

# **2016 Annual Report**

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# **I. General Part**

## Introduction

Dear Sirs and Madams,

You have just opened the annual report of Fio banka for 2016. The most significant matter of the previous year which I would like to highlight is that Fio banka (hereinafter the "Company") once again exceeded the threshold of 100 thousand new clients in 2016, despite the ever-increasing competition. This clearly demonstrates that the Company continues to deliver an added value to its clients in the form of low-cost banking which has been positively received. In May 2016, the Company welcomed its 600,000<sup>th</sup> client.

Aside from improvements to new products, including, for example, the "spring mortgage revolution" and online arrangement of overdraft accounts, the Company launched a new product at the beginning of 2016, namely the POS terminals and e-commerce, and also introduced in April a new insurance as regards the ability to repay mortgage. A number of other changes are planned for the future. Despite not being apparent to clients, the changes will result in substantial cost savings for the Company, ensuring efficient development with the minimum level of fees.

At the end of 2016, the Company focused on investment clients, providing support on foreign markets. This support involved a loan for trading in Germany which bore zero interest for several months.

Therefore, I consider 2016 to be a successful year in which the Company achieved many good results.

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

**Jan Sochor**  
**Chairman of the Board of Directors**

## A. Principal Information

Name of the Company: Fio banka, a.s. (hereinafter the "Company" or "Fio banka")  
Registered office: V Celnici 1028/10, 117 21 Prague 1  
Corporate ID: 618 58 374

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

- The Company's registered capital amounting to CZK 760,000 thousand is divided into 760,000 of ordinary book-entry registered shares (ISIN: CZ0008034246) with a nominal value of CZK 1,000.
- Transferability of the shares is not restricted; the shares may be transferred based on share transfer agreements.
- The shares entail rights as provided for in legislation and the statutes; no other rights or preferential rights are attached to the shares.
- The shares are not listed on any regulated market.
- As of 31 December 2016, 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 seven 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 2016, the Company had the following subsidiaries: Fio, o.c.p., a.s., Corporate ID: 35960990, Nám. SNP 21, Bratislava 811 01, Slovakia, Družstevní záložna PSD, Corporate ID: 64946835, Prague 1, V Celnici 1028/10, Postal Code 117 21, Czech Republic, RM-SYSTÉM, česká burza cenných papírů a.s., Corporate ID: 47116404, V Celnici 1028/10, Postal Code: 11721, Czech Republic, RM-S FINANCE, s.r.o., Corporate ID: 62915240, V Celnici 1028/10, Postal Code: 11721, Czech Republic, Fio Slovakia, a.s., Corporate ID: 35828137, Nám. SNP 21, Bratislava 811 01, Slovakia and Fio forexová, s.r.o., Corporate ID: 27589587, V Celnici 1028/10, Postal Code: 11721, Czech Republic.

## C. Information on Activity

### Business authorisation:

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

**Commencement of operation:** 31 August 1994

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

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

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

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

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

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

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

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

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

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

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

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

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

Within the scope of principal investment services including:

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

and within the scope of additional investment services

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

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

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

### Assessment of retail banking:

2016 was the most successful year in the Company's history with respect to profit which amounted to CZK 217 million before tax. The Company acquired 117 thousand new clients (a year-on-year increase), reaching a total of 670 thousand clients. The Company also recorded positive results in Slovakia where the number of new clients grew by 52% year-on-year.

The Company's aggregate assets saw a year-on-year increase of 40%, amounting to CZK 80.5 billion as of 31 December 2016. The volume of payables to clients increased from CZK 55.3 billion to CZK 77.9 billion during 2016. The amount of interest income was CZK 504 million in aggregate which is a moderate increase of 1.4%. Net interest income grew from CZK 395 million to CZK 431 million. The amount of provisions and reserves grew from CZK 361 million to CZK 397 million. Despite the policy of zero fees for regular banking services, the Company achieved a profit before tax in the amount of CZK 217 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.

In 2016, the Company continued to optimise its branch network in the Czech Republic and to increase the number of ATMs at its branches as well as at busy places. Based on the monitoring of demand, the Company expanded its network to include another branch in Brno and a new branch in Beroun. The Company's position was further strengthened in Slovakia where new branches in Prievidza and Lučenec were opened in 2016, whereby further expansion in strategic cities is anticipated in 2017. The branches in Jablonec nad Nisou and Vsetín were relocated to more convenient buildings offering better accessibility to clients as well as ATMs that will be newly installed at the branches. The ATM network, which is provided to the Company by its exclusive contractual partner in support of the clients' cash transactions, was largely renewed in 2016 and equipped with new, more-efficient machines. What is more, the network was also optimised to better satisfy the clients' needs. After launching seven new ATMs and discontinuing the operation of four ATMs, the Company's ATM network is composed of 159 machines.



## **Assessment of investment banking:**

In 2016, the stock exchanges in the Czech Republic (RM-SYSTÉM and Prague Stock Exchange) reported similar volumes of transactions as in 2015. The Company's clients gave increased attention to markets in the USA and Germany where 54% of the total volume of mediated transactions was realised. With a 48% share, stock exchanges in the USA were the most preferred market, followed by Czech markets (46%). The Company acquired 8,000 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 2016, the Company realised 93 courses in the Czech Republic and Slovakia as part of the "Investment Academy" which is intended for both the general public and experts. The courses were attended by 3,000 participants who 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 2016, a total of 13 higher educational institutions and universities and 662 students participated in the Studentbroker project, issuing more than 25,000 instructions and concluding 16,000 transactions. This project facilitates the link between the theoretical knowledge of students and the real environment on stock exchange markets.

## **The most important events in 2016**

### **Payment gateways and payment terminals**

The Company is the first low-cost bank in the Czech Republic offering payment terminals to entrepreneurs and a payment gateway to e-shops. In addition to accounts with zero maintenance fees, entrepreneurs are offered an opportunity of accepting payment cards in their permanent stores or e-shops.

### **Spring news in the area of mortgages**

A substantial change in mortgages was introduced in the spring, offering a number of improvements and news to clients seeking their own housing, such as an opportunity to reduce monthly repayments due to the mortgage savings account (in Czech: *hypospořicí účet*), which is newly offered free of charge, increasing interest rate discounts due to refinancing and purchasing real estate, or an opportunity to prematurely repay the entire mortgage or any part thereof within a single payment without any fees or sanctions.

### **Insurance covering the ability to repay the mortgage**

Clients looking for their own housing may newly take out insurance which relates to their ability to repay the mortgage which may be useful in difficult life situations. Client taking out this insurance will receive a 0.2% discount from the interest rate.

### **Arranging an overdraft online**

Clients may newly open an overdraft account online in Internetbanking without the need to make a personal appointment.

### **3D secure of card transactions**

The Company has launched an additional protection to payment cards whereby clients newly need to authorise Internet payments by authentication text messages. In their Internetbanking, clients simply attach a telephone number to their card which will be used for sending authentication text messages. 3D secure will be gradually launched in respect of all cards offered by Fio banka.

## Major Awards



The Company took second place in the survey entitled “User-friendly bank”, following a series of first places in the past five years. The survey is organised by bankovnipoplatky.com.



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

## Structure of the branch network

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

Corporate ID: 61858374

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

Branches (as of 31 December 2016) – 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 26, 615 00, 224 346 411-3  
Brno, Joštova 4, 602 00, 224 346 815 - 816, 818  
Brno, Nové Sady 988/2, 602 00, 224 346 463 - 465  
Brno, Veveří 2581/102, 616 00, 224 346 865-6  
Bruntál, K.Čapka 80/1, 792 01, 224 346 478  
Břeclav, J. Palacha 121/8, 690 02, 224 346 941  
Česká Lípa, Barvířská 737, 470 01, 224 346 854  
České Budějovice, Nám. Přemysla Otakara II. 117/32, 370 01, 224 346 858-861  
Český Těšín, Náměstí ČSA 182/7, 737 01, 224 346 764  
Děčín, Lázeňská 58/1, 405 02, 224 346 973-4  
Frýdek-Místek, Zámecké nám. 42, 738 01, 224 346 936-937  
Haviřov, Hlavní třída 64, 736 01, 224 346 963 - 964  
Havlíčkův Brod, Dolní 1, 580 01, 224 346 958  
Hodonín, Národní třída 79, 695 01, 224 346 913 - 914  
Hradec Králové, Masarykovo náměstí 511, 500 02, 224 346 835-7  
Cheb, Svobody 31, 350 02, 224 346 971  
Chomutov, náměstí 1. máje 91, 430 01, 224 346 984-985  
Chrudim, Resselovo náměstí 61, 537 01, 224 346 954  
Jablonec nad Nisou, Dolní náměstí 716/3, 466 01, 224 346 975-6  
Jihlava, Masarykovo náměstí 20, 586 01, 224 346 869 - 71  
Jindřichův Hradec, Růžová 41, 377 01, 224 346 770  
Karlovy Vary, T.G.Masaryka 38, 360 01, 224 346 872-874  
Karviná- Fryštát, Fryštátská 73/3, 733 01, 224 346 892  
Kladno, Suchardova 515, 272 01, 224 346 924-925  
Klatovy, Videňská 181, 339 01, 224 346 875  
Kolín, Karlovo náměstí 7, 280 02, 224 346 932  
Kroměříž, Dobrovského 170/5, 767 01, 224 346 877  
Liberec, Moskevská 30, 460 01, 224 346 879-81  
Louny, Česká 158, 440 01, 224 346 773  
Mladá Boleslav, tř. T.G.Masaryka 1455, 293 01, 224 346 926-7  
Most, Moskevská 3336, 434 01, 224 346 965 - 966

Náchod, Tyršova 64, 547 01, 224 346 882  
Nový Jičín, Dobrovského 1292/4, 741 01, 224 346 969 - 970  
Nymburk, Náměstí Přemyslovců 129, 288 02, 224 346 458  
Olomouc, Dolní náměstí 20, 779 00, 224 346 920-21  
Olomouc, Masarykova třída 736/19, 779 00, 224 346 434-5  
Ostrava, Hlavní třída 682/110, 708 00, 224 346 445-447  
Ostrava, Nádražní 39, 702 00, 224 346 846-8, 224 346 885-6  
Opava, Ostrožná 262/9, 746 01, 224 346 930-31  
Pardubice, Masarykovo náměstí 1544, 530 02, 224 346 841-844  
Pelhřimov, Dr. Tyrše 58, 393 01, 224 346 956-957  
Písek, Nerudova 88, 397 01, 224 346 767  
Plzeň, Prešovská 13, 301 00, 224 346 977-9  
Plzeň, Náměstí Generála Píky 2703/27, 326 00, 224 346 829-32  
Prague 1, Rybná 14, 110 00, 224 346 808-811  
Prague 1, Senovážné nám. 24, 116 47, 224 346 801-805  
Prague 1, V Celnici 1028/10, 117 21, 224 346 987-989  
Prague 2, Ječná 37, 120 00, 224 346 895-897  
Prague 4, Budějovická 1523/9a, 140 00, 224 346 863-4, 890  
Prague 5, Archeologická 2256/1, 155 00, 224 346 430-3  
Prague 5, Štefánikova 75/48, 150 00, 224 346 945-7, 476  
Prague 6, Čs. armády 785/22, 160 00, 224 346 759-761  
Prague 6, Křenova 438/3, 162 00, 224 346 473-474  
Prague 8, Klapkova 124/10, 182 00, 224 346 437-9  
Prague 10, Moskevská 268/53, 101 00, 224 346 753-5  
Prague 11, Opatovská 964/18, 149 00, 224 346 421-3  
Prostějov, Kostelní 6, 796 01, 224 346 948  
Přerov, Palackého 2820/27, 750 02, 224 346 950, 951  
Příbram, Pražská 126, 261 02, 224 346 952  
Sokolov, 5. května 163, 356 01, 224 346 460  
Strakonice, Palackého nám. 102, 386 01, 224 346 928  
Svitavy, Nám. Míru 42, 568 02, 224 346 934  
Šumperk, Bulharská 229/1, 787 01, 224 346 915, 916  
Tábor, Palackého 359/1, 390 01, 224 346 898  
Teplice, U radnice 6/2, 415 01, 224 346 960 - 961  
Trutnov, Školní 154, 541 01, 224 346 900  
Třebíč, Jihlavská brána 5/4, 674 01, 224 346 943 - 944  
Třinec, Nám. Svobody 527, 739 61, 224 346 990  
Uherské Hradiště, Havlíčkova 160, 686 01, 224 346 922 - 923  
Ústí nad Labem, Dlouhá 3458/2A, 400 01, 224 346 902-904  
Ústí nad Orlicí, 17. listopadu 1394, 562 01, 224 346 917  
Valašské Meziříčí, Křížkovského 117/1, 757 01, 224 346 456-457  
Vsetín, Smetanova 810, 755 01, 224 346 967  
Zlín, Dlouhá 489, 760 01, 224 346 906-908  
Znojmo, Pražská 1539/7, 669 02, 224 346 909 - 910  
Žďár nad Sázavou, Nádražní 6, 591 01, 224 346 911 - 912

Organisational branch:

Fio banka, a.s., pobočka zahraničnej banky (Slovensko)  
Corporate ID: 36 869 376, registered office: Nám. SNP 21, Bratislava 811 01

Offices:

- Banská Bystrica, Národná 6, 974 01
- Bratislava, Nám. SNP 21, 811 01
- Bratislava, Záhradnícka 74, 821 08
- Košice, Hlavná 8, 040 01
- Lučenec, T. G. Masaryka 12, 984 01
- Nitra, Štefánikova trieda 27, 949 01
- Nové Zámky, Komárňanská 1/B, 940 02

- Poprad, Námestie svätého Egídia 50, 058 01
- Prešov, Hlavná 144, 080 01
- Prievidza, Š. Moyzesa 10, 971 01
- Trenčín, Štúrovo nám. 5, 911 01
- Trnava, Hlavná 25, 917 01
- Žilina, Na priekope 37, 010 01

### **Trading on the markets in the Czech Republic**

PX Index of the Prague Stock Exchange reported a loss of 3.6% as of 31 December 2016. Reflecting the dividends paid, the domestic market reported a slight year-on-year increase of 1.8%. Stagnation on the Prague stock index in the past five years reflects the operation of the four major constituents of PX Index (Erste Bank, Komerční banka, ČEZ, VIG) in that time period. The issue of the shares of Moneta Money Bank launched on the stock exchange market was unequivocally the most significant event on the Czech stock exchange market in 2016. The new bank made a good impression on the market, eventually ranking among the three most tradable titles. Since entering into the stock exchange, the bank increased the capital of its investors by 22% and its shares were awarded as the most efficient title in 2016. Investors predominantly appreciated the realistic prices of Moneta's shares upon issue as well as generous dividend policy. The most frequently traded issue in 2016 traditionally involved ČEZ's shares. Since the all-time low values in February 2016, the commodity market reported a major increase in the market prices of electricity. Owing to increasingly longer shutdowns of nuclear blocks and an estimated decrease in EBITDA, ČEZ was unable to benefit from relatively favourable developments. ČEZ's shares reported a 3.2% decrease in 2016. Reflecting the dividend paid in the amount of CZK 40 per share, the total yield for investors was 5.7%. The review of dividend payments made by Komerční banka in 2016 was rather dissatisfactory for its investors. The shares of Komerční banka saw a 10.6% decrease in 2016. Reflecting the paid dividend of CZK 62 per share, the investors' total return on holding KB's shares was negative: (4.8)%. Despite a positive economic outlook and the proposed dividend of EUR 1 per share in 2016, shares of the Austrian banking group Erste Bank were not positively appreciated in 2016, recording a loss of 2.3%. Shares of the insurance company VIG underwent two different periods in 2016. A 33% loss reported in the first half of the year ranked VIG's shares among the worst performing shares on the index. However, in the latter half of 2016, the shares recoded a 36% profit as a result of increasing proceeds on bonds. Shareholders of the telecommunications company O2 were pleased to obtain a gradual distribution of the share premium in addition to the regular dividend and, what is more, the shares recorded a capital increase of 3.5%. With respect to companies with lower market capitalisation, shares of the betting office Fortuna increased by 6.6%. Shares of Pegas Nonwovens recorded an increase of 5.2% in 2016. Reflecting the extraordinary dividend paid, shares of the liquor producer Stock Spirits had almost the same return for its investors (+21.9%) as the shares of Moneta. Shares of the media company CETV experienced no substantial fluctuation in 2016. A major success was recorded by the shares of Unipetrol (a 15% increase) – insurance performance replaced shutdowns of manufacturing resources. Low interest rates had positive impacts on the dividends of Philip Morris ČR which increased by 9.1%. On the other hand, the sharpest drop on the domestic market was experienced by the drink producer Kofola which has recorded a 28% loss since its entering into the stock exchange.

### **Trading on foreign markets**

Global stock exchange markets experienced substantial fluctuations and rather hectic trading in 2016. In addition to economic factors, the markets were heavily influenced by political events in Europe and the USA. The global MSCI ACWI index, which includes both developed and developing countries, reported a growth of 5.63%, despite unfavourable developments at the beginning of the year. With respect to individual regions, markets in America reported better results than those in Europe. The main US indices repeatedly improved their historical maximum profits, recording a 10% profit. Contrarily, the Europe-wide index STOXX Europe 600 slightly decreased. A wide gap between the minimum and maximum prices was apparent in terms of oil prices when WTI traded at USD 26 at the beginning of the year and attacked the level of USD 55 at year-end.

Rather significant drops were seen at the beginning of 2016 when the wider US index S&P reported a loss over 10% in January 2016. As such, the first days in January meant the worst entering into the new year for the traditional Dow Jones index. The investors' scepticism stemmed from concerns as

regards global economy deceleration and the interventions of global bankers being unable to significantly affect economic development. However, the coming twist was as sharp and fast as the initial drop whereby US indices made up for the loss already at the end of March, reporting an almost 15% growth as opposed to the minimum figures from February. A fast change in sentiments was fuelled by satisfactory data on the development of the US economy from the beginning of 2016, correction of drops as regards oil (in the context of the partial agreement on freezing supplies) and the stances of central banks (dovish comment of the FED, other measures by the ECB).

The other significant drop in the growth of indices was seen at the end of June, following the UK's surprising exit from the European Union. As a result, European indices recorded a loss of up to 10% on the same day and the main indices in the USA decreased by more than 5%. In this case, making up for loss was even faster than at the beginning of the year when the US indices already surpassed their historical maximums at the beginning of July.

The end of 2016 was principally influenced by the Presidential election in the USA, the result of which was different from what was expected, similarly to the results in the UK. Donald Trump's surprising victory provoked an even more surprising response by stock exchange markets. Pre-election analyses anticipated that Trump's victory would entail a dramatic increase in uncertainty and disquiet on markets complemented with a substantial drop. On the contrary and despite strongly negative initial responses, partial losses of the US market were surpassed already on the first post-election day. Indices experienced a sharp growth and, as a result, repeatedly new historical maximum values were reached at the year-end. Attention was predominantly given to the financial sector due to lower regulation opportunities by the new administration and the anticipation of faster growth in rates. The industrial sector benefited from massive investments in infrastructure and the general optimism contributed to the intended substantial reduction of taxes. The prices of oil achieved the highest values in December when OPEC made an agreement on the reduction of mining limits and the agreement was subsequently joined by other significant producers including Russia. At the end of the year, the FED increased the basic interest rate and in the context of positive developments on the labour market, inflation growth and general economic developments, another moderate growth in rates was approved for 2017.

### **Proprietary trading**

In 2016, the Company managed to retain or even further strengthen its position on financial markets which was gained in previous years. Based on the statistical data on the aggregate annual volume of transactions made by Prague Stock Exchange members, the Company moved from fifth to fourth place in 2016, based on a 15% year-on-year increase in the volume of realised transactions. The Company continued to conduct activity as a market maker. 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 of the Prague Stock Exchange.

Trading with debt instruments continued to be influenced by interventions of the Czech National Bank and external developments whereby yields from Czech state bonds were pushed down to their historical minimums and the shorter end of the yield curve oscillated in extremely negative values. For this reason, reinvestments of maturing treasury bills and bonds were either impossible to make or less profitable. On the contrary, the situation on the bond markets was favourable for the sales of part of short-term bonds with negative yields. The treasury bills portfolio remained empty and the volume of bonds in the Company's portfolios saw a year-on-year decrease of 40%, reaching the amount of just below CZK 5 billion in the CZK equivalent as of 31 December 2016. The portfolio is predominantly composed of Czech government bonds (95%) and along with Slovak state bonds (4%), government bonds account for 99% of the entire portfolio.

Significantly larger volumes were realised by the Company on the money market where free liquid funds were placed. Due to low and negative interest rates, the situation on the money market was exceptionally difficult. Nevertheless, it should be noted that Czech National Bank's repo rate remained stable at 0.05% p.a. throughout the entire year. The overwhelming majority of transactions was concluded with the Czech National Bank within two-week repo transactions and the deposit facility.

## Information on the Company's assets and financial situation

The Company's total assets amounted to CZK 80,479,992 thousand as of 31 December 2016, principally comprising cash in hand and balances with central banks of CZK 58,841,992 thousand, balances with banks and cooperative credit unions of CZK 1,454,128 thousand, receivables from clients of CZK 13,801,282 thousand, from debt securities of CZK 4,996,478 thousand, from shares, share certificates and other investments of CZK 16,757 thousand, from participation interests of CZK 198,531 thousand and from other assets of CZK 1,143,337 thousand.

In 2016, the Company recorded net fee and commission income of CZK 253,311 thousand, net interest income of CZK 430,882 thousand and income from financial transactions of CZK 440,425 thousand. The Company's operating profit before tax was CZK 217,616 thousand.

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

Successful expansion of the Company's credit portfolio as well as an increase in other indicators resulted in the larger volume of risk exposures. As of 31 December 2016, the Company's capital ratio was 11.2% (of which 10.32% constitutes Tier 1 capital ratio), which is above the level of regulatory requirements, constituting a secure level for risk coverage.

## E. Statutory and Supervisory Bodies

### Board of Directors

#### Jan Sochor, Chairman of the Board of Directors

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

#### Josef Valter, Member of the Board of Directors

Mr Valter graduated at 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 at 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 at 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.

Under Section 8 (1) of Act No. 21/1992 Coll. on Banks, as amended, the Company's Board of Directors has four members as of 31 December 2016.

#### **Supervisory Board:**

##### **Petr Marsa**, Chairman of the Supervisory Board

Mr Marsa graduated at the Faculty of Mathematics and Physics of Charles University in Prague. 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 at the Faculty of Mathematics and Physics of Charles University in Prague. 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 at 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.

Members of the Board of Directors, Supervisory Board 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 2016 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 2016. The costs of labour relations incurred in 2016 are disclosed in the notes to the financial statements for the year ended 31 December 2016 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 at 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.

## G. Persons Responsible for the Annual Report

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

The financial statements were audited by:

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

In Prague on .....

**Jan Sochor**  
Chairman of the Board of Directors

**Jan Bláha**  
Member of the Board of Directors



## **II. Independent 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, PSČ 11721

### 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 at 31 December 2016, and the profit and loss account, statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Fio banka, a.s. as at 31 December 2016, 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 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.

### 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 accounting regulations applicable in the Czech Republic 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:

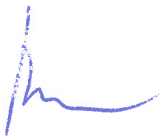
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 and the Supervisory Board 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.

In Prague on 27 April 2017

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 2016**

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

### Components of the Financial Statements:

**Balance Sheet**

**Profit and Loss Account**

**Off Balance Sheet Accounts**

**Statement of Changes in Equity**

**Notes to the Financial Statements**

**These financial statements were prepared on 27 April 2017.**

<b>Statutory body of the reporting entity:</b>	<b>Signature</b>
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 2016 in CZK thousand						
No.	Description	Line	Current period			Prior period
			Gross	Adjustment	Net	Net
1.	<b>Cash in hand and balances with central banks</b>	1	58 841 992	0	58 841 992	31 963 874
2.	<b>State zero-coupon bonds and other securities eligible for refinancing with the CNB</b>	2	0	0	0	1 447 757
2.a)	State securities	3	0	0	0	1 447 757
2.b)	Other	4	0	0	0	0
3.	<b>Amounts due from banks and cooperative credit unions</b>	5	1 454 128	0	1 454 128	1 663 863
3.a)	Repayable on demand	6	1 333 628	0	1 333 628	1 584 445
3.b)	Other receivables	7	120 500	0	120 500	79 418
4.	<b>Amounts due from clients</b>	8	14 016 471	215 189	13 801 282	13 286 782
4.a)	Repayable on demand	9	239 935	4 769	235 166	322 402
4.b)	Other receivables	10	13 776 536	210 420	13 566 116	12 964 380
5.	<b>Debt securities</b>	11	4 996 478	0	4 996 478	8 309 371
5.a)	Issued by Government institutions	12	4 929 636	0	4 929 636	7 681 209
5.b)	Issued by other entities	13	66 842	0	66 842	628 162
6.	<b>Shares, share certificates and other equity investments</b>	14	16 757	0	16 757	100
7.	<b>Participation interests with substantial influence</b>	15	0	0	0	0
	of which: in banks	16	0	0	0	0
8.	<b>Participation interests with controlling influence</b>	17	198 531	0	198 531	177 892
	of which: in banks	18	0	0	0	0
9.	<b>Intangible fixed assets</b>	19	28 376	22 772	5 604	2 798
9.a)	Start-up costs	20	0	0	0	0
9.b)	Goodwill	21	-1 143	-638	-505	-682
10.	<b>Tangible fixed assets</b>	22	38 268	26 088	12 180	10 751
	Land and buildings for operating activities	23	0	0	0	0
11.	<b>Other assets</b>	24	1 143 548	211	1 143 337	737 641
12.	<b>Receivables for subscribed capital</b>	25	0	0	0	0
13.	<b>Prepayments and accrued income</b>	26	9 703	0	9 703	10 487
	<b>TOTAL ASSETS</b>	27	80 744 252	264 260	80 479 992	57 611 316
1.	<b>Amounts owed to banks and cooperative credit unions</b>	28			171 668	648 949
1.a)	Repayable on demand	29			151 618	648 900
1.b)	Other payables	30			20 050	49
2.	<b>Amounts owed to clients</b>	31			77 876 184	55 319 955
2.a)	Repayable on demand	32			73 564 344	51 955 415
2.b)	Other payables	33			4 311 840	3 364 540
3.	<b>Payables from debt securities</b>	34			0	0
3.a)	Issued debt securities	35			0	0
3.b)	Other payables from debt securities	36			0	0
4.	<b>Other liabilities</b>	37			1 050 418	453 189
5.	<b>Deferred income and accrued expenses</b>	38			0	0
6.	<b>Reserves</b>	39			40 579	43 193
6.a)	Reserves for pensions and similar liabilities	40			0	0
6.b)	Reserves for taxes	41			39 261	39 323
6.c)	Other reserves	42			1 318	3 870
7.	<b>Subordinated liabilities</b>	43			90 000	90 000
8.	<b>Share capital</b>	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.	<b>Share premium</b>	48			0	0
10.	<b>Reserve funds and other funds from profit</b>	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.	<b>Revaluation reserve</b>	53			0	0
12.	<b>Capital funds</b>	54			0	0
13.	<b>Gains or losses from revaluation of</b>	55			16 657	0
13.a)	Assets and liabilities	56			16 657	0
13.b)	Hedging derivative instruments	57			0	0
13.c)	Retranslation of equity holdings	58			0	0
14.	<b>Retained earnings or accumulated losses brought forward</b>	59			296 030	243 117
15.	<b>Profit/(loss) for the period</b>	60			178 456	52 913
	<b>TOTAL LIABILITIES</b>	61			80 479 992	57 611 316

Profit and loss account for the year ended 31 December 2016  
in CZK thousand

No.	Description	Line No.	Current period	Prior period
<b>1.</b>	<b>Interest income and similar income</b>	<b>PL1</b>	<b>504 415</b>	<b>497 195</b>
	Interest income from debt securities	PL2	91 989	115 662
<b>2.</b>	<b>Interest expense and similar expense</b>	<b>PL3</b>	<b>73 533</b>	<b>102 334</b>
	Interest expense from debt securities	PL4	6 883	12 070
<b>3.</b>	<b>Income from shares and participation interests</b>	<b>PL5</b>	<b>48 381</b>	<b>40</b>
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	48 381	40
<b>4.</b>	<b>Commission and fee income</b>	<b>PL9</b>	<b>404 507</b>	<b>394 223</b>
<b>5.</b>	<b>Commission and fee expense</b>	<b>PL10</b>	<b>151 196</b>	<b>112 323</b>
<b>6.</b>	<b>Net profit or loss on financial operations</b>	<b>PL11</b>	<b>440 425</b>	<b>327 218</b>
<b>7.</b>	<b>Other operating income</b>	<b>PL12</b>	<b>10 360</b>	<b>8 860</b>
<b>8.</b>	<b>Other operating expenses</b>	<b>PL13</b>	<b>45 134</b>	<b>76 552</b>
<b>9.</b>	<b>Administrative expenses</b>	<b>PL14</b>	<b>535 138</b>	<b>482 753</b>
9.a.	Staff costs	PL15	29 224	38 664
9.a.1.	of which: social security and health insurance	PL16	7 289	9 568
9.b.	Other administrative expenses	PL17	505 914	444 089
<b>10.</b>	<b>Release of reserves and provisions for tangible and intangible fixed assets</b>	<b>PL18</b>	<b>0</b>	<b>0</b>
	Depreciation/amortisation, charge for and use of reserves and provisions for tangible and intangible fixed assets	PL19	6 921	6 846
<b>12.</b>	<b>Release of provisions and reserves for receivables and guarantees, recoveries of receivables written off</b>	<b>PL20</b>	<b>0</b>	<b>0</b>
	Write-offs, charge for and use of provisions and reserves for receivables and guarantees	PL21	379 189	361 206
<b>14.</b>	<b>Release of provisions for participation interests</b>	<b>PL22</b>	<b>0</b>	<b>0</b>
	Loss on the transfer of participation interests, charge for and use of provisions for participation interests	PL23	0	0
<b>16.</b>	<b>Release of other reserves</b>	<b>PL24</b>	<b>0</b>	<b>0</b>
<b>17.</b>	<b>Charge for and use of other reserves</b>	<b>PL25</b>	<b>0</b>	<b>0</b>
<b>18.</b>	<b>Share of profits/(losses) of subsidiaries and associates</b>	<b>PL26</b>	<b>639</b>	<b>6 671</b>
<b>19.</b>	<b>Profit/(loss) for the period from ordinary activities before taxes</b>	<b>PL27</b>	<b>217 616</b>	<b>92 193</b>
<b>20.</b>	<b>Extraordinary income</b>	<b>PL28</b>	<b>0</b>	<b>0</b>
<b>21.</b>	<b>Extraordinary expenses</b>	<b>PL29</b>	<b>0</b>	<b>0</b>
<b>22.</b>	<b>Profit/(loss) for the period from extraordinary activities before taxes</b>	<b>PL30</b>	<b>0</b>	<b>0</b>
<b>23.</b>	<b>Income tax</b>	<b>PL31</b>	<b>39 160</b>	<b>39 280</b>
<b>24.</b>	<b>Net profit/(loss) for the period</b>	<b>PL32</b>	<b>178 456</b>	<b>52 913</b>

Off balance sheet accounts as of 31 December 2016  
in CZK thousand

No.	Description	Current period	Prior period
1.	Issued commitments and guarantees	20 994 799	13 361 429
2.	Provided collateral		
3.	Amounts due from spot transactions		
4.	Amounts due from term transactions	10 397 803	6 351 067
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	48 239 802	14 137 333
11.	Amounts owed from spot transactions		
12.	Amounts owed from term transactions	10 385 783	6 346 918
13.	Amounts owed from option transactions		
14.	Assets received into custody, administration and safe-keeping	36 645 692	36 262 825
15.	Assets received for management	82 571	88 939



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 2015	760 000	0	0	202 622	40 495		1 003 117
Net profit/loss for the period						52 913	
Transfers to funds				40 495	-40 495		
Balance at 31 December 2015	760 000	0	0	243 117	0	52 913	1 056 030
Balance at 1 January 2016	760 000	0	0	243 117	52 913		1 056 030
Net profit/loss for the period						178 456	
Transfers to funds					-52 913		
Balance at 31 December 2016	760 000	0	16 657	296 030	0	178 456	1 251 143

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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 2016
Financial statements prepared on:	21 April 2017
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%
<b>Total</b>	<b>100%</b>

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.

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

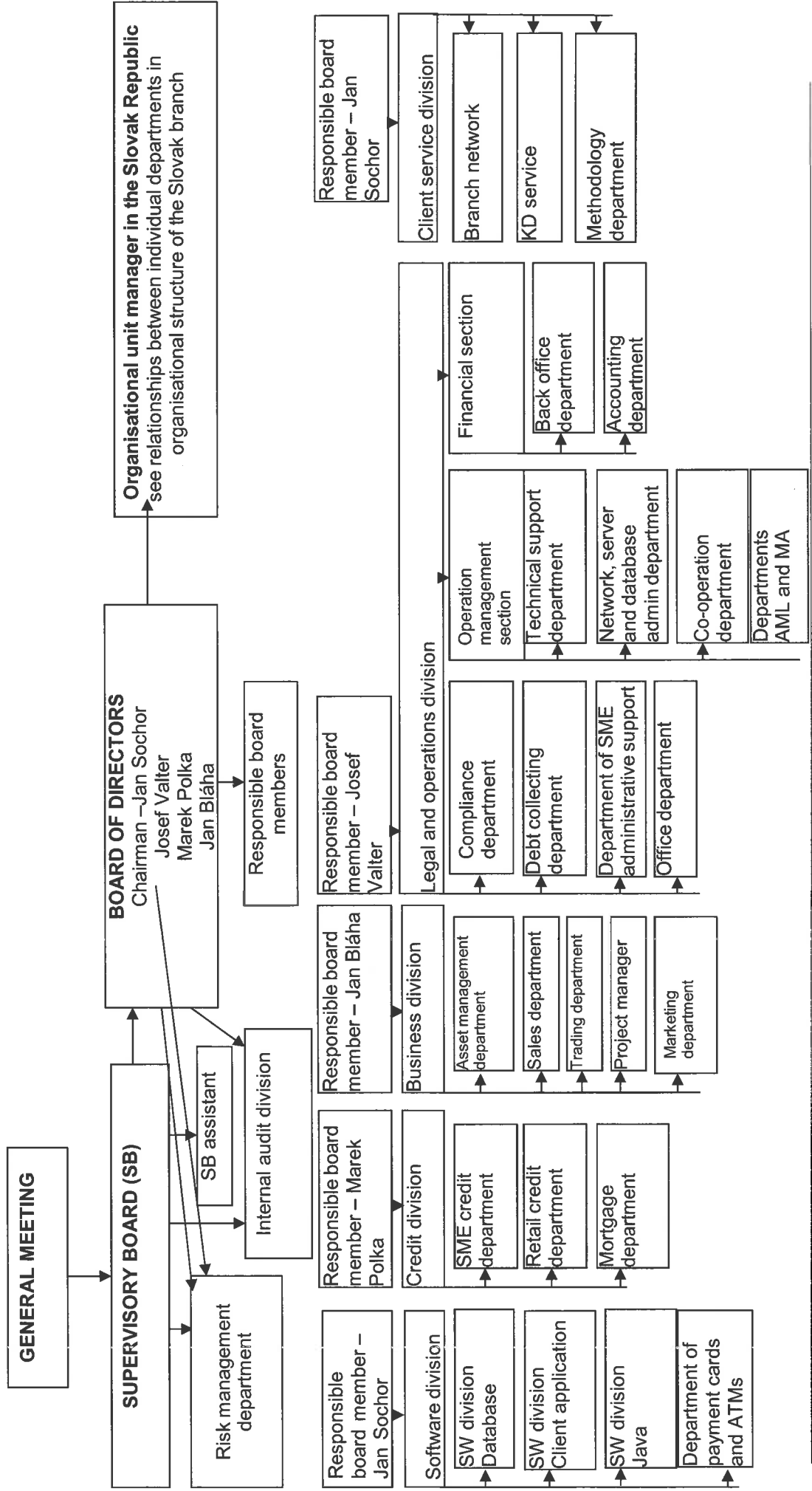
In the year ended 31 December 2016, the following changes (in a chronological order) were made in the Register of Companies held by the Municipal Court in Prague in respect of Fio banka, a.s.:

- On 2 December 2016, the place of permanent residence of Petr Marsa, Chairman of the Company's Supervisory Board, was deleted: Krynická 504/27, Troja, 181 00 Prague 8. The new place of permanent residence was recorded: Revoluční 1403/28, Nové Město, 110 00 Prague 1.

In the year ended 31 December 2016, **no changes were made** in the Register of Companies of Slovakia held by the District Court in Bratislava I in respect of Fio banka, a.s. pobočka zahraničnej banky.

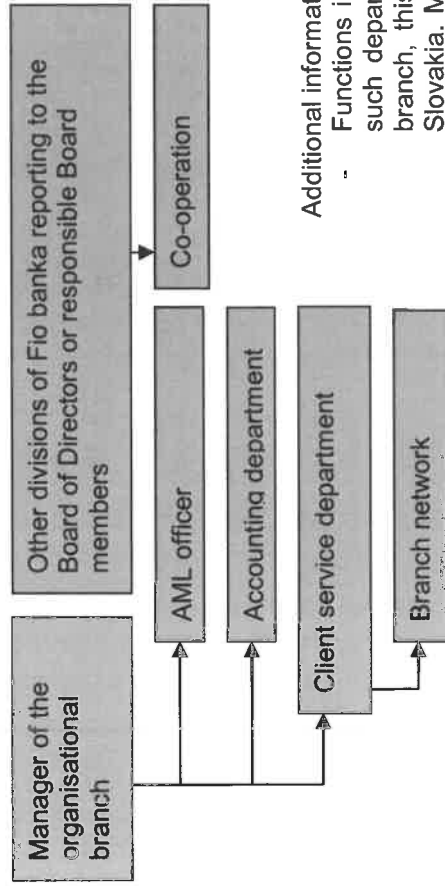
### 1.3. Organisational Structure

#### 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

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

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

## **2. PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS**

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

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

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

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

The financial statements have been prepared as of 31 December 2016.

These financial statements are unconsolidated.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1. Recognition Date**

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

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

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

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

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

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

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

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

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

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

### **3.3. Transactions with Securities on behalf of Clients**

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

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

### **3.4. Participation Interests with Controlling or Substantial Influence**

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

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

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

### **3.5. Amounts due from Banks and Clients**

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

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

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

In 2012, the Company started to recognise provisions against receivables from clients. The Company classifies receivables from clients in line with Regulation of the Czech National Bank No. 163/2014 Coll., as amended. The impairment loss of a receivable is determined by way of coefficients; this means that the difference between the principal of the receivable increased by the accrued interest and the collateral of the relevant receivable is multiplied by the coefficient defined in the Regulation. Provisions against each impairment loss are created by the Company. The Company determines the amount of impairment loss by applying the same prudence concept as in the maintenance of accounting records and preparation of the financial statements.

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

### **3.6. Charge for Reserves**

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

- It has a present performance obligation (legal or constructive) as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation whereby "probable" refers to the probability of more than 50 percent; and
- A reliable estimate as to the amount of the obligation can be made.

### 3.7. Tangible and Intangible Assets

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

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

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

### 3.8. Foreign Currency Translation

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

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

### 3.9. Financial Derivatives

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

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

### 3.10. Taxation

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

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

### 3.11. Interest Income and Expense

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

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

### **3.12. Use of Estimates**

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

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

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

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

##### 4.1. Cash in Hand and Balances with Central Banks

	(CZK '000)	
	31 Dec 2016	31 Dec 2015
Cash in hand	126 827	112 330
Accounts at central banks	20 081 873	28 482 351
Loans provided – reverse repo transactions	38 000 509	3 000 018
Cash in ATMs	632 783	369 175
<b>Total</b>	<b>58 841 992</b>	<b>31 963 874</b>

As of 31 December 2016, loans arising from reverse repo transactions were secured by debt securities in the amount of CZK 36,935,280 thousand (CZK 2,893,592 thousand as of 31 December 2015).

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

As of 31 December 2016, the Company held state treasury bills in the amount of CZK 0 thousand (31 December 2015: CZK 1,447,757 thousand).

##### 4.3. Amounts Due from Banks and Cooperative Credit Unions

	(CZK '000)	
	31 Dec 2016	31 Dec 2015
Current accounts	1 333 628	1 584 445
Term deposits	120 500	79 418
<b>Total amounts due from banks and cooperative credit unions</b>	<b>1 454 128</b>	<b>1 663 863</b>

##### 4.4. Amounts Due from Clients

###### By contractual maturity

	(CZK '000)	
	31 Dec 2016	31 Dec 2015
Short-term loans	8 022 497	8 279 182
Medium-term loans	1 036 356	1 137 495
Long-term loans	4 742 429	3 870 105
<b>Total amounts due from clients</b>	<b>13 801 282</b>	<b>13 286 782</b>

###### By territory

	(CZK '000)	
	31 Dec 2016	31 Dec 2015
Czech Republic	12 157 349	12 280 463
Slovakia	1 556 481	996 761
Other countries	87 452	9 558
<b>Total amounts due from clients</b>	<b>13 801 282</b>	<b>13 286 782</b>

###### By type of client

	(CZK '000)	
	31 Dec 2016	31 Dec 2015
Individuals	4 465 391	4 617 403
Legal entities	9 335 891	8 669 379
<b>Total amounts due from clients</b>	<b>13 801 282</b>	<b>13 286 782</b>

###### By segment

	(CZK '000)	
	31 Dec 2016	31 Dec 2015
Households	4 423 299	4 579 355
Real estate	1 695 967	1 726 175
Finance	2 908 535	3 132 897
Other personal services	1 154 454	744 028
Sundry	3 619 027	3 104 327
<b>Total amounts due from clients</b>	<b>13 801 282</b>	<b>13 286 782</b>



By classification2016

	31 Dec 2016			(CZK '000)
				31 Dec 2015
	Gross	Provision	Net	Net
Standard	12 166 802	0	12 166 802	11 685 512
Watch	457 070	384	456 686	359 472
Non-standard	1 011 439	44 985	966 454	825 006
Doubtful	163 779	13 425	150 354	77 087
Loss-making	217 381	156 394	60 987	339 705
<b>Total amounts due from clients</b>	<b>14 016 471</b>	<b>215 189</b>	<b>13 801 282</b>	<b>13 286 782</b>

2015

	31 Dec 2015			(CZK '000)
				31 Dec 2014
	Gross	Provision	Net	Net
Standard	11 685 512	0	11 685 512	8 669 838
Watch	359 964	492	359 472	408 683
Non-standard	864 323	39 317	825 006	858 666
Doubtful	93 507	16 420	77 087	352 690
Loss-making	589 728	250 023	339 705	233 066
<b>Total amounts due from clients</b>	<b>13 593 034</b>	<b>306 252</b>	<b>13 286 782</b>	<b>10 522 943</b>

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 11,596,220 thousand as of 31 December 2016 (31 December 2015: CZK 11,196,333 thousand).

During 2016, the Company released provisions against receivables from clients in the amount of CZK 12,323 thousand and created provisions against receivables from clients in the amount of CZK 392,635 thousand. Concurrently, receivables were sold to a third party for which provisions were created in the amount of CZK 471,375 thousand. A major portion of the receivables sold involved loss-making receivables which resulted in their year-on-year decrease.

**4.5. Debt Securities**

	(CZK '000)	
	31 Dec 2016	31 Dec 2015
Government bonds in the trading portfolio	0	0
Non-government bonds in the trading portfolio	26 158	87 419
Non-government non-tradable instruments	0	500 053
Government bonds held to maturity	4 929 636	7 721 899
Non-government bonds held to maturity	40 684	0
<b>Total debt securities</b>	<b>4 996 478</b>	<b>8 309 371</b>

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

**4.6. Shares, Share Certificates and Other Equity Investments**

As of 31 December 2016, the Company holds in its available-for-sale securities portfolio 100 shares of Burza cenných papírů Praha, a.s. with the carrying value of CZK 100 thousand (31 December 2015: CZK 100 thousand) and 597 preference shares of Visa Inc with the carrying value of CZK 16,657 thousand (31 December 2015: CZK 0 thousand). The shares of VISA Inc. were obtained by the Company as part of a transformation of VISA Europe. Concurrently, the Company generated income from the transformation in the amount of CZK 48,381 thousand which is presented in the line 'Income from shares and participation interests'.

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

**4.7. Participation Interests with Substantial Influence**

2016

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

2015

(CZK '000)					
Name of the company	Registered office	Acquisition cost	Ownership percentage	Voting rights in %	Valuation at 31 Dec 2015
Spoločnosť Fio o.c.p., a.s.	Nám. SNP 21, 811 01 Bratislava	59 257	100	100	46 774
RM-SYSTÉM, česká burza cenných papírů a.s.	Prague 1, V Celnici 1028/10, Postal Code 117 21	31 705	100	100	31 324
RM-S FINANCE, s.r.o.	Prague 1, V Celnici 1028/10, Postal Code 117 21	991	100	100	744
Družstevní záložna PSD	Prague 1, V Celnici 1028/10, Postal Code 117 21	58 744	73.4	73.4	98 632
Fio forexová, s.r.o.	Prague 1, V Celnici 1028/10 Postal Code 117 21	210	100	100	418
<b>Total</b>		<b>150 907</b>			<b>177 892</b>

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 has not yet been registered in the Register of Companies.

**4.8. Fixed Assets****4.8.1. Intangible Fixed Assets (Intangible FA)**Cost

	(CZK '000)						
	31 Dec 2014	Additions	Disposals	31 Dec 2015	Additions	Disposals	31 Dec 2016
Software	17 952	0	0	17 952	0	0	17 952
Other intangible FA	4 672	2 158	0	6 830	4 736	0	11 566
Goodwill	-1 142	0	0	-1 142	0	0	-1 142
<b>Total</b>	<b>21 482</b>	<b>2 158</b>	<b>0</b>	<b>23 640</b>	<b>4 736</b>	<b>0</b>	<b>28 376</b>

Accumulated Amortisation

	(CZK '000)						
	31 Dec 2014	Additions	Disposals	31 Dec 2015	Additions	Disposals	31 Dec 2016
Software	17 229	666	0	17 895	57	0	17 952
Other intangible FA	2 716	691	0	3 407	2 050	0	5 457
Goodwill	-248	-212	0	-460	-178	0	-638
<b>Total</b>	<b>19 697</b>	<b>1 145</b>	<b>0</b>	<b>20 842</b>	<b>1 929</b>	<b>0</b>	<b>22 772</b>

Net Book Value

	(CZK '000)		
	31 Dec 2015	31 Dec 2016	
Software		57	0
Other intangible FA		3 423	6 109
Goodwill		-682	-505
<b>Total</b>		<b>2 798</b>	<b>5 604</b>

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 2014	Additions	Disposals	31 Dec 2015	Additions	Disposals	31 Dec 2016
Vehicles	2 849	0	0	2 849	0	324	2 525
Other tangible FA	27 138	2 185	0	29 323	12 677	6 257	35 743
<b>Total</b>	<b>29 987</b>	<b>2 185</b>	<b>0</b>	<b>32 172</b>	<b>12 677</b>	<b>6 581</b>	<b>38 268</b>

Accumulated Depreciation

	(CZK '000)						
	31 Dec 2014	Additions	Disposals	31 Dec 2015	Additions	Disposals	31 Dec 2016
Vehicles	976	605	0	1 581	589	324	1 846
Other tangible FA	14 744	5 096	0	19 840	4 402	0	24 242
<b>Total</b>	<b>15 720</b>	<b>5 701</b>	<b>0</b>	<b>21 421</b>	<b>4 991</b>	<b>324</b>	<b>26 088</b>

Net Book Value

	(CZK '000)		
	31 Dec 2015	31 Dec 2016	
Vehicles		1 268	679
Other tangible FA		9 483	11 501
<b>Total</b>		<b>10 751</b>	<b>12 180</b>

In the year ended 31 December 2016, the Company acquired tangible assets in the amount of CZK 5,202 thousand charged directly to expenses (31 December 2015: CZK 4,169 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 2015	31 Dec 2016
Provided deposits and prepayments	676 655	501 496
Receivables from securities markets	138 463	66 724
Estimated receivables	38 132	7 499
Guarantee funds	1 001	1 181
Margin contribution for derivatives trading	18 329	22 572
Positive fair value of open derivatives (FX swap)	12 138	4 150
Cash in transit	164 377	8 415
Other	94 453	125 815
Provisions	-211	-211
<b>Total other assets</b>	<b>1 143 337</b>	<b>737 641</b>

Other assets in the amount of CZK 94,453 thousand principally include clearing accounts used for the settlement of card transactions and not yet paid trade receivables.

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 2,463,597 thousand (2015: CZK 6,351,067 thousand) and a payable amounting to CZK 2,451,459 thousand (2015: CZK 6,346,918 thousand).

Cash in transit is predominantly composed of two transfers in the amount of CZK 150,000 thousand between accounts in other banking institutions.

**Provided deposits and prepayments**

	(CZK '000)	
	31 Dec 2015	31 Dec 2016
Fio leasing, a.s., a deposit paid for the lease term	7 879	7 281
Deposits paid to card associations	637 356	445 363
Other	31 420	48 852
<b>Total deposits and prepayments</b>	<b>676 655</b>	<b>501 496</b>

**4.10. Prepayments and Accrued Income**

Prepayments and accrued income in the amount of CZK 9,703 thousand (31 December 2015: CZK 10,487 thousand) predominantly include prepayments for rental.

**4.11. Amounts Owed to Banks and Cooperative Credit Unions**

	(CZK '000)	
	31 Dec 2015	31 Dec 2016
Repayable on demand	151 618	648 900
Other	20 050	49
<b>Total</b>	<b>171 668</b>	<b>648 949</b>

**4.12. Amounts Owed to Clients**

	(CZK '000)	
	31 Dec 2015	31 Dec 2016
Repayable on demand	73 564 344	51 955 415
Other	4 311 840	3 364 540
<b>Total amounts owed to clients</b>	<b>77 876 184</b>	<b>55 319 955</b>

#### 4.13. Other Liabilities

	(CZK '000)	
	31 Dec 2015	31 Dec 2016
A deficit on the fair value of open derivatives (FX swap)	118	839
Outgoing payments	913 751	363 185
Payables to securities markets	59	1 938
Payables to employees	1 733	2 602
Estimated payables	40 868	50 324
Payables to the state budget	2 631	3 161
Domestic suppliers	13 278	2 109
Foreign suppliers	7 122	9 108
Unidentified contributions	5 316	5 234
Other	65 542	14 688
<b>Total other liabilities</b>	<b>1 050 418</b>	<b>453 188</b>

The negative fair value of open derivatives is based on a receivable from fixed term transactions in the amount of CZK 7,934,206 thousand (2015: CZK 77,404 thousand) and a payable in the amount of CZK 7,934,325 thousand (2015: CZK 78,243 thousand).

The item 'Other' principally involves accounts used for the settlement with card associations in the amount of CZK 52,926 thousand and a deferred tax liability for 2016 in the amount of CZK 561 thousand (2015: CZK 501 thousand).

##### Amounts due arising from social security and health insurance contributions

As of 31 December 2016, the amount due arising from the contribution to social security and state employment policy was CZK 726 thousand (31 December 2015: CZK 1,013 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 2016, the amount due arising from health insurance contributions was CZK 310 thousand (31 December 2015: CZK 425 thousand). The Company records no payables past their due dates arising from health insurance contributions.

#### 4.14. Reserves

As of 31 December 2016, reserves in the amount of CZK 40,579 thousand (31 December 2015: CZK 43,193 thousand) principally comprises a reserve for the corporate income tax of CZK 39,261 thousand, a reserve for outstanding vacation days of CZK 779 thousand and a reserve for court expenses of CZK 539 thousand.

	31 Dec 2015	Release	Charge	31 Dec 2016
Income tax reserve	39 323	39 323	39 261	39 261
Reserve for court expenses	539	0	0	539
MF Global reserve	2 234	2 234	0	0
Reserve for outstanding vacation days	1 097	1 097	779	779
<b>Total</b>	<b>43 193</b>	<b>42 654</b>	<b>40 040</b>	<b>40 579</b>

#### 4.15. Subordinated Liabilities

As of 31 December 2016, the Company records a subordinated liability of CZK 90,000 thousand (2015: CZK 90,000 thousand). This liability bears interest at 15% p. a. with a notice period of 5 years.

#### 4.16. Equity

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

As of 31 December 2016, 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 2016 and 31 December 2015, no increase was made in the Company's share capital by the subscription of shares.

As of 31 December 2016 and 31 December 2015, 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 2015 profit was approved:

	(CZK '000)	
	2016	2015
Retained earnings brought forward at the beginning of the period	243 117	202 622
Operating result of prior years	52 913	40 495
Allocation to the reserve fund	0	0
Release of the reserve fund	0	0
<b>Retained earnings brought forward at the end of the period</b>	<b>296 030</b>	<b>243 117</b>

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)	
	2016	2015
Interest on deposits provided to other banks	5 017	2 121
Interest on loans provided to clients	407 409	379 412
Interest on debt securities	91 989	115 662
<b>Interest income and similar income</b>	<b>504 415</b>	<b>497 195</b>
Interest on deposits received from clients	53 042	49 453
Interest on debt securities	6 601	12 070
Interest on the subordinated liability	13 537	13 500
Other interest and interest fee	353	27 311
<b>Interest expense and similar expense</b>	<b>73 533</b>	<b>102 334</b>
<b>Net interest income</b>	<b>430 882</b>	<b>394 861</b>

In the years ended 31 December 2016 and 31 December 2015, uncollected default interest on distressed receivables amounted CZK 43,607 thousand and CZK 164,039 thousand, respectively.

#### **4.18. Fees and Commissions**

	(CZK '000)	
	2016	2015
Transactions with securities	99 918	95 627
Other investment services	13 184	13 308
Client accounts and loans	147 325	104 439
Fees charged by card associations	144 080	180 849
<b>Total fee and commission income</b>	<b>404 507</b>	<b>394 223</b>
Payment system and card transactions	120 132	80 223
Transactions with securities	31 064	32 100
<b>Total fee and commission expense</b>	<b>151 196</b>	<b>112 323</b>
<b>Net fee and commission income</b>	<b>253 311</b>	<b>281 900</b>

#### **4.19. Net Profit or Loss on Financial Operations**

	(CZK '000)	
	2016	2015
Profit/(loss) on securities	3 770	3 708
Profit on FX differences	436 249	348 799
Profit/(loss) on currency derivatives	402	-39 728
Profit/(loss) on other operations	4	14 439
<b>Net profit or loss on financial operations</b>	<b>440 425</b>	<b>327 218</b>

#### 4.20. Other Operating Expenses

Other operating expense amounting to CZK 45,134 thousand (2015: CZK 76,552 thousand) predominantly include contributions to the Securities Dealers Guarantee Fund, a contribution to the Crisis Resolution Fund, contributions to the Deposit Insurance Fund. In 2016, the expense of the Securities Dealers Guarantee Fund amounted to CZK 2,122 thousand (2015: CZK 2,135 thousand). The expense of the Deposit Insurance Fund for 2016 amounts to CZK 35,692 thousand (2015: CZK 74,417 thousand). A contribution to the Crisis Resolution Fund amounted to CZK 7,056 thousand.

#### 4.21. Administrative Expenses

	(CZK '000)	
	2016	2015
Wages and bonuses	21 443	28 336
Social security and health insurance expenses	7 289	9 568
Other staff costs	492	760
<b>Staff costs and bonuses</b>	<b>29 224</b>	<b>38 664</b>
Audit	2 242	2 095
Rental	59 029	49 637
Postage fees	1 151	996
Advertising	60 705	71 752
Information resources	3 593	2 445
Outsourced services	170 376	145 854
Other purchased consumables and services	208 818	171 309
<b>Other administrative expenses</b>	<b>505 914</b>	<b>444 089</b>
<b>Total administrative expenses</b>	<b>535 138</b>	<b>482 753</b>

Bonuses to the Company's top management amounted to CZK 254 thousand in 2016.

#### 4.22. Taxation

##### Income Tax Payable

The Company's operating result for the year ended 31 December 2016 consisted of the profit before tax amounting to CZK 217,616 thousand (2015: a profit of CZK 92,193 thousand).

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

	(CZK '000)	
	2016	2015
Profit/loss before tax	217 616	92 193
Expenses not deductible for tax purposes	8 010	126 078
Income not taxable	18 935	11 188
Gifts	55	55
Tax base	206 636	207 029
Tax relief	0	12
Adjustment to the tax payable of prior years	-160	91
<b>Total tax payable</b>	<b>39 101</b>	<b>39 414</b>
Change in deferred tax	59	-134
<b>Total</b>	<b>39 160</b>	<b>39 280</b>

##### Deferred Tax

As disclosed in Note 3.10, as of 31 December 2016 the Company records a temporary difference between the tax and net book values of tangible fixed assets and reserves for outstanding vacation days. As of 31 December 2016, the Company records a deferred tax liability of CZK 561 thousand (2015: CZK 501 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)	
	<b>2016</b>	<b>2015</b>
Employees	53	76
Of which: members of the Board of Directors	4	4
Members of the Supervisory Board	3	3



## 5. Related Party Transactions

Relations with related parties in the Fio Group

31 December 2016

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

31 December 2015

	(CZK '000)				
	RM-SYSTÉM, česká burza cenných papírů a.s.	Fio forexová s.r.o.	Družstevní záložna PSD	RM-S FINANCE, s.r.o.	Fio o.c.p., a.s.
Amounts due from banks and cooperative credit unions	0	0	38 645	0	0
Other assets	0	10 548	0	0	0
<b>TOTAL ASSETS</b>	<b>0</b>	<b>10 548</b>	<b>38 645</b>	<b>0</b>	<b>0</b>
Amounts owed to banks and cooperative credit unions	0	0	47 908	0	0
Other payables	66 871	4 296	0	15 070	1 759
<b>TOTAL LIABILITIES</b>	<b>66 871</b>	<b>4 296</b>	<b>47 908</b>	<b>15 070</b>	<b>1 759</b>

1 January – 31 December 2016

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

1 January – 31 December 2015

	(CZK '000)				
	RM-SYSTÉM, česká burza cenných papírů a.s.	Fio forexová s.r.o.	Družstevní záložna PSD	RM-S FINANCE, s.r.o.	Fio o.c.p., a.s.
Interest income	0	0	0	0	0
Interest expense	-71	-582	-136	0	0
Fee and commission income	5	764	0	0	1
Fee and commission expense	-7 735	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	-1 913	0	0	-130 656	-116
<b>TOTAL</b>	<b>-9 714</b>	<b>182</b>	<b>-136</b>	<b>-130 656</b>	<b>-115</b>

As of 31 December 2016, the aggregate amount of the loans provided by the Company to members of the Supervisory Board and the Board of Directors was CZK 1,078,077 thousand (31 December 2015: CZK 1,382,928 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 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.

#### **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 exponentially 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 for the parallel shift of the yield curve are also used. These analyses take place on a quarterly basis.

### 6.2.4. Proprietary Trading

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

### 6.2.5. Credit Risk

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

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

Basic procedures for mitigating risk exposures:

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

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

The classification of receivables is based upon an internal policy and applicable legislation defining the rules for the classification of receivables and provisioning by banks. Reserves and provisions for receivables are created based on an internal policy which, to a reasonable extent, follows Act No. 593/1992 Coll., on Reserves for Income Tax Base Determination.

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 2016

							(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	58 841 992	0	0	0	0	0	58 841 992
State zero-coupon bonds	0	0	0	0	0	0	0
Amounts due from banks and cooperative credit unions	1 333 628	0	120 500	0	0	0	1 454 128
Amounts due from clients	235 166	804 529	7 978 973	2 643 423	2 139 191	0	13 801 282
Debt securities	0	169 561	502 635	1 045 929	3 278 353	0	4 996 478
Shares, share certificates and other equity investments	0	0	0	0	0	16 757	16 757
Participation interests with substantial influence	0	0	0	0	0	198 531	198 531
Tangible and intangible fixed assets	0	0	0	0	0	17 784	17 784
Other assets	1 089 945	15 988	21 214	16 187	0	3	1 143 337
Receivables for subscribed capital	0	0	0	0	0	0	0
Prepayments and accrued income	0	9703	0	0	0	0	9 703
<b>TOTAL ASSETS</b>	<b>61 500 731</b>	<b>999 781</b>	<b>8 623 322</b>	<b>3 705 539</b>	<b>5 417 544</b>	<b>233 075</b>	<b>80 479 992</b>
Amounts owed to banks and cooperative credit unions	151 618	20 050	0	0	0	0	171 668
Amounts owed to clients	73 564 344	1 982 995	994 868	1 333 977	0	0	77 876 184
Other liabilities	1 025 615	24 224	579	0	0	0	1 050 418
Reserves	0	0	39 261	0	0	1 318	40 579
Subordinated liabilities	0	0	0	0	90 000	0	90 000
Equity	0	0	0	0	0	1 251 143	1 251 143
<b>TOTAL LIABILITIES</b>	<b>74 741 577</b>	<b>2 027 269</b>	<b>1 034 708</b>	<b>1 333 977</b>	<b>90 000</b>	<b>1 252 461</b>	<b>80 479 992</b>
Net liquidity risk	-13 240 846	-1 027 488	7 588 614	2 371 562	5 327 544	-1 019 386	0
Cumulative liquidity risk	-13 240 846	-14 268 334	-6 679 720	-4 308 158	1 019 386	0	0

31 December 2015

							(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	31 963 874	0	0	0	0	0	31 963 874
State zero-coupon bonds	0	469 945	977 812	0	0	0	1 447 757
Amounts due from banks and cooperative credit unions	1 584 445	0	79 418	0	0	0	1 663 863
Amounts due from clients	344 695	895 305	8 068 312	2 742 849	1 235 621	0	13 286 782
Debt securities	0	201 745	3 114 566	1 721 522	3 271 538	0	8 309 371
Shares, share certificates and other equity investments	0	0	0	0	0	100	100
Participation interests with substantial influence	0	0	0	0	0	177 892	177 892
Tangible and intangible fixed assets	0	0	0	0	0	13 549	13 549
Other assets	707 958	11 932	9 886	7 862	0	3	737 641
Receivables for subscribed capital	0	0	0	0	0	0	0
Prepayments and accrued income	0	10487	0	0	0	0	10 487
<b>TOTAL ASSETS</b>	<b>34 600 972</b>	<b>1 589 414</b>	<b>12 249 994</b>	<b>4 472 233</b>	<b>4 507 159</b>	<b>191 544</b>	<b>57 611 316</b>
Amounts owed to banks and cooperative credit unions	648 900	49	0	0	0	0	648 949
Amounts owed to clients	52 447 736	1 089 679	741 202	1 041 338	0	0	55 319 955
Other liabilities	436 116	16 493	579	0	0	0	453 188
Reserves	0	0	39 323	0	0	3 870	43 193
Subordinated liabilities	0	0	0	0	90 000	0	90 000
Equity	0	0	0	0	0	1 056 030	1 056 030
<b>TOTAL LIABILITIES</b>	<b>53 532 752</b>	<b>1 106 221</b>	<b>781 104</b>	<b>1 041 338</b>	<b>90 000</b>	<b>1 059 900</b>	<b>57 611 315</b>
Net liquidity risk	-18 931 780	483 193	11 468 890	3 430 895	4 417 159	-868 356	1
Cumulative liquidity risk	-18 931 780	-18 448 587	-6 979 697	-3 548 802	868 357	1	0

**8. ASSETS AND LIABILITIES BY CURRENCY**

31 December 2016

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

31 December 2015

	(CZK '000)				
	CZK	EUR	USD	Other	Total
Cash in hand and balances with central banks	31 914 333	45 672	3 864	5	31 963 874
State zero-coupon bonds	1 447 757	0	0	0	1 447 757
Amounts due from banks and cooperative credit unions	640 128	562 511	197 682	263 542	1 663 863
Amounts due from clients	12 016 469	1 063 347	206 213	753	13 286 782
Debt securities	7 312 291	909 661	87 419	0	8 309 371
Shares, share certificates and other equity investments	100	0	0	0	100
Participation interests with substantial influence	131 118	46 774	0	0	177 892
Tangible and intangible fixed assets	13 549	0	0	0	13 549
Other assets	173 718	36 678	526 232	1 013	737 641
Receivables for subscribed capital	0	0	0	0	0
Prepayments and accrued income	2 153	8 329	5	0	10 487
<b>TOTAL ASSETS</b>	<b>53 651 616</b>	<b>2 672 972</b>	<b>1 021 415</b>	<b>265 313</b>	<b>57 611 316</b>
Amounts owed to banks and cooperative credit unions	82 533	555 657	10 759	0	648 949
Amounts owed to clients	45 581 071	7 253 085	2 097 051	388 748	55 319 955
Other liabilities	375 952	73 962	2 853	422	453 189
Reserves	40 959	0	2 234	0	43 193
Subordinated liabilities	90 000	0	0	0	90 000
Equity	1 056 030	0	0	0	1 056 030
<b>TOTAL LIABILITIES</b>	<b>47 226 545</b>	<b>7 882 704</b>	<b>2 112 897</b>	<b>389 170</b>	<b>57 611 316</b>
Net currency risk	6 425 071	-5 209 732	-1 091 482	-123 857	0
Cumulative currency risk	6 425 071	1 215 339	123 857	0	0

**9. INTEREST RATE ANALYSIS**

31 December 2016

						(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	58 841 992	0	0	0	0	58 841 992	
State zero-coupon bonds	0	0	0	0	0	0	
Amounts due from banks and cooperative credit unions	1 333 628	120 500	0	0	0	1 454 128	
Amounts due from clients	1 035 773	11 718 183	990 796	56 530	0	13 801 282	
Debt securities	712 881	4 257 439	26 158	0	0	4 996 478	
Shares, share certificates and other equity investments	0	0	0	0	16 757	16 757	
Participation interests with substantial influence	0	0	0	0	198 531	198 531	
Tangible and intangible fixed assets	0	0	0	0	17 784	17 784	
Other assets	1 105 933	21 214	16 187	0	3	1 143 337	
Receivables for subscribed capital	0	0	0	0	0	0	
Prepayments and accrued income	9 703	0	0	0	0	9 703	
<b>TOTAL ASSETS</b>	<b>63 039 910</b>	<b>16 117 336</b>	<b>1 033 141</b>	<b>56 530</b>	<b>233 075</b>	<b>80 479 992</b>	
Amounts owed to banks and cooperative credit unions	171 668	0	0	0	0	171 668	
Amounts owed to clients	75 547 339	994 868	1 333 977	0	0	77 876 184	
Other liabilities	1 049 839	579	0	0	0	1 050 418	
Reserves	0	39 261	0	0	1 318	40 579	
Subordinated liabilities	0	0	0	90 000	0	90 000	
Equity	0	0	0	0	1 251 143	1 251 143	
<b>TOTAL LIABILITIES</b>	<b>76 768 846</b>	<b>1 034 708</b>	<b>1 333 977</b>	<b>90 000</b>	<b>1 252 461</b>	<b>80 479 992</b>	
Net interest rate risk	-13 728 936	15 082 628	-300 836	-33 470	-1 019 386	0	
Cumulative interest rate risk	-13 728 936	1 353 692	1 052 856	1 019 386	0	0	

31 December 2015

						(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	31 963 874	0	0	0	0	31 963 874	
State zero-coupon bonds	469 945	977 812	0	0	0	1 447 757	
Amounts due from banks and cooperative credit unions	1 584 445	79 418	0	0	0	1 663 863	
Amounts due from clients	1 486 046	11 216 368	560 961	23 407	0	13 286 782	
Debt securities	1 270 451	6 836 110	202 810	0	0	8 309 371	
Shares, share certificates and other equity investments	0	0	0	0	100	100	
Participation interests with substantial influence	0	0	0	0	177 892	177 892	
Tangible and intangible fixed assets	0	0	0	0	13 549	13 549	
Other assets	720 311	9 886	7 376	0	68	737 641	
Receivables for subscribed capital	0	0	0	0	0	0	
Prepayments and accrued income	10 487	0	0	0	0	10 487	
<b>TOTAL ASSETS</b>	<b>37 505 559</b>	<b>19 119 594</b>	<b>771 147</b>	<b>23 407</b>	<b>191 609</b>	<b>57 611 316</b>	
Amounts owed to banks and cooperative credit unions	648 949	0	0	0	0	648 949	
Amounts owed to clients	53 537 415	741 202	1 041 338	0	0	55 319 955	
Other liabilities	452 554	635	0	0	0	453 189	
Reserves	0	39 323	0	0	3 870	43 193	
Subordinated liabilities	0	0	0	90 000	0	90 000	
Equity	0	0	0	0	1 056 030	1 056 030	
<b>TOTAL LIABILITIES</b>	<b>54 638 918</b>	<b>781 160</b>	<b>1 041 338</b>	<b>90 000</b>	<b>1 059 900</b>	<b>57 611 316</b>	
Net interest rate risk	-17 133 359	18 338 434	-270 191	-66 593	-868 291	0	
Cumulative interest rate risk	-17 133 359	1 205 075	934 884	868 291	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 2016 (CZK '000)

<b>Common Equity Tier 1 capital: instruments and reserves</b>		
1	Capital instruments and related share premium = Paid share capital	760 000
2	Retained earnings	296 030
6	Common Equity Tier 1 capital before normative adjustments	1 056 030
<b>Common Equity Tier 1 capital: normative adjustments</b>		
8	Intangible assets (net of related tax liabilities) (negative value)	-6 109
28	Total normative adjustments to Common Equity Tier 1 capital	-6 109
29	Common Equity Tier 1	1 049 921
44	Additional Tier 1 capital	
45	Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital	1 049 921
<b>Tier 2 capital: Instruments and items</b>		
46	Capital instruments and related share premium	106 657
57	Total normative adjustments to Tier 2 capital	-16 657
58	Tier 2 capital	90 000
59	<b>Total capital = Tier 1 capital + Tier 2 capital</b>	<b>1 139 921</b>

**Information on capital requirements on an individual basis as of 31 December 2016  
(CZK '000)**

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

<b>Credit risk</b> – 8% of the volume of risk-weighted exposures for each category of exposures listed in Article 112	Exposures to central governments or central banks	0
	Exposures to regional governments or local authorities	
	Exposures to public sector entities	
	Exposures to international development banks	
	Exposures to international organisations	
	Exposures to institutions	36 837,42
	Exposures to companies	585 941,57
	Retail exposures	18 519,67
	Exposures secured by property	37 295,89
	Exposures in default	
	Exposures related with extremely high risk	
	Exposures in secured bonds	
	Items representing securitised positions	
	Exposures to institutions and businesses with short-term credit rating	
	Exposure in the form of share units or shares in collective investment entities	
	Share exposure	
	Other items	16 864,90
	Capital requirements calculated under Section 92 (3) b) and c)	Regarding the position risk
These limits may be exceeded for large exposures listed in Articles 395 through 401 if institutions are permitted to do so.		
Regarding currency risk		1 448,00
Regarding settlement risk		
	Regarding commodity risk	
Under Title III Chapter 2 – regarding operating risk, by way of the basic indicators		116 925,00
<b>TOTAL</b>		

**Capital ratios as of 31 December 2016 (as a percentage share of the risk exposure)**

61	Common Equity Tier 1 capital	10,32%
62	Tier 1 capital	10,32%
63	Total capital	11,20%

**Ratio indicators**

	<b>As of 31 December 2016</b>
Return on average assets (ROAA)	0,25%
Return on assets (ROA)	0,22%
Return on average equity (ROAE)	17,00%
Assets per employee (CZK '000)	1 749 565
Administrative costs per employee (CZK '000)	11 633
Profit or loss after tax per employee (CZK '000)	3 879

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

## **V. Related Party Transactions Report**



**Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity** (hereinafter the "Report on Relations") prepared pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations, of Fio banka, a.s., Corporate ID: 61858374, with its registered office at Prague 1, V Celnici 1028/10, postal code 11721, recorded in the Register of Companies held by the Municipal Court in Prague, Section B, Insert 2704, for the reporting period from 1 January 2016 to 31 December 2016.

## I. Structure of Relations

### 1. Controlled Entity

Fio banka, a.s.

Corporate ID: 61858374

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

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

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

### 2. Controlling Entity

Fio holding, a.s.

Corporate ID: 60192763

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

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

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

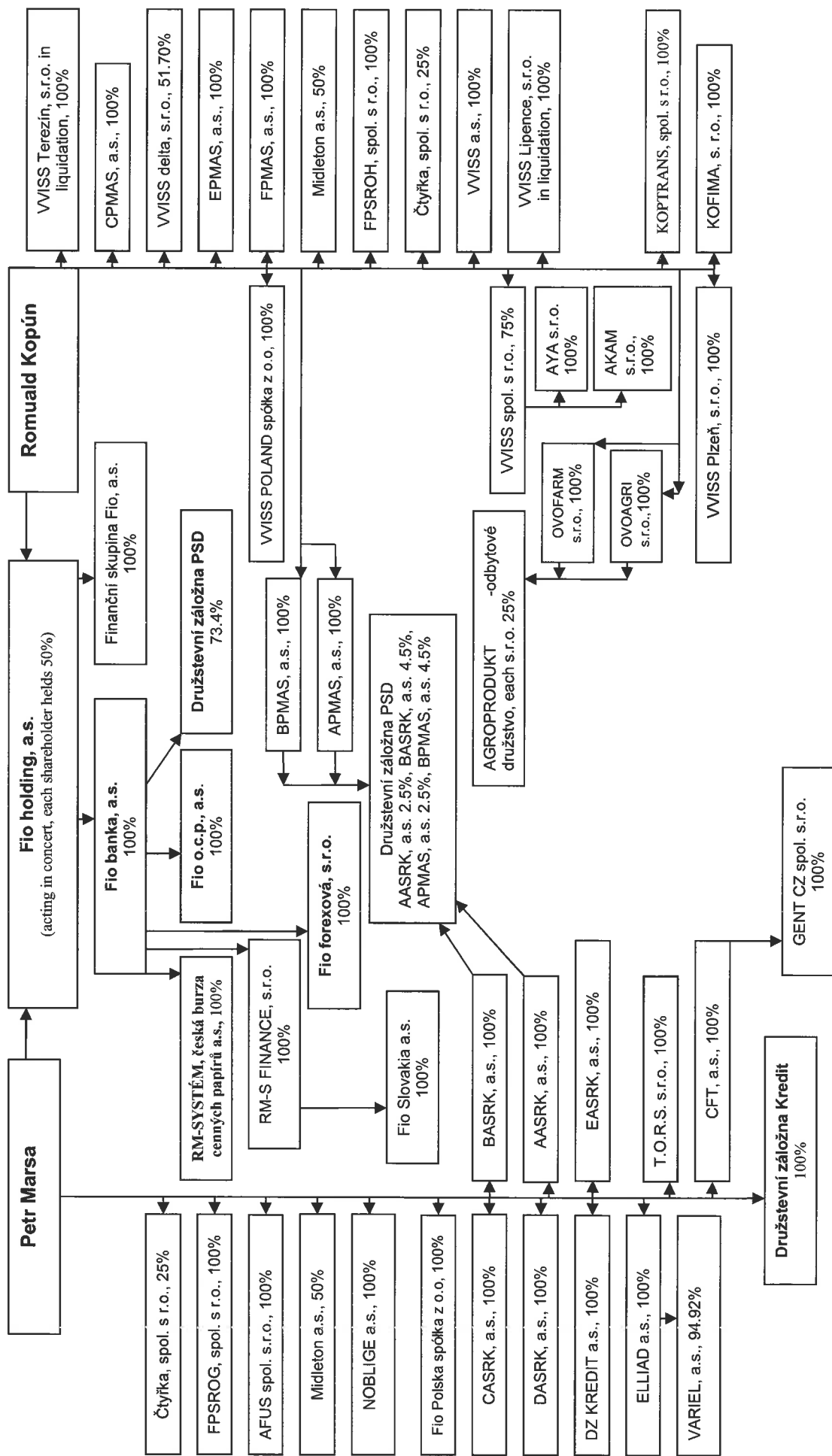
(hereinafter also the "Controlling Persons")

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

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

- Finanční skupina Fio, a.s., Corporate ID: 26761858, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio holding, a.s., Corporate ID: 60192763, Praha 1, V Celnici 1028/10, postal code 117 21;
- Fio o.c.p., a.s., Corporate ID: 35960990, Nám. SNP 21, Bratislava 811 01, Slovak Republic;
- Fio Polska spółka z o.o, Corporate ID: 140192608, Szpitalna 1/17, 00-020 Warszawa, Poland;
- Fio Slovakia, a.s., Corporate ID: 35828137, Kollárovo nám. 15, Bratislava 811 06;
- FPMAS, a.s., Corporate ID: 282 11 502, Praha 1, V Celnici 1028/10, postal code 117 21;
- FPSROG, spol. s r.o., Corporate ID: 25718843, Praha 1, V Celnici 1028/10, postal code 117 21;
- FPSROH, spol. s r.o., Corporate ID: 25738755, Praha 1, V Celnici 1028/10, postal code 117 21;
- GENT CZ spol. s r.o., Corporate ID: 48593753, Praha 1, V Celnici 1028/10, postal code 117 21;
- KOFIMA, s. r.o., Corporate ID: 25269241, Praha 9, Kolmá 5/597, postal code 190 00;
- KOPTRANS, spol. s r. o., Corporate ID: 46577335, Praha 9, Kolmá 5/597, postal code 190 00;
- Midleton a.s., Corporate ID: 35942177, Nám. SNP 21, Bratislava 811 01, Slovak Republic;
- Fio forexová, s r.o., Corporate ID: 27589587, Praha 1, V Celnici 1028/10, postal code 117 21;
- NOBLIGE a.s., Corporate ID: 26145090, Praha 1, V Celnici 1028/10, postal code 117 21;
- OVOAGRI s.r.o., Corporate ID: 36463388, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- OVOFARM s.r.o., Corporate ID: 36015067, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- RM-S FINANCE, s.r.o., Corporate ID: 62915240, Praha 1, V Celnici 1028/10, postal code 117 21;
- RM-SYSTÉM, česká burza cenných papírů a.s., Corporate ID: 471 16 404, Praha 1 - Nové Město, V Celnici 1028/10, postal code 117 21;
- T.O.R.S. s.r.o., Corporate ID: 49682024, Praha 1, V Celnici 1028/10, postal code 117 21;
- VARIEL, a.s., Corporate ID: 45148287, Zruč nad Sázavou, Průmyslová 1034, postal code 285 22;
- VVISS a.s., Corporate ID: 48585131, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS delta, s.r.o., Corporate ID: 36015105, Madunice, Kostolanská 2/540, postal code 922 42, Slovak Republic;
- VVISS Lipence, s.r.o., in liquidation, Corporate ID: 64581314, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS Plzeň, s.r.o., Corporate ID: 64581331, Praha 9, Kolmá 5/597, postal code 190 00;
- VVISS POLAND spółka z o.o, Cisownica 72, Gołina, Goleszów;
- VVISS spol. s r.o., Corporate ID: 30229529, Kostolanská 2/540, Madunice postal code 922 42, Slovak Republic;
- VVISS Terežín, s.r.o., in liquidation, Corporate ID: 25125931, Praha 9, Kolmá 5/597, postal code 190 00.

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





## II. Role of the Controlled Entity

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

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

## III. Manner and Means of Control

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

## IV. Contracts and Agreements Concluded in the Year Ended 31 December 2016 and Contracts and Agreements Still Effective in the Year Ended 31 December 2016

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

#### a) Contracts concluded prior to 1 January 2016 still effective as of 31 December 2016

##### **Romuald Kopún**

Loan agreement No. 131000091

Loan agreement No. 131000105

Loan agreement No. 131000119

Bank account agreements

Agency contract and other arrangements

##### **Petr Marsa**

Loan agreement No. 131000093

Loan agreement No. 131000107

Loan agreement No. 131000121

Bank account agreements

Agency contract and other arrangements

##### **Fio holding, a.s.**

Shares subscription agreement

Account maintenance agreements

Agency contract and other arrangements

#### b) Contracts concluded in the year ended 31 December 2016

In the year ended 31 December 2016, no contracts or agreements were concluded between the Controlling Persons and the Controlled Entity.

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

#### a) Contracts concluded prior to 1 January 2016 still effective as of 31 December 2016

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

Contract on the participation in the settlement system

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

**Družstevní záložna PSD**

Cooperation agreement  
Account maintenance agreements  
Agency contract and other arrangements

**RMS-Finance s.r.o.**

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

**Fio forexová, s.r.o.**

Account maintenance agreement

**Finanční skupina Fio, a.s.**

Account maintenance agreement  
Contract on the transfer of a business interest

**Fio o.c.p., a.s.**

Remuneration agreement  
Account maintenance agreements  
Internal audit services agreement  
Agency contract and other arrangements  
Advisory agreement

**FIO POLSKA SP Z O O**

Account maintenance agreements

**Družstevní záložna Kredit**

Account maintenance agreements  
Agency contract

**DZ KREDIT a.s.**

Account maintenance agreements  
Agency contract and other arrangements

**AASRK, a.s.**

Account maintenance agreements

**AFUS, spol. s r.o.**

Account maintenance agreement

**AGROPRODUKT - odbytové družstvo**

Account maintenance agreement

**AKAM, s.r.o.**

Account maintenance agreement

**APMAS, a.s.**  
Account maintenance agreement

**AYA s.r.o.**  
Account maintenance agreement

**BASRK, a.s.**  
Account maintenance agreement

**BPMAS, a.s.**  
Account maintenance agreement

**CASRK, a.s.**  
Account maintenance agreement

**CFT a.s.**  
Account maintenance agreement

**CPMAS, a.s.**  
Account maintenance agreement

**DASRK, a.s.**  
Account maintenance agreement

**EASRK, a.s.**  
Account maintenance agreement

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

**EPMAS, a.s.**  
Account maintenance agreement

**Fio forexová, s.r.o.**  
Loan agreement No. 151000061

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

**FPMAS, a.s.**  
Account maintenance agreement

**FPSROH spol. s r.o.**  
Account maintenance agreement

**FPSROG spol. s r.o.**  
Account maintenance agreement

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

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

**KOFIMA, s.r.o.**  
Account maintenance agreement

**Midleton a.s.**  
Account maintenance agreements

**NOBLIGE a.s.**  
Account maintenance agreement

**Odbytové družstvo ovoce Český ráj**  
Account maintenance agreements

**OVOAGRI s.r.o.**  
Account maintenance agreements

**OVOFARM s.r.o.**  
Account maintenance agreement

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

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

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

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

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

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

**b) Contracts concluded in the year ended 31 December 2016**

**VVISS, a.s.**  
Contract on the provision of a bank guarantee No. 163000008

**VVISS Plzeň, s.r.o.**  
Loan agreement No. 161000051

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

**Fio Slovakia, a.s.**  
Mandate contract

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 2016**

In the year ended 31 December 2016, no such acts were made.

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

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

**VII. Assessment of Advantages and Disadvantages Arising from Control**

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

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

In Prague on 13 April 2017

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

.....  
**Jan Bláha**  
Member of the Board of Directors of Fio banka, a.s.