

Financial Statements

CEE ACTIVE ASSET MANAGEMENT LTD.

31 December 2017

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Annual Activity Report

Activity

In the financial year of 2017, CEE Active Asset Management Ltd (“CEEAAAM” or the “Company”) as a result of successfully implementing its business strategy could attain higher than previously foreseen return for its investors. The income of the Company was secured by transactional and management fees, keeping a focus on its asset management activity.

The company closed financial year 2017 with an operating profit of 18.811 tsd HUF, which was improved by the non-distributing financial activity income of 1.560 tsd HUF. It resulted in a 17.251 tsd HUF of profit before tax, which was burdened by a tax of 1.571 tsd HUF. Whereas there was no dividend payment, the net profit of the company was 15.680 tsd HUF in 2017.

		2016.12.31		2017.12.31	
Ratios:					
Equity ratio	$\frac{\text{Owner's equity}}{\text{Total assets}} \times 100$	$\frac{167,193}{1,103,042} =$	15.16%	$\frac{182,873}{1,379,913} =$	13.25%
Ratio of equity and share capital	$\frac{\text{Equity}}{\text{Share capital}} \times 100$	$\frac{167,193}{60,000} =$	278.66%	$\frac{182,873}{60,000} =$	304.79%
Liquidity ratios:					
Current ratio I..	$\frac{\text{Current assets}}{\text{Short term liabilities}}$	$\frac{1,099,188}{934,827} =$	1.18	$\frac{1,377,415}{1,193,767} =$	1.15
Current ratio III.	$\frac{\text{Cash and cash equiv.}}{\text{Short term liabilities.}}$	$\frac{1,091,515}{934,827} =$	1.17	$\frac{1,372,225}{1,193,767} =$	1.15
Profitability ratios:					
Return on equity (ROE)	$\frac{\text{Net income}}{\text{Equity}} \times 100$	$\frac{10,642}{167,193} =$	6.37%	$\frac{18,811}{182,873} =$	10.29%
Return on assets (ROA)	$\frac{\text{Net income}}{\text{Fixed assets}} \times 100$	$\frac{10,642}{1,878} =$	566.67%	$\frac{18,811}{1,119} =$	1681.05%

Business environment and activity

Investors could see further rising share prices and dropping bond yields in 2017. Emerging equities rallied the most but emerging fixed income that is in the focus of CEEAAM has also had a year of positive returns.

In the US the FED has raised its funds rate three times during last year reaching a level of 1.25%-1.5%. Also, it has announced a reduction of its balance sheet of 4500 bn on the September meeting. To dampen the effects of the rise of the interest rates a tax reduction program was announced that could influence economic growth on the short run. Last year as a result of the worse than anticipated statistical figures and the political tensions the USD dollar weakened on a large scale against most major currencies.

In Europe the economic data surprised on the positive side and with the lessening of political fears within the region the euro could strengthen by the end of the year. Not only the consumer but also business sector could experience a stable growth. Strong internal consumption is justified by record topping business climate indices. Consumer confidence reached levels unseen before which had to do with the positive labor market processes. Unemployment rate decrease in all member countries from 9.7% to 8.7% on average.

Prices have increased on almost all global emerging markets led by internationally listed Chinese equities. Even the somewhat lagging Russian market could catch up by the end of the year. Emerging markets were influenced mostly by the weak US Dollar, rising oil prices and Donald Trump's foreign policy.

The countries in the Central-Eastern European region also enjoyed the positive effects of the global boom, free labor markets, and capital transfers. The region's processing industry is growing rapidly pushed by high external demand. The labor costs are rising quickly because of the Western European countries' urgent need for qualified workforce. Rising wages result in elevated domestic demand.

The Hungarian economy is heated by the loose monetary policy and favorable fiscal policy. The service sector contributed most to GDP growth while the industrial sector has lost some importance. Construction sector did exceptionally well but the missing educated workforce clearly presents a problem.

The global economic environment looked very promising in 2017. Growth looked to be sustainable and the loose monetary conditions favored risk taking. As a result, risky assets like equities and commodities outperformed. Volatility though will not remain low for too long, prices seem to have reached a ceiling, valuations look overstretched and the changes in monetary policies may present challenges for investors in the coming quarters.

Expectations

In 2017 the Company has revised its three-year business strategy to adopt to the changing environment. In the following period due to the increased compliance and legal advisory costs the Company calculates with a somewhat lower profit ratio. The continuous capital inflow and the positive returns on the investors' capital in 2017 assured a profitable year for CEEAAM.

In spite of the increased legal costs connected to the introduction of MIFID 2 regime the Company could attain a higher net profit in 2017 than in the previous year. Major IT projects were realized relating the company's order management and backoffice system.

In the future, similarly to the past, CEEA AM will provide its existing clients with professional tailor-made investment services and solutions and the Company will retain its strict investment policies and flexible and fast investment decisions with the purpose of achieving a conservative growth. CEEAAM focuses almost exclusively on hard currency denominated fixed income products. Besides the bonds of Central-Eastern European issuers the Company also invests in papers of Western European corporates, financial companies that offer somewhat higher yield at an acceptable level of risk.

For 2018, the Company identified the following key tail risks:

- (i) introduction of the MIFID 2 regime may lead to the reduction of market liquidity
- (ii) the rising commodity prices may lead to higher inflation
- (iii) geopolitical conflicts may result in a collapse of capital markets
- (iv) US corporate defaults may initiate an avalanche on the bond market.

Since its inception in 2009 CEEAAM has never had a loss-making year. The management believes that it is of utmost importance, to run an absolutely transparent, creditworthy and client-oriented asset management company to preserve profitability in the coming business years too.

Risk Management

CEEAAAM's Risk Management Rules, Assessment Rules and Rules of Trading Book set out the principles and methods of the risk management of the company.

With the purpose of transparency and control and to identify and address operational risks, CEEAAAM applies an Internal Auditor, a Risk Officer and a Compliance Officer responsible for the compliance with the laws based on the authorization set out in Section 19-21 of Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers and on the regulations governing their activities. In the organization of the Company, the internal audit and the functions of compliance officer and risk management are separated. The risk officer is responsible for monitoring and analyzing the different kind of risks, but the competent leaders are also involved in the preliminary identification of the risks. In addition to the in-process control, the personal control activities of the executives also represent a substantial part.

The Company measures and addresses operational risks and the changes in the market and the legal environment in accordance with the prevailing laws and regulations and as per its internal rules.

The remuneration package consists solely of the basic salary. To avert risk, no additional benefits are applied on the performance, thus the remuneration of the risk management and other control functions is independent of the performance of the fields controlled by them.

The company assigned the following capital requirements to the identified risks on the sheet date of 31.12.2017 (in thousand HUF):

<u>initial capital requirement:</u>	<u>38,767</u>
<u>total capital requirements on risks:</u>	<u>26,517</u>
- on counterparty risk:	22,481
- on settlement risk:	0
- on credit risk:	0
- on foreign exchange risk:	4,036
- on operational risk:	-
<u>capital requirement on fix operational cost risk:</u>	<u>18,366</u>
<u>available solvency capital for risks:</u>	<u>182,755</u>
- tier capital:	167,075
• share capital:	60,000
• retained earnings:	122,873
- reductions from tier:	118
<u>Solvency surplus:</u>	<u>143,988</u>

Human capital

The Board of Directors of the Company consisted of three members in 2017: Mr. Zsolt Székelyhidi, Mr. Andor Katzer and Ms. Emilia Garas. In 2017 the number of employees decreased by one person. A Front office colleague decided to seek new challenges, his position is open at the moment. There are two people working for the Front Office Department, supported by the Back-office, as well as the Financial and Risk Department. The Internal Audit and the Compliance functions are operating as outsourced activities.

Dividends

The Board of Directors – similarly to 2016 – does not propose to pay any dividends after the results of the fiscal year of 2017. A higher level of retained earnings enables the company to comply easier with the National Bank of Hungary’s capital requirements in a difficult business year.

Auditor

The Company was still audited by PricewaterhouseCoopers for financial year 2017. CEEAAM will sign a two-year contract with PricewaterhouseCoopers for financial years 2018-2019.

Other information required and proposed by the Act on Accounting

CEEAAAM had no subsidiary and had not acquired any stake in other companies either, in the course of the last fiscal year.

After the balance sheet date, no significant event occurred in the Company’s operation.

Due to its operation field and size, environmental protection does not have a material effect on the financial position of the Company.

The Company is not engaged in any R&D activity.

Budapest, 23 May 2018

Zsolt Székelyhidi

Andor Katzer

Members of the Board of Directors

The Board of Directors of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Board of Directors were last elected at the General Meeting of 01 April 2010 for undetermined period of time.

Mr Zsolt Székelyhidi

Appointed: 16 December 2009

Mr Székelyhidi graduated from the Budapest Business School and also received a Bachelor of Business Studies degree of the University of Lincolnshire and Humberside. In 2002 he obtained the MSc degree of University of Pécs. Mr Székelyhidi started his career in 1999 at Central European International bank where he worked as an investment advisor responsible for domestic and foreign bond, equity and FX futures transactions of the clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Mr Székelyhidi speaks English and German besides Hungarian. In 2009 he founded CEE Active Asset Management holding presently 50% of the shares of the company and representing it as a managing director.

Mr Andor Katzer (Chairman)

Appointed: 1 April 2010

Mr Katzer studied at the Budapest School of Economics and after successfully graduating he also earned a BA degree in Business Studies at the University of Lincolnshire and Humberside. In 2002 besides obtaining the MSc degree of University of Pécs he successfully finished the course of ELTE Institute of Post-graduate Legal Studies and received a Diploma in Legal Studies. From 1999 until 2009 Mr Katzer was working as an investment advisor at Central European International Bank (CIB) specialised in trading local and foreign assets on behalf clients of the bank. In 2007 he became member of the ACI Financial Markets Association. Two years later Mr Katzer was appointed Head of Treasury Sales at CIB where he managed a team responsible for the bank's clients' fixed income and foreign exchange transactions. Mr Katzer has a good command of English, German, Italian and French languages. In 2010 he became co-owner and managing director of CEEAAM Ltd holding 50% of the company's shares presently.

Ms Emilia Garas

Appointed: 17 May 2017

Ms Garas graduated at the University of Economics in Budapest. Before joining CEEAAM Ltd. Ms Garas filled different senior back office and settlement department positions at Hanwha Bank, OTP Garancia Insurance Ltd.

Members of the Supervisory Board

The Supervisory Board of CEE Active Asset Management Ltd. consists of three representatives elected by the General Meeting. The members of the Supervisory Board were last elected at the General Meeting of 01 April 2010 for undetermined period of time.

Mr Gábor Nagy (Chairman)

Appointed: 01 April 2010

Mr Nagy is an economist who finished his studies at the Budapest University of Economics before graduating from the Budapest University of Technology and Economics (BME). Mr Nagy is co-owner and member of the management of Ramasoft Ltd, a company that is specialised in developing VAR based risk management software used by local banks and financial companies holding financial assets. Mr Nagy was previously member of the Board of Directors of CEEAAM Ltd.

Mr Norbert Narozsny

Appointed: 16 December 2009

After graduating from the Budapest Business School Mr Narozsny filled various management positions in the real estate industry working as an economist. In 2006 Mr Narozsny cofounded Nagro Investment Ltd. an enterprise that offers investment advice to real estate development companies. Mr Narozsny holds the position of CEO at Nagro Investment Ltd.

Dr László Földvári

Appointed: 16 December 2009

Dr Földvári, founder and head of the Földvári Law Firm, graduated "summa cum laude" in the Faculty of State and Legal Sciences of Eötvös Loránd University in 1994. After working as a trainee lawyer, he passed the bar exam, and started his practice as a private attorney-at-law registered at the Budapest Bar Association. In addition to the degree in law, he obtained a degree as an economist at the University Of Economic Sciences Of Budapest. He also graduated as a Specialist of European Law. Földvári Law Firm focuses on real property law, corporate law and the law of contracts. The company has also has extensive experiences in the field of Internet law, labour law and intellectual property law.

BALANCE SHEET (IN THOUSAND HUF)	NOTES	2016	2017
<i>I. Intangible Assets</i>		0	0
4. Trade-marks, patents and similar assets		0	0
<i>II. Property and equipment</i>		1,878	1,119
<i>III. Financial investments</i>		-	-
A. Fixed Assets		1,878	1,119
<i>I. Inventories</i>		-	-
<i>II. Receivables</i>		7,673	5,190
5. other receivables		7,673	5,190
<i>III. Securities</i>		0	0
4. Other Securities		0	0
<i>IV. Cash and Cash equivalents</i>		1,091,515	1,372,225
2. Bank desopits		1,091,515	1,372,225
B. Current assets		1,099,188	1,377,415
C. Accrued and deferred assets		1,976	1,379
TOTAL ASSETS		1,103,042	1,379,913
<i>I. Share capital</i>		60,000	60,000
<i>II. Share capital unpaid</i>		-	-
<i>III. Capital reserve</i>		-	-
<i>IV. Retained earnings</i>		96,155	107,193
<i>V. Tied-up reserve</i>		-	-
<i>VI. Revaluation reserve</i>		-	-
<i>VII. General reserve</i>		-	-
<i>VIII. Profit or loss for the year</i>		11,038	15,680
D. Shareholders' equity		167,193	182,873
E. Provisions		0	0
<i>I. Subordinated liabilities</i>		-	-
<i>II. Long-term liabilities</i>		-	-
<i>III. Current liabilities</i>		934,827	1,193,767
4. Accounts payable		5,794	4,829
5. Liabilities to customers		927,603	1,186,870
12. Other short term liabilities		1,430	2,068
F. Liabilities		934,827	1,193,767
G. Accrued and deferred liabilities		1,022	3,273
2. deffered income		-	-
2. deffered expenses		1,022	3,273
TOTAL LIABILITIES		1,103,042	1,379,913

STATEMENT OF OPERATIONS (IN THOUSAND HUF)	NOTES	2016	2017
<i>Investment services related income</i>		117,374	123,776
<i>Gains on securities traded on prop. account</i>		-	-
<i>Corporate finance activities</i>		-	-
<i>Custodianship, safe-keeping and portfolio management activities</i>		0	0
<i>Other income</i>		513	498
1. Revenue		117,887	124,274
<i>Comission expenses</i>		9,194	4,183
<i>Losses on securities traded on prop. account</i>		-	-
<i>Expenses of corporate finance activities</i>		-	-
<i>Expenses of custodianship, safe-keeping and portfolio management activities</i>		-	-
<i>Other expenses</i>		5,009	5,193
2. Expenses		14,203	9,376

PROFIT AND LOSS ACCOUNT (IN THOUSAND HUF)	NOTES	2016	2017
<i>Income from investment service activity</i>		117,887	124,274
<i>Expenses on investment service activity</i>		14,203	9,376
I. Profit or loss of investment service activity		103,684	114,898
II. Other income		182	105
III. Profit or loss of non investment service activity		-	-
IV. Own performance capitalised		-	-
V. Material cost		41,234	49,239
VI. Staff costs		34,438	23,396
VII. Depreciation		1,056	828
VIII. Other operating charges		16,496	22,729
IX. Expenses of non investment service activity		-	-
A. Income from operations		10,642	18,811
X. Non distributing financial activity income		1,876	2,846
XI. Non distributing financial activity expenses		-230	4,406
B. Profit or loss from financial transations		1,646	1,571
C. Profit or loss of ordinary activities (A+B)		12,288	17,251
XII. Income tax payable		-1,250	-1,571
D. Profit after taxes		11,038	15,680
XIII. Retained earnings and reserves		-	-
E. PROFIT OR LOSS FOR THE YEAR		11,038	15,680

CASH-FLOW STATEMENT (IN THOUSAND HUF)	NOTES	2016	2017
<i>Profit before income tax</i>		12,288	17,251
<i>Amortization</i>		1,056	828
<i>Accounted amortization and write-back</i>		-	-
<i>Loss on credit in foreign currency</i>		-	-
<i>Difference between provisions made for liabilities and actual use</i>		-	-
<i>Gains and losses on sale of invented assets</i>		-	-
<i>Change in account payable</i>		-320	-965
<i>Change in other short term liabilities</i>		-9,498	638
<i>Liabilities to customers</i>		128,594	259,267
<i>Change in passive provisions made</i>		-123	2251
<i>Change in accounts receivable</i>		0	0
<i>Net change in current assets</i>		-3076	2483
<i>Change in active provisions made</i>		-26	597
<i>Tax paid</i>		-1,250	-1,571
<i>Dividends paid</i>		-	-
I. Net Cash flow from operating activities		127,645	280,779
<i>Purchase of financial investments</i>		-1,178	-69
<i>Proceeds from sale of financial investments</i>		-	-
<i>Dividends received</i>		-	-
II. Net Cash flow from investment activities		-1,178	-69
<i>Proceeds from issuance of stocks</i>		0	0
<i>Proceeds from issuance of financial investments</i>		-	-
<i>Credits and loans received</i>		-	-
<i>Repayment, elimination of long-term loans, bank deposits</i>		-	-
<i>Liquid assets definitely</i>		-	-
<i>Retirement of stocks, withdrawal of capital</i>		-	-
<i>Repayment of bonds and securities representing credit</i>		-	-
<i>Repayment of credits and loans</i>		-	-
<i>Long term loans and bank deposits</i>		-	-
<i>Liquid assets transferred definitely</i>		-	-
<i>Changes in liabilities to founders and long-term liabilities</i>		-	-
III. Net Cash flow from financing activities		0	0
<i>Cash and Cash equivalents as at 1.JAN</i>		965,048	1,091,515
<i>Cash and Cash equivalents as at 31.DEC</i>		1,091,515	1,372,225
IV. Net increase/decrease in cash		126,467	280,710

Notes to the financial reports

Company data

Name fo the company:	CEE Active Asset Management Ltd.
Address:	5. Rétköz str. Budapest H-1118 Hungary
Registered office:	5. Rétköz str. Budapest H-1118 Hungary
Date of founding:	16.12.2009 (registered: 30.12.2009)
Court registration number:	01-10-046560
Tax Identification number:	11714910-2-43
HFSA license number:	EN-III/63/2010
Main bank account number:	10702019-65686654-51100005

Ownership structure: Company founders / owners / changes in share capital

Owners:	Shares held:
Andor Katzer	3,000 pcs (50%)
Zsolt Székelyhidi	3,000 pcs (50%)

The annual report was prepared by: Akire Ltd / registered accountants

Accounting policy

The company maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary. The company's functional currency is the Hungarian Forint (HUF).

Form of report:	Annual report
Form of Balance Sheet	„A” type Balance Sheet
Form of Profit or Loss account	total cost method
Date of Balance Sheet	December 31
Date of preparation of Balance Sheet	February 28 (following year)

Significant accounting policies

The company has prepared its accounting policies and accounting system in line with current regulations in order to show real picture on its profitability capabilities, capital, current and future financial status published in the annual report.

The company uses double book keeping system, preparing balance sheet and profit and loss account as well.

Main evaluation principles

- Invested financial assets are registered at historical value in the books
- Liabilities are registered at historical value in the books
- Depreciation is written down on bad debts by the extent of expected loss
- Securities bought for sale are registered at historical value in the books
- Securities bought for sale are valued by FIFO method
- Liabilities are performed on book value in the balance sheet

Financial condition
Assets of the company

Description	2016		2017	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Fixed assets	1,878	0.17	1,119	0.10
Inventories	0	-	0	-
Receivables	7,673	0.70	5,190	0.37
Securities	0	-	0	-
Liquid assets	1,091,515	98.85	1,372,225	99.44
Accrued incomes and deferred charges	1,976	0.18	1,379	0.09
TOTAL ASSETS	1,103,042	100.00	1,379,913	100.00

Liabilities of the company

Description	2016		2017	
	Amount (thousand HUF)	Share %	Amount (thousand HUF)	Share %
Capital and reserves	167,193	17.19	182,873	13.25
Provisions	0	-	0	-
Long term liabilities	0	-	0	-
Short term liabilities	934,827	96.02	1,193,767	86.51
Accrued incomes and prepaid charges	1,022	0.10	3,273	0.24
TOTAL ASSETS	1,103,042	100.00	1,379,913	100.00

The capital increased by 15,680 *tsd* HUF which equals to the retained earnings of the company for 2017.

Budapest, 23. May 2018.

Zsolt Székelyhidi / Andor Katzer



INDEPENDENT AUDITOR'S REPORT
(Free translation)

To the shareholder of CEE Active Asset Management Zrt.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of CEE Active Asset Management Zrt. ("the Company") which comprise the balance sheet as at 31 December 2017 (in which the balance sheet total is THUF 1 379 913, the profit after tax is THUF 15 680), the related income statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act"), in force in Hungary.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards 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 applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA Code of Ethics) and we also comply with further ethical requirements set out in these.

The non-audit services that we have provided to the Company in the period from 1 January 2017 to 31 December 2017, are disclosed in note I.1. to the financial statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable laws and regulations in Hungary and that we have not provided non-audit services that are prohibited under Article 5 of Regulation of the European Parliament and Committee No 537/2014 and Subsection (1) and (2) of Section 67/A of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Our audit approach

Overview

<i>Overall materiality</i>	Overall materiality applied was THUF 3 728.
<i>Key Audit Matters</i>	<ul style="list-style-type: none">• Recognition of income from investment services• Client asset management

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Materiality</i>	THUF 3 728
<i>Determination</i>	3% of income from investment activities
<i>Rationale for the materiality benchmark applied</i>	We chose income from investment activities as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. When determining the magnitude of materiality, a 3% ratio was taken into account.

Key audit matters

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



Key audit matter

How our audit addressed the key audit matter

Recognition of income from investment services

Income from investment service activities amounted to THUF 124 274 in 2017, representing 97.64% of the Company's total income.

The Company presents income from investment service activities in point 4.1 of the notes to the financial statements, detailing the sources of these income and the activities on the basis of which these income is charged.

We paid special attention to this area because the Company's net result is largely dependent on income from investment service activities, which are determined through complex accounting procedures due to the wide range of its services.

We examined and understood the reasons behind the changes in incomes from period to period, analysed them in light of the information we gathered about other area of the Company's operations, and examined whether these changes are in line with the business activities and market developments.

We checked by sampling whether the accounting of selected incomes from fees and commissions is in line with the underlying documents and business transactions.

We reviewed point 2.1 of the notes to the financial statements.

We have not found any material misstatement as a result of the procedures we performed.

Client asset management

Client assets held by the Company from investment service activities, recognised as liabilities, amount to THUF 1186 870, representing 86.01% of the balance sheet total. Securities managed for clients recognised as off balance sheet liabilities have a par value of THUF 401 352.

Liabilities to clients are presented in point 3.8 of the notes to the financial statements, securities managed for clients are presented in Appendix 2 to the notes to the financial statements.

We paid special attention to this area because reliable, precise and timely recording of client assets managed by the Company is of particular importance in terms of consumer protection.

We requested balance confirmations from depository to verify the balances of securities managed by the Company for them, and checked whether the changes of balances of assets managed for clients are in line with the Company's business processes and market movements.

We reviewed point 1.6 of the notes to the financial statements.

We have not found any material misstatement on the basis of the examinations performed.



Other information: the business report

Other information comprises the business report of the Company. Management is responsible for the preparation of the business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the financial statements expressed in the “Opinion” section of our independent auditor’s report does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the business report is materially misstated we are required to report this fact and the nature of the misstatement.

Based on the Accounting Act, it is also our responsibility when reading the business report to consider whether the business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the business report is consistent with the financial statements.

In our opinion, the 2017 business report of the Company, is consistent with the 2017 financial statements in all material respects, and the business report has been prepared in accordance with the provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the business report and therefore we have nothing to report in this respect.

As the conditions in Paragraph a) and b) of Subsection (1) of Section 95/C are not met at the balance sheet date, we have nothing to state.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting Act, and for such internal control as management 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, management 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 in preparation of the financial statements. Management has to apply the going concern basis of accounting unless other relevant rules prevent its application or there are facts and circumstances contradicting the going concern principle.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs 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 HNSAs, 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 management.
- Conclude on the appropriateness of management's use of the going concern basis in the preparation of the financial statements 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 gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



Report on other legal and regulatory requirements

We were first appointed as auditors of the Company on 13 November 2013.

The engagement partner on the audit resulting in this independent auditor's report is Árpád Balázs.

Budapest, 23 May 2018

Árpád Balázs
Partner
Statutory auditor
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Translation note:

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version. The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in jurisdictions other than Hungary.