports financial instruments, their measurement and disclosure in the notes to the financial statements in line with International Financial Reporting Standards as adopted by the directly applicable regulations of the European Union on the application of International Financial Reporting Standards.

On 1 January 2018, new standard IFRS 9 also came into force, replacing IAS 39 in the area of classification and measurement of financial assets, impairment and hedge accounting. The new accounting policies related to this change are disclosed in Note 3.2 to the Financial Statements.

The Bank decided not to adjust the comparative period and the difference arising from the change in accounting policies was reported in the equity item 'Retained earnings/(loss) brought forward' as of 1 January 2018.

The change in accounting policies did not lead to reclassification of the Bank's financial assets. The following table shows the impact of the change in accounting policies on the Bank's balance sheet and the new classification of financial assets pursuant to IFRS 9.

Notes to the Financial Statements for the Year Ended 31 December 2018

Balance sheet	Valuation category pursuant to IAS 39	Carrying amount at 31 Dec 2017	Revaluation due to change in accounting policies	Valuation category pursuant to IFRS 9	Carrying amount at 1 January 2018
Cash in hand and balances with central banks	Loans and other receivables	86 779 607	0	Amortised cost	86 779 607
State zero-coupon bonds and other securities eligible for refinancing with the CNB	Loans and other receivables	0	0	Amortised cost	0
Amounts due from banks and cooperative credit unions	Loans and other receivables	2 063 513	0	Amortised cost	2 063 513
Amounts due from clients	Loans and other receivables	13 146 914	-48 858	Amortised cost	13 098 056
Debt securities		4 405 540	0		4 405 540
- Trade portfolio	FVPL assets	21 498	0	FVPL assets	21 498
- Portfolio held until maturity	Investments held until maturity	4 384 042	0	Amortised cost	4 384 042
Shares, share certificates and other equity investments	Available for sale assets	20 236	0	FVOCI assets	20 236
Participation interests with substantial influence		0	0		0
Participation interests with controlling influence		154 778	0		154 778
Intangible fixed assets		3 696	0		3 696
Tangible fixed assets		13 746	0		13 746
Other assets		963 553	0		963 553
- Of which: positive VF of derivatives	FVPL assets	19 105	0	FVPL assets	19 105
Receivables for subscribed capital		0	0		0
Prepayments and accrued income		21 974	0		21 974
TOTAL ASSETS		107 573 557	-48 858		107 524 699
Amounts owed to banks and cooperative credit unions		172 892	0		172 892
Amounts owed to clients		103 710 721	0		103 710 721
Payables from debt securities		0	0		0
Other liabilities		1 772 212	0		1 772 212
Of which: Negative FV of derivatives	FVPL assets	446 901	0	FVPL assets	0
Deferred income and accrued expenses		0	0		0
Reserves		168 723	0		168 723
Subordinated liabilities		90 000	0		90 000
Share capital		760 000	0		760 000
Share premium		0	0		0
Reserve funds and other funds from profit		0	0		0
Revaluation reserve		0	0		0
Capital funds		0	0		0
Gains or losses from revaluation		16 309	0		16 309
Retained earnings or accumulated losses brought forward		474 486	-48 858		425 628
Profit/(loss) for the period		408 214	0		408 214
TOTAL LIABILITIES		107 573 557	-48 858		107 524 699

The following table shows the impact of the change in accounting policies on provisions recognised as of 1 January 2018 after the application of the requirements of IFRS 9.

Decrease in financial assets	Carrying amount at 31 Dec 2017	Revaluation due to change in accounting policies	Carrying amount at 1 January 2018
Amounts due for	527 450	48 858	576 308
Total	527 450	48 858	576 308

The impact of applying IFRS 9 requirements for impairment of other categories of financial assets was not reported as of the date of change of accounting policies due to immateriality.

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 2018	31 Dec 2017
Cash in hand	211 703	200 942
Accounts at central banks	1 641 271	1 738 629
Loans provided – reverse repo transactions	98 735 029	83 805 939
Cash in ATMs	1 320 469	1 034 097
Total	101 908 472	86 779 607

As of 31 December 2018, loans arising from reverse repo transactions were secured by debt securities in the fair value of CZK 96,865,211 thousand (CZK 79,879,337 thousand as of 31 December 2017).

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

As of 31 December 2017 and 31 December 2018, the Company held no state treasury bills.

4.3. Amounts Due from Banks and Cooperative Credit Unions

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Current accounts	1 698 583	1 754 419
Term deposits	197 218	309 094
Total amounts due from banks and cooperative credit unions	1 895 801	2 063 513

All amounts due from banks and cooperative credit unions are categorised as Stage 1. No provision was recognised in respect of these assets due to immateriality.

4.4. Amounts Due from Clients

By contractual maturity

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Short-term loans	7 751 800	6 145 909
Medium-term loans	1 301 233	1 029 271
Long-term loans	6 080 759	5 971 734
Total amounts due from clients	15 133 792	13 146 914

By territory

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Czech Republic	12 711 228	11 162 652
Slovakia	2 330 008	1 907 389
Other countries	92 556	76 873
Total amounts due from clients	15 133 792	13 146 914

By type of client

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Individuals	5 197 691	5 370 436
Legal entities	9 936 101	7 776 478
Total amounts due from clients	15 133 792	13 146 914

By segment

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Households	5 197 691	5 306 936
Real estate	2 512 319	1 992 992
Finance	437 828	260 806
Other personal services	6 627 114	1 375 124
Sundry	358 840	4 211 056
Total amounts due from clients	15 133 792	13 146 914

By classification

2018

	31 Dec 2018			31 Dec 2017
	Gross	Provision	Net	Net
Stage 1	12 704 646	29 558	12 675 088	11 411 684
Stage 2	1 669 575	88 465	1 581 110	652 339
Stage 3	1 314 277	436 683	877 594	1 082 891
Total amounts due from clients	15 688 498	554 706	15 133 792	13 146 914

2017

	31 Dec 2017			31 Dec 2016
	Gross	Provision	Net	Net
Stage 1	11 411 684	0	11 411 684	12 166 802
Stage 2	652 898	559	652 339	456 686
Stage 3	1 609 782	526 891	1 082 891	1 177 795
Total amounts due from clients	13 674 364	527 450	13 146 914	13 801 282

The following table shows the reasons for changing the gross value by risk category:

	Stage 1	Stage 2	Stage 3	Total
Gross value at 31 Dec 2017	11 411 684	652 898	1 609 782	13 674 364
Change of provision due to				
- Transfer to Stage 1	216 107	-216 047	-60	0
- Transfer to Stage 2	-1 224 532	1 242 255	-17 723	0
- Transfer to Stage 3	-121 437	-26 488	147 925	0
- Newly originated amounts due from clients	2 422 824	16 957 ⁱ	53 917	2 493 698
- Derecognised amounts due from clients	0	0	-479 564	-479 564
Gross value at 31 Dec. 2018	12 704 646	1 669 575	1 314 277	15 688 498

The following table shows the reasons for changing provisions by risk category.

	Stage 1	Stage 2	Stage 3	Total
Provision balance at 31 Dec 2017	0	559	526 891	527 450
Change in accounting policy	37 801	11 057	0	48 858
Provision balance at 1 Jan 2018	37 801	11 616	526 891	576 308
Change of provision due to				
- Transfer to Stage 1	11	-8	-3	0
- Transfer to Stage 2	-73 548	73 630	-82	0
- Transfer to Stage 3	-34 258	-902	35 160	0
- Increase in credit risk	84 477	0	190 140	274 617
- Decrease in credit risk	0	-10 457	0	-10 457
- Newly acquired financial assets	15 075	14 586 ⁱⁱ	2 300 ⁱⁱ	31 961
- Derecognised financial assets	0	0	-317 723	-317 723
- Change in estimates (models)	0	0	0	0
Provision balance at 31 Dec 2018	29 558	88 465	436 683	554 706

ⁱ All receivables presented as newly originated in Stage 2 and Stage 3 were originally recognised as unimpaired in Stage 1 and the classification deteriorated during the current reporting period. They are not POCI.

ⁱⁱ All provisions against receivables presented as newly originated in Stage 2 and Stage 3 were originally recognised as unimpaired in Stage 1 and the classification deteriorated during the current reporting period. They are not POCI.

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 15,418,089 thousand as of 31 December 2018 (31 December 2017: CZK 9,892,867 thousand).

During 2018, the Company released provisions against receivables from clients in the amount of CZK 77,716 thousand and created provisions against receivables from clients in the amount of CZK 368,180 thousand and provisions of CZK 317,723 thousand were sold.

4.5. Debt Securities

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Debt securities at amortised cost		
Government bonds	4 334 763	4 343 354
Non-government bonds	0	40 688
Total at amortised cost	4 334 763	4 384 042
Debt securities at fair value through profit or loss		
Non-government bonds	0	21 498
Total at fair value through profit or loss	0	21 498
	31 Dec 2018	31 Dec 2017
Total debt securities	4 334 763	4 405 540

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

All debts securities are classified in Stage 1. The provision against debt securities at amortised cost was not reported as of the balance sheet date due to immateriality.

The change in accounting policy as of 1 January 2018 did not lead to reclassification of the Bank's portfolio. Debt securities at amortised cost correspond to the category of debt securities held to maturity, debt securities at fair value through profit or loss correspond to the category of debt securities in the trading portfolio.

4.6. Shares, Share Certificates and Other Equity Investments

As of 31 December 2018, the Company holds 100 shares of Burza cenných papírů Praha, a.s. with the carrying value of CZK 100 thousand (31 December 2017: CZK 100 thousand), 9 S.W.I.F.T. shares of CZK 1,069 thousand and 597 preference shares of VISA Inc with the carrying value of CZK 24,572 thousand (31 December 2017: CZK 20,136 thousand). The shares of VISA Inc. were obtained by the Company as part of a transformation of VISA Europe in 2016.

The Bank used the option to classify these securities on initial recognition in the portfolio as financial assets at fair value through other comprehensive income without the possibility of reclassifying the accumulated change in fair value from other comprehensive income to profit or loss. The Bank did so since it plans to hold these equity securities in the long term and does not plan trading them.

In 2018, the Company started trading with securities on its own account. As of 31 December 2018, its portfolio included shares and share certificates of CZK 79,098 thousand. The Bank classifies and measures these securities at fair value with subsequent remeasurement to profit or loss.

Shares, Share Certificates and Other Equity Investments	31 Dec 2018	31 Dec 2017
Fair value through other comprehensive income	25 743	22 236
Fair value through profit or loss	79 098	0
Total	104 841	20 236

4.7. Participation Interests with Substantial Influence

2018

					(CZK '000)
Name of the company	Registered office	Acquisition cost	Ownership percentage	Voting rights in %	Valuation at 31 Dec 2018
RM-SYSTÉM, česká burza cenných papírů a.s.	Prague 1, V Celnici 1028/10, Postal Code 117 21	31 705	100	100	32 571
RM-S FINANCE, s.r.o.	Prague 1, V Celnici 1028/10, Postal Code 117 21	991	100	100	1 536
Družstevní záložna PSD	Prague 1, V Celnici 1028/10, Postal Code 117 21	58 744	73,4	73,4	102 571
Fio forexová, s.r.o.	Prague 1, V Celnici 1028/10, Postal Code 117 21	210	100	100	3 100
Fio investiční společnost, a.s.	Prague 1, V Celnici 1028/10, Postal Code 117 21	20 000	100	100	18 955
Fio consulting, s.r.o.	Prague 1, V Celnici 1028/10, Postal Code 117 21	500	100	100	619
Total		112 150			159 352

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

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.

4.8. Fixed Assets

4.8.1. Intangible Fixed Assets (Intangible FA)

Cost

	(CZK '000)						
	31 Dec 2016	Additions	Disposals	31 Dec 2017	Additions	Disposals	31 Dec 2018
Software	17 952	812	0	18 764	1046	0	19 810
Other intangible FA	11 567	0	0	11 567	0	0	11 567
Goodwill	-1 143	0	0	-1 143	0	0	-1 143
Total	28 376	812	0	29 188	1046	0	30 234

Accumulated Amortisation

	(CZK '000)						
	31 Dec 2016	Additions	Disposals	31 Dec 2017	Additions	Disposals	31 Dec 2018
Software	17 952	0	0	17 952	1 858	0	19 810
Other intangible FA	5 458	2 898	0	8 356	764	0	9 120
Goodwill	-638	-178	0	-816	0	179	-995
Total	22 772	2 720	0	25 492	2 622	179	27 935

Net Book Value

	(CZK '000)	
	31 Dec 2017	31 Dec 2018
Software	812	0
Other intangible FA	3 211	2 447
Goodwill	-327	-148
Total	3 696	2 299

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 2016	Additions	Disposals	31 Dec 2017	Additions	Disposals	31 Dec 2018
Vehicles	2 525	0	0	2 525	632	0	3 157
Other tangible FA	35 743	15 384	7 917	43 210	3 916	548	46 578
Total	38 268	15 384	7 917	45 735	4 548	548	49 735

Accumulated Depreciation

	(CZK '000)						
	31 Dec 2016	Additions	Disposals	31 Dec 2017	Additions	Disposals	31 Dec 2018
Vehicles	1 846	578	0	2 424	336	0	2 760
Other tangible FA	24 242	5 323	0	29 565	5 195	0	34 760
Total	26 088	5 901	0	31 989	5 531	0	37 520

Net Book Value

	(CZK '000)	
	31 Dec 2017	31 Dec 2018
Vehicles	101	397
Other tangible FA	13 645	11 818
Total	13 746	12 215

In the year ended 31 December 2018, the Company acquired tangible assets in the amount of CZK 5,061 thousand charged directly to expenses (31 December 2017: CZK 1,935 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 2018	31 Dec 2017
Provided deposits and prepayments	599 404	570 075
Receivables from securities markets	173 630	140 388
Estimated receivables	5 369	55 067
Guarantee funds	1 726	1 013
Margin contribution for derivatives trading	42 633	11 581
Positive fair value of open derivatives (FX swap)	12 127	19 105
Cash in transit	71 819	101 862
Other	85 160	64 670
Provisions	-70	-208
Total other assets	991 798	963 553

Other assets in the amount of CZK 85,160 thousand principally include prepayments made for corporate income tax in the amount of CZK 62,837 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 11,487,371 thousand (2017: CZK 1,635,996 thousand) and a payable amounting to CZK 11,475,244 thousand (2017: CZK 1,616,891 thousand).

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

Provided deposits and prepayments

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Fio leasing, a.s., a deposit paid for the lease term	9 782	8 687
Deposits paid to card associations	567 083	534 091
Other	22 539	27 297
Total deposits and prepayments	599 404	570 075

4.10. Prepayments and Accrued Income

Prepayments and accrued income in the amount of CZK 41,792 thousand (31 December 2017: CZK 21,974 thousand) predominantly include prepayments for rental.

4.11. Amounts Owed to Banks and Cooperative Credit Unions

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Repayable on demand	236 544	160 391
Other	46	12 501
Total	236 590	172 892

4.12. Amounts Owed to Clients

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
Repayable on demand	116 503 504	99 697 354
Other	4 079 735	4 013 367
Total amounts owed to clients	120 583 239	103 710 721

4.13. Other Liabilities

	(CZK '000)	
	31 Dec 2018	31 Dec 2017
A deficit on the fair value of open derivatives (FX swap)	3 105	446 901
Outgoing payments	502 219	1 062 285
Payables to securities markets	319	655
Payables to employees	2 278	1 652
Estimated payables	53 818	40 694
Payables to the state budget	18 106	15 439
Domestic suppliers	44 017	8 978
Foreign suppliers	7 565	770
Unidentified contributions	30 246	12 089
Other	69 933	182 749
Total other liabilities	731 606	1 772 212

The negative fair value of open derivatives is based on a receivable from fixed term transactions in the amount of CZK 3,039,519 thousand (2017: CZK 16,612,376 thousand) and a payable in the amount of CZK 3,042,624 thousand (2017: CZK 17,059,277 thousand).

The item 'Other' principally involves accounts used for the settlement with card associations in the amount of CZK 65,784 thousand.

Amounts due arising from social security and health insurance contributions

As of 31 December 2018, the amount due arising from the contribution to social security and state employment policy was CZK 961 thousand (31 December 2017: CZK 837 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 2018, the amount due arising from health insurance contributions was CZK 407 thousand (31 December 2017: CZK 358 thousand). The Company records no payables past their due dates arising from health insurance contributions.

4.14. Reserves

As of 31 December 2018, reserves in the amount of CZK 216,031 thousand (31 December 2017: CZK 168,723 thousand) principally comprises a reserve for the corporate income tax of CZK 214,463 thousand, a reserve for outstanding vacation days of CZK 1,029 thousand and a reserve for court expenses of CZK 539 thousand.

	31 Dec 2017	Release	Charge	31 Dec 2018
Income tax reserve	87 122	87 122	214 463	214 463
Reserve for court disputes	80 539	80 000	0	539
Reserve for outstanding vacation days	1 062	1 062	1 029	1 029
Total	168 723			216 031

4.15. Subordinated Liabilities

As of 31 December 2018, the Company records a subordinated liability of CZK 90,000 thousand (2017: 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 share capital comprises 760 thousand ordinary shares with a nominal value of CZK 1 thousand.

As of 31 December 2018, 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 2018 and 31 December 2017, no increase was made in the Company's share capital by the subscription of shares.

As of 31 December 2018 and 31 December 2017, 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 2017 profit was approved:

	(CZK '000)	
	2018	2017
Retained earnings brought forward at the beginning of the period	474 486	296 030
Operating result of prior years	359 356	178 456
Retained earnings brought forward at the end of the period	833 842	474 486

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)	
	2018	2017
Interest on deposits provided to other banks	982 841	114 226
Interest on loans provided to clients	521 958	473 775
Interest on debt securities	57 352	39 743
Interest income and similar income	1 562 151	627 744
Interest on deposits received from clients	151 617	51 749
Interest on debt securities	2 153	374
Interest on the subordinated liability	13 500	13 500
Other interest and interest fee	91 920	997
Interest expense and similar expense	259 190	66 620
Net interest income	1 302 961	561 124

In the years ended 31 December 2018 and 31 December 2017, uncollected default interest on distressed receivables amounted CZK 113,869 thousand and CZK 123,406 thousand, respectively.

To provide a more accurate presentation, interest income in the amount of CZK 11,917 thousand relating to loans provided for purchasing securities is presented as part of interest on loans provided to clients.

Other interest and interest fee include default interest of CZK 82,093 thousand. A reserve of CZK 80,000 thousand was created for this interest in 2017.

4.18. Fees and Commissions

	(CZK '000)	
	2018	2017
Transactions with securities	96 444	91 743
Other investment services	20 009	19 753
Client accounts and loans	247 295	270 130
Fees charged by card associations	231 165	168 291
Total fee and commission income	594 913	549 917
Payment system and card transactions	240 509	161 379
Transactions with securities	36 176	31 681
Total fee and commission expense	276 685	193 060
Net fee and commission income	318 228	356 857

4.19. Net Profit or Loss on Financial Operations

	(CZK '000)	
	2018	2017
Profit/(loss) on securities	-619	-233
Profit on FX differences	594 807	818 073
Profit (loss) on proprietary trading	-1 240	0
Profit/(loss) on currency derivatives	-1 232	-204 608
Profit/(loss) on other operations	0	0
Net profit or loss on financial operations	591 716	613 232

4.20. Other Operating Expenses

Other operating expenses amounting to CZK 72,829 thousand (2017: CZK 57,010 thousand) predominantly include contributions to the Securities Dealers Guarantee Fund, a contribution to the Crisis Resolution Fund, contributions to the Deposit Insurance Fund. In 2018, the expense of the Securities Dealers Guarantee Fund amounted to CZK 2,289 thousand (2017: CZK 2,234 thousand). The expense of the Deposit Insurance Fund for 2018 amounts to CZK 52,508 thousand (2017: CZK 42,796 thousand). A contribution to the Crisis Resolution Fund amounted to CZK 18,016 thousand (2017: CZK 11,985 thousand).

4.21. Administrative Expenses

	(CZK '000)	
	2018	2017
Wages and bonuses	30 925	23 770
Social security and health insurance expenses	10 334	8 011
Other staff costs	890	552
Staff costs and bonuses	42 149	32 333
Audit	4 349	2 213
Rental	57 454	54 471
Postage fees	4 517	3 852
Advertising	67 788	74 384
Information resources	4 212	4 399
Outsourced services	260 520	200 686
Other purchased consumables and services	236 467	240 546
Other administrative expenses	635 307	580 551
Total administrative expenses	677 456	612 884

Bonuses to the Company's top management amounted to CZK 0 thousand in 2018 (in 2017: CZK 1,511 thousand).

4.22. Taxation

Income Tax Payable

The Company's operating result for the year ended 31 December 2018 consisted of the profit before tax amounting to CZK 1,256,885 thousand (2017: a profit of CZK 480,897 thousand).

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

	(CZK '000)	
	2018	2017
Profit/loss before tax	1 256 885	480 897
Expenses not deductible for tax purposes	15 096	88 849
Income not taxable	137 170	111 157
Gifts	6 060	50
Tax base	1 128 751	458 539
Tax relief	0	0
Adjustment to the tax payable of prior years	0	0
Total tax payable	214 463	87 122
Change in deferred tax	14 109	-14 439
Total	228 572	72 683

Deferred Tax

As disclosed in Note 3.10, as of 31 December 2018 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 2018, the Company records a deferred tax liability of CZK 5,804 thousand (2017: CZK 5,273 thousand). As of 31 December 2018, the Company also records a deferred tax asset of CZK 196 thousand arising from the reserve created for unused vacation days (2017: CZK 15,402 thousand).

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)	
	2018	2017
Employees	53	49
Of which: members of the Board of Directors	5	4
Members of the Supervisory Board	3	3

5. Related Party Transactions

Relations with related parties in the Fio Group.

31 December 2018

	(CZK '000)				
	RM-SYSTÉM, česká burza cenných papírů a.s.	Fio forexová s.r.o.	Fio consulting s.r.o.	Družstevní záložna PSD	RM-S FINANCE, s.r.o.
Amounts due from banks and cooperative credit unions	0	0	0	0	0
Other assets	0	88 570	0	0	42
TOTAL ASSETS	0	88 570	0	0	42
Amounts owed to banks and cooperative credit unions	0	0	0	138 423	0
Other payables	52 550	62 190	688	0	22 465
TOTAL LIABILITIES	52 550	62 190	688	138 423	22 465

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.	RM-S FINANCE, s.r.o.
Amounts due from banks and cooperative credit unions	0	0	0	43 987	0
Other assets	0	248 402	0	0	0
TOTAL ASSETS	0	248 402	0	43 987	0
Amounts owed to banks and cooperative credit unions	0	0	0	46 645	0
Other payables	67 880	279 829	0	0	14 353
TOTAL LIABILITIES	67 880	279 829	0	46 645	14 353

1 January – 31 December 2018

	(CZK '000)				
	RM-SYSTÉM, česká burza cenných papírů a.s.	Fio forexová s.r.o.	Fio consulting s.r.o.	Družstevní záložna PSD	RM-S FINANCE, s.r.o.
Interest income	0	0	0	0	0
Interest expense	0	0	0	0	0
Fee and commission income	0	0	0	0	0
Fee and commission expense	-7 056	20 127	0	0	0
Profit or loss from financial operations	0	0	0	0	0
Other operating income	0	0	0	0	0
Administrative expenses	-1 872	0	-702	0	-225 552
TOTAL	-8 928	0	-702	0	-225 552

1 January – 31 December 2017

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

As of 31 December 2018, the aggregate amount of the loans provided by the Company to members of the Supervisory Board and the Board of Directors was CZK 424,413 thousand (31 December 2017: CZK 1,068,946 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 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.

The Bank also trades with shares on markets in the Czech Republic and abroad. The risk level of these positions is restricted by the volume limits set by Risk Management as well as by the VaR limits of these positions. The limits are set to make sure that any potential losses from these positions cannot significantly affect the Bank's profitability. The positions are monitored online and their performance is regularly assessed.

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 2018

(CZK '000)

	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	Total
Cash in hand and balances with central banks	101 908 472	0	0	0	0	0	101 908 472
State zero-coupon bonds	0	0	0	0	0	0	0
Amounts due from banks and cooperative credit unions	1 612 983	0	197 218	0	0	0	1 810 201
Amounts due from clients	247 874	1 035 507	7 017 212	1 431 642	5 401 557	0	15 133 792
Debt securities	0	0	22 342	2 275 067	2 037 354	0	4 334 763
Shares, share certificates and other equity investments	0	0	0	0	0	104 841	104 841
Participation interests with substantial influence	0	0	0	0	0	159 352	159 352
Tangible and intangible fixed assets	0	0	0	0	0	14 514	14 514
Other assets	897 255	23 206	62 837	8 497	0	3	991 798
Receivables for subscribed capital	0	0	0	0	0	0	0
Prepayments and accrued income	0	41 792	0	0	0	0	41 792
TOTAL ASSETS	104 666 584	1 100 505	7 299 609	3 715 206	7 438 911	278 710	124 499 525
Amounts owed to banks and cooperative credit unions	236 544	46	0	0	0	0	236 590
Amounts owed to clients	117 372 531	1 223 693	973 252	1 013 763	0	0	120 583 239
Other liabilities	659 505	66 472	5 629	0	0	0	731 606
Reserves	0	0	214 463	0	0	1 568	216 031
Subordinated liabilities	0	0	0	0	90 000	0	90 000
Equity	0	0	0	0	0	2 642 059	2 642 059
TOTAL LIABILITIES	118 268 580	1 290 211	1 193 344	1 013 763	90 000	2 643 627	124 499 525
Net liquidity risk	-13 601 996	-189 706	6 106 265	2 701 443	7 348 911	-2 364 917	0
Cumulative liquidity risk	-13 601 996	-13 791 702	-7 685 437	-4 983 994	2 364 917	0	0

31 December 2017

(CZK '000)

	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	Total
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

8. ASSETS AND LIABILITIES BY CURRENCY

31 December 2018

	(CZK '000)				
	CZK	EUR	USD	Other	Total
Cash in hand and balances with central banks	101 620 441	210 949	77 054	28	101 908 472
State zero-coupon bonds	0	0	0	0	0
Amounts due from banks and cooperative credit unions	690 858	440 546	386 335	292 462	1 810 201
Amounts due from clients	12 265 745	2 557 706	236 919	73 422	15 133 792
Debt securities	4 258 767	75 996	0	0	4 334 763
Shares, share certificates and other equity investments	82 779	7 131	14 931	0	104 841
Participation interests with substantial influence	159 352	0	0	0	159 352
Tangible and intangible fixed assets	12 978	1 536	0	0	14 514
Other assets	183 414	48 185	758 542	1 657	991 798
Receivables for subscribed capital	0	0	0	0	0
Prepayments and accrued income	13 803	27 985	4	0	41 792
TOTAL ASSETS	119 288 137	3 370 034	1 473 785	367 569	124 499
Amounts owed to banks and cooperative credit unions	190 167	31 688	14 735	0	236 590
Amounts owed to clients	101 120 006	16 342 546	2 674 278	446 409	120 583 239
Other liabilities	434 017	270 632	25 181	1 776	731 606
Reserves	216 031	0	0	0	216 031
Subordinated liabilities	90 000	0	0	0	90 000
Equity	2 642 059	0	0	0	2 642 059
TOTAL LIABILITIES	104 692 280	16 644 866	2 714 194	448 185	124 499 525
Net currency risk	14 595 857	-13 274 832	-1 240 409	-80 616	0
Cumulative currency risk	14 595 857	1 321 025	80 616	0	0

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

9. INTEREST RATE ANALYSIS

31 December 2018

(CZK '000)

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Not defined	Total
Cash in hand and balances with central banks	101 908 472	0	0	0	0	101 908 472
State zero-coupon bonds	0	0	0	0	0	0
Amounts due from banks and cooperative credit unions	1 612 983	197 218	0	0	0	1 810 201
Amounts due from clients	3 664 794	7 303 820	4 016 653	148 525	0	15 133 792
Debt securities	0	4 258 767	0	75 996	0	4 334 763
Shares, share certificates and other equity investments	0	0	0	0	104 841	104 841
Participation interests with substantial influence	0	0	0	0	159 352	159 352
Tangible and intangible fixed assets	0	0	0	0	14 514	14 514
Other assets	920 461	62 837	8 497	0	3	991 798
Receivables for subscribed capital	0	0	0	0	0	0
Prepayments and accrued income	41 792	0	0	0	0	41 792
TOTAL ASSETS	108 148 502	11 822 642	4 025 150	224 521	278 710	124 499 525
Amounts owed to banks and cooperative credit unions	236 590	0	0	0	0	236 590
Amounts owed to clients	118 591 033	978 445	1 013 761	0	0	120 583 239
Other liabilities	725 977	5 629	0	0	0	731 606
Reserves	0	214 463	0	0	1 568	216 031
Subordinated liabilities	0	0	0	90 000	0	90 000
Equity	0	0	0	0	2 642 059	2 642 059
TOTAL LIABILITIES	119 553 600	1 198 537	1 013 761	90 000	2 643 627	124 499 525
Net interest rate risk	-11 405 098	10 624 105	3 011 389	134 521	-2 364 917	0
Cumulative interest rate risk	-11 405 098	-780 993	2 230 396	2 364 917	0	0

31 December 2017

(CZK '000)

	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Not defined	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

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 2018 (CZK '000)

Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments and related share premium = Paid share capital	760 000.000
2	Retained earnings	1 344 486.609
6	Common Equity Tier 1 capital before normative adjustments	2 119 255.946
Common Equity Tier 1 capital: normative adjustments		
8	Intangible assets (net of related tax liabilities) (negative value)	-2 446.978
28	Total normative adjustments to Common Equity Tier 1 capital	-2 567.294
29	Common Equity Tier 1	2 121 823.241
44	Additional Tier 1 capital	0.000
45	Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital	2 121 823.241
Tier 2 capital: Instruments and items		
46	Capital instruments and related share premium	0.000
57	Total normative adjustments to Tier 2 capital	0.000
58	Tier 2 capital	90 000.000
59	Total capital = Tier 1 capital + Tier 2 capital	2 211 823.241

Information on capital requirements on an individual basis as of 31 December 2018 (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	
	Exposures to regional governments or local authorities	
	Exposures to public sector entities	
	Exposures to international development banks	
	Exposures to international organisations	
	Exposures to institutions	37 546.414
	Exposures to companies	566 703.271
	Retail exposures	60 196.970
	Exposures secured by property	166 233.614
	Exposures in default	43 822.395
	Exposures related with extremely high risk	66 137.987
	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	14 807.617
	Other items	977.206
Capital requirement calculated under Section 92 (3) b) and c)	Regarding the position risk	11 515.215
	These limits may be exceeded for large exposures listed in Articles 395 through 401 if institutions are permitted to do so.	
	Regarding currency risk	3 428.037
	Regarding settlement risk	
	Regarding commodity risk	
Under Title III Chapter 2 – regarding operating risk, by way of the basic indicators		187 310.950
TOTAL		1 158 679.676

Capital ratios as of 31 December 2018 (as a percentage share of the risk exposure)

61	Common Equity Tier 1 capital	14.650%
62	Tier 1 capital	14.650%
63	Total capital	15.271%

Ratio indicators

	As of 31 December 2018
Return on average assets (ROAA)	0.82%
Return on assets (ROA)	0.83%
Return on average equity (ROAE)	48.46%
Assets per employee (CZK '000)	2 595 523
Administrative costs per employee (CZK '000)	14 114
Profit or loss after tax per employee (CZK '000)	21 423

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, File No. B 2704, for the reporting period from 1 January 2018 to 31 December 2018.

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, File No. B 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, File No. B 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.

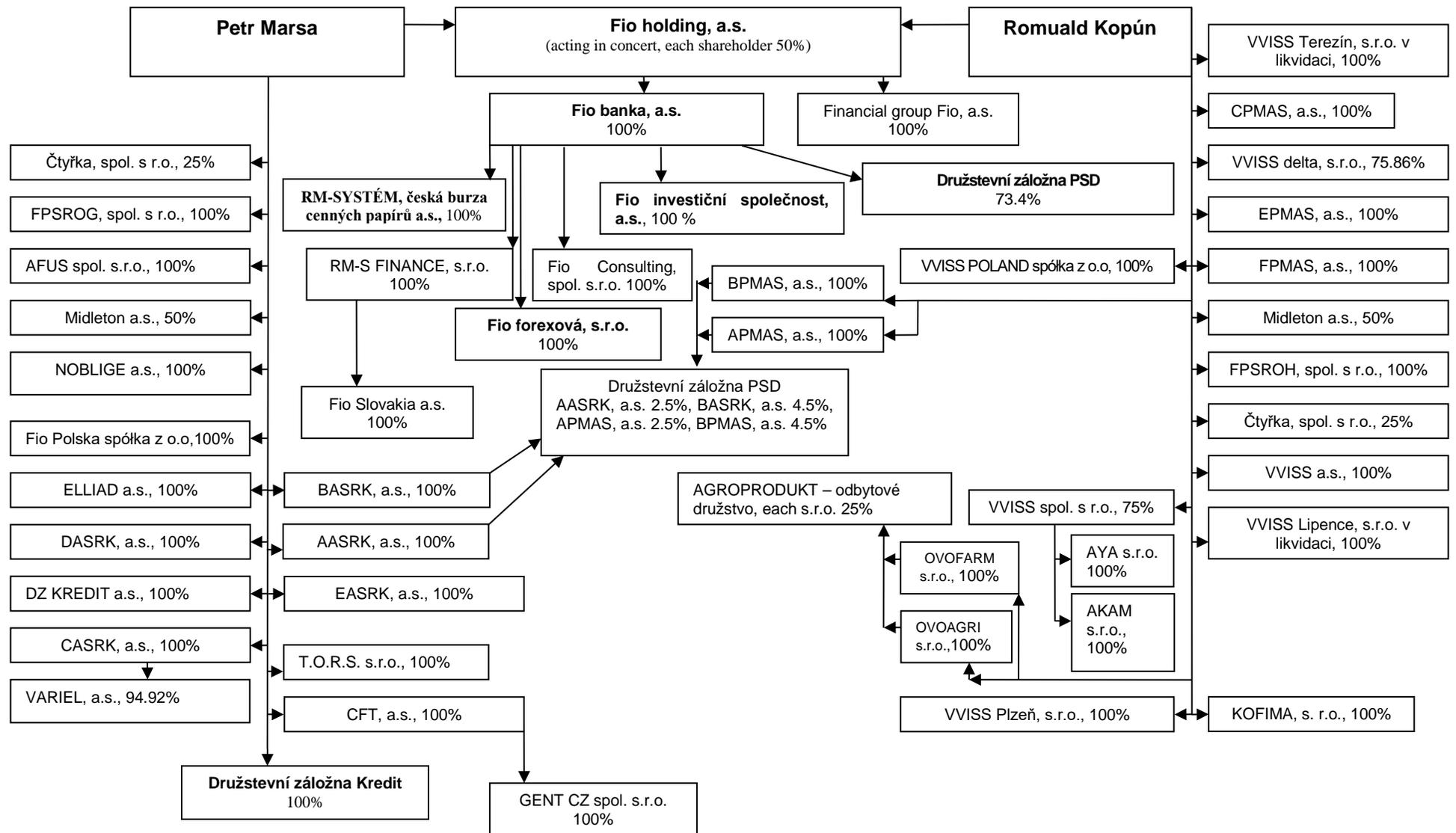
(hereinafter also the "Controlling Persons")

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 8, postal code 181 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 Consulting, spol. s.r.o., Corporate ID: 25740334, 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 investiční společnost, a.s., Corporate ID: 06704441, Praha 1, V Celnici 1028/10, postal code 110 00;
- Fio Polska spółka z o.o, Corporate ID: 140192608, Szpitalna 1/17, 00-020 Warszawa, Poland;
- Fio Slovakia, a.s., Corporate ID: 35828137, Nám. SNP 21, Bratislava 811 01;
- 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;
- Middleton 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, Goleiszów;
- VVISS spol. s r.o., Corporate ID: 30229529, Kostolanská 2/540, Madunice postal code 922 42, Slovak Republic; and
- 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 (similarly, in Slovakia, the Controlled Entity enters into business relationships with Fio Slovakia a.s., by means of its organisational branch Fio banka, a.s., pobočka zahraničnej banky) and further with Družstevní záložna PSD, RM-SYSTÉM, česká burza cenných papírů a.s. and Fio investiční společnost, 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 2018 and Contracts and Agreements Still Effective in the Year Ended 31 December 2018

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

a) Contracts concluded prior to 1 January 2018 still effective as of 31 December 2018

Romuald Kopún

Loan agreement No. 131000119
Bank account agreements
Agency contract and other arrangements

Petr Marsa

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 2018

Petr Marsa

Account maintenance agreements
Framework agreement on financial market trading

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

a) Contracts concluded prior to 1 January 2018 still effective as of 31 December 2018

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
Framework service level agreement
Agreement on ensuring the activity of the Internal Audit division in line with the organisational rules of Družstevní záložna PSD
Contract on the definition of rights and obligations following from the membership in VAT group registration

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 Consulting, spol. s.r.o.

Account maintenance agreements
Bookkeeping agreement
Personal data processing agreement

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
Outsourcing 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

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

Loan agreement No. 171000065

Loan agreement No. 171000066

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

Contract on the provision of a guarantee No. 173000029

VVISS delta, s.r.o.

Account maintenance agreement

VVISS Plzeň, s.r.o.

Account maintenance agreements

Loan agreement No. 111000039

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 2018**Fio investiční společnost, a.s.**

Account maintenance agreements

Master agreement on investment

Framework agreement on financial market trading

Outsourcing contract

Contract on offering investments to the fund

Personal data processing agreement

DZ KREDIT a.s.

Account maintenance agreement
Framework agreement on financial market trading

Družstevní záložna Kredit

Framework agreement on financial market trading
Personal data processing agreement

RM-S FINANCE s.r.o.

Outsourcing contract
Personal data processing agreement

CFT a.s.

Account maintenance agreement
Framework agreement on financial market trading

ELLIAD a.s.

Account maintenance agreement
Framework agreement on financial market trading

NOBLIGE a.s.

Account maintenance agreement
Framework agreement on financial market trading

T.O.R.S. s.r.o.

Account maintenance agreement
Framework agreement on financial market trading

VARIEL, a.s.

Account maintenance agreement
Loan Agreement No. 181000083

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 2018

In the reporting period, the credit facility of Fio forexová, s.r.o. (Loan Agreement No. 151000061) increased by the amount of CZK 9,000,000,000, or the equivalent thereof in foreign currencies.

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

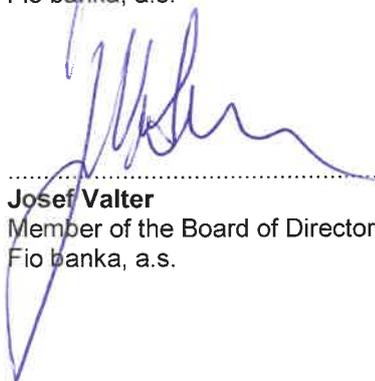
Within the group of controlled entities, as far as the Bank is concerned, advantages of being a controlled entity prevail, the main reason being the fact that, the Bank is ultimately controlled by two natural persons acting in concert, which provides the Bank with stability in decision-making processes.

In 2018, controlled entities cooperated 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 2019



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



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