2018

ANNUAL REPORT

fintechgroup

Table of Contents

Highlights

Highlights

03/28/2019
FinTech Group AG achieves another record year, exceeding sales and EBITDA forecast

03/16/2019
FinTech Group Bank AG was renamed flatex Bank AG

01/07/2019
Starting in October 2019, Goldman Sachs becomes Platinum Partner in the ETP business for five years

01/02/2019
FinTech Group AG secures EUR 20 million B2B order from Vall Banc

Full year 2018
FinTech Group AG is the highest-selling share in the Scale 30 Index with EUR 267 million Xetra trading volume of the German stock exchange cash market

12/27/2018
FinTech Group AG starts 2019 European expansion 'flatex goes to the Netherlands' Sales increase of 15% to EUR 138 million planned for 2019

11/23/2018
Operational KPIs of FinTech Group AG grow dynamically: 39,000 new B2C customers in twelve-month comparison (Oct./Oct.)

10/15/2018
FinTech Group AG extends management contract with CFO Muhamad Said Chahrour until the end of 2022

09/11/2018
FinTech Group AG continues on a profitable growth course at the half-year mark; Sales up 18%, EBITDA up 42%

08/07/2018
At the general meeting of FinTech Group AG, shareholders approve the draft resolutions according to the agenda with clear majorities

06/26/2018
Result of FinTech Group AG confirmed for 2017: Sales up 13%, net profit up 36% Planning targets met for the third time in a row

03/15/2018
FinTech Group AG prematurely extends management contract with CEO Frank Niehage until August 2022

03/12/2018
Goldman Sachs (GS) and FinTech Group AG establish ETP partnership with online broker flatex for GS certificates and subscription warrants

03/07/2018
Increased market volatility gives FinTech Group AG record numbers with 40% more securities transactions in the first two months of 2018

Group Key Performance Indicators

Group Key Performance Indicators

		2018	2017	Change in %
Operating business				
Transactions executed	number	12,483,344	11,272,496	+10.7
Number of customers	number	290,288	253,825	+14.4
Transactions per customer / year	number	43.00	44.41	-3.2
Customer assets under management	mEUR	10,995	11,794	-6.8
of which: custody volume	mEUR	10,000	10,910	-8.3
of which: cash deposits	mEUR	995	884	+12.6
Financials				
Revenues	kEUR	125,100	107,014	+16.9
EBITDA	kEUR	42,368	32,073	+32.1
EBIT	kEUR	34,188	26,484	+29.1
Net profit	kEUR	21,044	16,796	+25.3
Earnings per share (undiluted)	EUR	1.12	1.00	+12.0
Equity	kEUR	167,225	112,724	+48.3
Total assets	kEUR	1,227,738	1,107,433	+10.9
Equity ratio	in %	13.6	10.2	+33.3
Cash flow from operating activities - before banking operations	kEUR	17,536	23,729	-26.1
Cash flow from banking operating activities	kEUR	236,105	-23,473	-
Cash flow from discontinued operations	kEUR	-	-144	-
Cost-income-ratio	in %	52.00	58.5	-11.2
Employees (average)	number	497	453	+9.7
Segmente				
Financial Services (FIN)	Revenues kEUR	107,140	89,113	+20.2
	EBITDA kEUR	28,349	19,866	+42.7
Technologies (TECH)	Revenues kEUR	39,730	30,642	+29.7
	EBITDA kEUR	14,019	20,953	-33.1
Consolidation[1]	Revenues kEUR	-21,770	-12,742	-70.9
	EBITDA kEUR	-	-8,745	-
TOTAL	**Revenues kEUR**	**125,100**	**107,014**	**+16.9**
	EBITDA kEUR	**42,368**	**32,073**	**+32.1**

[1] The 'Consolidation' segment includes prior year expenses of the holding structures. In the current fiscal year, they were allocated to both segments using the apportionment procedure (pay-as-you-go method).

The FinTech Group share

Key figures of FinTech Group shares

		2018	2017	Change in %
Number of shares outstanding as of 12/31.	number	18,736,637	17,506,426	7.0
Number of shares outstanding - year average	number	17,882,865	16,827,990	6.3
Subscribed capital	kEUR	18,737	17,506	7.0
Market capitalisation	mEUR	317.77	536.57	40.8
Price at year-end	EUR	16.96	30.65	44.7
Year high	EUR	35.80	32.40	-
Year low	EUR	15.22	13.37	-
EBITDA per share (undiluted)	EUR	2.26	1.88	20.2
Earnings per share (undiluted)	EUR	1.12	1.00	12.0
Equity per share (undiluted)	EUR	8.93	6.44	38.7
Dividend per share	EUR	-	-	-

Letter from the Management Board

Letter from the Management Board

Dear shareholders,
Dear friends of FinTech Group AG,

Frank Niehage, CEO
Muhamad Chahrour, CFO

2018 was a ground-breaking year for FinTech Group AG. We were able to expand our market position and lay the foundations for further growth. The number of B2C customers and transactions increased considerably. Sales, EBITDA and operating profits also increased significantly. In addition, the liquidity of the company improved noticeably.

Highlights of fiscal year 2018 included the successful completion of our 'From 5 to 2' strategy. The reorganisation was aimed at reducing the complexity of our Group structure and further increasing the efficiency of our processes. With the opening of our new branch in Neuss, we demonstrated to the outside world that these measures have now been completed. The new location offers the employees of flatex Bank AG a modern ambience, the latest technology and short commutes.

The dependable cooperation with our strategic partners, who in turn always place great trust in us, has contributed significantly to the operational business success of FinTech Group AG.

Financial Services segment – growth driver with potential

The B2C business in the Financial Services segment continued to develop very well last year. As of 31 December 2018, more than 290,000 customers were already using the high-tech infrastructure of flatex Bank AG. This corresponds to a customer increase of more than 20% year-on-year. The volatility in the stock exchanges and the resulting increase in trading activities had a positive effect on our business. We have come a great deal closer to our goal of becoming one of the leading securities processors in the German market.

As the last bank-independent broker in the market, our online broker flatex continues to offer an excellent price-performance ratio, high innovative strength and excellent customer service. Our customers have shown great trust in us, giving us a clear signal that our B2C offer is highly attractive. Our formula for success for flatex is simple: Great products at great prices on a great platform.

The customers of flatex Bank AG continue to be very active in our markets due to the low flat-fee of EUR 5.90 compared to the remaining market. Accordingly, the number of processed securities transactions increased by 10.5% year-on-year to 12.5 million.

In order to further exploit the potential of the B2C business in the Financial Services segment, we focus on expansion:

- Market entry in the Netherlands with www.flatex.nl is planned for the second quarter of fiscal year 2019.
- This step will be used as a blueprint for expansion into additional European target markets.

Technologies segment – focused expansion of the core banking system

Our B2B business also developed as planned in 2018. In the past fiscal year, we expanded the core banking system of the FinTech Group (FTG:CBS) with powerful components. For example, we added a credit module and a modern general ledger, which we developed in cooperation with SAP. Moreover, we can also supply the non-German-speaking regions with our system: The FTG:CBS is now also available in multi-lingual format.

We are pleased with the new B2B mandate at Vallbanc, SAU in Andorra, which will rely on the advanced technology of FTG:CBS in the future and offer its customers modern branch and online banking facilities as well as efficient customer service. We are convinced that this will create the conditions for several years of significant revenues in the Technology segment.

The conditions for successful marketing of FTG:CBS are still very favourable: Many financial institutions have tremendous need to catch up technologically. The existing systems are getting old and need to be replaced. As a full-service solution, FTG:CBS can help the approximately 500 German as well as a majority of European private and specialist banks, to take on technological change, improve their profitability, and become future-ready. Short project durations, quickly visible successes and professional project management – this is what distinguishes the migration to FTG:CBS.

Secured loan book – solid course of business

Our secured loan book also shows solid growth. Nevertheless, the Treasury division did not perform as expected due at the lack of investment opportunities that fit our conservative risk profile. Our focus remains on fully secured and sustainable lending business. The anticipated medium-term turnaround in interest rates will noticeably improve our business in this area, since our exposure continues to focus on the short-term end of the yield curve. Thus, we shall be able to benefit from rising interest rates by shifting investments quickly and profitably, particularly in our Treasury.

Focus on flagship flatex – FinTech Group becomes flatex

The highly scalable online brokerage platform flatex represents the operational and highly profitable B2C business in the Group's Financial Services segment. flatex is a strong and well-known brand with a 12-year success story and a leading market share of around 50% in Austria as well as a market share of around 20% in Germany. Correspondingly, we will focus significantly on the flatex brand in the future and integrate it in the name of our companies throughout the Group. In March of this year, our bank was already renamed flatex Bank AG. The significantly higher brand awareness of flatex compared to FinTech facilitates marketing the acquisition of new retail customers and institutional investors as well as the market entry into new countries.

The Handelsblatt journal once again honoured our online broker flatex as the best online broker in 2018. Finance magazine '€uro am Sonntag' named flatex as the test winner in the 'Direct Bank Services Brokerage' category.

Corporate Social Responsibilty – join forces to reach the goal

Together with you, our valued shareholders, and the employees of FinTech Group AG, we want to continue our growth course. For the current fiscal year, our goal is to further increase revenues as well as the EBITDA margin despite the expansion of our business segment.

The modernisation of our organisation will continue. At our branches in Frankfurt, Neuss, Düsseldorf, and Kulmbach, we have already created modern workspaces with room for creativity and agile work. We will expand this concept to the other locations of the Group. This concept enables us to inspire young, talented employees and well-trained specialists to join our company and to ensure sustainably high-quality work results of the entire FinTech Group AG team. Furthermore, we are intensifying our university contacts in the most important economic regions of Germany. It is important to prepare young people for the future – and thus also for FinTech Group AG.

Together with our customers, partners, employees and you, our valued shareholders, we have significantly improved our current situation in order to considerably increase stakeholder value. We also made noticeable progress in 2018 on our path to become one of the leading financial services and technology companies in Europe in the medium term.

We would like to thank you for your strong support and continued trust in us!

We are facing considerable opportunities and challenges, and we are looking forward to taking you along on this journey.

Sincerely,

Frank Niehage
CEO, Chairman of the Management Board

Muhamad Said Chahrour
CFO, Member of the Management Board

Report of the Supervisory Board

Report of the Supervisory Board

Martin Korbmacher,
Chairman

Dear shareholders,

FinTech Group AG looks back on a very successful fiscal year 2018. In addition to the extremely positive course of business and the successful completion of the group-wide merger project 'From 5 to 2', the year was mainly marked by the consistent continuation of the internationalisation strategy and the expansion of additional cooperation partnerships.

Cooperation with the Management Board

In fiscal year 2018, the Supervisory Board of FinTech Group AG carried out the responsibilities incumbent upon it under law and under the Articles of Association of the company, with utmost care. It regularly advised the Management Board on corporate management issues and monitored the administration of its tasks on an ongoing basis. Monitoring benchmarks were primarily the lawfulness, orderliness, expediency, and economic viability of management and the Executive Committee. The Supervisory Board was also being involved, directly and in a timely fashion, in all decisions of material importance to the course of business of the company.

The primary basis for fulfilment of the statutory monitoring task were the written and verbal reports of the Management Board. The Management Board updated the Supervisory Board regularly, promptly and comprehensively about the course of business during the year and the position of the Group. The updates also included the risk situation and risk management, all matters relevant to the company and issues involving law, HR and compliance, as well as other important events. Actual vs. plan variances were explained in detail. The members of the Supervisory Board always had ample opportunity to analyse the Management Board's reports and resolution proposals, and to submit their own suggestions and guidance. All significant business transactions during the reporting period were undertaken in agreement with the Supervisory Board.

Outside of the scheduled Supervisory Board meetings, the Supervisory Board chairman was also involved, via close and regular exchanges of information and ideas, with the Management Board, to discuss the course of business, strategy, planning, as well as major events in FinTech Group AG and the Group. The Chairman reported on important findings and significant events, at the latest, at the next Supervisory Board meeting. In the year under review, there were no conflicts of interest between members of the Supervisory and Management Boards, which would have to be disclosed to the Supervisory Board without delay and which would have to be notified to the Annual General Meeting.

Supervisory Board meetings and focus of activities

In fiscal year 2018, the Supervisory Board held nine meetings to discuss the Company's course of business, important individual transactions, as well as Management Board measures requiring its approval. All Supervisory Board meetings were attended by all members. Four of the meetings were held in the first half of the year and five in the second half of 2018. In addition, resolutions were also frequently passed outside the meetings by written ballot in circulation. The Supervisory Board granted the requested approvals, both at the scheduled meetings and ad hoc, after thorough examination and extensive discussion with the Management Board in each case.

Optimising the group structure was again one of the key aspects of the Supervisory Board's activities in the past fiscal year. In particular, this included consultation, monitoring and, where necessary, passing resolutions, as part of the group-wide integration project 'From 5 to 2'. The project was concluded with the settlement of the judicial award proceedings following the merger-related squeeze-out of the minority shareholders of XCOM AG ('Squeeze-Out') and the merger of flatex GmbH with flatex Bank AG (which at that time was still trading under the name FinTech Group Bank AG). Other focal points of the Supervisory Board's activities included the ongoing course of business, measures and projects as part of the internationalisation strategy, as well as exchanges on key strategic cooperations. This included the introduction of a core banking system for Andorra-based private bank Vall Banc, S.A.U. and the 50/50% joint venture project for provision of banking services in Austria ('Post Project'), which was jointly planned with Österreichische Post Aktiengesellschaft ('Post'). It also included Post's equity participation in FinTech Group AG in connection with a cash capital increase from authorised capital in 2018, which strengthened the equity position of FinTech Group AG by approximately EUR 35 million.

Regular discussions at the meetings of the Supervisory Board focused on strategy, sales and earnings development as well as the course of business of FinTech Group AG and the major Group companies. This included, in particular, the liquidity, the Management Board's written reports on the risk situation, Group internal audit, as well as major developments in the areas of investments, cooperations, client business and trading.

The main subjects of discussions and resolutions in fiscal year 2017 were:

Following a detailed explanation of the underlying systematics and logic, the Supervisory Board met on 23 February 2018 by telephone to approve the total bonus pool for Group employees for their services rendered in fiscal year 2017.

At its meeting on 20 March 2018, the Supervisory Board received detailed information about the merger settlement of the merger with flatex Bank AG, which was concluded to end the squeeze-out legal proceedings, and the imminent entry into force of the flatex GmbH merger as the conclusion of the group-wide merger project 'From 5 to 2'. Another meeting point was the designation of flatex Bank AG to the parent institute of the FinTech Group AG by BaFin, implemented by resolution, as well as current project negotiations and potential business partners as well as ongoing B2B projects. The Supervisory Board also dealt with the Group internal auditing reports for the third and fourth quarters of 2017, with the outsourcing of the Group internal audit to KPMG on 01 January 2018, and with the reorganisation or change of management of the internal audit of flatex Bank AG also on 01 January 2018. Other topics of the meeting were the money laundering reports, the risk report, and the monthly risk discussions with the Chairman of the Supervisory Board as well as the report on currently relevant legal issues.

At the meeting on 27 June 2018, the Supervisory Board was informed in detail by the Management Board of the single-entity and consolidated financial statements as of 31 December 2017, including the single-entity and group management report. Afterwards, the attending auditor reported in detail on the progress of his respective audit and went over the key findings and topics of the respective audit process. Furthermore, he was also available to provide additional information during the subsequent detailed discussion of the documents. Over the remaining course of the meeting, the report of the Management Board for the 2017 fiscal year on relations with affiliated companies dated 29 March 2018 ('Dependency Report 2017') was discussed and the content and scope of his audit of the report were explained by the auditor. At the end of the meeting, the Supervisory Board passed a resolution for a minor amendment to the rules of procedure for the Management Board of FinTech Group AG to reflect current circumstances.

The audit of the annual accounts including the management report and the consolidated financial statements including the consolidated management report by the auditors did not lead to any objections. The final review of the single accounts including the management report and the consolidated financial statements including the consolidated management report by the Supervisory Board, which was carried out after a detailed reflection of the explanations and arguments of the auditor at the meeting on 14 June 2018, and taking into account the auditing reports, did not lead to any objections. At their meeting on 21 June 2018, the Supervisory Board approved the annual accounts as of 31 December 2017 and the consolidated financial statements as of 31 December 2017, prepared by the Management Board. The annual accounts as of 31 December 2017 were thus approved. The Supervisory Board also subjected the dependency report for 2017 to an in-depth audit and, taking into account the auditing report, concluded that the dependency report for 2017 complied with the legal requirements and that no objections were raised against the final declaration of the Management Board. At the end of the meeting, the draft of the Supervisory Board report for the 2017 fiscal year was approved.

At the meeting on 6 August 2018, the Supervisory Board was briefed by the Management Board about the exceptionally good preliminary results of the first half of the fiscal year for the Group and the individual companies. The report also covered various IT topics, such as the status of the infrastructure following the successful move to the new location in Neuss, the IT cooperation with companies of the FERNBACH Group, and the in rem enforcement (closing) of the sale of the former Die AKTIONÄRSBANK Kulmbach GmbH. At the same meeting, the Supervisory Board also dealt with various personnel matters, the July 2018 Money Laundering Report, the annual report by the Group's anti-money laundering officer, the risk report, and the reports on currently relevant topics from a compliance and legal point of view.

On 30 August 2018, following detailed information and discussion of the negotiations initiated in the aforementioned Post Project, the Supervisory Board approved various preparatory and implementation measures in the Post Project by way of written resolution.

As part of a written circular resolution after detailed review of the requirements and after prior approval by the Supervisory Board of the Post, the Supervisory Board granted its consent on 10 September 2018 to the aforementioned capital increase at FinTech Group AG by EUR 1,225,761 from the 2018 authorised capital excluding shareholders' pre-emptive rights, in which shares were issued to the Post at a total face value of approximately EUR 35 million. Concomitantly, the Supervisory Board resolved to amend the Articles of Association due to the partial utilisation of the 2018 authorised capital.

At the meeting of the Supervisory Board held on 13 November 2018, the Management Board reported to the Supervisory Board on the project status and implementation measures in the Post Project, in particular on the alternative plan drawn up by the Executive Board in the event of a delay in licensing. According to the plan, instead of the joint venture company, the Austrian branch of flatex Bank AG would provide interim banking services under its existing license (so-called Plan B). Thereafter, the acquisition of all shares in the former joint venture company Finotek Europe GmbH by FinTech Group AG and its subsequent sale and transfer were approved by the Supervisory Board as were the final negotiations with the acquirer of the former Die AKTIONÄRSBANK Kulmbach GmbH.

At the Supervisory Board meeting on 26 November 2018, the Supervisory Board was briefed by the Management Board on the latest developments in the Post Project. Since the implementation of the business plan did not appear to be possible as planned, the Supervisory Board meeting on 26 November 2018 discussed the possibility of terminating the cooperation with the Post without preconceived conclusions. Because of the consequences and implications of a possible termination, it was decided to make the decision only after an additional reflection period in the wake of the meeting very early the next morning.

At the meeting held by telephone on 27 November 2018 at 6:00 am, after a brief discussion, the Supervisory Board resolved to terminate the Post Project and to publish a corresponding ad hoc announcement.

At the Supervisory Board meeting on 12 December 2018, the Supervisory Board initially dealt with the contemplated acquisition of factoring.plus.GmbH for the Group. The Management Board informed the Supervisory Board about the awareness-raising measures it had taken concerning potential risks involving the legal validity of the receivables factoring clients of factoring.plus.GmbH. Subsequently, the Supervisory Board was informed by the Management Board about the auditors' discussion with the Group auditors and the topics discussed therein as well as the developments and measures taken after the cancellation of the Post Project. Further topics of discussion included the continued B2C internationalisation strategy 'flatex goes Europe' with the next target market in the Netherlands, the large-scale B2B project for the Andorran private bank Vall Banc, S.A.U. and the new awarding of premium partnerships for the flatex trade in leverage products (ETP). Subsequently, the Management Board provided a detailed explanation of the individual items through Supervisory Board planning for the 2019 fiscal year. Following a detailed discussion at the meeting, the Supervisory Board approved the plan for 2019 with regard to the guidance to be published (EUR 138 million revenue, 27% EBITDA margin). Further items on the agenda included the conclusion of a new criminal defence insurance and a new fidelity insurance as well as the option of exercising stock options granted under the 2014 stock options plan for the first time in January 2019.

Organisational matters of the Supervisory Board

The Supervisory Board did not form any committees during the reporting period. The decisions of the Supervisory Board were regularly taken in face-to-face meetings or in telephone conferences. Other resolutions, which were additionally required between the scheduled meetings, were passed through written ballots in circulation.

Composition of Supervisory Board and Management Board

The Supervisory Board consists of three members in accordance with FinTech Group AG's articles of association. Throughout the entire reporting period, the Supervisory Board consisted (and still consists) of Mr. Martin Korbmacher (Chairman), Mr. Stefan Müller (Deputy Chairman) and Mr. Herbert Seuling.

There were also no personnel changes in the Management Board. Throughout the entire reporting period, the Management Board consisted of Mr. Frank Niehage as Chairman and Mr. Muhamad Said Chahrour as CFO. The appointment of Mr. Frank Niehage as member and Chairman of the Management Board was unanimously extended by the Supervisory Board on 12 March 2018, for the period until 15 August 2022. Mr. Muhamad Said Chahrour was reappointed unanimously for a further four years, from 01 January 2019 until 31 December 2022, as a member of the Management Board with a written circular resolution of the Supervisory Board dated 18/19 September 2018.

Audit of single-entity and consolidated 2018 year-end accounts

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg audited the single-entity and consolidated financial statements as of 31 December 2018, as prepared by the Management Board, and the single-entity and consolidated management reports for the 2018 fiscal year, including bookkeeping, and issued unqualified audit opinions for each.

The documentation for the financial statements (single accounts and management report as well as consolidated financial statements and consolidated management report) and the auditing reports were delivered to the members of the Supervisory Board, each in a timely fashion. In turn, the Supervisory Board examined the documents submitted by the Management Board, in particular with regard to their lawfulness, orderliness and adequacy.

The auditor participated in the balance sheet meeting of the Supervisory Board on 27 June 2019 and reported on the scope, focus and key findings of his respective audit. Moreover, the auditor provided detailed explanations about the auditing reports and made himself available for additional information. The members of the Supervisory Board discussed the audits themselves with the statutory auditor, including questions about the types and extent of the tests conducted and the audit result. The Supervisory Board was able to verify the orderliness of the audits and acknowledged and approved the audit results.

The Supervisory Board subsequently submitted the single-entity and consolidated financial statements, the consolidated financial statements of the Management Board, under consideration of the auditors' reports and opinions, to a final review and, as a result of this review, raised no objections. The Supervisory Board has approved the single and consolidated financial statements for fiscal year 2018 as prepared by the Management Board. The annual accounts are thus adopted. In its assessment of the position of the Company and the Group, the Supervisory Board agrees with that of the Management Board in its respective management report.

Review of the Management Board's report on relationships with affiliated companies

The report prepared by the Management Board pursuant to section 312 German Stock Corporation Act (Aktiengesetz, AktG) on relationships with affiliated companies ('dependency report') for the 2018 fiscal year was presented to the Supervisory Board along with the corresponding auditing report prepared by the statutory auditor.

The statutory auditor examined the dependency report pursuant to section 313 German Stock Corporation Act (AktG) and issued the following audit opinion:

> "After duly auditing and assessing the report, we confirm that
>
> 1. the factual details of the report are correct,
> 2. that the Company's consideration with respect to the legal transactions listed in the report was not unreasonably high."

The Supervisory Board, in turn, examined the Management Board's dependency report and the corresponding auditing report by the statutory auditor. The Supervisory Board concluded that, in particular, both the auditing report, and the audit itself, as conducted by the auditor, meet the statutory requirements. The Supervisory Board examined the dependency report, especially to ensure its completeness and accuracy, and was satisfied that the group of affiliated companies had been determined with due care and that appropriate measures had been taken to identify reportable transactions and measures. No indications that would give rise to objections to the dependency report were found in the course of the examination. The Supervisory Board approves the result of the statutory auditors audit of the dependency report. After the final examination by the Supervisory Board, there are no objections to be raised against the declaration made by the Management Board at the end of the dependency report.

The Supervisory Board would like to thank the members of the Management Board as well as the employees of FinTech Group AG and Group companies, for their performance and their great personal commitment over the past fiscal year.

Frankfurt am Main, 27 June 2019

On behalf of the Supervisory Board

Martin Korbmacher

Chairman of the Supervisory Board

Group Management Report

Basis of presentation

The consolidated management report of FinTech Group AG and its subsidiaries (hereinafter either 'FinTech Group' or 'Group') was prepared in accordance with Section § 315 HGB and with the German Accounting Standard (DRS) 20. All the information contained within the Report relates to the reporting date 31 December 2018 or the fiscal year ending on that date.

In this consolidated management report, 'we', 'us' or 'our' refers to FinTech Group AG, together with its subsidiaries.

Forward-looking Statements

This management report may contain forward-looking statements and information, which may be identified by formulations using terms such as 'expects', 'aims', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'shall' or similar terms. Such forward-looking statements are based on our current expectations and certain assumptions, which may be subject to a variety of risks and uncertainties. The results actually achieved by FinTech Group AG may substantially differ from these forward-looking statements. FinTech Group AG assumes no obligation to update these forward-looking statements or to correct them in case of developments which differ from those anticipated.

1. Fundamentals of the Group

1.1. Business model of the FinTech Group

Overview of the FinTech Group

The Group provides innovative solutions and services in finance and in financial technology for financial service providers with high standards in security, performance and quality.

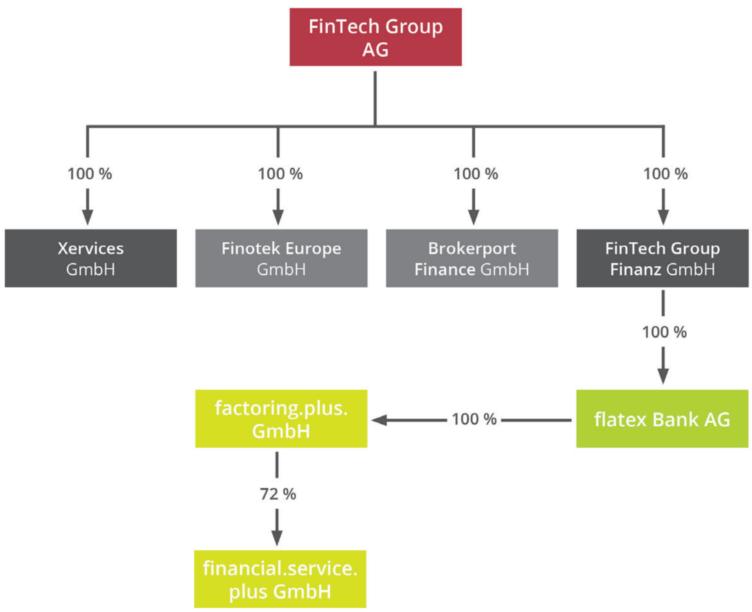
As the parent company, FinTech Group AG acts as an important technology partner of German and international private and specialist banks with centralised corporate departments (Legal, Human Resources, IT, Accounting & Taxation, Controlling, Procurement & Organization, and others).

The consolidated financial statements presented here are those of FinTech Group AG and its subsidiaries. FinTech Group AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach; the ultimate parent company of the Group is BFF Holding GmbH, Kulmbach.

FinTech Group AG is headquartered in Frankfurt am Main, Germany. The business address is Rotfeder-Ring 7, 60327 Frankfurt am Main. The company is listed in the open market segment of the Frankfurt stock exchange (scale segment / German securities code FTG111 / ISIN DE000FTG1111 / ticker symbol FTK.GR). The subsidiary flatex Bank AG, Frankfurt (f.k.a. FinTech Group Bank AG), which is included in the consolidated financial statements, operates a branch office in Austria under the name 'flatex Bank AG, branch Austria in Vienna'.

FinTech Group AG holds a 100% stake in flatex Bank AG, Frankfurt via FinTech Group Finanz GmbH. Based on the number of transactions and customer activity, the flatex brand has been one of the market and innovation leaders in the German B2C online brokerage market for many years. More than 290,000 private customers in Germany and abroad have already decided to use the products and services of flatex Bank AG.

The following diagram shows the Group structure of FinTech Group AG and with its subsidiaries:



Group Management Report

In fiscal year 2018, the following changes took place in our Group structure:

- As part of the strategy 'From 5 to 2' and the associated restructuring measures, FinTech Group AG has merged the individual parts of the company. The strategy was completed by the merger of flatex GmbH into flatex Bank AG, which was carried out on 29 March 2018 with retroactive effect from 01 January 2018.
- With effect from 13 July 2018, all of the shares held by FinTech Group AG in the shareholder bank 'Die AKTIONÄRSBANK Kulmbach GmbH', Kulmbach, were transferred to Obotritia Capital KGaA, Potsdam.
- On 30 December 2018, flatex Bank AG acquired 100% of the shares in factoring.plus.GmbH, Leipzig. As a result, flatex Bank AG indirectly acquired 72% of the shares of financial.service.plus GmbH, Leipzig, subsidiary of factoring.plus.GmbH.
- With effect from 31 December 2018, the disposal of Finotek Europe GmbH took place.

1.2. Management of the Group

The management board has the responsibility of managing the group. As of 31 December 2018, the Management Board was composed of the following members:

Frank Niehage, Chairman of the Management Board (CEO)

Muhamad Said Chahrour, Member of the Management Board (CFO)

They are supported in operational matters by the Executive Committee. As of 31 December 2018, the Executive Committee consisted, next to the board members, of the following additional persons:

Stephan Simmang (Co-Head IT)

Niklas Helmreich (Co-Head B2C)

Dr. Benon Janos (Co-Head B2C / B2B)

Bernd Würfel (Management Board flatex Bank AG, until 31 January 2019)

Steffen Jentsch (Co-Head B2B / IT)

Jens Möbitz (Head of Back Office, since September 2018)

As of 31 December 2018, the Supervisory Board of FinTech Group AG consisted of the following members:

Martin Korbmacher, Chairman of the Supervisory Board

Stefan Müller, Deputy Chairman of the Supervisory Board

Herbert Seuling, Member of the Supervisory Board

1.3. Business activities of the Group

SEGMENTS OF THE GROUP

The business structure of FinTech Group AG is divided into the business segments FIN (Financial Services) and TECH (Technologies). flatex Bank AG is a fully-licensed bank and covers the business in the Financial Services segment, while the TECH segment represents the operating business of FinTech Group AG. The synergetic combination of IT and the bank facilitates flexible, innovative solutions and supports modern business models in the fast-growing white-label banking sector. The focus is particularly on private and specialist banks as well as other financial services providers.

FIN segment

The Financial Services segment mainly comprises the activities of flatex Bank AG with its two online brokers flatex and ViTrade.

flatex Bank AG is a modern, automated, fully-licensed bank offering almost the entire product portfolio of a technology bank focusing on white-label banking and outsourcing solutions. As a branchless online bank, flatex Bank AG relies on high process efficiency, particularly in the areas of securities and payment processing, cash deposit and lending business, as well as regulatory services. flatex Bank AG divides its business activities into the operating divisions Business-to-Consumer (B2C), Business-to-Business (B2B) and Credit & Treasury (C&T).

B2C includes products and banking services of the flatex, ViTrade and brokerport brands. Furthermore, under the liability umbrella of flatex Bank AG, it offers the services brokerage, cash management, capital markets, deposit platforms, p2p lending, and securities custody.

B2B offers the complete product range of a fully-licensed bank as an outsourcing solution. flatex Bank AG does not appear to the outside but handles all processes on behalf of the respective partners. Key components of flatex Bank AG’s services are fully automated transaction processing systems for securities and payments.

C&T reflects the bank's trading activities in treasury areas and conservative lending business.

TECH segment

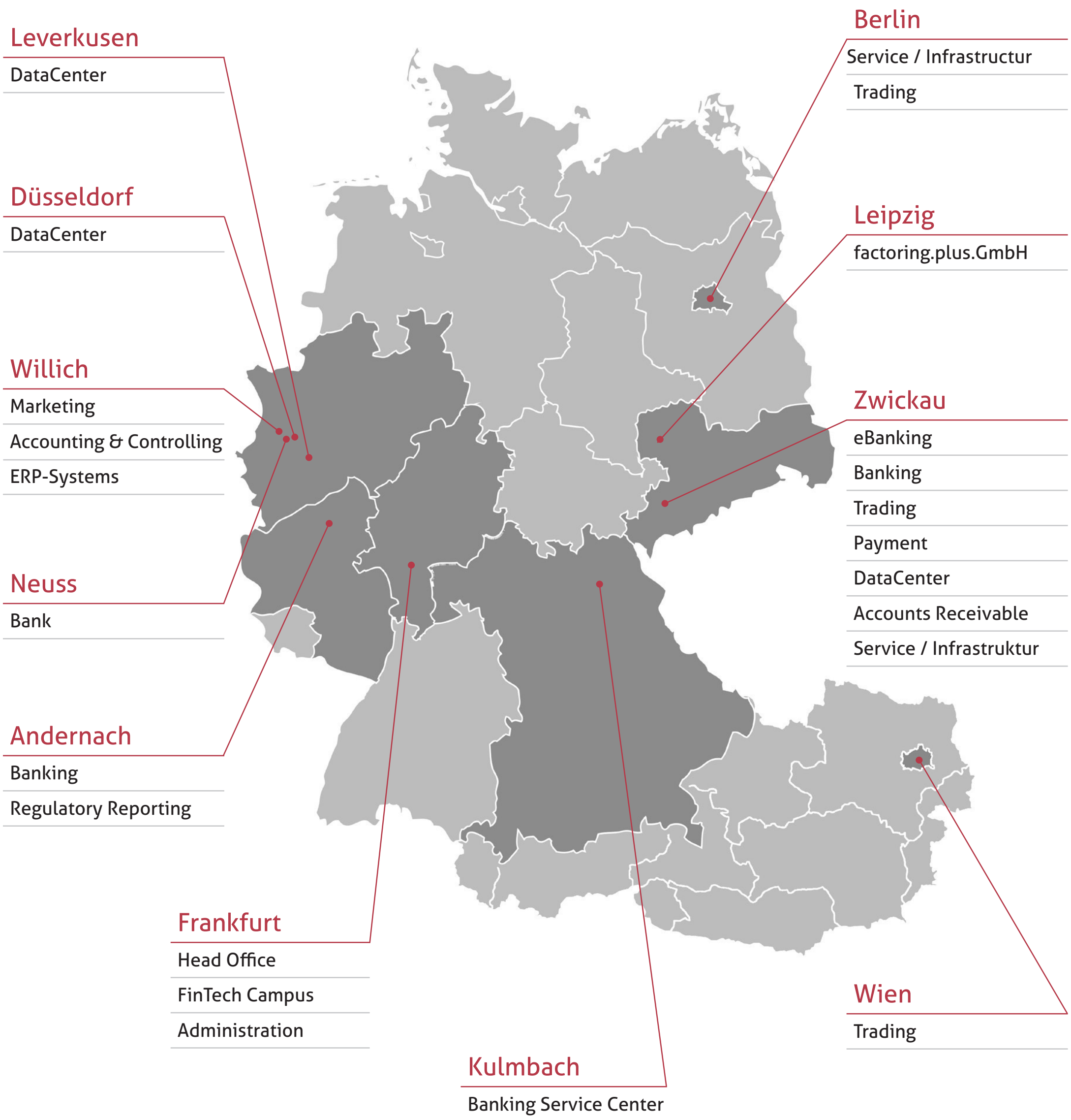
The heart of the Technologies segment is the FinTech Group Core Banking System (FTG:CBS). The FTG:CBS was designed as a standard platform for private and specialist banks with high requirements for security, performance, modularity, and scaling. The modularity of the system makes it suitable to meet almost any requirement. Customers include retail banks as well as private and specialist banks. The system adapts to the requirements of customers through the use of APIs (Application Programming Interface).

Furthermore, FinTech Group offers corporate payment products in this segment. They range from individual authorisation procedures via distributed electronic signatures to multi-client capability.

The development and operation of the Limit Order System (L.O.X.) completes the portfolio in the Technologies segment. L.O.X. monitors the limit orders of 22 European brokers against the price feed of connected issuers with more than 400,000 products. This high-performance service can process up to two billion messages per second at peak times.

1.4. Locations

FinTech Group currently operates its business at ten locations in Germany. In addition, flatex Bank AG has a branch in Vienna (Austria). The branch operates under the name flatex Bank AG, branch Austria in Vienna. The purpose of the branch is to operate the Austrian flatex business for over 30,000 brokerage customers. Group-wide, a total of 499 employees were employed by FinTech Group AG and its subsidiaries as of the closing date.



1.5. Products and services

As an innovative company in the financial sector, FinTech Group AG delivers a high level of added value. From basic research, the development of innovative IT technologies and efficient transaction processing, to the retail business in online brokerage, FinTech Group AG offers everything as a one-stop shop.

The products and services of FinTech Group AG are based on an ecosystem consisting of the dimensions 'Software as a Service' (SaaS) and 'Banking as a Service' (BaaS):

BaaS is responsible for the banking services of flatex Bank AG and is part of the Financial Services segment. This enables FinTech Group AG to cover the entire product portfolio of a technology provider and a full-service bank.

FIN SEGMENT

Business-to-Consumer operating divison (B2C)

Online brokerage: flatex brand

FinTech Group specialises in the non-advisory securities business with the flatex brand as an online broker. It targets active, well-informed traders and institutional investors who trade and invest at their own discretion. flatex offers all types of securities and provides access to all German and many international exchanges, as well as over-the-counter direct trading, CFD and forex (currency) trading. Its business proposition includes an attractive pricing model in combination with a large and independent product range, not tied to specific product banks, and a focus on customer-orientated service.

Altogether, 19 dynamic trading partners are available to the customers at flatex. The marketing strategy of the premium partners in the area of ETPs (leverage products and certificates) has been expanding the trading options of customers since the 3rd quarter of 2018 by introducing three tariffs (Platin Partner: EUR 0.00 EUR / Gold Partner: EUR 1.90 / Silver Partner: EUR 3.90). Its discount pricing model, sets flatex itself apart from most of the competitors in the services brokerage market and is therefore an attractive alternative to branch or direct banks to average investors and very active traders alike. Since 2006, flatex has waived the volume-based fees in securities trading in favour of a standard fixed price of EUR 5.90 per transaction in German stock exchange trading plus applicable stock exchange fees.

Online brokerage: ViTrade brand

With the trading boutique ViTrade, flatex Bank AG has a specialist for professional traders within its own ranks. ViTrade stands for customised conditions, professional trading platforms and individual customer care. ViTrade has a standard pricing model that provides a percentage commission rate of 0.09% of its market value (plus exchange fees). The minimum fee for trading platform XETRA is EUR 5.95 or EUR 9.00 on all German stock exchanges. The maximum order fee is EUR 40.00 and thus especially benefits traders and institutional investors with a high trading volume. Moreover, buy-and-hold trading and cross-border trading are possible on numerous international trading and stock exchanges.

Business-to-Business operating division (B2B)

General Clearing Member (GCM) / Business Process Outsourcing (BPO)

flatex Bank AG is classified as a General Clearing Member and is thus permitted to participate directly in the clearing process for the equity and securities business. Targeted clients are brokers and securities trading banks who can profit from flatex Bank AG's streamlined and efficient securities settlement processes.

The bank also offers banking services in securities custody and administration.

Employee Participation plans

Since 2015, flatex Bank AG has been providing a liability umbrella and the German custodial service for Equatex AG, who manages employee stock option programmes for major German companies (DAX corporations) around the globe.

Institutional brokerage

Koch Wertpapier GmbH acquires and brokers customer orders (suitable counterparties and professional clients) for flatex Bank AG under the KochBank brand. Clients include institutional investors and institutions such as major international banks, asset managers and hedge funds.

Cash management

The cash supply business, which was started in 2011 with Prosegur Deutschland GmbH, has been contributing to stable earnings for years.

Credit & Treasury operating division (C&T)

Treasury

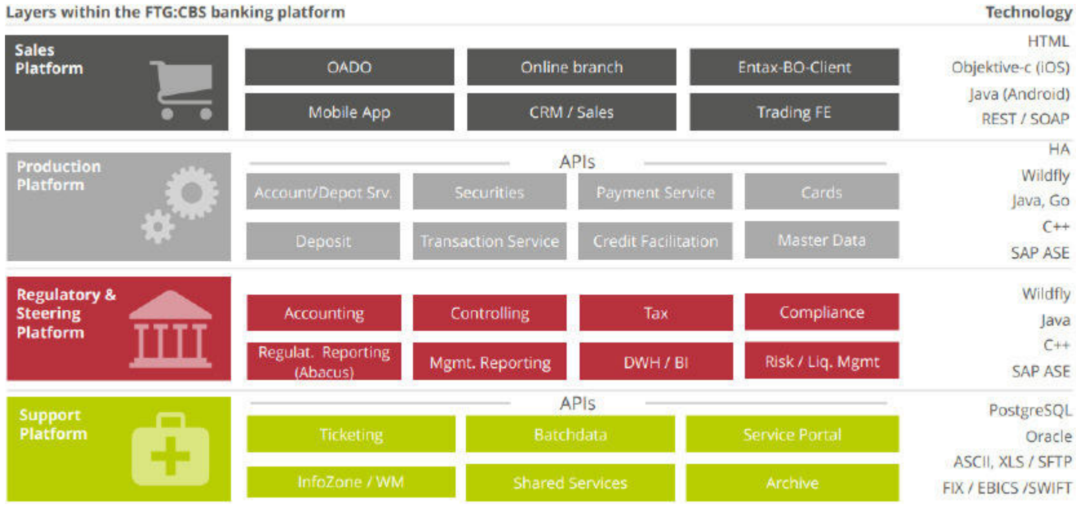
In the treasury segment, investments include daily/fixed-term deposits, cash loans, bank and government bonds, mortgage bonds, and special funds.

Lending business

Diversification brought on further expansion of our lending business in fiscal year 2018, mainly in fully secured loans. In addition to the increase in Lombard credit utilisations and flex loans at flatex, the portfolio has risen significantly by expanding the true sale factoring book and by adding syndicated and specialist loans.

TECH SEGMENT

FTG:CBS, the heart of the Technologies segment, is a neutral standard platform for private and specialist banks. The FTG:CBS portfolio includes four platforms that provide modular technology support:



The Sales Platform (front office) is the basis for customer contacts, with components relating to online opening of a cash and securities account (OOCSA), customer relationship management (CRM), online banking front-end, trading front-end, support and call centre, as well as (marketing) campaign management. Technical support is provided through modular software solutions of the Banking Suite, such as ENTAX or CRM tools for B2C/B2B customers.

The Production Platform (back office) includes all technical processes for cash and securities custody account maintenance, cash deposits, settlements processing, payments, money market and foreign exchange transactions, loans, and ready cash (ATM) logistics. Software solutions such as the WebFiliale and WinFiliale, but also solutions such as corporate payments, tools for professional trading and market data & low latency services are integrated into this platform.

The Regulatory & Steering Platform (middle office) covers business processes in accounting, regulatory reporting, management reporting and risk management. On the software side, the support is provided by connecting a general ledger with the cloud-based ERP solution (Enterprise Resource Planning) 'SAP Business ByDesign©' among other things. For this purpose, a partnership was established with SAP Germany SE & Co. KG to facilitate future-proof development of the FTG:CBS solution. It also includes business intelligence and management reporting tools.

The Support Platform assists the other three platforms with archiving, release management, fulfilment, and authentication processes.

Outside the platform activities, the development and operation of the trading platform L.O.X., consulting services as part of B2B mandates as well as shared services of the IT infrastructure (ITIF) are worth mentioning. This encapsulates services such as data Centre, hosting, network and IT/office infrastructure.

1.6. Target markets and clients

FinTech Group AG develops individual IT solutions that allow its customers to focus on their core businesses and reduce their dependency on other external suppliers. The main target market for the products and services of FinTech Group AG are the financial sectors in Germany and Austria as well as in other European countries. The current customers in the B2B segment are mainly German and Austrian private and specialist banks.

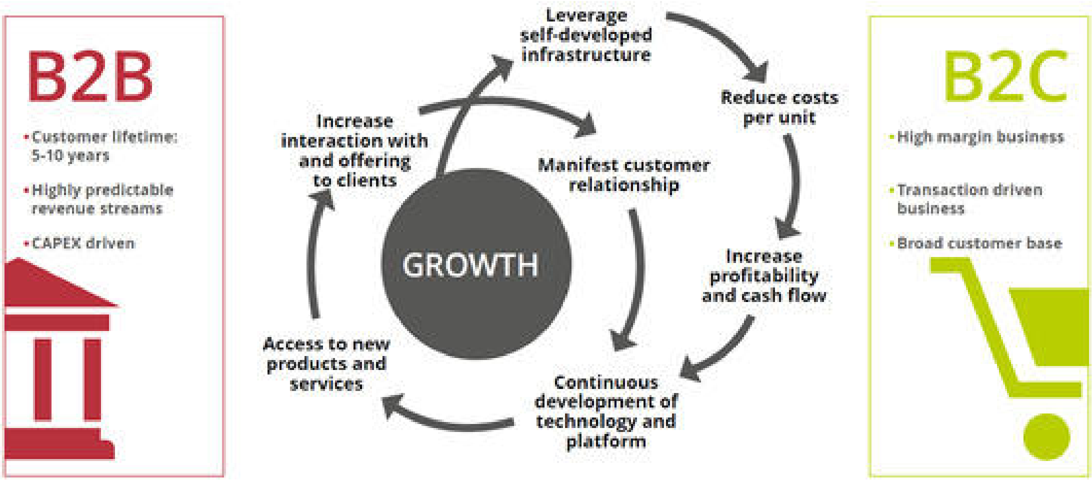
In addition to the mentioned IT solutions, flatex Bank AG offers its clients all regulatory and other banking processes as part of integral or partial business process outsourcing (BPO). flatex Bank AG is the innovation provider for the cooperation partners who are responsible for sales. This important role will be further developed in the coming years through targeted measures.

In the services brokerage sector (B2C), two online brokers belong to flatex Bank AG: flatex and ViTrade. The focus is mainly on organic growth of online brokers, in particular through increases in order and customer revenues, optimisation of the value chain in the order flow and internationalisation of flatex.

1.7. Goals and strategies

FinTech Group AG has the declared medium term goal of becoming one of the leading financial services technology companies in Europe following completion of its reorganisation. This applies in particular to the number of settled transactions in the B2C business.

In the B2B business, the main strategy is to acquire additional bank mandates and to establish FTG:CBS as a standard platform for private and specialist banks. The FinTech Group ecosystem is a symbiosis of both business segments, focusing on expanding business models through interlocking B2B partners and B2C businesses. This generates additional transactions, which contribute to additional utilisation of our systems and thus to a reduction of unit costs:



The focus is on sustainable, above-average growth and rapid market penetration. The organisational structure already follows a stringent top-down approach, in which the Group Managers for each specialist area also assume the operative responsibility for their respective areas.

1.7.1. FIN segment goals

flatex's clear price model with selected premium partners, such as Morgan Stanley and Goldman Sachs, as well as optimised or new revenue components through strategic partnerships with trading and stock exchanges are expected to lead to a sustainable increase in the number of new customers and, consequently, in transaction figures. The number of processed transactions is expected to double organically in the medium to long term. Additional optimisations in the online brokers' trading front-ends will also channel the order flow and increase the earnings potential. With ViTrade, the Group will continue to expand the institutional business, which should provide additional earnings leverage. The steadily growing loan book is expected to grow in the medium term to over EUR 400 million, subject to the requirements of maximum collateralisation and short-term maturities.

The project 'flatex goes Europe' marks the kick-off to the European expansion of the continuously growing B2C business. The dynamic business model of flatex will be rolled out to other European target markets. The market launch will take place in the Netherlands in the second quarter of 2019.

Increased investment in the internationalisation of the successful online brokerage platform flatex will mainly affect marketing and brand awareness in new European markets. Together with its current product partners, in particular from the profitable ETP segment (Exchange Traded Products), FinTech Group AG is planning the expansion and market entry of its online and dynamic brokerage platform flatex, which has been successful in Germany and Austria, for the first time in the Netherlands. Other European countries will follow later in 2019 and in 2020.

1.7.2. TECH segment goals

In the digital world, the desire for functionality and flexibility is increasingly in the forefront, but without traditional requirements such as quality, reliability or costs being pushed into the background. Changing conditions have already led to a high demand for modern, modular core banking systems. Closely related products, such as modern payment solutions or cost-effective securities settlement solutions, are increasingly in demand. FinTech Group AG can already fulfil these requirements today due to the existing setup. The aim is to establish our own core banking system in the market as the standard.

The objective of the Technologies segment is to provide high quality IT services and systems. They fulfil both legal and regulatory requirements and support efficient business operations with their stability and performance.

Another goal is to expand the highly successful banking and corporate customer business in Germany to Western Europe. In 2019, the focus here will be on onboarding a foreign client. To this end, the core banking system was expanded to include additional country-specific regulatory, commercial and tax requirements (national GAAP, taxation, regulatory reporting, etc.).

Organic growth is the primary strategy for this segment. FinTech Group AG will continue to position itself as an enabler for the digitisation of banks and financial service providers.

1.8. Group financial targets

The key financial goals of FinTech Group AG include achievement of sustainable profits, maintenance of a solid return on equity and a moderate level of dept. The company's financial objectives also include ensuring comfortable liquidity at all times. This should help to achieve a positive development of the key control parameters. This applies primarily to significant growth in Group revenues and to the continuous improvement of the key control parameter for the EBITDA margin, which will be applied from 2019 onwards. Further details can be found in the forecast report.

At the core of all our financial targets is a profit-oriented and sustainable corporate development with positive effects on the shareholder value of the company.

1.9. Strategies for achieving the objectives

The strategic focus of the FinTech Group AG Management Board is on expanding the business models in the interlinked FIN and TECH segments.

The focus here is on organic growth within flat and transparent group structures. Furthermore, strategic partnerships and acquisitions to promote growth. Corporate responsibility of the Group, such as the interests of its employees, institutional investors, customers, suppliers, and other stakeholders, are taken into account in all strategic decisions.

The expansion of the business models – incl. by entering into cooperations and partnerships in the FIN segment – with broaden the existing product range on the one hand and further extend the existing sales activities on the other. In cooperation with Morgan Stanley and Goldman Sachs, we offer our customers a wider product range. In the future, customers will not only be attracted by a consistent pricing policy but also by an actively communicated, broad and open product range. The focus will continue to be on online brokerage.

Continuous development of the FTG:CBS and adaptating to constantly changing regulatory requirements are the basis for a successful implementation of the strategy in the Financial Services and Technologies segments.

For years, FinTech Group AG has been promoting the commitment, satisfaction, motivation, and loyalty of its employees through the following measures:

- Establishment of a 'High-Potential and Key-People Circle' for executives
- Involvement of employees in decision-making processes
- Participation in the company's success through an employee stock option programme
- Home office workstations for added flexibility
- Free physiotherapy at all Group locations
- Vouchers for discounted meals as part of their activities within the Group
- Cooperation with universities in several German federal states.

The focus of the management's information policy is to always keep our employees up to date with company developments. A flat management hierarchy brings management close to both employees and the operational business, and thus enables a constant focus on fundamental questions.

To further the ecological cause, FinTech Group AG largely refrains from using paper-based processes; payments and other transactions (invoices, business proposals, etc.) are done in a paperless fashion. FinTech Group AG, in its commitment to sustainable corporate management, will continue to fulfill its social obligations and incorporate these into its value management. This includes setting minimum standards for the energy efficiency of our technologies, and the reduction of environmental risks through continuous certification of business processes.

1.10. Value-based management system

By consistently focusing on value-creating measures, FinTech Group AG achieves lasting and sustainable competitive advantages, which are at the heart of its strategies and goals. In order to achieve the overall corporate goals, the management has agreed on key target figures and performance indicators (KPIs) that contribute to increasing the value of the company in the long term.

Revenue, consolidated earnings before interest, taxes, depreciation and amortisation of tangible and intangible assets (EBITDA) and net profit for the year have been established as key performance indicators. To consolidate the key performance indicators, the EBITDA margin will be introduced from 2019 on instead of EBITDA and net profits. For further information, please refer to the forecast report of this consolidated management report.

This means that the focus is on the operating business of the units. In addition, it ensures better comparability of economic framework data in the international markets. The calculation can be found in the Notes to the consolidated financial statements. It should be mentioned that the operating interest result from own trading and interest activities is included in interest income (revenues) and interest expense (raw materials and consumables used).

For variance analysis purposes in the FIN segment, the number of customers and the number of transactions carried out are also analysed. Moreover, the employees of FinTech Group AG are among the Group's non-financial performance indicators. Essentially, resource utilisation in man-days as well as project planning are retraced and optimal use of the available resources is checked.

The financial performance indicators are consolidated at Group level and, in addition to the financial results, incorporated into a rolling plan for future business development. Monthly reporting and further analyses are key control instruments of Group controlling. By continuously comparing planned and actual figures, changes in business development are identified at an early stage and , if required, any countermeasures can be initiated promptly. As part of monthly risk reporting and the general reporting system, FinTech Group AG's Supervisory Board, the Management Board as well as senior management are continuously informed about development of the performance indicators.

Corporate planning at the Group, subsidiaries and segments levels is ensured by analysis of past performance indicators and forecasts based on information obtained to date. Business planning modelling is continuously adapted to the latest accounting results, new product developments and structural changes. Such business planning is carried out at least once a year top-down, based on the specifications of FinTech Group AG's management, as well as bottom-up to validate the values determined and to adjust them to important operational issues affecting the KPIs. The individual business segments and specialist departments make a significant contribution to this, so that their findings can be combined at Group level and business planning can be finalised there. Newly added business areas are seamlessly integrated into the planning process.

1.11. Research and development activities

In order to supply innovative products and services, FinTech Group needs to invest in the following fields of research and development:

- Research in new areas of activity
- Development of new products and services
- Adaptations, improvements and evolution of existing products and services

The technology-driven services provided by FinTech Group AG in the Group's ecosystem enable customers and partners to benefit from the performance of the FTG:CBS. The customer-oriented and innovative research and development activities are a key operational component of FinTech Group AG. They guarantee its success and lay the foundations for the future growth of the group.

With their contribution, the employees of the R&D departments are one of the main pillars of the commercial success of FinTech Group AG. Personnel capacities in product and project management, system architecture, development and quality assurance averaged 169 employees throughout the year. Based on the average number of employees in 2018, this corresponds to a share of 34% (previous year: 30%).

The qualification, experience and commitment of employees are key factors in the success of R&D activities. An open culture with space for employees to develop their creative and innovative skills ensure the technological competitive advantage of the company.

A deep understanding of the needs of customers as well as of the respective market environments enables FinTech Group AG to further develop products and solutions in a demand-oriented manner and to drive the markets forward with innovations. The development activities of FinTech Group AG take place in the various development units and are modular. The modular approach allows efficient implementation and development of technology services, facilitating integration of the corresponding customer or market requirements with no or minimal adjustments to the platform approach.

Based on the modular and scalable platform approach, FinTech Group AG offers its customers innovative and flexibly customisable solutions along the entire financial services value chain. Efficient use of resources in a highly dynamic market environment is ensured through the targeted use of the latest technologies and innovative software solutions, which are predominantly proprietary and constructively supplemented by third-party services.

In the past fiscal year, the focus of activities was on expansion and implementation of regulatory and innovative solutions in the FTG:CBS field along the entire value chain as well as additional advanced developments for the connection of new features. For the most part, research results from the previous year were used.

Particular progress was made in the development activities related to the onboarding of a credit platform to the FTG:CBS, the multilingual expansion of the FTG:CBS (English, Spanish, French and Dutch) as well as the implementation of the central ERP system (SAP Business ByDesign©). In addition, existing products need to be systematically refined/enhanced based on increasing regulatory requirements and growing customer requirements, which have implications for the modular development and expansion of the FTG:CBS. Examples are MiFID II, PSD2 and implementation of the GDPR.

Research activities take place exclusively in the FinTech Group AG. No significant portions of personnel expenses were invested in research (previous year: 9.0%). The significant decline resulted from increased research services in 2017 with regard to the regulatory development services in 2018, which are neither provided to third parties nor by third parties. Likewise, there is no change in the measurement methods or the limitation of research and development services.

Driven by many regulatory development services, the expenses for pure development services amounted to kEUR 12,311 in the past fiscal year (previous year: kEUR 7,889). The development cost ratio (in relation to total revenue) was 9.8% (previous year: 7.3%). Amortisation of finished intangible assets amounted to kEUR 3,205 (previous year: kEUR 2,602).

2. Economic report

2.1 Macroeconomic and sector-specific parameters

Global economy

At the beginning of 2018, it was still possible to notice continued growth in global economic development similar to that in 2017.[1] However, this expectation was increasingly revised by the big economic research institutes, especially since global politics had a major impact on the economy. While the International Monetary Fund (IMF) lowered its forecast for the global gross domestic product in October by 0.2 percentage points to 3.7%, M.M.Warburg & CO even downgraded it to 3.4%.[2]

The better part of the weakening in the global economy is mainly attributable to the ongoing US-China trade dispute, which could have an even greater impact in 2019. As for the US, economic expectations in terms of inflation and short- and long-term interest rates deteriorated for the third consecutive time in November 2018. Another risk lies in the diminished dynamics of China's economic performance due to over-indebtedness and the trade conflict with the US. This also results in an expected economic downturn for Japan, since exports are considered to be one of the most important pillars of the Japanese economy.[3] Added to this situation is Brexit and the ever-increasing threat of Italy's development, which could bring about a another euro crisis. The cumulative effect of the above-mentioned developments caused the investment volume of both companies and private households to decline. At the same time, exports and private consumption fell in most industrialised and emerging markets.[4]

Macroeconomic environment in Germany

The economy in Germany was in parallel to global development. Following a positive course in the first half of the year, growth momentum slowed down significantly in the second half of the year, putting an end to the long, strong upward trend. In addition to global political events, the downturn in the auto industry as a result of the exhaust scandal and the resulting production cuts was a major factor. Correspondingly, the total foreign trade momentum developed extremely negatively. On the other hand however, investments in equipment and construction increased again. The unemployment rate fell below the 5.0% mark. Despite rising energy prices, the average inflation rate was 2.0%. The German Federal Ministry for Economic Affairs and Energy projects that the gross domestic product will change by 1.6% in 2018 (inflation-adjusted, previous year: 2.2%).[5]

1 *German Council of Economic Experts (Hg.): Economic forecast 2018 and 2019. Wiesbaden 21/03/2018.f*
2 *Zeit online. IMF downgrades global growth forecast. 09/10/2018).*
3 *ZEW. (Hg.): Financial Market Report December 2018.*
4 *M.M.Warburg & Co. (Hg.) Capital market prospects. December 2018*
5 *HWWI. Economy pivots under potential path. 29/11/2018.*

Industry-specific conditions affecting the FIN segment

In February and March of the reporting year, the DAX fell below the 12,000 mark but had recovered by the summer months. From August of the reporting year onwards, it was dropping steadily again. On the final trading day in 2018, the DAX only traded at 10,558 points, down 2,359 in year-on-year comparison (12,917). The situation was similar in the other major indices. The MDAX dropped 17.6%, while the SDAX lost even more with 20.0%. Overall, the MSCI World Index fell 10.4% from its all-time high in September of last year.

The appreciation of the euro continued unabated at an interim high of USD 1.25 in the first quarter of 2018. This was followed by a steady downward trend with a price of USD 1.15 (previous year: USD 1.20) at the end of the year. It is important to mention the sharp rise in the price of oil in the first half of the year. At the beginning of October, the price of a barrel of Brent Crude Oil was USD 85,508 but at the end of the year it was down to USD 54,630. This corresponds to a decrease of 36.1% compared to the previous year. This is due to the aggravated situation in the Middle East, the declining production in Venezuela as well as US sanctions against Iran[6]. The low interest rates of European bonds continued. The ten-year German government bond yielded 0.246% at the end of the year.

The Governing Council of the European Central Bank (ECB) decided on 14 June 2018 to uphold the expansionary monetary policy. Net bond purchase continued at a monthly rate of EUR 30 billion by the end of September 2018 but had been halved to EUR 15 billion by the end of the year before being suspended altogether. It was also decided to keep the main refinancing rate at 0.0% and the ECB deposit rate at -0.4%. In professional circles, it is assumed that a rate hike may possibly occur in mid-2019.

Another effect of the ongoing expansionary monetary policy is a further decline in lending rates for consumer loans. Due to the already mentioned high capacity utilisation, the good labour market situation and less restrictive lending by the credit institutions, new business volumes for consumer loans increased again compared to the previous year.

Industry-specific conditions affecting the TECH segment

The forecast for the German market for information and communication technology (ICT) projects a growth of 1.7% to a total turnover of EUR 164 billion in 2018. With an increase of 3.1% to EUR 88.8 billion, the largest growth driver is still the IT business. Similarly, IT services are up 2.6% with a volume of EUR 40.0 billion. Telecommunications show a slight growth of 0.4% at EUR 65.9 billion. The number of new FinTech companies in the market continues to grow steadily. Already established providers continue to consolidate their market position through offering a broad product range.

Demand for technology products and services is strongly driven by the ongoing digitisation of the financial industry. As part of the general trend of traditional retail banks dying[7] out in favour of online banks, the demand for automated processes and technology services will continue to increase. Furthermore, increased regulatory requirements require greater adaptability of existing systems, which in turn have been in use for decades and offer neither flexibility nor the necessary scalability.

These new requirements in the financial sector, along with the increasing use of innovative technologies in retail banking and securities settlements processing are important growth drivers for FinTech Group AG. FinTech Group AG combines banking and technological expertise to integrate new technologies precisely into the business models of B2B customers. As a result, the Group was able to strengthen its position as a standard platform provider in 2018.

6 *German Central Bank. (Hg.): Monthly Report June 2018.*
7 *https://www.handelsblatt.com/video/unternehmen/das-grosse-bankensterben-sparkasse-und-co-warum-sich-service-vor-ort-nicht-mehr-lohnt/20862252.html?ticket=ST-147091-3CmR2Ar6hqXvt3t560sS-ap2*

2.2 Business performance and situation of FinTech Group AG (Group)

Reorganisation completed

A restructuring process was started in 2017, which allows us to leverage significant synergy potential. The focus here is in particular on increased general Group efficiency and synergies in the area of material costs. The goal to reduce five operating units to two ('From 5 to 2'), comprising of the technology unit FinTech Group AG (merger of XCOM AG with FinTech Group AG) and flatex Bank AG (formerly FinTech Group Bank AG/biw AG; merger of ViTrade GmbH and flatex GmbH from the the bank), was successfully completed in the first quarter of 2018. The organisational structure follows a strict top-down approach, whereby management has assumed responsibility for the respective departments. The goal is to communicate and execute the corporate strategy even more consitently and purposefully throughout the entire Group once the restructuring process has been completed.

Optimisation of the order flow value chain

In recent years, fundamental strategic partnerships have already been formed with issuers as well as trading and stock exchanges in order to monetise the existing order flow of online brokers as much as possible, to continue organic growth and to offer customers even more alternatives. For example, the direct trading partner Baader Bank and the gettex stock exchange were connected. In addition, continuing on from the previous year, the direct trading partnerships with Tradegate and Lang & Schwarz expanded further.

The model of premium partnerships in over-the-counter direct trading of structured products was extensively revised at flatex, which ensured greater channelling of the order flow and thus optimised key earnings components. A clear pricing model with selected premium partners and optimised or new revenue components already led to strong growth in 2018. The adjustment of the premium trading model and the strategic partnerships with trading and stock exchanges give reason to expect strong growth for the upcoming years. Additional optimisations in the online brokers' trading front-ends will also channel the order flow further and increase the earnings potential – including in stock market trading. In addition, the institutional business will be further expanded with ViTrade, which will provide significant leverage.

Additional investment products and features

In the year under review, the focus was on the additional development of new products for longer-term investments. In addition, flatex is BlackRock's exclusive marketing partner for ETFs in the megatrends digitisation, automation & robotics, population ageing & innovative healthcare.

The integration of new products (including Goldman Sachs & Morgan Stanley's structured products), new order types and the expansion of the Heavy Trader platform were also promoted to further strengthen the services brokerage business.

The innovative services brokerage solutions offered by flatex Bank AG over the last few years and the cost leadership in the securities order segment have contributed to the fact that , measured by executed transactions, flatex has maintained its third rank in the German services brokerage market since 2011. In the Austrian brokerage market, flatex.at has meanwhile become No. 1. The clear goal is to become the No. 1 long-term player in the European brokerage services market.

The aforementioned economic developments in fiscal year 2018 had an overall positive impact on the business development of FinTech Group AG. In particular, the number of processed transactions, the number of new customers and the secured loan book increased significantly, while FinTech Group AG was able to position itself in the market as provider of FTG:CBS with two new mandates and a growing opportunity pipeline.

2.3 Business performance in the FIN segment

In fiscal year 2018, flatex Bank AG processed a total of 12,483,344 securities, FX and CFD transactions. The number of accounts under the liability umbrella of flatex Bank AG rose to 366,487 and the number of accounts to 268,082. As of the closing date on 31 December 2018, the Bank managed assets under administration in the amount of EUR 11.0 billion (EUR 1.0 billion in cash deposits and EUR 10.0 billion in volume of assets under administration). Another 85,908 accounts are serviced under a BPO on behalf of other credit institutions.

Business-to-consumer (B2C) developments

Online-services brokerage (flatex, ViTrade)

The number of securities, forex and CFD transactions executed for the flatex and ViTrade brands once again increased in 2018, to 11,377,455 transactions compared with 10,104,745 transactions in the previous year, an increase of approximately 12.6%. The number of serviced clients increased by 13.7% from 214,679 in 2017 to 244,098 in 2018. The volume of assets under administration dropped by approx. EUR 0.5 billion (approx. -7.0%) to approx. EUR 6.9 billion in 2018.

As a result of the pricing model and the attractive product range, 33,952 customers were acquired via the available sales channels (Germany: 25,106 / Austria: 8,846). In the record month of February 2018, flatex achieved a historic high in transaction numbers with over 921,000 transactions.

As an additional service, customers can use flatex WebFiliale (online branch) in cooperation with Zinspilot to conveniently access the interest rate offers of many banks and thus secure a permanently high interest rate. The customer's investment amount is held in trust by flatex Bank AG for the economic beneficiary at the respective investment bank. This way flatex customers can use attractive interest rates without opening an account and go through the PostIdent (postal identification) process at other banks.

Developments in the Business-to-Business (B2B) segment

General Clearing Member/BPO

Since December 2014 flatex Bank AG has been handling the entire mutual funds business for mwb fairtrade Wertpapierhandelsbank AG, Gräfelfing and their entire securities settlements processing since mid-2015. In 2018, more than 1,071,818 securities trades were settled as GCM, an increase of 1.1% compared to the previous year.

The activities of the 'Deutsche Pfandbriefbank' mortgage bank with (pbb direct) platforms experienced stagnation in 2018 as a result of the persistent low interest rate policy, and continuing competition in the brokerage of daily and fixed-term deposits. In fiscal year 2018, the technical realisation was advanced for client Vall Banc to help it start operating in the course of the year 2019.

The further development of the core banking system FTG:CBS by FinTech Group AG is the result of the experience and understanding customer needs of recent years in the area of business process outsourcing (BPO) and the close integration between the FIN and TECH segments. Continuous improvement and refinement of our banking products and processes will further increase the levels of automation and efficiency. On the other hand, increasing regulatory and technical requirements, such as MiFID II, PSD2, T2S, AnaCredit, etc., lead to new problems with customers; however, they can be implemented with products and services of FinTech Group AG and flatex Bank AG. The synergetic combination of IT and the bank facilitates flexible, innovative solutions and supports modern business models in the fast-growing white-label banking sector.

Employee participation schemes

In this business segment, the bank's securities portfolios amount to approximately EUR 3.0 billion. The cooperation with Equatex AG continued to deliver a steadily increasing earnings contribution in 2018, which is expected to continue to rise through servicing more companies.

Cash Management

flatex Bank AG provides the technical bank operation of various automated cash dispensers (ATM) for several partners. The in-house ATM operations in the past were discontinued due to a lack of market opportunities and potentially necessary staff increases, and the affected equipment was sold to an existing business partner in the course of 2018. In the future, we will continue to provide the service to (high-margin) third parties only.

Developments in the Credit & Treasury business segment (C&T) segment

Deposits

Liabilities to customers decreased from approximately EUR 885 million in the previous year to EUR 955 million as of 31 December 2018. Net inflow of total funds from customers continued to be positive year on year, due to a significant increase in the number of customers, despite the fact that the company charges its clients negative interest rates on their cash deposits.

Lending business

The strengthening of equity in recent years has significantly improved the lending opportunities. Implementation of the strategy focuses on low-risk types of credit that have no significant impact on the administrative capacity. In line with the basic idea of scaling, in early 2016, flatex Bank AG initially introduced a new product (flex loan) in the form of an innovative, disruptive Lombard, which is offered exclusively to customers who are serviced by flatex. As of 31 December 2018, flex lines were issued with a total volume of EUR 415 million and a capacity utilisation of EUR 55.5 million.

As of 31 December 2018, lines of securities totalling EUR 238.4 million with a simultaneous utilisation of EUR 50.9 million were issued in the securities-backed mass market business with Lombard loans.

In order to build up diversification in the asset class 'credit', flatex Bank AG entered into a true sale agreement with factoring.plus.GmbH for the purchase of receivables from factoring in 2015. Servicing of the transaction is outsourced to financial.service.plus GmbH for flatex Bank AG according to Section 25b KWG. As of 31 December 2018, the factoring portfolio amounted to EUR 23.3 million. For further details, please refer to Note 32 of this Annual Report.

Initial financing in the football sector (pre-financing of TV distribution rights, sponsor payments, transfer payments, etc.) were started by the bank in 2017. Due to the structure of the loans, they are shown under factoring in flatex Bank AG. The football financing is secured in the form of assignments of claims, TV and advertising rights. In addition, collateralisation is provided by a loan contingency insurance. As of 31 December 2018, the portfolio has a volume of kEUR 227.9.

2.4 Business performance in TECH segments

Business relations with longstanding existing customers in the Technologies segment expanded further in the past fiscal year. At the same time, deficient customer projects were put to the test and their cost-income ratio was optimised.

In the B2B business, the mandate of the Andorran Vall Banc continued successfully and the business relationship intensified. The use of the FTG:CBS in Andorra will be its first multilingual deployment and will expand the existing setup of the FTB:CBS with modules and components of the branch business. In addition, a credit module has been added, which shows various types of loans.

In the spring of 2018, FinTech Group AG established a service partnership with SAP Deutschland SE & Co. KG. The goal of this partnership is to develop and expand know-how in the area of cloud ERP solutions and the professionalisation of the interface to the FTG:CBS.

For the shared services of the IT infrastructure, significant scales emerged in the past fiscal year, resulting from the increasing number of transactions in the Financial Services segment. The capacity utilisation of the infrastructure is increasing, without either reaching the limit in the medium term or affecting performance. The simultaneous expansion of the Active-Active data centre structure increases the security of supply and the performance level of the data connections.

The trading platform L.O.X. has been upgraded to a new technological base and thus future-proofed for over-the-counter trading requirements. The addition of further order routing paths confirms the alignment and potential of this technology.

FTG:CBS is experiencing increased customer demand across all sales channels. The company's order book ensured high utilisation of available resources. The focus on profitable contractual customer relationships led to streamlining of the customer structure. The pricing terms of the customer relationships have not changed significantly. This is also reflected in the positive development of the segment EBITDA generated from pure IT services and product development.

2.5 Comparison of the forecasts reported in the previous period with actual performance

The following table compares the forecasts made by the Group Management Board for the current reporting period with the actual key figures achieved.

The overall positive deviation of the Group's actual business performance from the forecast reported in the previous year is mainly due to the acquisition of new customers in the FIN

In units / In kEUR	Consilidated		FIN		TECH	
	PLAN	ACTUAL	PLAN	ACTUAL	PLAN	ACTUAL
Number of customers	-	-	> 279,000	290,288	-	-
Number of accounts	-	-	> 346,000	366,487	-	-
Number of transactions	-	-	> 12,411,000	12,483,344	-	-
Revenue	> 120,000	125,100	-	-	-	-
EBITDA continuing operations	> 40,000	42,368	> 22,000	28,349	> 16,500	14,019
Consolidated net profit	> 24,000	21,044	-	-	-	-

segment, as well as the gratifying development of B2B business in the TECH segment with the acquisition of new mandates. The first-time recognition of the allocation of holding costs in the Technology segment caused slight deviations from EBITDA in the Technologies segment. The consolidated net profit is encumbered by the financial result of kEUR2,179, mainly due to increased interest expenses for deposit facilities and for pensions.

Key factors for the positive development in the Financial Services segment were:

a) strengthening of the market position as a bank-independent online broker with a simple and cost-effective pricing structure,

b) the fact that the product range was significantly improved and strengthened by the expansion of premium.

In the Technologies segment, the modular approach of the FTG:CBS combined with the implementation of the multilingual approach ensures growth of the key performance indicators in the comparative period. In doing so, FinTech Group AG focuses on mandates with a high volume, further reduction of customer relationships of subordinate importance and subsequently on the allocation of resources to large, high-margin projects.

2.6 Earnings position

The main revenues of FinTech Group are gross commission income, interest income and revenues from the IT services segment.

Gross commission income in 2018 amounted to kEUR 84,861 (previous year: kEUR 77,488); after deducting commission expenses, which are recognised in raw materials and consumables used, in the amount of kEUR 22,363 (previous year: kEUR 20,569). The net commission income amounted to kEUR 62,498 (previous year: kEUR 56,919) and thus increased by 9.8% (previous year: 18.5%). The increase came mainly from a higher number of transactions and a higher commission income per transaction, driven by an expansion of the product portfolio and several partnerships with product providers. An additional contribution came from the provision of banking and regulatory services in the B2B segment.

Interest income amounts to kEUR 11,733 (previous year: kEUR 10,352). Interest expenses in the fiscal year amounted to kEUR 721 (previous year: kEUR 170), so that net interest income rose to kEUR 11,012 (previous year: kEUR 10,182). The increase results mainly from the expansion of the loan portfolio, which consists for the most part of secured loan products (including securities loans such as the flatex-flex loan and special loans).

Revenues from the provision of IT services amount to kEUR 18,462 (previous year: kEUR 16,006). After deducting expenses of kEUR 4,186 (previous year: kEUR 3,295) reported under cost of materials, the remaining amount is kEUR 14,276 (previous year: kEUR 12,711). The increase resulted in particular from sales to new customers. The sales revenues are mainly generated from customers from Germany. The increase in revenues compared to the same period of the previous year is due to the increase in volume of services sold while the price/volume structure remained constant.

Personnel expenses amount to kEUR 21,914 (previous year: kEUR 23,143) and thus decreased by 5.3%. The decrease mainly results from the investment in development services for intangible assets. Other administrative expenses increased by 15.2% to kEUR 23,972 (previous year: kEUR 20,812).

All Group revenues were generated from customers and products and services provided d in Europe, mostly Germany, and were realised in euro. Inflation and the movement of foreign exchange rates have not significantly impacted earnings.

In fiscal year 2018, we achieved EBITDA in the amount of kEUR 42,368 (previous year: kEUR 32,073) and a net profit of kEUR 21,044 (previous year: kEUR 16,796).

2.7 Financial Position

The highest priority in the financial management of the Group is to secure a comfortable level of liquidity at all times and to maintain operational control of the in- and outflow of funds. Inflation and the movement of foreign exchange rates have not significantly impacted the financial position.

Capital

The equity components and their developments are shown below:

EQUITY

In kEUR	2018	2017	Change in kEUR	Change in %
Subscribed capital	18,737	17,506	1,231	7.0
Additional paid-in capital	101,406	67,540	33,866	50.1
Retained earnings	25,999	9,070	16,929	186.7
Net profit	21,044	16,796	4,248	25.3
Noncontrolling interests	490	-	490	-
Other earnings	-451	1,811	-2,262	-124.9
Total	**167,225**	**112,724**	**54,501**	**48.3**

In October 2018, Österreichische Post Aktiengesellschaft acquired a seven percent stake in FinTech Group AG. This increases the subscribed share capital by kEUR 1,226 and the capital reserve by kEUR 33,708. The equity participation is related to a planned joint venture in Austria, which was aborted due to time constraints and regulatory restrictions. The resulting expenses are of minor importance and immaterial for FinTech Group AG.

Treasury stock

In 2018, shares were granted to employees of FinTech Group AG. To this end, 4,450 own shares were acquired. Unused shares were subsequently sold in the market. For further details, please refer to Note 13 of this annual financial report.

Capital structure

The capital structure of the Group looks as follows:

In %	2018	2017	Change in percentage points
Equity ratio	13.6	10.2	3.4
Debt ratio	86.4	89.8	-3.4

The higher equity ratio results from the increase in subscribed capital and capital reserve related to the equity participation of Österreichische Post Aktiengesellschaft as well as from the annual result for 2018.

LIABILITIES

FinTech Group AG's debts amounted to kEUR 1,060,513 as of 31 December 2018 (previous year: kEUR 994,709). The vast majority are of short-term nature (kEUR 1,030,118, previous year: kEUR 965,317) and consisted mainly of cash deposits with flatex Bank AG (kEUR 955,489, previous year: kEUR 885,112). The increase over the previous year resulted from the disposition of customers. There were long-term (non-current) financial liabilities in the amount of kEUR 30,395 (previous year: kEUR 29,392). This included liabilities to banks in the amount of kEUR 9,874 (previous year: kEUR 16,040). The change to the previous year mainly results from scheduled repayments.

Other non-current liabilities are mostly pension obligations in the amount of kEUR 6,253 (previous year: kEUR 7,203), loans and liabilities from leases of kEUR 5,952 (previous year: kEUR 3,345) and deferred tax liabilities of kEUR8,316 (previous year: kEUR 2,804).

In addition, there were contingent liabilities from unutilised irrevocable lines of credit in the amount of kEUR 193,812 (previous year: kEUR 181,500). They stem largely from securities-related loan agreements with customers, whereby the loans were fully collateralised by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans). The refinancing of a potential utilisation of loan commitments is ensured by the Group's liquidity level at all times.

2.8 Investments

Investments in intangible and fixed assets

In intangible assets, kEUR 10,060 were invested in the further development of FTG:CBS in the Technologies segment. kEUR 1,912 was invested in the introduction of a Group-wide standardised ERP system with connection to FTG:CBS. In addition, a total of kEUR 328 was spent on the implementation of a 'Next Generation Workplace' to standardise workplace equipment. The objective is to achieve higher infrastructure performance and improve accounting risk management.

In fixed assets, major investments in the amount of kEUR3,449 relate to the purchase of hardware and office equipment.

There are no material investment commitments as of the reporting date.

2.9 Liquidity

The cash flow statement of FinTech Group AG – here in condensed form – shows the cash flows generated in the fiscal year:

CASH FLOW

In kEUR	2018	2017
Cash flow from operations before banking operations	17,536	23,729
Cash flow from banking operations	236,105	-23,473
Cash flow from discontinued business activities	-	-144
Net cash flow from operations	253,641	112
Net cash flow from investments	-27,756	-12,587
Cash flow from financing activities	32,160	20,273
Cash and cash equivalents at the beginning of the period	397,001	389,202
Cash and cash equivalents at the end of the period	655,046	397,001

FinTech Group AG was able to meet their financial obligations at all times. No liquidity shortages occurred in the fiscal year, nor are any liquidity shortages expected in the foreseeable future.

The most significant factors affecting the operating cash flows in the fiscal year 2018 were an increase in cash deposits in the amount of kEUR 70,377 (previous year: reduction of kEUR 454,734) and inflows from securities deposits of kEUR 37,550 (previous year: kEUR 336,817). In addition, there were inflows from the reduction of cash loans to municipalities/authorities amounting to kEUR 216,171 (previous year: kEUR 164,006). At the same time, substantial disbursements occurred for the increase in the volume of customer loans kEUR 54,347 (previous year: kEUR 70,787). The resulting net effect is included in the operating cash flow from banking.

The cash flow from investing activities mainly includes disbursements for investments in intangible assets kEUR 13,211 (previous year: kEUR 9,343) and non-cash movemenents in fixed assets as a result of the merger kEUR -11,604.

In the area of financing, substantial payments were made in the year under review from the capital increase of FinTech Group AG in the amount of kEUR 34,934, which is offset by disbursements for the repayment of long-term loans in the amount of kEUR 6,166.

The significance of the cash flow statement is limited for FinTech Group AG, and it is therefore not being used as a financial management tool. In particular, the composition of the cash flow statement is strongly influenced by discretionary changes in customer cash deposits and ensuing investment decisions by customers.

2.10 Assets

Following is the consolidated balance sheet in condensed form:

In kEUR	2018	2017
Assets	1,227,738	1,107,433
Non-current assets	132,493	97,373
Current assets	1,095,245	1,009,677
Assets from discontinued operations	-	383
Liabilities and Shareholders' Equity	1,227,738	1,107,433
Equity	167,225	112,724
Non-current liabilities	30,395	29,392
Current liabilities	1,030,118	965,317

The increase in total assets by EUR 120 million is particularly due to the increase in cash deposits and equity through capital increase of around EUR 35 million.

The non-current assets are shown below:

NON-CURRENT ASSETS

						Change
In kEUR	2018	**in %**	2017	**in %**	**in kEUR**	**in %**
Goodwill	36,555	27.6	28,780	29.6	7,775	27.0
Internally-generated intangible assets	35,128	26.5	26,022	26.7	9,106	35.0
Customer relationships	7,960	6.0	5,262	5.4	2,698	51.3
Other intangible assets	3,021	2.3	2,890	3.0	131	4.5
Property, plant and equipment	7,593	5.7	6,973	7.2	620	8.9
Financial assets and other assets	1,126	0.9	951	1.0	175	18.4
Non-current loans due to customers	41,110	31.0	26,497	27.2	14,613	55.1
Total	**132,493**	**100.0**	**97,373**	**100.0**	**35,118**	**36.1**
Assets from discontinued operations	-		383		-383	-

The item 'goodwill' consists of the identified goodwill in connection with the purchase price allocation for XCOM AG, acquired in 2015, as well as the acquisition of factoring.plus. GmbH in 2018.

Of the internally generated intangible assets, the increase of kEUR 9,106 mainly results from capitalised development performance on the FTG:CBS minus current depreciation (kEUR 3,205) for already completed assets.

The expansion of the lending business, in particular with regard to special and niche loans at flatex Bank AG, led to growth in long-term loans to customers (maturity > 1 year). The terms of the loans are, however, at the short end of the long-term bracket, i.e. less than three (3) years as a rule.

The breakdown of current assets is shown in the following tables:

CURRENT ASSETS

In kEUR	2018	current Assets in %	2017	current Assets in %	in TEUR	Change in %
Inventories and work in progress	188	0.0	113	0.0	75	66.7
Trade receivables	15,512	1.4	7,593	0.8	7,919	104.3
Other receivables	7,156	0.7	1,255	0.1	5,901	470.2
Financial assets measured at fair value through other comprehensive income (FVOCI)	57,374	5.2	87,297	8.6	-29,923	-34.3
Financial assets measured at fair value through profit or loss (FVPL)	893	0.1	1,125	0.1	-232	-20.6
Cash loans due to local authorities	18,900	1.7	237,165	23.5	-218,265	-92.0
Current loans due to customers	217,244	19.8	175,415	17.4	41,829	23.8
Equity instruments measured at fair value through other comprehensive income (FVOCI)	82,465	7.5	90,102	8.9	-7,637	-8.5
Other receivables due to banks	40,466	3.7	12,610	1.2	27,856	220.9
Cash - cash on hand	11,564	1.1	26,937	2.7	-15,373	-57.1
Cash reserve balances with banks	5,367	0.5	11,870	1.2	-6,503	-54.8
Cash - balances with central banks	550,079	50.2	224,355	22.2	325,724	145.2
Receivables due to banks maturing daily	88,036	8.0	133,839	13.3	-45,803	-34.2
Total	**1,095,245**	**100.0**	**1,009,676**	**100.0**	**85,569**	**8.5**

The changes in current assets mainly relate to the Financial Services segment of flatex Bank AG and result from the conservative treasury strategy.

Also, the lending business continued to expand in fiscal year 2018. For the most part these are fully secured loans. In addition to increases in the lombard credit utilisation and the flatex flex loan, the loan book was significantly increased by expanding true-sale factoring and specialists loans.

2.11 General statement on the performance and the situation of the Group

FinTech Group AG continued to perform very well in the fiscal year 2018 and significantly improved its profitability. Revenues increased by 16.9% to kEUR 125,100. Improvement in consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) was disproportionately high with an increase of 32.1% to kEUR 42,368. Net profit grew by 25.3% to kEUR 21.044.

In particular, the increase in the number of settled transactions, the expanded secured loan book and the expansion of premium partnerships in the B2C business all contributed to the annual result.

Despite the ongoing consolidation in the online brokerage market and the historically low volatility in 2018, FinTech Group AG was able to significantly expand its market share in Germany with flatex and to consolidate its position as market leader in Austria with around 33,000 flatex.at customers.

In addition to the very pleasing performance of the Financial Services segment, the Technologies segment was able to expand existing mandates on the project side and managed to further boost business start-ups and elevate them to the 'high probability' status. The customer contact points with regard to potential new customers in the segment continued to develop very favourably. The main factor here is the continuous development of the credit line in the FTG:CBS and the development of the multilingual system.

The total amount of customers in the Financial Services segment increased by 14.4% to just over 290,000 customers as of 31 December 2018. At the same time, the number of processed securities transactions rose to a record 12.4 million.

An extremely positive trend occurred in the year under review in the strategically important lending business, which increased by 13.0% in terms of total volume and thus amounted to approximately EUR 258 million as of 31 December 2018.

With its healthy financial performance and growth, FinTech Group AG is well prepared for its internationalisation strategy. Nevertheless, cost control remains essential. The Management Board sees growth opportunities in both the B2C and the B2B business.

In summary, the Management Board of FinTech Group AG considers the Group's performance in the past fiscal year to be successful: essential goals were achieved, significant strategic priorities implemented, and profitability continued to increase.

2.12 Report on events after the closing date

For events of particular importance that occurred after the end of the reporting period, please refer to our comments in the Annex under Note 35.

2.13 Forecast, opportunities and risk report

The forecast period for the business development relates to fiscal year 2019 and is for twelve months. The forecast only includes continuing activities.

The FinTech Group AG Management Board expects a stable economic environment in 2019 – with a tendency for increasing volatility and a lower growth rate. Dominant topics include in particular a number of elections in Europe and other decisions regarding the adjustment of various key interest rates. The Management Board considers any effects resulting from the upcoming exit of Great Britain from the European Union (Brexit) to be insignificant for the business situation of the FinTech Group AG.

There could be a volatile sideward movement on the stock markets after the price drops of 2018. The upward momentum will be strengthened by the rise in inflation expectations and the positive effects of the US tax reform, whereas the still moderately valued DAX index might respond to, among other things, falling earnings expectations related to the strength of the euro. High volatility would favour trading activity on the stock exchanges. In summary, the Management Board expects an attractive stock market environment for the coming fiscal year. This will result in a continuation of the positive developments of the previous years, in terms of customer numbers as well as in increased trading activities.

Further expansion of activities in the B2C business with existing products partners as well as new business partners in the B2B business can counteract potential challenges.

Overall, we expect the positive developments of the previous fiscal year to continue. FinTech Group AG's strategies in terms of business segmentation, clients, partners and lending business have proven to be successful, and we will therefore be able to adequately compensate any cost increases resulting from the interest rate environment and from increasing regulatory requirements.

With regard to performance, the Management Board expects sales of EUR 138 million for the year 2019. After deducting personnel and administrative expenses, an EBITDA margin of 29% is expected, which would be around 36% adjusted for growth investments.

FIN segment

The outlook for the performance of activities for 2019 remains strained compared to the previous year due to political developments in Europe (Brexit, possible new elections in Italy, parliamentary elections in Denmark, Finland, Greece, Poland, Ukraine) and the Americas. The management of flatex Bank AG is watching the political developments critically, but expects that any negative effects from further expansion of activities with both existing and new business partners in client business as well as new trading products can be mitigated.

The continuation of ECB's negative interest rate policy by the end of the year poses further challenges in realising a positive investment margin. Accordingly, the Treasury strategy regarding the investment universe was adjusted in 2015, and the expansion of the lending business was continued.

Widening of the product range in 2019 is a primary target in the Financial Services segment. The services brokerage business is expected to maintain its attraction in the future through its product diversity and stable pricing. Additional measures to increase earnings can be attributed again to the organic growth of online brokers by expanding the product portfolio of new innovative products, increasing order and customer revenues, optimising the order flow value chain and the internationalisation of the flatex brand.

As part of the EU passport, which enables EU-wide establishment of banking operations, entering the, market in other European countries is currently being explored. This will further boost geographical diversification and open up new sales markets. By tapping into potential target markets, the addressable market can be more than tripled. At the same time, the expected fixed costs will only increase marginally, since the EU passport eliminates the need for a dedicated infrastructure and the technical and banking operations can be mapped using existing resources. The market launch in the Netherlands is already scheduled for the second quarter of 2019. Depending on any market entry barriers, additional countries should follow in the short to medium term.

The positive perception in the market as well as the recently acquired high number of new customers confirm the expansion strategy of flatex Bank AG. Management's current objective is to continue with the existing strategy of flatex Bank AG and to focus on its implementation.

For 2019, another rise in securities transactions is expected due to the positive development of newly acquired customers and the planned internationalisation. In light of the performance in fiscal year 2018, as well as in previous years, the Management Board expects a rise in earnings in the online brokerage business in 2019.

TECH segment

The main objective for fiscal year 2019 is the transfer of technical components into the modular platform FTG:CBS.

Accordingly, further organic growth is the strategic focus of the Technologies segment. Another goal is the expansion of the very successful banking and corporate customer business in Western Europe.

The existing in-house developments are elementary components of the business model and will continue to be expanded and maintained. In addition to the direct customer-driven or regulatory requirements, the applications are also developed organically in order to open up potential new markets. Furthermore, it is assumed that three to five new mandates in the B2B area will be acquired in 2019. To this end, the core banking system was expanded to include additional country-specific regulatory, commercial and tax requirements (national GAAP, taxation, regulatory reporting, etc.). This will lead to a sustained increase in business activities with increasing utilisation of economies of scale.

In addition to the existing products, new innovative and disruptive applications are being researched and developed, which will particularly target the mobile market.

By upgrading interfaces as well as expanding multi-client capable services, the scalability and possibilities for connecting third-party systems are likely to increase. Flexible and streamlined software development processes using agile methods will provide fast, high-qualitaty and stable solutions. They will be reflected in the development process as well as in the release processes of IT operations. In addition to agile provision of new features, theymust also ensure stable operation. Close cooperation between development and operation is the success factor of modern IT.

This agile process is further supported by using highly modularised components and container technologies based on modern programming languages.

The IT of the banking system already complies with the requirements of the international safety standard ISO 27001 and is currently certified. In addition to receiving this certification, it is going to be expanded to other areas.

For greater transparency towards our clients and partners, the Group is aiming for ISAE 3402 Type 2 testing, which is prepared annually by an external auditor. This will reduce internal and customer-side audit efforts.

A stronger focus on documentation and standardisation of the processes is desired for the process organisation. In this case, the IT Infrastructure Library (ITIL) is going to be used as a model to create a more transparent process for clients. The ITIL will be available to customers in multiple languages.

The upcoming Brexit will open up the opportunity for the company because financial service providers and credit institutions are going to relocate their business to the German-speaking region, thereby generating an increased demand for products and services of FinTech Group AG.

The continued focus on profitable existing customers ensures positive earnings with simultaneous reduction in the absolute number of customers. The resulting risk of reducing the number of customers is offset by longer lease terms for existing customers. The lease terms are already fixed for customers with high order volumes. The residual risk of the realisable sales volume of the remaining existing customers remains.

Plan assumptions and forecast of key performance indicators

The expected earnings position in the Financial Services segment is based on the assumption that the development of the customer base can be updated on the basis of empirical values. In addition, increased marketing activities, the expansion of our cooperation with Goldman Sachs and Morgan Stanley, and the attraction of customers to the flatex 'flex-Kredit' and 'Zinspilot' products will lead to an increased trading activity in the ensuing years. Forecast revenue calculations are based on a matrix of expected numbers of customers and transactions per customer. The assumption is, that the number of transactions and the number of customers will increase as a result of increased marketing efforts, and that assets under management will grow as well (see table below). Expected revenue is derived from the detailed planning processes of the flatex, ViTrade and brokerport brands. Expected interest income is based on the assumption that, due to the new and expanded Treasury strategy, lending business will continue to grow, in spite of the difficult yield curve, and deliver a positive margin.

In the TECH segment, all contractually agreed revenues as well as expected new business, as of the time of budgeting, is taken into account on the basis of empirical values and in consideration of the development of prices and economic trends. Revenues of the other business units are extrapolated on the basis of empirical values, taking into account all facts available at the time of budgeting.

In fiscal year 2019, the EBITDA margin will be used as a financial performance indicator instead of EBITDA. This allows us, to present the earning power in the segments more clearly than before.

Assumptions for the forecast of the performance indicators:

in units /	Consolidated		FIN		TECH	
in kEUR / in %	2019	2018	2019	2018	2019	2018
Number of customers	-	-	significantly increasing	290,288	-	-
Number of ac-counts	-	-	significantly increasing	366,487	-	-
Number of transactions	-	-	significantly increasing	12,483,344	-	-
Revenue	slightly increasing	125,100	-	-	-	-
EBITDA margin	moderately increasing	33.9	moderately increasing	26.5	moderately increasing	35.3

Description	
Amount of change	
moderately	+/- 0.1 bis 5.0%
slightly	+/- 5.1 bis 10.0%
significantly	+/- 10.1 bis 20.0%
strong	+/- 20.1%

Opportunities report

As a matter of principle, business opportunities for the firm are analysed on a regular basis and reported to the Management Board and the Executive Committee. Besides additional opportunities from collaborating with strategic business partners, management sees improvements in operating procedures and additional cost and revenue synergies.

Opportunities FIN segment

The online brokerage segment is traditionally subject the volatility of the various trading venues. This is expected to remain unchanged in 2019 just as it has done in previous years. As a result, FinTech Group AG will continue its expansion strategy in the FIN segment and build further stable, sustainable sources of income through new products (B2B, B2C and credit). Future success will be securely underpinned by new, innovative products and solid partnerships.

In addition to the newly developed credit products, flatex will continue to develop products adapted to customer needs in the future. At the same time, strategic partnerships with the premium partners are going to intensified. These have already resulted in joint issues of certificates and warrants in the German market. In addition, expansion into other European countries is being prepared. This is likely to attract new customers outside the DACH region (Germany, Austria, and Switzerland) to the 'flatex' brand, as they will also be able to enjoy the benefits of one of the most modern trading platforms and a transparent 'flat model'. Additionally, diversification will be driven forward by further expansion of the lending business.

Opportunities for the TECH segment

Increased transaction volumes, new regulatory requirements and technology innovations require a higher level of IT services as well as software support and maintenance and thus exert a direct positive impact on the Technologies segment. This creates an increased demand for software maintenance and development.

Significant opportunities arise from the volatility of the markets as part of the Brexit settlement. Should the B2C end clients' trading activities shift towards the European mainland, the transaction figures will significantly increase. If the European-British Customs Union is established as a temporary solution, B2B mandates will also be in favour of the European providers, since the maturity of the mandates significantly exceeds the duration of the transitional solution.

Further opportunities arise from the successful conclusion of the B2B mandate in Andorra, which can be considered as a model project for international private and specialist banks due to its fast implementation time and favourable implementation costs. From the industry environment, the concentration of the large transaction banks on large-scale business causes the release of the lower and medium size portfolios to gain further B2B mandates.

The modularisation of the products and processes in this segment facilitates the effort to acquire new customers and to prompt existing customers to buy additional services. The use of the EU passport to provide banking services enables rapid internationalisation at manageable costs. FinTech Group AG thus becomes an 'enabler' for small and medium-sized banks and financial services providers.

Finally the partnership with SAP Deutschland SE & Co. KG offers the opportunity to acquire additional B2B mandates via this third sales channel as a pioneer in the industry environment and to further consolidate its image as a modern core banking system.

2.14 Risk report

Risk management system

FinTech Group AG conducts its business in German online brokerage and banking in a regulated market. Thus, in addition to dealing with the constant changes in the business environment of the Group, the adaptation to changes in the legal and regulatory frameworks is essential to the company's success. Current developments are constantly being monitored and carefully analysed. The Management Board incorporates any emerging opportunities and potential threats into its business and risk strategy, and adjusts it accordingly as necessary. Monitoring and managing the risks of the Group is a key element of FinTech Group AG's management tools.

In principle, FinTech Group promotes a risk culture that ensures compliance with high ethical standards and a pronounced awareness of risks in all relevant business processes, among both management and employees of FinTech Group. Furthermore, the limitation of risks is one of the key performance targets for all FinTech Group AG managers within their respective areas of responsibility. All managers therefore develop effective task-specific control processes and ensure their ongoing application.

With effect from 19 February 2018, the function of the parent institution has been transferred from FinTech Group AG to flatex Bank AG. Since then, flatex Bank AG has been responsible for the Group-wide tasks of risk controlling in accordance with the 'Minimum Requirements for Risk Management' (MaRisk) AT 4.4.1. It thus contributes significantly to the cross-departmental and Group-wide tasks inherent in risk management and risk control processes, i. e. identification, assessment, management, monitoring and communication of risks.

The head of the Risk Management department is involved in all important risk policy decisions of the Management Board. In the event of a change in the leadership of the Risk Management department, the Supervisory Board of FinTech Group AG is informed immediately.

Risk identification and risk assessment

FinTech Group takes a risk inventory on a regular basis, which may also be updated on an ad hoc basis, identifying the following key types of risks: Counterparty default, market price, interest rate, liquidity, operational, and other risks. At the same time, the risks are assessed, taking into account the risk-reducing measures taken and the current net equity situation. This includes, in particular, a risk shield in the form of a transfer of risks to cooperation partners and clients of FinTech Group AG. In this process, FinTech Group AG and the cooperation partners attach great importance to ensuring that risks are borne or partially underwritten in proportion to the related upside potentials.

The risk inventory process of FinTech Group AG assesses, the risk exposure of all significant corporate divisions in a consistent manner. In doing so, an assessment is made of probabilities and loss levels, which is then condensed into a risk-oriented overall assessment. The assessments especially serve to identify emerging risk concentrations early on, so that appropriate countermeasures may be initiated promptly.

The risk assessments of the risk inventory (RiskMap) are reported as part of the ongoing risk reporting of FinTech Group AG and are regularly discussed with the Management and Supervisory Boards of FinTech Group AG.

Control of risks

FinTech Group AG carries out scenario-based risk-bearing capacity calculations (including stress tests) on a regular basis, taking into account possible concentration risks and potential extreme developments in the (market-) environment of the Group, to ensure adequate net equity levels of the Group even under unfavorable conditions.

The findings from these risk-bearing capacity analyses are used by FinTech Group to establish risk-control and risk management requirements for the Group's operating businesses through an adequate risk limit system. Adjustments to the risk limit system are made in close coordination between the Group's management and the Risk Management department.

Ongoing monitoring measures and a comprehensive risk communication system ('risk reporting') ensure that the risks taken by FinTech Group stay within the strategic guidelines and its risk-bearing capacity. In addition, they enable prompt reaction to emerging risk control needs. The monitoring and control instruments which are used in this process, in the form of daily and monthly risk monitoring and risk communication reports, are presented in more detail below.

Risk monitoring and risk communication

Management is supplied with up-to-date figures pertaining to the risk and earnings position at FinTech Group AG through daily reports. The reporting also specifically ensures continuous ad-hoc reporting: The so-called 'cockpit' as a central (risk) management tool provides daily information on the key performance indicators, key risk figures, and limit utilisation levels, as well as on the development of relevant early warning indicators. It also contains comments on control-relevant issues and, where appropriate, recommendations for necessary adjustments. In addition, for each business area that is significant from a risk perspective, it includes monthly and annual target achievement levels as well as comparisons with the previous year's P&L.

The cockpit described above is complemented by the 'Monthly Risk Report' (MRR), which contains a monthly detailed presentation and commentary on the Group's risk and earnings position and supplementary analyses of the Group's opportunity and risk situation. Among other things, the Monthly Risk Report also goes to the Supervisory Board and is discussed in detail with the Management and the Supervisory Boards in regular 'finalisation meetings'.

The measures taken to analyse and monitor the risk situation of FinTech Group are deemed to be appropriate. The risk-bearing capacity was adequate at all times during the reporting period. No immediate risks that could jeopardize the continued existence of the company, nor possible concentration risks, were discernable at the time of preparation of this risk report.

Risk report, including risk reporting on financial instruments.

The following section describes the key risks to which FinTech Group is exposed as part of its operating activities. The categorisation of the probability of occurrence and the magnitude of a potential loss is done according to the following increments:

Probability of occurrence	**Description**
< 5%	very low
≥ 5 bis 25%	low
> 25 bis 50%	medium
> 50%	high

Risk exposure	**Description**
low	Limited negative impact on business activities, asset, financial and earnings position, reputation, < EUR 0.25 million individual EBITDA risk
medium	Some negative impact on business activities, asset, financial and earnings position, reputation, ≥ EUR 0.25 million individual EBITDA risk
high	Significant impact on business activities, asset, financial and earnings position, reputation, ≥ EUR 1 million individual EBITDA risk
very high	Damaging negative impact on business activities, asset, financial and earnings position, reputation, ≥ EUR 5 million individual EBITDA risk

Managing and limiting market price risks

FinTech Group AG understands market price risk as the risk of loss due to changes in market prices (share prices, exchange rates, precious metals/commodity prices, interest rates) and price-influencing parameters (e.g. volatilities). Market price risks arise in FinTech Group AG from arbitrage trading in the FIN segment (business segment discontinued in December 2018), where securities are bought and sold simultaneously without taking active positions. Any cases of unplanned positions due to unforeseen market movements/reactions may result in overnight positions. These are generally hedged by corresponding offset-transactions. The resulting market price risk for FinTech Group AG is contained by a multi-level system of value-at-risk (VaR-limits) and stop-loss limits relative to positions with daily and annual values. The Group calculates daily VaR figures according to historical simulation, and also ensures a daily profit and loss account for arbitrage trading. The calculated risk ratios and profit and loss figures are compared daily with the established limits. When limits are exceeded, immediate countermeasures are initiated.

FinTech Group AG rates the loss impact of the remaining market price risks from arbitrage trading as low and the probability of occurrence as very low. The daily calculated VaR figures in 2018 stayed below kEUR 15, and thus significantly below the allocated VaR limit of kEUR 40.

Additional market price risks arise in the FIN segment within the scope of the designated sponsoring business, which has been outsourced to „FIB Management AG'. The quotation of binding buy and sell prices provides the necessary liquidity for the continuous trading of certain stocks. To a limited extent, market risks may result from residual positions. These risks are fully covered by cash collateral, the size of which is monitored daily. The corresponding position of collateral is monitored daily. In addition, a daily VaR calculation based on historical simulation is used to verify a potential need for an increase of cash collateral. FinTech Group AG rates the remaining market risks from this business as low and the probability of occurrence as very low. The daily calculated VaR figures for 2018 were slightly below kEUR 50, and thus significantly below the kEUR 300 cash collateral available to cover potential losses.

Finally, VaR-oriented monitoring is also performed for the long-term investment in special funds, initiated in 2016, which pursues a 'negative basis' strategy. According to historical simulations, the corresponding VaR figures were below kEUR 250 in 2018. FinTech Group AG estimates that both the magnitude of potential losses and the probability of their occurrence are low for this business, which is also attributable to the FIN segment.

In the FIN segment, FinTech Group AG has had stable and sizeable customer deposits over the course of time (flatex Bank AG). Since these funds are not reinvested at the exact same terms that they are taken in, FinTech Group AG incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. The Group handles these risks with its fundamentally conservative asset-liability management. Continuous calculation of interest rate risks based on a VaR calculation ensures that negative developments in interest rate risk are identified early on and countermeasures may be taken. FinTech Group AG rates the probability of occurrence of corresponding losses as very low, but calculates with a medium risk amount. The duration loss estimate, based on Value at Risk, is in the magnitude of kEUR 914.

The risk from movements in exchange rates (currency risk) in financial instruments at FinTech Group is immaterial.

The Group 'cockpit' is updated daily with control-relevant information on market price risks, thereby informing FinTech Group AG's management in a timely fashion. The market price risks are also reflected in the MRR of the Group, so that detailed presentations and comments on the current risk situation are ensured and, if necessary, adjustments may be initiated.

In addition to the comprehensive effort to monitor the Group's market risks, appropriate measures are also taken to manage the other risk categories to which FinTech Group AG is exposed as part of its operating businesses. The adequacy of these measures is monitored on an ongoing basis. Changes in the assessment of the underlying risks and necessary adjustments to their management are reflected in regular updates of the risk inventory of FinTech Group AG, which also serves as the basis for risk-oriented audit planning by the Internal Audit function of FinTech Group AG.

Management and limitation of the other risk categories considered important to FinTech Group AG are described in more detail in the following paragraphs.

Managing and limiting counterparty default risks

FinTech Group AG, counterparty default risk as the risk of losses or foregone profits due to unexpected default of or unforeseeable deterioration in the creditworthiness of business partners.

In the FIN segment of FinTech Group AG, counterparty default risk arises especially from Treasury activities, where investments are selected principally based on safety, and from a conservatively operated lending business in municipal loans. The investment/loan strategy and the limits derived from it ensure a wide diversification of individual positions, so that concentration risk remains limited. In addition to a risk averse selection of business partners, risks are also limited by ongoing monitoring of credit ratings on the basis of publicly available data. Counterparty default risk monitoring, which is performed on a daily basis, is currently based on CDS prices and rating changes and is transmitted daily to the relevant decision makers. FinTech Group AG estimates the size of the resulting risk amount as high, but the associated probability of occurrence as very low.

FinTech Group is also exposed to counterparty default risk from its lending business, where a fully secured three-tiered strategy is pursued:

a. By issuing security-backed loans (Lombard & flex loans) in the FIN segment, FinTech Group is exposed to counterparty default risk. Through appropriate liquidity requirements for the securities accepted as collateral, conservative loan-to-value ratios, and continuous monitoring of credit lines and securities, the Group ensures that the exposure to security-backed customer loans is sufficiently covered by the collateral provided even when prices are falling. The Group rates the probability of occurrence due to the residual risks as very low and the possible loss impact as low.

b. Counterparty default risks also arise in diversified true sale factoring in the Financial Services area. The factoring receivables are secured by commercial credit insurance policies of large insurance companies. In addition, security deposits have been agreed. The factoring area also includes football club financing, which is secured by the assignment of sponsorship, TV and advertising rights as well as by means of contingency insurance.

c. In addition, flatex Bank AG operates surety holdbacks, amounting to approx. EUR 29 million at year-end in Financial Services, including specialised lending. They are secured by guarantees and/or deposited securities.

Following the merger of XCOM AG into FinTech Group AG in 2017 and the integration of flatex Bank AG, FinTech Group AG made significant efforts to uniformly record the counterparty default risks arising at its subsidiaries throughout the Group and make them accessible to a comprehensive management system. Pertinent presentations and analyses have been integrated into the MRR of FinTech Group AG and are continuously being refined. With its comprehensive credit portfolio model, the Group can quantify its important counterparty default risks on a continuous VaR basis, and systematically and continually captures and manages potential concentration risks. The current investment strategy of the Group mandates diversification of counterparty risk-bearing positions (primarily by geographic spread, publicly available ratings, and the maturity of the investments) and thereby limits concentration risks effectively.

Managing and limiting liquidity risks

FinTech Group AG defines its liquidity risk as the risk that it cannot fully and/or timely meet its current or future payment obligations from the available financial resources. As a consequence, funds may need to be raised at higher interest rates, or existing assets may need to be sold at a discount, to provide additional (temporarily) needed financial resources. In a wider sense, FinTech Group AG also subsumes the ongoing funding risk and market liquidity risk under the term 'liquidity risk', both of which play only a minor role in the current business model of FinTech Group AG and are therefore assigned to the lowest risk categories used with regard to both the probability of occurrence ('very low') and the possible loss impact ('low').

To limit the remaining liquidity risk (liquidity risk in the narrower sense), FinTech Group AG pursues a conservative investment strategy, in which client deposits with daily maturity are reinvested predominantly in short-term instruments, and where there are substantial investments in ECB-eligible securities, which may be pledged for short-term funding through the central bank when needed. In addition, a continuous duration measurement is performed on all relevant assets of FinTech Group AG, which are inside the target term range of under 15 months. Finally, ongoing liquidity monitoring and adequate financial/liquidity planning is performed in FinTech Group AG's financial accounting department. The measures taken, in combination with a suitable 'liquidity contingency plan', ensure a comfortable liquidity level with adequate reserves for the Group's payment obligations, also and particularly in the case of unforeseen events such as unfavourable market developments or payment deferrals and client defaults.

In light of the comfortable liquidity level and the measures taken to limit risk, FinTech Group AG classifies the probability of occurrence of its remaining liquidity risks (in the narrower sense) as being very low and also assesses the associated loss potential as minor.

Control and limitation of operational and other risks

FinTech Group AG defines operational risk as the risk of loss due to human error, the inadequacy of internal processes and systems, as well as external events. Legal and reputational risks are also included in this category.

FinTech Group AG uses a multi-year time series of actually incurred losses for its operational risk inventory. These losses are categorised according to the type of damage, the cause of the loss, the time of occurrence, etc. and are documented in a database. The operational risks are managed by assigning each loss case to a risk mitigation strategy (avoidance, reduction, transfer, etc.) and implementing defined measures. An internal assessment method is used in addition to the so-called basic indicator approach, to determine the amount of regulatory capital utilised for operational risks. In order to map quantifiable risks where a sufficient loss data history is not available, FinTech Group AG uses expert assessments to identify potential losses in addition to identifying operational risks from historical data as part of risk assessments for all specialist departments of the Group.

Dependency on software and other IT risks

For FinTech Group AG, operational risk arises particularly from the dependency on IT infrastructure and associated services, which is typical for banking operations. This also includes the dependency on the flawlessness of services which have been outsourced to external providers. The operational risks in IT can be divided into hardware, software and process risks. Group-wide, comprehensive IT and internet-based systems are being used, which are essential for the proper conduct of business. The Group is dependent on trouble-free functioning of these systems to a very high degree. Despite comprehensive measures for data backup and bridging system disruptions, malfunctions and/or complete failures of the IT and internet systems can not be ruled out. Moreover, deficiencies in data availability, errors or functional problems of the software used and / or server failures due to hardware or software faults, accident, sabotage, phishing or other reasons, could have a significant negative impact on the reputation or the business of the Group, or lead to possible obligations to pay damages.

The Group makes significant IT investments to ensure, on one hand, that the high business volume is executed adequately and, on the other hand, that sufficient collateralisation is provided against disruptions. The probability of occurrence of a loss event arising from the dependence on software and other IT risks is rated to be very low and the possible impact of such a loss is rated to be low.

Personnel risks

Comprehensive restructuring of FinTech Group AG, which was completed in 2018, resulted in changes to the organisational structure and processes as well as in changed communication processes, which may initially lead to an increased potential for error and loss. FinTech Group AG has established monitoring and communication processes to limit these risks, which are in particular personnel-related. Nevertheless, individual mistakes and employee errors can never be completely ruled out. We estimate the probability of occurrence of a loss event arising from personnel risks to be very low, and the possible impact from such an event to be low.

Legal risks

The FinTech Group AG acts as a regulated provider of financial services in an environment with rapidly changing (regulatory) legal framework conditions. Legal violations can result in fines or litigation risks. FinTech Group AG contains these legal risks by permanently monitoring the legal environment, having internal legal know-how and seeking external legal advice if necessary. We estimate the probability of occurrence of a loss event arising from legal risks to be very low, and the possible impact from such an event to be low.

Outsourced processes

Outsourcing within the meaning of Section 25b (1) KWG and MaRisk (AT 9) occurs when a non-Group company is entrusted with the performance of such activities and processes, in connection with the provision of financial services or other institution-specific services, that would otherwise be performed by FinTech Group AG itself.

In such cases, increased regulatory requirements apply. The Group has outsourced various activities from its operations to external companies.

FinTech Group AG has established outsourcing controlling, which takes stock of all relevant outsourcing contracts and manages them as needed. All outsourcing contracts are included in the Group's risk management effort. Non-essential outsourcing contracts are subject to a lower degree of control as essential outsourcing contracts.

As part of the concluded outsourcing contracts, service level agreements (SLAs) have been agreed for all significant outsourcing. In addition, liability rules have been agreed which allow a transfer of damages.

Reputational risk

Reputational risk for FinTech Group is the risk of negative economic effects that result from the company's reputation being damaged.

In principle, the Group companies strive to ensure a high level of customer loyalty through a good reputation in order to gain a competitive advantage over their competitors. In addition to immediate financial implications, many of the risks discussed above pose a risk that the Group's reputation may be damaged, and that a decline in customer loyalty may result in financially adverse consequences for the Group. FinTech Group puts particular emphasis on reputational risk in its strategic guidelines and continually uses its risk-controlling processes to monitor the relevant environment. Associated risk estimates are made as part of the estimates for the Group's operational risks.

In order to limit its operational risks, FinTech Group AG promotes a fundamental risk culture. This ensures compliance with high ethical standards and a pronounced awareness of risk in all relevant business processes for management and the employees of FinTech Group AG. Furthermore, the limitation of risks is one of the key performance targets for all FinTech Group AG managers within their respective areas of responsibility. Each manager develops task-specific control processes and ensures their ongoing application. In addition, FinTech Group AG regularly performs a risk inventory – which may also be updated on an ad hoc basis – in particular to ensure an ongoing analysis and assessment of the operational risk in existing business processes.

FinTech Group AG assigns a low probability of occurrence to the operational risks outlined above and cautiously estimates a high risk impact.

Other Risks

FinTech Group AG includes general business risks in other risks.

General business risk exists due to the dependence on technical developments and customer behaviour. General business risks arise out of changes in the environment. They include, for example, changing markets, changing customer preferences and technological progress.

Technological developments and changing customer behaviour can significantly influence the market conditions for financial services. They may open up opportunities for FinTech Group AG's financial products, but they may also negatively impact demand for the Group's products and services and thus reduce its financial success.

FinTech Group AG is paying particular attention to changes in the legal and regulatory environment as well as to changes in customer behaviour and technological progress, and is constantly reviewing the resulting strategic implications. The Group considers the probability of occurrence of a loss event due to dependencies on technical developments and customer behaviour to be very low, and a possible loss impact to be low.

Management Board assessment of the overall risk and opportunity situation

The Group views the assessment of the overall risk situation as a consolidated analysis of all material risk categories and individual risks. The overall risk situation in 2018 is comparable to that of the previous year. FinTech Group AG is convinced that, as of the reporting date and at the time of preparation of the consolidated financial statements, none of the above-mentioned individual risks, nor the consolidated risks, pose a threat to the Group as a going concern.

Furthermore, FinTech Group AG is convinced that it will be able to continue to seize opportunities that arise in the future without having to expose itself to disproportionately high risks. The aim is to strike a healthy balance between risks and opportunities.

3 Statement of Responsibility

We hereby affirm that, in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the assets, financial and earnings position of the Group and that the consolidated management report includes a fair view of the development and performance of the business and the position of the Group corresponding to the actual situation of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, June 27, 2019

FinTech Group AG

Frank Niehage
CEO, Chairman of the Management Board

Muhamad Said Chahrour
CFO, Member of the Management Board

Consolidated Financial Statements

Consolidated Balance Sheet -IFRS

as of 31 December 2018

In TEUR	Note	12/31/2018	12/31/2017
Assets		**1,227,738**	**1,107,433**
Non-current assets		**132,493**	**97,373**
Intangibles assets	9	82,664	62,953
Goodwill	9	36,555	28,780
Internally-generated intangible assets	9	35,128	26,022
Customer relationships	9	7,960	5,262
Other intangible assets	9	3,021	2,890
Property, plant and equipment	11	7,593	6,973
Financial assets and other assets		1,126	951
Non-current loans due to customers	12	41,110	26,497
Deferred tax	26	-	-
Current assets		**1,095,245**	**1,009,677**
Inventories and work in progress		188	113
Trade receivables		15,512	7,593
Other receivables		7,156	1,255
Other current financial assets	12	417,342	603,714
Financial assets measured at fair value through other comprehensive incom (FVOCI)	12	57,374	87,297
Financial assets measured at fair value through profit or loss (FVPL)	12	893	1,125
Cash loans due to local authorities	12	18,900	237,165
Current loans due to customers	12	217,244	175,415
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)		82,465	90,102
Other receivables due to banks	12	40,466	12,610
Cash and cash equivalents	12	655,046	397,002
Cash - cash on hand	12	11,564	26,937
Cash balances with banks	12	5,367	11,870
Cash - balances with central banks	12	550,079	224,355
Receivables due to banks (on demand)	12	88,036	133,839
Assets from discontinued operations		**-**	**383**

In kEUR	Note	12/31/2018	12/31/2017
Liabilities and Shareholders' Equity		**1,227,738**	**1,107,433**
Equity		**167,225**	**112,724**
Subscribed capital	13	18,737	17,506
Additional paid-in capital	13	101,406	67,540
Retained earnings	13	46,592	27,677
Noncontrolling interests		490	-
Liabilities		**1,060,513**	**994,709**
Non-current liabilities		**30,395**	**29,392**
Non-current liabilities to banks	14	9,874	16,040
Non-current liabilities to non-banks	14	5,952	3,345
Pension obligations	15	6,253	7,203
Deferred tax liabilities	26	8,316	2,804
Current liabilities		**1,030,118**	**965,317**
Trade payables		2,780	963
Liabilities to customers	16	955,489	885,112
Liabilities to banks	17	57,259	61,010
Other financial liabilities	18	2,219	7,463
Tax provisions	20	5,541	3,215
Other provisions	19	6,830	7,554

Consolidated Statement of Income - IFRS

as from 01 January to 31 December 2018

In kEUR	Note	2018	2017
Total net revenues	21	125,100	107,014
Thereof interest income from financial instruments measured at amortized cost		10,909	9,012
Raw materials and consumables	22	36,846	30,985
thereof impairment losses	32	6.970	n.a.
Personnel expenses	23	21,914	23,143
Other administrative expenses	24	23,972	20,812
Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA)		**42,368**	**32,073**
Depreciation, amortisation and write-downs	911	8,180	5,590
Consolidated earnings before interest and income tax (EBIT)		**34,188**	**26,484**
Net financial income/finance costs	25	2,179	-1,288
Consolidated earnings before income tax (EBT)		**32,010**	**25,195**
Income tax expense	26	10,965	8,179
Consolidated net profit from continuing activities		**21,044**	**17,016**
Loss from discontinued operations		-	-220[1)]
Consolidated net profit		**21,734**	**16,796**
Minority shareholders' share of income		-	-
Majority shareholders' share of income		-	16.796

[1)] 2018, the loss from discontinued operations amounted to kEUR -55

Consolidated Statement of Comprehensive Income - IFRS -

as from 01 January to 31 December 2018

In kEUR	Note	2018	2017
Consolidated net profit		**21,044**	**16,796**
Income and expense items recognised directly in equity			
Pensions		433	-303
Actuarial gains/losses	15	399	-164
Remeasurement of plan assets	15	68	91
Reimbursement rights	15	-34	-46
Adjustment previous year		-	-184
Securities			
Change in value reported in equity		-3.605	544
Deferred tax	26	910	-152
Pensions		-135	92
Securities		1,045	-244
Total other loss/earnings		**-2,262**	**90**
Comprehensive income		**18,782**	**16,885**

Consolidated Cash Flow Statement - IFRS -

In kEUR	2018	2017
Net income from continuing activities	**21,044**	**17,016**
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	7,813	5,590
Increase/decrease in trade receivables	-7,937	944
Increase/decrease in other receivables, act. def. taxes, coverage	-6,064	10,134
Increase/decrease in inventories	-75	220
Increase/decrease in trade payables	1,817	-4,881
Increase/decrease in other financial liabilities	-5,226	3,650
Increase/decrease in provisions, changes in def. taxes, pension obligations	6,164	-8,883
Other non-cash transactions	-	-60
Cash flow from operating activites - before banking operations	**17,536**	**23,729**
Increase/decrease in receivables from customers	-54,347	-70,787
Increase/decrease in receivables from cash loans due to local authorities	216,171	164,006
Increase/decrease in receivables from credit institutions	-27,856	-282
Increase/decrease in liabilities to customers	70,377	-454,734
Increase/decrease in liabilities to credit institutions	-3,751	735
Increase/decrease in financial assets measured at FVOCI	37,550	336,817
Increase/decrease in financial assets measured FVPL	223	228
Other non-cash transactions	-2,262	544
Cash flow from banking operating activities	**236,105**	**-23,473**
Cash flow from operating activities - continuing activities	**253,641**	**256**
Cash flow from discontinued operations	-	-144
Cash flow from operating activities	**253,641**	**112**

In kEUR	2018	2017
Proceeds from the disposal of intangible assets	6	-
Disbursements for investments in intangible assets	-13,211	-9,343
Proceeds from the disposal of fixed assets	134	-
Disbursements for investments in fixed assets	-3,082	-3,244
Inflow from disposals from the scope of consolidation	-	-
Payments for disbursements to the scope of consolidation	-	-
Non-cash movements in fixed assets (merger)	-11,604	-
Cash flow from investments in continuing activities	**-27,756**	**-12,587**
Cash flow from investments in discontinued operations	-	-
Net cash flow from investing activities	**-27,756**	**-12,587**
Increase/decrease in non-current liabilities to banks (loans)	-6,166	13,165
Increase/decrease in non-current liabilities to non-banks	2,607	2,291
thereof from changes in the group of consolidated companies	1,602	-
Inflow from capital increase by the parent company`s shareholders	97	-
Inflows from capital increase by other shareholders	34,934	18,158
Outflows for increase of shares without change of control	-	-
Outflows for acquisition of own shares	-	-
Non-cash changes in equity	687	-
Outflow for increase of shares without change of control	-	-13,340
Cash flow from financing activities	**32,160**	**20,273**
Change in cash and cash equivalents	**258,045**	**7,799**
Cash and cash equivalents at the beginning of the period	397,002	389,202
Cash and cash equivalents at the end of the period	**655,047**	**397,002**

Additional information according to IAS 7

In kEUR	As of 01/01/2018	Cash changes
Non-current liabilities		
Liabilities to banks	16,040	-6,166
Liabilities to non-banks	3,345	2,607
Total	**19,385**	**-3,559**

				Non-cash changes	As of 12/31/2018
Acquisitions	Currency effects	Fair values	Reclassifications	Other	
-	-	-	-	-	9,874
-	-	-	-	-	5,952
-	**-**	**-**	**-**	**-**	**15,826**

Consolidated Statement of Changes in Equity -IFRS-

as of 31 December 2018

In kEUR	Subscribed capital	Additional paid-in capital	Consolidated paid-in capital
As of 12/31/2016/ 01/01/2017	**16,811**	**49,690**	**7,343**
Issue of new shares	696	-	-
Contributions to / withdrawals from reserves	-	17,850	-
Changes in the group of consolidated companies not involving a change of control	-	-	1,727
Dividend distribution	-	-	-
Other earnings	-	-	-
Consolidated net profit	-	-	16,796
As of 12/31/2017/ 01/01/2018	**17,507**	**67,540**	**25,866**
Issue of new shares	1,230	33,708	139
Contributions to / withdrawals from reserves	-	388	-7
Changes in the group of consolidated companies not involving a change of control	-	-230	-
Dividend distribution	-	-	-
Other earnings	-	-	-
Consolidated net profit	-	-	21,044
As of 12/31/2018	**18,737**	**101,406**	**47,042**

Actuarial gains / losses	Unrealized net gains / losses from financial assets, measured at fair value through other comprehensive income (FVOCI)	Total	Noncontrolling interests	Total Equity
1,969	**-247**	**75,565**	**15,063**	**90,629**
-	-	696	-	696
-	-	17,850	-	17,850
-	-	1,727	-15,063	-13,336
-	-	-	-	-
-182	271	89	-	89
-	-	16,796	-	16,796
1,787	**24**	**112,724**	**-**	**112,724**
-	-	35,077	-	35,077
-	-	381	-	381
-	-	-230	490	260
-	-	-	-	-
298	-2,560	-2,262	-	-2,262
-	-	21,044	-	21,044
2,085	**-2,536**	**167,734**	**490**	**167,225**

List of abbreviations

acc.	according to
AFE position	Assets, financial and earnings position
afs	Financial assets available for sale
AG	Stock corporation
AK/HK	Acquisition or production costs
AktG	Stock Corporation Act
B2B	Business to Business
B2C	Business to Consumer
BaaS	Banking as a Service
BPO	Business Process Outsourcing
C&T	Credit & Treasury
CAD	Canadian Dollar
CDS	Credit Default Swap
CEO	Chief Executive Officer
CFD	Contract for Difference
cfe.	compare
CFO	Chief Financial Officer
CGU	Cash generating unit
CHF	Swiss Franc
CODM	Chief Operating Decision Maker
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
DACH	Germany, Austria, Switzerland
DAX	German stock index
DCF	Discounted Cash-Flow
DRS	German Accounting Standard
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	Earnings before income taxes
EC	European Community
ECB	European Central Bank
ECL	Expected Credit Loss
ERP	Enterprise Resource Planning
EU	European Union
FIN	Financial Services
FTG	FinTech Group AG
FTG Bank	flatex Bank AG (fka FinTech Group Bank AG)
FTG:CBS	FinTech Group Core Banking System
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GCM	General Clearing Member
GfBk	Gesellschaft für Börsenkommunikation
GmbH	Limited liability company

hft	Financial assets measured at fair value through profit or loss
HGB	German Commercial Code
HRB	Commercial register Department B
HV	General meeting
i. e. S	strictly speaking
i. S. d	as defined in
i.e.	that means
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
ISO	International Organisation for Standardisation
IT	Information Technology
KDE	Cash and securities custody account opening
kEUR	Thousand euros
KPI	Key Performance Indicator
KWG	German Banking Act
L.O.X	Limited Order Xervices
M&A	Mergers & Acquisitions
MaRisk	Minimum Requirements for Risk Management
mbh	with limited liability
mEUR	Million euros
MiFID	Markets in Financial Instruments Directive II
MIR	Market interest rate
MRR	Monthly Risk Report
OCI	Other Comprehensive Income
OTC	Over The Counter
P&L	Profit and loss account
p.a.	per annum
Para.	Paragraph
PSD2	Revised Payment Service Directive 2
R&D	Research and Development
reg.	regarding
SaaS	Software as a Service
SIN	Securities identification number
T2S	TARGET2-Securities
TecDax	Index of technology stocks
TECH	Technologies
TRG	Transition Resource Group
USD	United States Dollar
VaR	Value at Risk
WACC	Weighted average cost of capital
WpHG	Weighted average cost of capital

Notes to the Consolidated Financial Statement as of 31 December 2018

NOTE 1 About the Company / the Group

The consolidated financial statements presented here are those of FinTech Group AG and its subsidiaries.

FinTech Group AG is headquartered in Frankfurt on the Main, Germany; its Frankfurt commercial register number is HRB 103516. The registered business address is Rotfeder-Ring 7, 60327 Frankfurt am Main, Germany.

The registered no-par-value shares of the company are traded on the regulated open market (ISIN DE000FTG1111 / German securities code FTG111).

The Group's business activities are the supply of innovative technologies for the financial sector in general and for online brokerage in particular, as well as the provision of financial services and IT services.

FinTech Group AG's immediate parent company is GfBk Gesellschaft für Börsenkommunikation mbH, Kulmbach. The ultimate parent company of the Group is BFF Holding GmbH,

The consolidated financial statements of the Group have been finalised on 27 June 2019 and presented to the Supervisory Board on 27 June 2019 for approval of publishing. Once published, the consolidated financial statements cannot be restated.

NOTE 2 Basis of Preparation

For companies within the European Union, the preparation of consolidated accounts in financial statements with IFRS is mandatory, as long as the companies are publicly traded companies (Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002). All other parent companies shall prepare consolidated financial statesments in accordance with their respective national laws.

The German Federal Government has implemented the EU Regulation through the Accounting Law Reform Act, which has introduced, inter alia, Section § 315e of the German Commercial Code (HGB). Accordingly, a publicly traded German parent company must prepare consolidated financial statements in accordance with IFRS (Section 315e para. 1 in conjunction with Section 290 para. 1 HGB). A publicly traded company is defined as a company whose stock is listed on an organised market (Section 2 par. 11 German Securities Act (WpHG).

Since FinTech Group AG is currently only traded on the open market (scale segment), it does not have to prepare IFRS-compliant consolidated financial statements.

However, in line with Section 315e (3) HGB, FinTech Group AG has opted to voluntarily prepare its consolidated financial statements in accordance with IFRS. The first consolidated financial statements according to IFRS were prepared as per 31 December 2015.

The consolidated financial statements are in full compliance with IFRS as applicable within the European Union, and with the supplementary provisions of Section 315e HGB. The consolidated financial statements of FinTech Group AG are based on the going concern assumption of accounting.

The asset, financial and earnings position as well as the cash flows of the Group correspond to the actual circumstances.

The accounting and measurement methods applied in the previous year have been upheld, except for changes required by new or amended Standards as well as an adjustment in the segment reporting in accordance with IFRS 8 to increase the quality of information.

FinTech Group AG presents information in thousands or millions of currency units. Generally, the information is expressed in millions of units. Detailed information in the income statement is presented in thousands of units. The presentations in thousands and millions of units are rounded. When calculating with rounded numbers, slight rounding differences may occur.

NOTE 3 Group of consolidation companies

The consolidated financial statements the financial statements of FinTech Group AG and the subsidiaries controlled by it.

As a parent company, FinTech Group AG controls other entities if FinTech Group AG has direct or indirect control over the potential subsidiary through voting or other rights, participates in positive or negative variable returns from its involvement with the potential subsidiary and has the ability to affect those returns through its power over the investee.

Group of consolidated companies of FinTech Group AG as of 01 January 2017:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- flatex & friends GmbH, Kulmbach (100%)
- XCOM AG, Willich (73.77%)

XCOM AG in turn had direct and indirect equity investments in the following companies:

- XCOM Finanz GmbH, Willich (100%, now: flatex Finanz GmbH)
- biw Bank für Investments und Wertpapiere AG, Willich (100%, now: flatex Bank AG)
- ViTrade GmbH, Willich (100%)
- Brokerport Finance GmbH, Willich (100%)
- Xervices GmbH, Willich (100%)
- BrokerPort AG in processing, Willich (100%)
- XCOM Trading Services GmbH in Liquidation, Willich (100%)
- b2clear GmbH, Willich (100%)

Changes in group of consolidated companies in 2017:

In 2017, there was no change in the group of consolidated companies. Within the group of consolidated companies, the following changes occurred in the companies that were included in the consolidated financial statements for fiscal year 2017:

XCOM AG and flatex & friends GmbH were merged to from FinTech Group AG retrospectively from 01 January 2017. The remaining noncontrolling shareholders of XCOM AG, in this context, were squeezed out against cash compensation, in a squeeze-out based on merger law. In addition, b2clear GmbH was merged to from XCOM AG, also retrospectively from 01 January 2017.

biw Bank für Investments und Wertpapiere AG changed its name to FinTech Group Bank AG on 15 June 2017; XCOM Finanz GmbH changed its name to FinTech Group Finanz GmbH on 10 October 2017.

The merger of ViTrade GmbH to flatex Bank AG have been effected retrospectively from 01 January 2017 on. Operations and staff were taken over and integrated by FinTech Group Bank AG, who will continue to use the ViTrade brand.

BrokerPort AG in Liquidation Proceedings and XCOM Trading Services GmbH in Liquidation were liquidated in 2017.

Group of consolidated companies overview of FinTech Group AG as of 31 December 2017/01 January 2018:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)
- FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)

Changes in group of consolidated companies in 2018:

Effective 12 July 2018, Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach, was sold and deconsolidated. This company was classified as a discontinued operation until its disposal. The current loss of Die AKTIONÄRSBANK Kulmbach GmbH in the amount of kEUR -55.4 is attributed to the Financial Services segment for materiality reasons. For further information, please refer to the 2017 Annual Report.

With effect of 30 December 2018, factoring.plus.GmbH, Leipzip, was acquired. This includes the acquisition of a 72% stake in financial.service.plus GmbH, Leipzig.

The associated company Finotek Europe GmbH, Frankfurt am Main, was sold with effect from 31 December 2018. The associated company was not included in the consolidated financial statements due to materiality.

Within the group of consolidated companies, the following changes occurred in the companies that were included in the consolidated financial statements for fiscal year 2018:

Flatex GmbH was merged to from flatex Bank AG with a commercial register entry dated 29 March 2018 with retroactive effect of 01 January 2018.

Group of consolidated companies overview of FinTech Group AG as of 31 December 2018:

- FinTech Group Finanz GmbH, Frankfurt am Main (100%, now: flatex Finanz GmbH)
- FinTech Group Bank AG, Frankfurt am Main (100%, now: flatex Bank AG)
- Brokerport Finance GmbH, Frankfurt am Main (100%)
- Xervices GmbH, Willich (100%)
- factoring.plus.GmbH, Leipzig (100%)
- financial.service.plus GmbH, Leipzig (72%)

Associated companies and associates are not available as of 31 December 2018.

Consolidated financial statements for the largest group of conslidated companies

BFF Holding GmbH, Kulmbach, is preparing the consolidated financial statements for the largest group of conslidated companies. FinTech Group AG is included as a subsidiary in these consolidated financial statements. In accordance with the legal regulations, the consolidated financial statements are published in the electronic Federal Gazette.

Consolidated financial statements for the smallest group of consolidated companies

FinTech Group AG prepares the consolidated financial statements for the smallest group of consolidated companies. The consolidated financial statements are published in the electronic Federal Gazette as well as on the FinTech Group AG website.

NOTE 4 Accounting policies

Business combinations and consolidations

IFRS 3 applies to a transaction or ther event that meet the definition of a business combination.

For the initial accounting for a business combination, identifiable assets and liabilities shall be measured at their acquisition-date fair values of the consideration given. Any non controlling interests in the to acquiree is measured either at fair value or at the noncontrolling interests' proportionate share of the acquiree's identifiable net assets (this is determined for each business combination). Acquisition-related costs are recognized as expenses in the period in which they are incurred. The excess of the aggregate of the cost of an acquisition and any noncontrolling interests in the acquiree over the Group'sshare of the fair value of the identifiable net assets acquired is recorded as goodwill.

If the aggregate of the acquisition cost and any noncontrolling interests is below the fair value of the identifiable net assets negative goodwill, a gain is reported in other income. The results of acquired subsidiaries are included from the date of acquisition by the Group, i.e. from the date on which the Group was able to exercise control.

Derivative goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the aggregate of the cost of an acquisition and any noncontrolling interests in the acquiree over the fair value of the identifiable net assets acquired at the date of the acquisition. Goodwill on the acquisition of subsidiaries is capitalized and reviewed for impairment annually or more frequently if there are indications that impairment may have occurred or whenever a triggering event is identified. The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use. If the goodwill is impaired, an impairment loss should be recognized in the P&L recognised. Otherwise, the carrying amount of the goodwill is recognized in the balance sheet unchanged from the previous year.

Internally-generated intangible assets

Expenditure on an intangible asset arising from the development phase of an internal project shall be recognised if the following can bemonstrated all of the following: its ability to measure reliably the expenditure attributable to the intangible asset during its development,, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits. The initial measurement of these expenditures will be based on the assumption that such technical and economic feasibility of completing the intangible asset has been established. Besides the availability of sufficient resources, there must be an intention and the ability within the Group to complete the project, the intangible asset, and use or sell it.

The cost of an internally generated intangible asset is the sum of include all individual and overhead costs directly attributable to the project. Once projects are completed, the sum of the expenditure directly attributable to the intangible costs are amortised over their useful lives, starting at the time when economic benefits are generated. An annual impairment test is taken place. The future benefit cash inflows are documented through appropriate business cases. The start of a development project may be based on basic research results or on a non-exclusive customer order, whereby the expenditures on research or directly attributable to the research phase should always be recognized as an expense in the P&L when it is incurred.

Seprately acquired acquired intangible assets

Purchased software, licenses and industrial property rights are recognised at their cost and amortised on a straight-line basis over their expected useful lives as follows:

- Technology and software: The expected useful life over which these items are amortised on a straight-line basis is 8 years.
- Customer relationships: Amortised on a straight-line basis occurs over 6, 8, 16, and 20 years.
- Trademarks: Straight line amortised over 10 years.

Seprately acquired Intangible assets are subject to impairment testing if triggering events are identified in advance. Triggering events have not been identified in 2018.

Property, plant and equipment

Property, plant and equipment that shall be depreciated and is used for more than one year is measured at amortised cost and depreciated on a straight-line basis over the expected useful life. Office buildings are depreciated over an expected useful life of 10 to 50 years. Land is ordinarily not depreciated. Other plant and equipment is depreciated over the expected useful life of the underlying asset, which is between 3 and 5 years for computer hardware and generally 13 years for office furnishings. Maintenance and repair costs are recognised as expense for the period.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of, the asset shall be reduced to its recoverable amount. The reduction is an impairment loss. The recoverable amount is the higher amount of the value in use and the fair value less costs to sell.

Impairments

The carrying amounts of property, plant and equipment and of intangible assets are examined for indications of impairment at the end of each reporting period. If any such triggering event exists, the recoverable amount of the asset is calculated so that a potential impairment expense may be assessed. To the extent that the recoverable amount cannot be calculated at the level of the individual asset, the calculation is carried out at the level of the cash generating unit (CGU) to which the asset in question is allocated, on an appropriate and consistent basis. Assets are allocated to the individual CGUs or the smallest grouping of CGUs, as the case may be, on an appropriate and consistent basis. In the case of an intangible asset with an indefinite useful life or an intangible asset not yet available for use, impairment testing is carried out at least annually and whenever there are indications of impairment (triggering events).

The derivative goodwill is not subject to amortisation, but it is tested for impairment on the basis of the recoverable amount of the CGU to which it is allocated. For this, the goodwill acquired in the course of a business combination is allocated to each individual CGU which is likely to benefit from the synergies generated by the combination. The maximum size of such a CGU will be the operational segment as reported to the primary decision-making body, thereby establishing a link to the internal reporting system. Impairment testing is carried out at least once a year, and additionally when there is an indication of impairment of the CGU. There were no such indications in the fiscal year under review.

In the event that the carrying amount of the CGU, to which the derivative goodwill has been allocated, exceeds the recoverable amount, the derivative goodwill must be written off in the amount of the established difference. Once an impairment loss of a derivative goodwill has been recognised, it may not be reversed. Where the difference established for the CGU exceeds the carrying amount of the derivative goodwill allocated to it, the carrying amount of the assets allocated to the CGU are subjected to pro-rated impairments for a total of the remaining impairment amount.

The recoverable amount is the higher amount of the value in use and the fair value less costs to sell. Determining the value in use is based on the planning of the management for the CGU. From this planning, the cash flows for the CGU in question are derived taking into account the expected growth rates of the respective markets. They are discounted at the appropriate interest rate. The determination of the interest rate is based on the interest rate for risk-free investments, the market risk premium and the borrowed capital interest rate. Moreover, specific peer group information is taken into account for the beta factor and the level of indebtedness. The composition of the peer groups for the determination of the beta factor is continuously reviewed and adjusted if necessary.

Inventories and work in progress

Inventory is measured at the lower of purchase/production cost or net realisable value as of the reporting date. The production costs approach is based on directly attributable individual and overhead costs.

Financial instruments

Financial assets and liabilities are recognised where FinTech Group AG has a contractual right to receive cash or other financial assets from another party or is subject to a contractual obligation to transfer a financial asset to another party. Financial assets and financial liabilities are recognised from the point in time when FinTech Group becomes a contractual party to the financial instrument.

The classification of financial assets depends on the business model (held to maturity, held to maturity and selling, trading) as well as the type of cash flows associated with the financial instrument. Based on these criteria, a decision is made as to whether the financial asset is supposed to be measured at amortised cost or at fair value – either through profit or loss or through other comprehensive income. The classification and the value scale for the subsequent measurement take place upon receipt of the financial instrument.

Regular way purchases or sales of financial assets are principally recognised or derecognised on trade date.

After being classified as 'held to maturity', 'held to maturity and selling' or 'trading' and the type of cash flows associated with the financial instrument, the financial assets of FinTech Group AG are allocated to the following categories, which must also be considered as classes within the meaning of IFRS 9:

- Amortised cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets measured at fair value through profit or loss (FVPL)
- Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)

Amortised cost

The following financial instruments are assigned to the 'held to maturity' business model and measured at amortised cost by the FinTech Group:

- Trade account receivables
- Loans to customers (long and short term)
- Cash loans due to local authorities
- Other receivables
- Cash and cash equivalents

Financial instruments assigned to this category include only interest and principal payments on the principal amount outstanding as cash flows.

Financial assets measured at fair value through other comprehensive income (FVOCI)

The bonds assigned to the business model 'held to maturity and sell' are valued at fair value through other comprehensive income (FVOCI). At the time of purchase or access, they are recognised at the amortised cost plus ancillary acquisition costs and subsequently measured at fair value. Changes in the measurement of the bond portfolio are recognised in other comprehensive income and only recognised through other comprehensive income upon sale or maturity (FVOCI with recycling). The cash flows of this category of allocated financial instruments consist exclusively of interest and principal payments.

Financial assets measured at fair value through profit or loss (FVPL)

This item includes securities held for trading. The initial valuation is carried out at amortised costs and ancillary acquisition costs are recognised in profit or loss. Subsequent measurement is at fair value, with the changes in value being recognised directly in profit or loss.

Financial equity instruments measured at fair value through other comprehensive income (FVOCI-EK)

For equity instruments, insofar as they are not assigned to the trading portfolio, at the time the financial instrument was accessed, there is a fair value option recognised through profit or loss or at fair value through other comprehensive income. Fund shares are assessed as equity instruments measured at fair value through through other comprehensive income (FVOCI-EK) by the FinTech Group. As part of the first-time adoption of IFRS 9, the option for fair value through profit or loss was exercised for them. Measurement changes are recognised in this category in other comprehensive income (FVOCI without recycling). In case of a later sale, the amounts recognised in other comprehensive income are reclassified to retained earnings.

Measurement of financial liabilities

Financial liabilities are measured at amortised cost or at fair value through profit or loss. In the fiscal year, the financial liabilities of FinTech Group were still valued at amortised cost compared to the previous year.

Impairment

For financial instruments that are valued at amortised cost or at fair value (FVOCI with recycling) and for loan commitments, FinTech Group AG recognises a provision for risk under the 3-step approach in accordance with IFRS 9, taking expected losses into account (expected credit loss model).

Upon addition, risk provision level 1 is set up at the level expected next year (12-month horizon) (expected credit loss model (ECL)). If the credit rating has worsened or if the credit default risk of the financial instrument has increased significantly since initial recognition, the financial instrument moves into to level, and a loss allowance for full maturity expected credit losses is required (lifetime ECL). If an objective indication of an expected loss can be observed, the financial instrument moves to level 3, and a loan loss allowance is required which is assessed on an individual basis and covers the full lifetime of the financial instrument (lifetime ECL).

For the purpose of risk provisions calculations at FinTech Group AG, financial instruments with similar credit risks are grouped together or the credit risk is assessed individually.

Hedge Accounting

FinTech Group continues to make no use of the option of hedge accounting in the fiscal year compared to the previous year.

Measurement hierarchy levels for fair value

The following hierarchy levels apply to the fair value:

Level 1: The fair value of financial instruments traded in active markets (such as listed derivatives and equity instruments) is based on quoted market prices at the end of the reporting period. The quoted market price of the financial assets held by FinTech Group AG corresponds to the current bid price. These instruments are classified as Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using measurement techniques that maximise the use of observable market data and rely as little as possible on company-specific estimates. If all significant input factors to the fair value of an instrument are observable, the instrument is classified as Level 2.

Level 3: If one or more of the significant input factors are unobservable, the instrument is classified as Level 3. This applies to unlisted equity instruments.

Cash and cash equivalents

The measurement of cash and cash equivalents is at nominal value.

Pension obligations

The Group assesses the claims arising from defined benefit plans by applying the projected unit credit method in accordance with the requirements of IAS 19. In determining the net present value of the future benefit entitlement for services already provided, the Group takes into account future wage and pension increases. Actuarial gains and losses are recognised directly in other comprehensive income.

Income tax

Income tax for the period comprises current tax and deferred tax. Tax is recognised as income or expense and included in the profit or loss for the period, unless the tax arises from an item which is recognised in other comprehensive income. In this case, the relevant tax is recognised in other comprehensive income as well. Current tax is calculated on the basis of profit or loss realised in the fiscal year, which is determined according to applicable tax rules.

Deferred tax

For deferred taxes, the difference is calculated between the values of assets and liabilities in the consolidated financial statements and their values for tax purposes. Deferred tax assets are recognised to the extent that it is probable that these will generate future income against which the deductible temporary differences, any unused tax losses and any unused tax credits may be offset.

The capitalisation of deferred tax assets relating to loss carryforwards is subject to a special rule: These may only be capitalised where it is highly likely that sufficient taxable profits will be available in the future to offset the losses. The measurement is generally based on future taxable income over a planning period of five years.

The calculation of deferred amounts is made using the tax rate to be expected at the time of realisation.

Deferred tax assets and liabilities will be offset where a legally enforceable right exists to offset actual tax assets against actual tax liabilities, and where the deferred tax assets and the deferred tax liabilities relate to income tax levied by one and the same tax authority on one and the same taxpayer or on a number of taxpayers, if the balance is to be settled on a net basis.

Deferred taxes are reported in separate items on the balance sheet.

Provisions

A provision will be recognised where the Group is subject to a current de facto or legal obligation to third parties arising from a past event, the outflow of resources of economic benefit for the satisfaction of the obligation is likely, and it is possible to reliably estimate the extent of the obligation. Provisions with residual maturities of more than one year are discounted. Discounting is based on market interest rates. The settlement amount also includes the expected cost increases.

Contingent liabilities

If the criteria for forming a provision are not met, it is unlikely that the outflow of financial resources will be lost, as these obligations are reported in the notes to the consolidated financial statements. An outflow of financial resources is recognised as soon as it becomes probable and the amount of the outflow can be reliably estimated.

Liabilities

Current liabilities are stated at the repayment or settlement amount.

Non-current liabilities are carried at amortised cost in the balance sheet. Differences between the historical amortised costs and the repayment amount are taken into account using the effective interest method.

Liabilities from lease obligations are recognised at their present value.

Recognition of revenues

Revenues from contracts with customers are recognised when the power of disposal has been transferred or the service has been provided in accordance with the contractual agreements.

For the purpose of measuring customer contracts, a 5-step model is applied, which applies to all contracts for the delivery of goods and services, with the exception of leases, insurance contracts and financial instruments in particular; it also regulates the type, amount and timing of the collection of income. The individual steps are the following:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the independent performance obligations
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the individual performance obligations
- Step 5: Capturing revenue when (or as) the entity satisfies a performance obligation

If a contract contains several service components, the transaction price is split between all service obligations. Generally, the transaction prices for the individual service components result from the contractual provisions. If this is not the case, the transaction price will be assigned to all performance obligations based on the relative individual selling prices. If they are not directly observable, they are estimated using the expected cost-plus-margin approach.

Revenues from longer-term contracts that are fulfilled over a certain period of time are treated according to the input method. Thereafter, the proceeds are realised in the amount of completion level achieved. The stage of completion corresponds to the ratio of incurred costs to expected total costs. This method was adopted because the realisation of profits from the project phases corresponds to the actual conditions as closely as possible.

The Standard is mandatory for annual periods beginning on or after 01 January 2018. Please refer to further explanations and the impact of the first-time adoption of IFRS 15 as of 01 January 2018 in Note 5.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

The classification of leases is based on the extent to which significant risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

If substantially all risks and rewards are attributable to the lessor (operating lease), the leased asset is recognised in the statement of financial position of the lessor. The measurement of the leased asset is based on the accounting policies applicable to that asset. The lease payments are recognised in profit or loss by the lessee.

If all risks and rewards incidental to ownership of the leased asset are substantially attributable to the lessee (finance lease), the lessee must recognize the leased asset in the statement of financial position. At the commencement of the lease term, the leased asset is measured at the lower of fair value or present value of the future minimum lease payments and is depreciated over the shorter of the estimated useful life or the lease term. Depreciation is recognised as expense. Also at the commencement of the lease term, the lessee recognizes a lease liability equal to the carrying amount of the leased asset. Lease payments are apportioned between a finance charge and a reduction of the outstanding liability using the effective interest method, where the finance charge is recognised in profit or loss.

FTG Group companies have only liabilities from leasing contracts; thus they only act as lessees.

Earnings per share

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders of the parent company by the average number

NOTE 5 Changes in accounting policies – amended Standards and interpretations

Annual improvements

As part of its 'annual improvements', IASB makes small changes to existing standards. There is always a 3-year review cycle. They are listed in tabular form together with the current status of the EU endorsement. In addition to the ongoing revision of standards and interpretations as part of the 'annual improvement' project, new pronouncements are also issued on a regular basis.

New but not yet mandatory Standards and interpretations

The following new or amended Standards and interpretations have already been adopted by the IASB and the IFRS Interpretations Committee (IC), but have not yet come into force or have not yet been enacted in European law. The Group has opted against early application of these Standards and interpretations.

New Standards, interpretations and improvements

Standard / Interpretation	Date of Publication	Amendment/new regulation	Date of application (EU)	EU endorsement
IFRS 9 Financial instruments	10/12/2017	Prepayment feature with negative compensation	Fiscal years that started on or after 01/01/2019	Yes
IFRS 16 Leases	01/13/2016	New accounting regulation for leases with the introduction of a single accounting model for lessees	Fiscal years that started on or after 01/01/2019	Yes
IFRIC 23	06/07/2017	Uncertainty over income tax treatments	Fiscal years that started on or after 01/01/2019	Yes
IAS 19 Employee benefits	02/07/2018	Reassessment in the event of a plan change, reduction or fulfilment/availability of reimbursement from a defined benefit plan	Fiscal years that started on or after 01/01/2019	No
IAS 28: Investments in associates	10/12/2017	Clarification on the application of IFRS 9 to long-term equity participations in an associate or joint venture	Fiscal years that started on or after 01/01/2019	No
IFRS 3 Business combinations	10/22/2018	Clarification to determine whether a business or group of assets has been acquired	Fiscal years that started on or after 01/01/2020	No
IFRS 17 Insurance contracts	05/18/2017	New accounting regulation for insurance contracts	Fiscal years that started on or after 01/01/2021	No
Improvement of International Financial Reporting Standards 2015 - 2017	12/12/2017	IFRS 3/IAS 11: Clarification on the remeasurement of shares on initial control IAS 12: Clarification that all income tax effects of dividends should be presented IAS 23: Treatment of borrowing costs after completion of the asset	Fiscal years that started on or after 01/01/2019	No
Framework Amendments to References to the Conceptual Framework in IFRS Standards	03/29/2018	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 updates some of those references and quotations so that they refer to the 2018 Conceptual Framework	Fiscal years that started on or after 01/01/2020	No

All of the above Standards, interpretations, and amendments to existing Standards and interpretations, will probably be applied by FinTech Group AG - to the extent that they are relevant – not earlier than from the date when their first-time application is mandatory.

Presentation of the effects of IFRS 16 on the Group

For the purpose of first-time application of IFRS 16, the Group recognises lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are measured at the net present value of the remaining lease payments, discounted at the lessee's marginal interest expense on borrowings as of 01 January 2019. The weighted marginal interest expense on borrowings of the lessee applied to the lease liabilities as of 01 January 2019 is approximately 10.35 %. Leasing liabilities from rental lease agreements are discounted at the respective interest rate of the suppliers.

The associated rights of use for property leases are retrospectively assessed as if IFRS 16 had always been applied. Other usufructuary rights are recognised in the amount of the associated lease liabilities, adjusted by the amount of any prepaid or deferred lease payments recognised in the balance sheet as of 31 December 2018. As of 01 January 2019, this will result in an increase in property, plant and equipment by an expected mid single-digit million amount.

Upon first-time adoption of IFRS 16, the Group will apply the following practical expedients:

- Appliying of a single discount rate to a portfolio of similarly constructed leasing contracts (similar characteristics)
- Recognisingt for leases that had a residual maturities of less than 12 months as of 01 January 2019 as current leases
- Disregarding of initial direct costs when measuring usufructuary rights at the time of initial application
- Retroactive determination of the lease term for contracts with extension or termination options

The Group does not apply IFRS 16 to agreements classified as non-leases under IAS 17 and IFRIC 4 'Determining Whether an Arrangement Contains a Lease'. The Group also waives the applicability of IFRS 16 for intragroup leases and applies the adjusted management approach (allocation of head leases to Group companies).

The impact on earnings after taxes of the adoption of the new regulations is not expected to be material. With regard to EBITDA, an increase in the low single-digit million euro range is expected as a result of the operating lease payments; however, the depreciation of the

Newly applied Standards and interpretations in the current reporting period (2018)

The following Standards became mandatory in 2018 and were newly applied by FinTech Group AG:

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39. IFRS 9 financial instruments contains the applicable rules for recognition and measurement, derecognition and hedge accounting. Please refer to Note 4 for detail the new accounting and measurement methods applied: Explanations of significant accounting and measurement methods. In compliance with the transitional provisions of IFRS 9 (7.2.15 and 7.2.26), comparison figures were not adjusted retrospectively.

Impact of IFRS 9 on the consolidated financial statements of FinTech Group AG

As part of the first-time application of IFRS 9 as of 01 January 2018, the following significant reclassifications and effects within the balance sheet item 'Other current financial assets' were identified with regard to the categorisation and the carrying amounts of the financial instruments:

In kEUR (01/01/2018)

To IFRS 9 / From IAS 39	Financial assets measured at fair value through profit or loss FVPL	Financial assets measured at fair value through other comprehensive income or loss (FVOCI)	Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	Total IAS 39
Available-for-sale financial assets (afs)	119	87,297	90,102	177,517
Financial assets at fair value through profit or loss (htf)	1,006	-	-	1,006
Total IFRS 9	**1,125**	**87,297**	**90,102**	**178,524**

The reclassifications due to their first application as of 01 January 2018 had no significant impact.

In accordance with the transitional provisions of IFRS 9.7.2.15, comparison figures were not adjusted retrospectively.

The financial assets measured at amortised cost in the consolidated financial statements have been assigned to the business model 'held to maturity' and meet the cash flow criterion. Measurement continues to be carried out at amortised cost, with the result that the first-time application as of 01 January 2018 had no impact.

First-time application of IFRS 9 has no impact on financial liabilities.

The risk provision as of December 31, 2017 in accordance with IAS 39 for financial instruments measured at amortized cost in the amount of kEUR 399 increased by kEUR 169 from IFRS 9 to kEUR 560 due to the first-time application effect as of January 1, 2018 and was allocated to Level 1. There were no other significant first-time application effects with regard to risk provisioning.

Hedge Accounting

FinTech Group AG continues to make no use of hedge accounting. Thus, there were no effects on the consolidated financial statements.

Impact of IFRS 15 on the consolidated financial statements of FinTech Group AG

As of 01 January 2018, FinTech Group AG will retrospectively apply IFRS 15 'Revenue from Contracts with Customers' and in accordance with the transitional provisions. Thereafter, IFRS 15 was only applied to those contracts that were not yet fulfilled by 01 January 2018. IFRS 15 requires quantitative and qualitative disclosures about the breakdown of revenues, performance obligations and contractual balances as well as significant judgements.

In fiscal year 2017, FinTech Group AG set up a project team to evaluate contracts with customers in accordance with IFRS 15. FinTech Group AG uses a semi-automated process to record customer contracts in the Group's ERP system to minimise the administrative burden of introducing IFRS 15.

According to IFRS 15, this is about revenue in the amount at which a company can expect the corresponding consideration in return for the transfer of goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new regulation applies to all companies and will replace all current regulations on revenue recognition in accordance with IAS/IFRS. Either full or modified retroactive application is required for fiscal years beginning on or after 01 January 2018. FinTech Group AG applies a modified version of IFRS 15 with retrospective effect, since the effects of the application are classified as non-material. In mid-April 2016, the International Accounting Standards Board (IASB) published the final clarifications to IFRS 15. Questions regarding implementation were particularly clarified with the changes. These questions concern the identification of performance obligations, the principal agent and intellectual property application guidelines, and the transitional provisions.

For transaction-based business, IFRS 15 does not change the amount or timing of revenue recognition because transaction-based revenue requires no other consideration under the new Standard. In addition, IFRS 15 does not change the timing of revenue recognition.

NOTE 6 Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with IFRS implies the adoption of assumptions and the use of estimates which have an impact on the amounts and the disclosure of assets and liabilities and/or revenues and expenses. All available information has been taken into account in this regard. The assumptions and estimates relate mostly to the stipulation of useful lives in a consistent manner throughout the Group, the determination of recoverable amounts for impairment testing of individual CGUs, and the recognition and measurement of provisions. The currently strained interest rate scenario in the financial markets provides a particular example for uncertainty in estimates, specifically as it relates to the measurement of reported pension provisions. As a consequence, values actually realised in the future may deviate from the estimates made now. New information is taken into account as soon as it becomes available. The assumptions and estimates are deemed not to have changed significantly between the reporting date and the presentation of these consolidated financial statements.

The impairment test of non-financial assets (in particular goodwill, capitalised development costs and customer relationships) is based on assumptions regarding future cash flows during the planning period and, if necessary, beyond, as well as the discount interest rate to be used.

The fair values of assets and liabilities assumed in the course of a business combination are determined using recognised measurement methods (e.g. license price analogy method, residual value method), provided there are no observable market values.

The estimation of useful life on which depreciation on depreciable fixed assets is based is generally based on past experience and is reviewed regularly.

Determining the recoverability of financial assets requires estimates of the amount and probability of occurrence of future events. In this context, we refer to the comments on financial instruments under Note 14.

The accounting for and measurement of provisions requires an estimate of the amount and probability of occurrence of future events as well as estimates of the discount rate. These estimates are usually based on past experience or external expertise.

The calculation of deferred tax assets involves an estimate of future taxable income and the date of realisation.

NOTE 7 Business combinations

There were no business combinations in accordance with IFRS 3 in the 2017 fiscal year.

In fiscal year 2018, flatex Bank AG acquired the majority interest (direct purchase of 100% of the voting shares) in factoring.plus.GmbH, Leipzig, whereby 30 December 2018 is the acquisition date and 31 December 2018 is the initial consolidation date.

Factoring.plus.GmbH is a factoring provider based in Leipzig and also has a branch in Frankfurt. The business was founded in 2002. The company's services include the ongoing purchase of receivables, bad debt protection and debtor management. As a financial service provider, the company is subject to supervision by the Federal Financial Supervisory Authority (BaFin). By acquiring factoring.plus.GmbH, FinTech Group AG intends to expand its portfolio in the Financial Services segment and strategically strengthen its C & T segment in particular.

The purchase price for the acquisition of factoring.plus.GmbH totalled kEUR 6,400 and consists of the following:

- kEUR +0.1 direct payment
- kEUR +6,000 claims of flatex Bank AG from acknowledgement of debt to factoring.plus.GmbH
- kEUR -2,361 cash deposits at flatex Bank AG
- kEUR +2.761 account credit line of factoring.plus.GmbH at flatex Bank AG.

With the exception of direct payment, the purchase price components were taken into account as part of the consolidation of pre-commercial relationships.

The remeasurement of the intangible assets from customer relationships after the acquisition date in the amount of kEUR 3,560.0, less deferred taxes (32%) resulted in remeasured equity of factoring.plus in the amount of kEUR -1,374.2. The purchase price allocation resulted in goodwill of kEUR 7,775. The capitalised goodwill has no relevance for income tax purposes and is attributable to continuing operations.

With full consolidation of factoring.plus.GmbH as of 01 January 2018, sales revenues would have been 5,634 kEUR and the net loss for the year -9,922 kEUR. In the consolidated financial statements of FinTech Group AG as of 31 December 2018, the contributions of the acquisition object are included exclusively for the reporting date 31 December 2018.

NOTE 8 Group subsidiaries with minority shareholders

As of 31 December 2018, significant minority shareholders existed only at the level of factoring.plus.GmbH, Leipzig. The non-controlling interest relates to the direct subsidiary of factoring.plus.GmbH, financial.service.plus GmbH, Leipzig. As of 31 December 2018, this share amounted to 28.0% of the equity of factoring.plus.GmbH. These non-controlling interests accounted for a gain of kEUR 12 on the result of factoring.plus.GmbH.

The following tables disclose condensed financial information on assets and liabilities, profit and loss, and cash flows of financial.service.plus GmbH for the fiscal years 2018 and 2017. The information provided relates exclusively to financial.service.plus GmbH prior to any intra-group eliminations.

Statement of financial position (condensed)

In kEUR	2018	2017
Current		
Assets	678	761
Liabilities	-368	-463
Total current net assets	310	298
Non-current		
Assets	723	508
Liabilities	-263	-78
Total non-current net assets	460	430

Income statement (condensed)

In kEUR	2018	2017
Revenues	1,616	1,760
Earnings before income taxes	66	155
Earnings from continuing operations net from tax	44	104
Other earnings	-	-
Comprehensive income	44	104
Total earnings attributable to minority shareholders	12	29
Dividends paid to minority shareholders	-	-

Combined cash flow presentation

In kEUR	2018
Net income from continuing activities	**44**
Depreciation and amortisation/appreciation on property, plant and equipment and intangible assets	193
Increase (+)/decrease (-) in the debit difference from asset allocation	-
Increase (+)/decrease (-) in provisions	-31
Other non-cash expenses (+)/income (-)	-
Gain (-)/loss (+) on disposal of objects or fixed assets	-
Increase (-)/decrease (+) in inventories, trade receivables and other assets	178
Increase (+)/decrease (-) in trade payables and other liabilities	121
Interest expense (+)/income (-)	
Income tax expense (+)/income (-)	
Income tax payments (+/-)	
Cash flow from operating activities - continuing activities	**505**

In kEUR	2018
Proceeds from the disposal of assets (+)	
Purchase investments in assets (-)	-409
Interest received (+)	
Net cash flow from investments	**-409**
Issue (-)/repayment (+) of loans to related parties	
Taking out (+)/repayment (+) of loans from third parties	
Interest paid (-)	
Dividend distribution	
Inflows from capital increase by the parent company´s shareholders	
Cash flow from financing activities	**-**
Change in cash and cash equivalents	**96**
Cash and cash equivalents at the beginning of the period	66
Cash and cash equivalents at the end of the period	**162**

NOTE 9 Intangibles assets

Intangible assets in 2018 are as follows:

In kEUR	Acquisition/ production costs as of 01/01/2018	Additions
Goodwill	28,780	7,775
Completed development costs	26,479	9,942
Current development cost	5,300	2,369
Customer relationships	6,200	3,040
Industrial property rights and similar rights	9,455	724
Trademarks	700	-
Down payments	283	308
Intangible assets	**77,197**	**24,158**

The additions to goodwill and customer relationships are attributable to the acquisition of factoring.plus.GmbH, Leipzig

Disposals	Reclassifications	Acquisition/ production costs as of 12/31/2018	Accumulated amortisation as of 12/31/2018	Carrying amount as of 12/31/2018	Amortisation in 2018
-	-	36,555	-	36,555	-
-	2,941	39,362	9,069	30,292	3,205
-	-2,941	4,728	107	4,835	-
-	-	9,240	1,280	7,960	341
6	-	10,185	7,521	2,451	1,338
-	-	700	263	438	70
459	-	133	-	133	-
465	**-**	**100,903**	**18,240**	**82,664**	**4,955**

Intangible assets in 2017 are as follows:

In kEUR	Acquisition/ production costs as of 01/01/2017	Additions	Disposals
Goodwill	28.780	-	-
Completed development costs	16.925	2.510	-
Current development cost	6.965	5.379	-
Customer relationships	6.200	-	-
Industrial property rights and similar rights	8.813	2.374	1.732
Trademarks	700	-	-
Down payments	-	283	-
Intangible assets	**68.383**	**10.546**	**1.732**

Reclassifications	Acquisition/ production costs as of 12/31/2017	Accumulated amortisation as of 12/31/2017	Carrying amount as of 12/31/2017	Amortisation in 2017
-	28,780	-	28,780	-
7,044	26,479	5,757	20,722	2,192
-7,044	5,300	-	5,300	-
-	6,200	938	5,262	341
-	9,455	7,356	2,099	1,130
-	700	193	508	70
-	283	-	283	-
-	**77,197**	**14,244**	**62,953**	**3,733**

Goodwill is the only intangible asset with an indefinite useful life.

Intangible assets with a definable useful life are stated at their acquisition or production cost, less accumulated amortisation and impairments. Amortisation of intangible assets is presented in the statement of profit or loss and other comprehensive income under the line item. Depreciation, amortisation and write-downs. Intangible assets are amortised a straight-line basis.

Goodwill as well as current development costs are subject to annual impairment testing.

The recoverable amount of the asset is determined by calculating its 'value in use' on the basis of five-year cash flow forecasts and a pre-tax discount rate of 9.52% p. a. (previous year: 10.35%). Cash flows beyond the five-year period are extrapolated by assuming a long-term growth rate of 1% p. a. The assumptions in the impairment tests are based on management's previous experiences regarding the respective asset.

Management believes that no reasonable possible change in one of the assumptions used to determine the respective 'value in use' of the tested assets could result in the carrying amount of such an asset to significantly exceed its recoverable amount.

Individual, material intangible assets:

Assets	Line item	Carrying amount 12/31/2018 TEUR	Carrying amount 12/31/2017 TEUR	Remaining amortisation Years
Technology and software (XCOM)	Capitalised development costs	8,659	**10,697**	**4**
Customer relationships (ViTrade)	Customer relationships	3,006	**3,191**	**16**
Customer relationships (factoring.plus)	Customer relationships	3,040	**-**	**12**
Customer relationships (Bank)	Customer relationships	1,914	**2,070**	**12**

No significant portion of personnel expenses was invested in research (previous year: kEUR 2,086). The significant decline resulted from increased research services in 2017 with regard to regulatory development services in 2018.

NOTE 10 Group impairment of derivative goodwill

Cash generating units

For the purpose impairment testing, the derivative goodwill acquired as part of a business combination is allocated to the existing segments as cash-generating units (CGUs). Goodwill from the acquisition of XCOM AG totalling kEUR28,780 (previous year: kEUR28,780) is distributed over the segments 'TECH' (20%) and 'FIN' (80%). The goodwill from the acquisition of factoring.plus.GmbH is fully allocated to the 'FIN' segment.

1. 'FIN': This CGU includes products and services in B2C online brokerages, in B2B white-label banking, and electronic custody and portfolio management and other banking services.
2. 'TECH': This CGU includes IT services and R&D activities.

Impairment testing of goodwill

The impairment of goodwill is tested on a regular basis at the end of each annual period, and also if and when a triggering event for an impairment is identified.

To determine the economic value of each segment, the Group takes into account, among other things, increasing competition and strategy changes within the respective segment.

The cash flow forecasts are based on the detailed five-year budget approved by management. The discount rate used to calculate the expected pre-tax cash flow is based on the 'weighted average cost of capital' (WACC) concept. Any cash flows expected after the detailed four-year budget period are calculated by using an extrapolated perpetual growth rate (perpetuity). The growth rate used for this is the same as the long-term average growth rate predicted for the financial technology industry as a whole, which is also expected for our CGUs. Both past data and forward-looking data, i.e. expectations as to future market developments, are incorporated into the cash flow forecasts. Anticipated growth of the company's business is also taken into account for the forecast.

Basic assumptions for calculating the recoverable amount

In estimating the value in use of the CGU, there are uncertainties affecting the underlying assumptions, in particular with respect to:

- Discount factor (interest rate)
- Market share attainable during the reporting period
- Growth rate used for extrapolating expected cash flows beyond the five-year detailed budget period.

Discount factor: The discount rate reflects current market assessments of the specific risks attributable to a CGU. The discount rate is estimated based on the industry average 'WACC'. The interest rate is further adjusted for expected market risks attributable to a CGU, which have not already been reflected in the future cash flow estimates for that CGU.

Assumptions about the market share: Assumptions about market share correspond to the estimate of the growth rate. It thus reflects management's view of how a CGU positions itself relative to other competitors during the budget period.

Estimated growth rates: Growth rates are based on published industry-specific market research.

As of 31 December 2018 and per 31 December 2017, no impairment of derivative goodwill had to be recognised as a result of impairment testing.

The carrying amount of the CGU 'TECH' as of 31 December 2018 amounts to kEUR 52,829 (previous year: kEUR 41,148). The recoverable amount of this CGU is kEUR 58,898 (previous year: kEUR 63,258). The derivative goodwill allocated to this CGU as of 31 December 2018 was kEUR 5,756 (previous year: kEUR 5,756). The pre-tax discount rate used for the cash flow forecast was 9.52% (previous year: 10.35%). The long-term growth rate is 1.0% (previous year: 1.0%). The change in the recoverable amount of the CGU results from the adjustment of the "Other & Consolidation" segment from the 2017 financial year by allocating the holding expenses to the two operating business segments. Without the adjustment, the recoverable amount would have been kEUR 148,558.

The carrying amount of the CGU 'FIN' as of 31 December 2018 amounts to kEUR 127,401 (previous year: kEUR 75,591). The recoverable amount of this CGU is kEUR 356,364 (previous year: kEUR 247,437). The derivative goodwill allocated to this CGU as of 31 December 2018 was kEUR 30,631 (previous year: kEUR 23,024). The pre-tax discount rate used for the cash flow forecast was 9.52% (previous year: 10.35%). The long-term growth rate is assumed to be 1.0% (previous year: 1.0%). The increase in the recoverable amount results from the focus on the expansion of the business model and associated, expected cash inflows in the forecast period.

Sensitivity of assumptions

Management believes that no reasonably possible change in one of the assumptions used to determine the respective 'value in use' of either the TECH-CGU or the FIN-CGU could result in the carrying amount of either CGU to significantly exceed its recoverable amount. The carrying amount of the CGU TECH correspond to the Group units of FinTech Group AG and Xervices GmbH, while the FIN CGUs are the Group units flatex Bank AG, Brokerport Finance GmbH and factoring.plus.GmbH.

NOTE 11 Property, plant and equipment

Property, plant and equipment in fiscal year 2018 was as follows

In kEUR	Acquisition/ production costs as of 01/01/2018	Additions	Disposals	Acquisition/ production costs as of 12/31/2018	Accumulated amortisation as of 31/12/2018	Carrying amount as of 12/31/2018	Amortisation in 2018
Land and buildings including buildings on leased land	4,581	523	3	5,101	3,033	2,068	310
Other plant and equipment	13,687	2,926	131	16,482	10,957	5,525	2,548
Property, plant and equipment	**18,268**	**3,449**	**134**	**21,583**	**13,990**	**7,593**	**2,859**
of which from discontinued business segments						-	-
Property, plant and equipment from continuing activities	**-**	**-**	**-**	**-**	**-**	**7,593**	**2,859**

Property, plant and equipment in fiscal year 2017 was as follows

In kEUR	Acquisition/ production costs as of 01/01/2017	Additions	Disposals	Acquisition/ production costs as of 12/31/2017	Accumula-ted amorti-sation as of 31/12/2017	Carrying amount as of 12/31/2017	Amortisation in 2017
Land and buildings including buildings on leased land	4,848	309	576	4,581	2,598	1,983	393
Other plant and equipment	15,780	2,357	4,449	13,687	8,314	5,373	1,541
Property, plant and equipment	**20,627**	**2,665**	**5,025**	**18,268**	**10,912**	**7,356**	**1,933**
of which, from discontinued business segments						382	76
Property, plant and equipment from continuing activities	-	-	-	-	-	**6,973**	**1,857**

For fiscal year 2018 – as well as in 2017 – no impairment expense or appreciation in value was recorded. No property, plant and equipment has been pledged as collateral.

The carrying amounts of property, plant and equipment essentially correspond to their fair values. Considerable discrepancies were not found.

NOTE 12 Financial instruments

The following table presents the carrying amounts and the fair values (for underlying measurement level, see Note 4 'Explanation of Significant Accounting Policies') of each financial asset and liability depending on the nature of the business model and the measurement category:[1234]

In kEUR	Carrying amount 12/31/2018	Carrying amount 12/31/2017
Business Model 'hold until maturity'		
(Amortised) cost [1)4)]		
Long-term loans to customers	41,110	26,497
Cash loans due to local authorities	18,900	237,165
Current loans due to customers	217,244	175,415
Other receivables due to banks	40,466	12,610
Cash and cash equivalents	655,046	397,002
Business Model 'hold to collect and sell'		
Financial assets measured at fair value through other comprehensive income (FVOCI) [2)]	57,374	87,297
Business model 'hold to sell'		
Financial assets recognised at fair value through profit or loss (FVPL) [3)]	893	1,125
Equity instruments without held for trading		
Financial assets measured at fair value through other comprehensive income (FVOCI-EK) [2)]	82,465	90,102
Financial liabilities		
Financial liabilities measured at amortised cost (including trade payables) [4)]	**1,016,718**	**981,136**

For the description of the business model, see Note 4: Explanations of significant accounting and measurement methods.

The amount by which the fair value of financial liabilities has changed during the reporting period due to a change in counterparty default risk

Please refer to our comments under Note 5 for the first-time application of IFRS 9 as of 1 January 2018 with regard to the categorisation and the measurements of financial instruments as well as the reclassifications and effects at item level: Changes in accounting policies.

The majority of the receivables have a term of less than one year, so there is no material difference between the carrying amount and fair value. Furthermore, long-term loans to customers have a maximum term of up to 3 years. The carrying amount of these loans is also an appropriate approximation of their fair value.

1 *As of 31 December 2017, these financial instruments were still assigned to the holding category 'amortised cost' in accordance with IAS 39.*
2 *Previous year's figures: Financial assets available for sale*
3 *Previous year's figures: Financial instruments at fair value through profit or loss (held for trading)*
4 *The carrying amounts represent an appropriate approximation of the fair values.*

Cash and cash equivalents

In kEUR	2018	2017
Balances with central banks	550,079	224,355
Receivables due from banks (due on daily basis)	88,036	133,839
Cash on hand	11,564	26,937
Credit balances	5,367	11,870
Total	**655,046**	**397,002**

The cash and cash equivalents amount in the cash flow statement corresponds to the respective amount in the balance sheet. In fiscal year 2018, there were no material restrictions regarding cash and cash equivalents.

Loans to customers

Loans to customers mainly include security-backed loans such as Lombard loans and flatex flex loans, the acquired claims from true-sale factoring with factoring.plus.GmbH, which are collaterized by commercial credit insurances from large insurance companies, as well as the specialised lending options that include contingency insurance, guarantees and assignments of claims, TV and advertising rights.

With further expansion of the loan book, loans to customers increased overall to kEUR 258,254 (previous year: kEUR 201,912). The increase in short-term receivables and advances to customers is due to the expansion of the factoring business. The share of factoring in the loan book increased to kEUR 96,624 (previous year: kEUR 47,558). Of this amount, kEUR 4,115 relates to receivables from true-sale factoring resulting from the acquisition of factoring.plus.GmbH.

The increase in long-term loans to customers compared to the previous year is mainly due to the expansion of specialised lending.

Cash loans due to local authorities

Cash loans to municipalities declined by kEUR 218,265 to kEUR 18,900, as in the previous year. The reason for this was the continuing negative returns and the associated reduced investment attractiveness. The liquidity freed up was deposited as a cash with the European Central Bank and was weighed against risk and return considerations.

Other receivables due to banks

Other loans and advances to banks amounting to kEUR 40,466 (previous year: kEUR 12,610) mainly include receivables for collateral provided by cooperation banks in the amount of kEUR 15,530 (previous year: kEUR 10,530), kEUR 15,000 for cash collateral granted and kEUR 5,000 for security for foreign exchange transactions.

Financial assets (FVOCI) and equity instruments (FVOCI-EK) measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include bonds of non-public issuers in the amount of kEUR 57,922 (previous year: kEUR 71,669) and shares in funds in the amount of kEUR 82,344 (previous year: kEUR 89,913). Bonds issued by public issuers are not held by the Group as of 31 December 2018 (previous year: kEUR 15,067).

Amounts recognised in OCI

For the financial assets and equity instruments measured directly in equity, the following amounts were recognised in other comprehensive income (OCI):

In kEUR	12/31/2018	12/31/2017
Equity instruments measured at fair value through other comprehensive income (FVOCI-EK)	82,465	90,102
Financial assets measured at fair value through other comprehensive income	57,374	87,297

It is possible to designate the equity instruments not held for trading as 'at fair value with changes in fair values in other comprehensive income (OCI)'. As the shares and the investment funds are held as strategic investments, there is no intention to sell the investments and the FVOCI option for equity instruments has been exercised.

The debt instruments held (bonds) are classified at fair value with changes in value in other comprehensive income (FVOCI-FK) because the financial assets are held in a portfolio with in the business model 'held to collect and sell' and whose contractual cash flows meet the SPPI criterion.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss mainly include shares in the amount of kEUR 881 (previous year: kEUR 699) and other non-fixed-income securities from the designated sponsoring business in the amount of kEUR 12 (previous year: kEUR 139).

Financial instruments measured at fair value

FinTech Group AG carries out fair value measurements of selected financial instruments on a regular/recurrent basis.

Fair values for the instruments of these three categories are based on quoted prices in active markets that the entity can access on the measurement date (level 1 of the measurement techniques for the fair value hierarchy according to IFRS 13). This includes fixed income securities, mutual funds, and equities.

The fair value of financial instruments listed in active markets accessible to the Group is determined on the basis of observable market price quotations, insofar as these represent prices used in regular and current transactions, and is primarily to be recognised as a fair value on the measurement date (market to market).

The fair value disclosed for these instruments is to be categorised as level 3 input in the fair value hierarchy. The inputs for the fair value measurement of loans and receivables as well as financial liabilities are the prices which were agreed between the Group companies and their counterparties for individual transactions. This relates to receivables from long-term loans from the area of special financing as well as long-term loan liabilities (see also Note 14 Non-current liabilities to banks and non-banks).

Fair value of financial instruments that are not recognised at fair value

The disclosure of fair values is only required for financial instruments that are not measured at fair value. A fair value that deviates from the carrying amount can occur, above all, with fixed-rate financial instruments in the event of a significant change in interest rates. The effect of a change in the market interest rate is greater, the longer the residual maturities of the business.

The carrying amount represents a reasonable approximation of the fair value of the following financial instruments, which are predominantly short-term. There is no material difference between the carrying amount and fair value. These include the following financial instruments:

In kEUR	Carrying amount 12/31/2018
Assets:	
Cash on hand and balances at credit institutions and central banks	567,010
Current loans due to customers	217,144
Receivables due from banks	40,466
Cash loans to due local authorities	18,900
Receivables from banks due on daily basis	88,036
Liabilities and stockholders' equity:	-
Trade payables to third parties	1,780
Liabilities to customers	955,433
Liabilities to banks	57,260
Other financial liabilities	2,245

For financial instruments that are not to be recognised in the statement of financial position at fair value, fair values must also be disclosed in accordance with IFRS 7, the measurement method of which is presented below.

Financial instruments that are not measured at fair value are not managed on the basis of their fair value. This applies, for example, to receivables from the field of football financing, credit facilities issued to corporate customers and individual receivables purchased as part of true-sale factoring. For such instruments, the fair value is calculated only for the purposes of the notes and has no effect on the consolidated balance sheet or on the consolidated statement of comprehensive income.

For longer-term financial instruments in these categories, the fair value is calculated by discounting the contractual cash flows using interest rates that could have been obtained for assets with similar residual maturities and credit default risks. In the case of liabilities and stockholders' equity, interest rates are used on which corresponding liabilities with similar residual maturities could have been taken on the reporting date.

Fair value is determined using DCF techniques that take into account credit risk, interest rate risk, currency risk, estimated loss of outage and the amounts utilised in the event of default. The parameters credit risk, counterparty default risk and claim at the time of default are, if available and appropriate, based on information from the relevant credit agreement.

Collateral held

FinTech Group AG does not hold any financial or non-financial collateral according to IFRS 7.15.

Collateral provided

The Group has provided collateral with the clearing and depositary agents of flatex Bank AG for the processing of the bank's financial commission business. The collateral is largely provided in the form of deposited securities. As of 31 December 2018, the carrying amount of collateral provided amounts to kEUR 45,201 (31 December 2017: kEUR 46,808).

The material transactions and their underlying contractual terms are the following:

- A substantial portion of the total amount of collateral is attributable to the securities traded at the Eurex stock exchange. There are two types of collateral, the so-called 'clearing fund' and the 'margin'. The clearing fund, amounting to kEUR 5,000 as of 31December 2018 (31 December 2017: kEUR 5,000), represents the minimum level of collateral to which Eurex would have access in the event of default of a clearing member. The margin amount (31 December 2018: kEUR 15,000; 31 December 2017: kEUR 15,000) depends in particular on the risk content of the transactions. The margin is supposed to cover the risk of pending transactions at Eurex. This is supposed to secure potential market price fluctuations. The required 'margin' amount is determined by Eurex on a daily basis.
- FinTech Group AG executes out foreign exchange transactions with two business partners. For the credit default risk inherent in these transactions, it has to provide collateral in contractually fixed amounts. As of 31 December 2018, the total amount thus provided is kEUR 10,030 (31 December 2017: kEUR 10,030).
- Its business partners have granted FinTech Group AG credit lines for the settlement of securities transactions in foreign currency, for a total of kEUR 8,721 (31December 2017: kEUR 16,778). Collateral is provided in the form of deposited securities in the amount of kEUR 9,491 (31 December 2017: kEUR 16,778). FinTech Group AG can dispose of the deposited securities pledged as collaterals at any time with a reduction of the respective credit line simultaneously.
- The collateral can be delivered in the form of pre-defined securities with a fixed maturity and short- and long-term maturities as well as short-term available cash. An exchange within the permissible collateral is possible at any time as long as the collateral requirement is met.

In addition, FinTech Group has provided collateral for the financing of an owner-occupied business property in the German federal state of North Rhine-Westphalia. Collateral is provided in the form of a registered mortgage in the amount of kEUR 1,500 against the owner-occupied business property, in favour of the lender of the instalment loan. The loan amount as of 31December 2018 is kEUR 875 (previous year: kEUR 1,042).

Net gains/losses from financial instruments

The net gains/losses from financial instruments are as follows:

In kEUR	Net gains 2018	Net losses 2018
Financial assets measured at fair value through profit or loss	-	135
Financial assets measured at amortised cost	13	6,028
Investments in equity instruments designated at fair value through other comprehensive income (FVOCI-EK)	247	62
Financial assets measured at fair value through profit or loss (fair value through OCI for debt instruments)	574	169
Total interest revenue and total interest expense for financial assets measured at amortised cost	10,912	739
Fees income and expense	-	-

In kEUR	Net gains 2017	Net losses 2017
Financial assets measured at fair value through profit or loss	1,078	-
Total interest income and total interest expenses from loans and receivables	9,660	228
Financial assets available for sale	189	-

The net gains and losses from loans and receivables result mostly from adjustments to bad loan charges as well as from the recovery of previously written off principal and interest. The net gains and losses from financial assets available for sale, as well as from financial assets or liabilities measured at fair value through profit or loss, mostly come from changes in market value, and from dividends and interest received.

NOTE 13 Equity

Subscribed capital

At the end of the reporting year, the subscribed capital is divided into 18.737 million (previous year: 17.511 million) common shares issued in registered form without par value with a proportionate, notional par value of EUR 1.00 each. As of the balance sheet date, the subscribed share capital of FinTech Group AG amounts to kEUR 18,737 (previous year: kEUR 17,506).

In September 2018, Österreichische Post Aktiengesellschaft, Vienna, participated in FinTech Group AG as part of a strategic cooperation by means of a 7% capital increase. With this transaction, the number of issued and outstanding shares increased by 1,225,761, and subscribed capital was increased by kEUR 1,226.

No treasury shares were held by FinTech Group AG and its subsidiaries on 31 December 2018 (end of the previous year: 4,450 shares). The distribution of treasury shares to its own employee from a special Christmas bonus 2017 and the complete sale of remaining treasury shares took place in the current reporting period.

Authorised capital

At the beginning of reporting period 2018, FinTech Group AG had authorised capital of kEUR 7,705.

The following resolutions regarding the issuance of new shares were passed in 2017:

1. The authorised capital 2014 in the amount of kEUR 5,598 was revoked in its entirety by resolution of the general meeting on 05 July 2017.
2. By resolution of the general meeting on 05 July 2017, subject to approval by the Supervisory Board, the Management Board was authorised to increase the subscribed share capital, by a total of up to kEUR 5,598, by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 04 July 2022 (authorised capital 2017). Principally, the existing shareholders must be granted pre-emptive rights. Subject to approval by the Supervisory Board, the Management Board, is authorised to exclude such pre-emptive rights of the shareholders in specific instances. On 13 December 2017, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorisation granted on 05 July 2017, resolved to increase the subscribed share capital by kEUR 700 to a new total of kEUR 17,511 by issuing 700,000 new no-par-value registered shares. The capital increase was transacted against contribution in cash. The authorised capital 2017 was hereby partly utilised; after registration of the capital increase, the remaining authorised capital as of the reporting date was kEUR 4,898.
3. On 31 December 2017, FinTech Group AG had authorised capital of kEUR 7,705 (authorised capital 2016: kEUR 2,807; authorised capital 2017: kEUR 4,898).

The following resolutions regarding the issuance of new shareswere passed in 2018:

1. The authorised capital 2016 in the amount of kEUR 2,807 was revoked in its entirety by resolution of the general meeting on 07 August 2018.
2. By resolution of the general meeting on 07 August 2018, subject to approval by the Supervisory Board, the Management Board was authorised to increase the subscribed share capital, by a total of up to kEUR 3,857 by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 06 August 2023 (authorised capital 2018/I). Principally, the existing shareholders must be granted pre-emptive rights. Subject to approval by the Supervisory Board, the Management Board, is authorised to exclude such pre-emptive rights of the shareholders in specific instances. On 10 September 2018, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorisation granted on 07 August 2018, resolved to increase the subscribed share capital by kEUR 1.226 to a new total of kEUR 18,737 by issuing 1,225,761 new no-par-value registered shares. The capital increase was transacted against contribution in cash. The authorised capital was hereby partly utilised; after registration of the capital increase, the remaining authorised capital as of the reporting date was kEUR 2,632.

On 31 December 2018, the company had authorised capital of kEUR7,530 (authorised capital 2017: kEUR 4,898; authorised capital 2018: kEUR 2,632).

	12/31/2018	12/31/2017
Number of authorised shares	7,529,677	7,705,438

Conditional capital

1) Conditional capital 2013

By resolution of the general meeting on 27 June 2013, the Management Board was authorised to conditionally increase the subscribed share capital until 26 June 2018 by a total of up to kEUR 5,425 by issuing up to 5,425,000 new no-par-value shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2013). According to the resolution of 27 June 2013, the exclusive purpose of the conditional capital 2013 is to secure subscription rights, which are issued on the basis of the general meeting's authorisation of 27 June 2013.

The general meeting on 27 July 2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2013 was modified for the issuance of registered shares. By resolution of the extraordinary general meeting 04 December 2017, the total nominal amount of the bonds authorised to be issued by the Management Board was increased to up to kEUR 160,000 (from previously up to kEUR 50,000). At the same time, it was determined by resolution that the conditional capital 2013 will be used to service bonds issued on the basis of the general meeting's authorisation of 27 June 2013, as amended by the resolution of the Extraordinary General Meeting of 4 December 2017.

The authorisation of 27 June 2013 has not been used and expired on 26 June 2018.

2) Conditional capital 2014

By resolution of the extraordinary general meeting on 30 October 2014, the Management Board was authorised to conditionally increase the subscribed share capital by a total of up to kEUR 1,390 by issuing up to 1,390,000 new, no-par-value bearer shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2014). According to the resolution of 30 October 2014, the exclusive purpose of the conditional capital 2014 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 30 October 2014, as part of the 2014 stock option plan, to the members of the Management Board and to employees of FinTech Group AG, as well as to members of the management boards and to employees of companies affiliated with FinTech Group AG, in the period up to and including 30 September 2019.

The general meeting on 27 July 2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2014 was modified for the issuance of registered shares.

By resolution of the extraordinary general meeting on 04 December 2017, the general meeting's authorisation of 30 October 2014, with modifications by the general meeting on 27 July 2016, to issue subscription rights as part of the 2014 stock options plan, was modified and specified. At the same time, the conditional capital 2014 was modified in so far as it may now also service pre-emptive rights which have been or will be issued on the basis of the general meeting's authorisation of 30 October 2014, also with modifications by the general meeting of 27 July 2016 and also as amended by the resolution of the extraordinary general meeting on 04 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution of the general meeting of 04 December 2017.

3) Conditional capital 2015

By resolution of the general meeting on 28 August 2015, the Management Board was authorised to conditionally increase the subscribed share capital by a total of up to kEUR 230 by issuing up to 230,000 new, no-par-value bearer shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2015).

According to the resolution of 28 August 2015, the exclusive purpose of the conditional capital 2015 is to secure pre-emptive rights, which are issued on the basis of the general meeting's authorisation of 28 August 2015, as part of the 2015 stock option plan, to the members of the Management Board and to employees of the company, as well as to members of the management boards and to employees of affiliated companies, in the period up to and including 27August 2020.

The general meeting on 27 July 2016 resolved to convert the bearer shares of the company into registered shares. Accordingly, the conditional capital 2015 was modified for the issuance of registered shares.

By resolution of the extraordinary general meeting on 04 December 2017, the general meeting's authorisation of 28 August 2015, with modifications by the general meeting on 27 July 2016, to issue subscription rights as part of the 2015 stock options plan, was modified and specified. At the same time, the conditional capital 2015 was modified in so far as it may now exclusively service only pre-emptive rights which have been or will be issued on the basis of the general meeting's authorisation of 28 August 2015, also with modifications by the general meeting of 27 July 2016, and also as amended by the resolution of the extraordinary general meeting on 04 December 2017, and also to the extent that the conditions underlying the respective subscription rights have been or will be revised after their issuance in accordance with the respective resolution of the general meeting of 04 December 2017.

4) Conditional capital 2017

By resolution of the extraordinary general meeting of 04 December 2017, with addendum of 07 August 2018, the Management Board was authorised to conditionally increase the subscribed share capital until 03 December 2022 by a total of up to kEUR 3,500 by issuing up to 3,500,000 new no-par-value registered shares, with profit participation from the beginning of the fiscal year of their issuance (conditional capital 2018/I).

Additional paid-in capital

as of 31 December 2018 were kEUR 101,406
(previous year: kEUR 67,540), comprising the following components:

- Amounts exceeding the notional par value from payments for the issuance of new shares
- Direct payments by shareholders` into the equity account
- Payments by shareholders for the granting of precedence for their shares.

As result of the capital increase of kEUR 34,934 in September 2018, based on the 2018 authorised capital passed by resolution of the general shareholders' meeting, the subscriped capital increased by kEUR 1.226. The capital reserve was increased by the Agio (premium) of the issued shares by kEUR 33,708.

Also in reporting year 2018, kEUR 382 (previous year: kEUR 392) was recognised in additional paid-in capital for the employee subscription rights issued.

Retained earnings

The following table shows the changes in retained earnings during the relevant periods:

In kEUR	Change
As of 01/01/2017	**9,065**
Additions / consumption	18,523
of which: Allocation from net profit	16,796
of which: Dividend distribution	-
of which: Changes in the group of consolidated companies not involving a change of control	1,727
Other earnings	90
As of 12/31/2017	**27,678**
Additions / consumption	-
of which: Allocation from net profit	21,044
of which: Dividend distribution	-
of which: Changes in the group of consolidated companies not involving a change of control	132
Other earnings	-2,262
As of 12/31/2018	**46,592**

NOTE 14

NOTE 14 Non-current liabilities to banks and non-banks

Non-current financial liabilities comprise the following:

In kEUR	2018	2017
Non-current liabilities to banks		
Loans with original terms > 1 year	8,999	14,998
Loans with original terms > 5 years	875	1,042
Total	**9,874**	**16,040**
Non-current liabilities to non-banks		
Liabilities from finance leases > 1 year to 5 years	5,952	3,345

Non-current liabilities to banks are EUR9.9million (previous year EUR16.0million). The decrease resulted from scheduled repayments amounting to kEUR 6,166 (previous year: kEUR 3,168) p.a. for two existing loans.

The loan with a maturity of more than one year concerns the financing of the purchase of the XCOM shares and the squeeze-out in 2017 in the amount of EUR 18.0 million, with a repayment of EUR 6.0 million p.a. The term of the loan ends in the year 2020 at the latest.

The non-current liability to banks with a maturity of more than five years relates to a secured mortgage loan for an office building used by the Group in the German federal state of North Rhine-Westphalia. The maturity ends with scheduled repayments amounting to kEUR 166 p.a. in the year 2024.

The leased assets recognised in the statement of financial position under finance leases are long-term contracts for office equipment and for IT infrastructure hardware.

The maturity of the contracts is 3 years. The contracts contain purchase options.

The net carrying amounts of the capitalised financial leasing goods are the following:

In kEUR	2018	2017
Hardware	3,281	2,538
Office Equipment	1,069	807
Total	**4,350**	**3,345**

In the previous year, the Group only accounted for lease liabilities related to leases, that, were classified as finance leases under IAS 17. These were reported as part of the Group's borrowings.

NOTE 15 Pensions and similar obligations

FinTech Group AG has defined benefit pension plans on the basis of individual fixed-sum commitments. Most pension plans provide life-long benefit payments, including retirement, disability and widow's/widower's pension. To finance the pension commitments, re-insurance policies were bought for the employees of Fintech Group AG from Swiss pension provider Swiss Life AG and German insurer MV Versicherungsgruppe. Some of the re-insurance contracts are pledged to the beneficiaries and qualify as plan assets. Other re-insurance contracts qualify as reimbursements rights.

The amount of the total obligation is calculated annually by independent actuaries using the 'projected unit credit method' prescribed by IAS 19. The calculation includes the pensions and acquired entitlements as per the reporting date as well as the expected increases of entitlements and pensions. Some commitments entail entitlement dynamics which are guided by inflation or by firmly agreed adjustment rates. Future pension adjustments depend on statutory provisions; partly they include additional minimum adjustment guarantees. The actuarial interest rate used to discount the benefit obligations at balance sheet date is based on the yield of high-quality corporate bonds.

Income from plan assets and expenses from the compounding of obligations are recognised in the net financial income/finance costs. Past service costs are classified as operating expense. Gains and losses from adjustments and changes in actuarial assumptions are recognised immediately in equity, without going through profit or loss, in the period in which they arise.

The measurement of the pension obligations as of 31 December 2018 is based for the first time on the Heubeck Tables 2018G. These mortality tables take into account the latest statistics of the statutory pension insurance policy in Germany and the Federal Statistical Office.

The principal actuarial assumptions used are the following:

In kEUR	12/31/2018	12/31/2017
Actuarial discount rate	1.90 %	1.70 %
Inflation rate	1.00 %	1.00 %
Mortality	Heubeck - Tables 2018G	Heubeck - Tables 2005G

The net liability for defined benefit pension obligations is calculated as follows:

In kEUR	12/31/2018	12/31/2017
Present valued of defined benefit obligations	24,791	24,857
Fair value of plan assets	-18,538	-17,654
Net liability for pension obligations	6,253	7,203

The change in the net liability for pension obligations was as follows:

In kEUR	2018	2017
As per statement of financial position at beginning of the reporting year	**7,203**	**7,541**
Current service expense	78	78
Past service expense	-935	65
Net Interest expense	99	120
Remeasurements	-	73
Actuarial (gains) / losses	-467	-
due to changes in demographic assumptions	424	-
due to changes in financial assumptions	-1,060	-
due to adjustments in experience	237	164
Income from plan assets other than amounts recognised in the income statement	-68	-91
Employer's contributions to plan assets	-678	-673
Pension benefits paid	-	-
Transfers and company transactions	-	-
As per statement of financial position at end of the reporting year	**6,253**	**7,203**

In the reporting year under review, past service cost was incurred through the cessation of partial retirement.

The changes in the present values of defined benefit obligations, and the fair values of plan assets and reimbursement rights, are shown in following tables:

Defined benefit obligations:

In kEUR	2018	2017
Present value of defined benefit obligations at beginning of the fiscal year	**24,857**	**24,302**
Amounts recognised in Income statement	**499**	**554**
Current service esxpense	76	78
Accrued interest expense	423	412
Past sevice expense and (gains) / losses from plan settlements	-	65
Amounts recognised in OCI	**-399**	**164**
Actuarial (gains) / losses	-399	164
due to changes in demographic assumptions	424	-
due to changes in financial assumptions	-1,060	-
due to adjustments in experience	237	164
Payments and other adjustments	**-166**	**-164**
Employee contributions	-	-
Pension benefits paid	-166	-164
Payments for plan settlemetns	-	-
Transfers and company transactions	-	-
Present value of defined benefit obligations at end of the fiscal year	**24,791**	**24,857**

Plan assets:

In kEUR	2018	2017
Fair value of plan assets at beginning of the reporting year	**-17,654**	**-16,761**
Amounts recognised in the income statement	**-304**	**-292**
Interest Income	-304	-292
Amounts recognised in OCI	**-68**	**-91**
Income from plan assets other than amounts recognised in the income statement	-68	-91
Payments and other adjustments	**-511**	**-510**
Employee contributions	-	-
Employer contributions	-677	-673
Payments for settlements	-	-
Pension benefits paid	166	164
Transfers and company transactions	-	-
Fair value of plan assets at end of the reporting year	**-18,537**	**-17,654**

Reimbursement rights:

In kEUR	2018	2017
Fair value of reimbursement rights at beginning of the fiscal year	**-951**	**-790**
Amounts recognised in the Income statement	**-18**	**-15**
Accrued interest Income	-18	-15
Amounts recognised in OCI	**34**	**46**
Income from reimbursement rights other than amounts recognised in the income statement	34	46
Payments and other adjustments	**-191**	**-191**
Employee contributions	-	-
Employer contributions	-191	-191
Fair value of reimbursement rights at end of the fiscal year	**-1,126**	**-951**

In the statement of financial position, reimbursement rights are included in ‘financial assets and other assets’.

The allocation of the defined benefit obligations to the different groups of entitled plan participants, and their weighted average duration, are shown in the following table:

In kEUR	12/31/2018	12/31/2017
Active employees	484	650
Former, vested employees	20,266	20,013
Retirees	4,041	4,194
Present value of benefit obligations	**24,791**	**24,857**
Weighted average duration of obligations in years	22	23

The plan assets consist of re-insurance policies for which there is no active secondary market.

The pension commitments are subject to the regulations of the German Company Pensions Act (BetrAVG). Since the commitments provide life-long pension benefits, there is a biometric risk in the event of increasing life expectancies. Insofar as the entitlements and pension benefits are pegged to inflation, there is an inflation risk. To the extent that the actuarial discount rate, as well as the actual return on plan assets and reimbursement rights, depend on future market developments, there are respective financial risks.

The sensitivities to changes in the capital markets and to significant assumptions are shown in the table below. The sensitivities were determined on the basis of the same stock and the same measurement method as the measurement of the pension obligations per reporting date. When calculating the sensitivities, each assumption was changed in isolation; any correlations between the individual parameters are being ignored for this purpose.

In kEUR	12/31/2018	12/31/2017
Total obligation when the actuarial discount rate is increased by 0.25 % p.a.	23,545	23,234
Total obligation when the actuarial discount rate is decreased by 0.25 % p.a.	26,124	25,941
Total obligation when inflation rate increases by 0.25 % p.a.	25,148	24,940
Total obligation when inflation rate decreases by 0.25 % p.a.	24,440	24,148
Total obligation when life expectancy of a 65-year-old increases by 1 year	25,368	25,429

For the upcoming year, pension payments of kEUR 170 are expected (previous year: kEUR 166). Payment contributions to plan assets are expected in the amount of kEUR 618 (previous year: kEUR 678) and to reimbursement rights in the amount of kEUR 191 (previous year: kEUR 191).

NOTE 16 Liabilities to customers

As of 31 December 2018, liabilities to customers are kEUR 955,489 (previous year: kEUR885,112). The liabilities to customers primarily consist of customer deposits at flatex Bank AG, mainly balances from cash accounts of customers of the ViTrade brand and of flatex GmbH. The year-on-year increase is due in particular, to the steady growth of the flatex brand. As of 31 December 2018, customers' foreign currency balances decreased by kEUR 1,138 to kEUR 1,645 (previous year: kEUR 2,783). As of the balance sheet date, the security deposits dropped by kEUR 7,000 to kEUR 3,000 (previous year: kEUR 10,000).

In addition, there are contingent liabilities from unutilised portions of irrevocable lines of credit in the amount of kEUR 193,812 (previous year: kEUR 181,500). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralised by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans).

NOTE 17 Current liabilities to banks

Current liabilities to banks comprise the following:

In kEUR	2018	2017
Liabilities to banks	47,245	48,370
Foreign currency balance	10,014	12,640
Total	**57,529**	**61,010**

Short-term financial liabilities to banks in the fiscal year amount to kEUR57,259 (previous year: kEUR61,010) and include kEUR47,245 (previous year: kEUR48,370) in settlement liabilities from settlements processing on behalf of customers; foreign currency balances from transactions on behalf of customers in the amount of kEUR 10,014 (previous year: kEUR12,640).

Foreign currency balances consist mainly of liabilities towards foreign banks for the settlement of securities transactions, undertaken in the name of our customers. The currencies in question are for the most part USD, CHF and CAD.

NOTE 18 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	12/31/2018	12/31/2017
Tax liabilities	1,409	5,627
Accruals and deferrals	657	1,769
Other financial liabilities	153	67
Total	**2,219**	**7,463**

Other financial liabilities in the amount of kEUR 2,219 (previous year: kEUR 7,463) mainly comprise tax liabilities and deferred income.

The decrease of kEUR 4,218 in tax liabilities mainly results from income tax (kEUR 503) and value added tax (kEUR 786). In the case of deferred income, the residual maturities of multi-year customer contracts expired at the end of 2017 led to a decrease of kEUR 1,112.

NOTE 19 Other provisions

The changes in provisions in the fiscal year were as follows:

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
For warranty claims	55	-	55	-	-
Other provisions	7,499	6,001	436	5,768	6,830
Total	**7,554**	**6,001**	**491**	**5,768**	**6,830**

In kEUR	01/01/2017	Utilisation	Reversals	Additions	12/31/2017
For warranty claims	65	65	-	55	55
Other provisions	3,100	1,452	859	6,710	7,499
Total	**3,165**	**1,517**	**859**	**6,765**	**7,554**

The warranty claims were released in full (previous year: kEUR 55) as there were no claims in previous years.

Other provisions include the measurable risk exposures towards third parties. These provisions are valued at full cost and amount to kEUR6,830 at year-end (previous year: kEUR 7,499). They mainly include Group provisions for performance-based variable compensation of kEUR 1,615 (previous year: kEUR 2,633) and other personnel costs including vacation provisions of kEUR 226 (previous year: kEUR 597). Provisions for audit and other professional fees amount to kEUR 1.169 (previous year: kEUR 761), and for pending invoices to kEUR 3,395 (previous year: kEUR 3.411).

NOTE 20 Tax provisions

Provisions for taxes are composed as follows as of the reporting date:

In kEUR	01/01/2018	Utilisation	Reversals	Additions	12/31/2018
Corporation tax	1,088	-919	-	2,883	3,052
Trade tax	2,127	-2,266	-	2,628	2,489
Miscellaneous	-	-	-	-	-
Total	**3,215**	**-3,185**	**-**	**5,511**	**5,541**

NOTE 21 Net Revenues

Net Revenues for reporting year 2018 and 2017 were composed as follows:

In kEUR	2018	2017
Commission income	84,861	77,488
Provision of IT services	18,462	16,006
Interest income	11,733	10,352
Other operating income	10,044	3,168
Total	**125,100**	**107,014**
Timeline of revenue recognition		
at a certain time	125,100	107,014
over a period of time	-	-

In the reporting year 2018, commission income in the amount of kEUR 84,861 (previous year: kEUR 77,488) was mainly generated from the flatex and ViTrade securities business as well as the B2B services of flatex Bank AG. The increase is mainly due to the successful onboarding of new customers and the concomitant increase in the number of transactions.

The group reported net revenues of kEUR 18,462 for the IT services (previous year: kEUR 16,006). Significant were the IT services of the OTC trading systems L.O.X. and the Tristan system, flanked by further software development services for customers from the Technologies segment. The increase results in particular from the expanded customer requirements resulting from new regulatory requirements in the FTG:CBS. The group meets its performance obligations by executing an order or providing an IT service.

The item "Provision of IT services" also includes the sale of goods.

Interest income in the amount of kEUR 11,733 (previous year: kEUR 10,352) increased in comparison to the same period of the previous year, is primarily due to the growing, secured loan book.

The other operating income mainly includes income from a debt acknowledgement from the factoring business to a German retail company.

Revenues for the provision of IT services relate exclusively to the Technologies segment. Proceeds from commission and interest income are to be allocated to the Financial Services segment.

In kEUR	**12/31/2018**	**01/01/2018**
Short-term contractual assets from IT contracts	-	-
Short-term contractual assets from banking transactions	-	-
Total contractual assets	**-**	**-**
Receivables from IT contracts	7,967	853
Receivables from banking transactions	4,095	3,950
Total receivables	**12,062**	**4,803**
Contract liabilities from IT contracts	116	186
Contract liabilities from banking transactions	536	-
Total current contract liabilities	**652**	**186**

No revenue was recognised in the reporting period that was included in the balance of contract liabilities at the beginning of the period. Likewise, there was no recognition of proceeds from performance obligations that were (partially) fulfilled in previous periods. All services included in the IT contracts are invoiced after one year at a latest. A corresponding periodization is carried out during the year As permitted by IFRS 15, the transaction price attributed to these unfulfilled performance obligations is not disclosed.

In addition to the contract balances shown above, the Group has recognised an asset in connection with the costs for the fulfilment of a long-term IT contract. This is shown in the statement of financial position under other assets:

In kEUR	**2018**	**2017**
Costs capitalised at the time of execution of a contract with a customer on 31 December	187	83
Amortisation amounts and impairments	-	-
Total	**187**	**83**

NOTE 22 Raw materials and consumables

Raw materials and consumables used for reporting year 2018 and 2017 were composed as follows:

In kEUR	2018	2017
Commission expenses	22,363	20,569
Other operating expenses	9,577	6,951
IT business expenses	4,186	3,295
Interest expense	721	170
Total	**36,846**	**30,985**

In the reporting year, commission expenses of kEUR 22,363 (previous year: kEUR 20,569) were recognised, which increased in proportion to rise in fee and gross commission income. They essentially include expenses incurred in connection with the settlement of securities transactions with counterparties.

For the provision of IT services, the Group incurred expenses of kEUR4,186 (previous year: kEUR 3,295). Also included here is the cost of selling goods in the end-customer business.

In the fiscal year under review, other operating expenses amounting to kEUR 9,577 (previous year: kEUR 6,951) include, in particular, allocations to risk provisions in accordance with IFRS 9 (Level 1 - 3) in the amount of kEUR 6,970 (previous year: kEUR 457). The increase results in particular from a specific allowance for receivables from the factoring business against a German retail company.

NOTE 23 Personnel expenses

The average number of employees in 2018 was 497 (previous year: 453). Personnel expenses break down as follows:

In kEUR	2018	2017
Wages and salaries	18,512	18,991
Social security contributions and discretionary benefits	4,177	4,034
Income/expenses for pension obligations and employee benefits	-775	118
Total	**21,914**	**23,143**

In fiscal year 2018, wages and salaries amount to kEUR18,512 (previous year: kEUR18,991). The decline compared to the previous year results from the capitalisation of development services amounting to kEUR 12,311 (previous year: kEUR 7,889) for intangible assets in accordance with IAS 38. Total gross personnel costs per capita are at the same level as the previous year.

NOTE 24 Other administrative expenses

Other administrative expenses for 2018 and 2017 are as follows:

In kEUR	2018	2017
Legal and professional services	4,024	3,004
Marketing and advertising	3,842	4,220
Premises	3,765	3,896
Other expenses	3,468	1,488
IT	2,362	1,836
Bank-specific contributions	2,115	2,944
Insurance, contributions, official fees	1,309	876
Vehicle expenses	1,236	932
Travel	881	753
Postage and office supplies	762	614
Entertainment	208	248
Total	**23,972**	**20,812**

The increase in legal and consulting costs by kEUR 1,020 results from one-off corporate strategy and positioning issues. The increase in IT costs by kEUR 526 results from the expansion of the group-wide infrastructure. Expenses for insurance, contributions and levies increased slightly to kEUR 433 due to increased investor relations activities.

Other expenses include, among others, expenses for the disposal of fixed assets from scrapping in the amount of kEUR 620 (previous year: kEUR 53), education and training costs in the amount of kEUR 551 (previous year: kEUR 301), and compensation for the Supervisory Board in the amount of kEUR 513 (previous year: kEUR 439).

NOTE 25 Financial result

The net financial income/finance costs for fiscal years 2018 and 2017 is composed as follows:

In kEUR	2018	2017
Interest income pensions	304	292
other interest income	20	85
Total other financial income	**324**	**377**
Interest expense for deposit facility	1,736	975
Interest expense pensions	423	228
Interest expense for long-term liab.	344	439
Other interest expense	-	23
Total other financial expenses	**2,503**	**1,666**
Net financial income/finance costs	**-2,179**	**-1,288**

The increase in interest expenses for deposit facilities amounting to kEUR 761 results from increased deposits at the Bundesbank. The interest expense for pensions, which increased by kEUR 195, resulted from the adjustment of interest rates at the expense of the lender.

Interest expense for non-current liabilities consists exclusively of interest on the loan to finance the purchase of the shares of XCOM AG.

NOTE 26 Tax on income

Income tax expense on 31 December 2018 and 31 December 2017 consists of the following components:

In kEUR	2018	2017
Current income tax		
Current income tax expense	-5,025	-2,463
Tax refunds / tax expense from previous years	-139	103
Deferred tax		
Deferred tax recognised	-3,157	-1,923
Deferred tax recognised	-2,644	-3,896
Income tax as per income statement	**-10,965**	**-8,179**
Comprehensive income		
Changes in deferred taxes recognised directly in other comprehensive income of which:	910	-152
Actuarial gains / losses from defined benefit pension liabilities	-135	92
thereof gains / losses on changes in the value of available-for-sale assets	1,045	-244
Recycling of deferred taxes	-	-
Income tax in comprehensive income	**-10,055**	**-8,331**

Other earnings as of the reporting date on 31 December 2018 include deferred tax liabilities (income tax charge) from actuarial gains on defined benefit pension liabilities of kEUR-135 (previous year: kEUR 92) and deferred tax liabilities from changes in the value of financial assets available for sale in the amount of kEUR 1,045 (previous year: kEUR -244).

German business income tax is based on a corporation tax at a rate of 15%, with an added 'solidarity surcharge' of 5.5% of the corporation tax amount. Including the additional trade tax, which is levied on a local level, the combined income tax rate for the Group as a fiscal unity was 31.07% (previous year: 31.03%). The variance is due to a change in the weighted average trade tax multiplier.

The following table reconciles the theoretical interest expense – as a product of earnings before income taxes and the applicable tax rate for the Group – to the actual tax expense:

Tax reconciliation for 2018 and 2017 was composed as follows:

		2018	2017
Earnings before tax	kEUR	32,010	25,195
Applicable tax rate	%	31.07	31.03
Expected tax expense	kEUR	-9,945	-7,818
Effect from discontinued operations due to their inclusion in fiscal unity	kEUR	-	68
Effect from non-deductible expenses / non-taxable income	kEUR	-561	-362
Effect from non-deductible expenses from stock option plans	kEUR	-121	-122
Effect from current income taxes on previous year's income	kEUR	-139	103
Effect from deferred taxes for previous years	kEUR	-178	-100
Effect from changes in tax rates	kEUR	6	183
Effect from deviating tax rates	kEUR	75	19
Effect from use of Loss carryforwards without recognition Latencies in pr.yr.	kEUR	11	56
Other tax effects	kEUR	-113	-206
Actual tax expense	kEUR	-10,965	-8,179
Group tax rate	%	34.25	32.50

As of the reporting date, there are taxable temporary differences in connection with subsidiaries (so-called 'outside basis differences' according to IAS 12.39) in the amount of kEUR 806 (previous year: kEUR 443) on which no deferred tax liabilities were recognised.

The composition of deferred tax assets and liabilities is shown in the following table:

In kEUR	**2018**	**2017**
Deferred tax assets		
Tax losses	-	2,644
Financial instruments	905	-
Pension liabilities	4,281	4,481
Provisions	703	493
Other temporary differences	-	-
Offset in accordance with IAS 12.74	-5,889	-7,618
Total	**-**	**-**
Deferred tax liabilities		
Intangibles	-13,397	-9,680
Property and Equipment	-695	-564
Financial instruments	-	-178
Provisions	-113	-
Other temporary differences	-	-
Offset in accordance with IAS 12.74	5,889	7,618
Total	**-8,316**	**-2,804**

NOTE 27 Related party relationships and transactions

In accordance with IAS 24, the members of the governing boards of the parent company FinTech Group AG and their families, as well as members of the management/Management Boards and Supervisory Boards of other essential subsidiaries, are considered to be related parties. Mr Bernd Förtsch, his close family members, and the companies controlled by them are also considered to be related parties of FinTech Group AG, since Mr Förtsch, as sole shareholder of BFF Holding GmbH and GfBk Gesellschaft für Börsenkommunikation mbH and their subsidiaries, exerts a controlling influence over FinTech Group AG.

Legal transactions and other transactions with related parties

In 2018, FinTech Group AG Group companies have had the following legal transactions with related parties, whereby all transactions were completed under standard market conditions, i.e. at arm's length:

- With a company controlled by Supervisory Board member Martin Korbmacher, FinTech Group AG generated revenues of kEUR 0 (previous year: kEUR 158).
- With companies controlled by Mr. Bernd Förtsch, Group companies had transactions totalling kEUR 1,600 in fiscal year 2017 (parent company kEUR 37, subsidiaries kEUR 1,563; in previous year: total kEUR 1,111). These were mostly related to advertising and PR activities and the lease of commercial space.

At year-end 2018, the Group had receivables against related parties in the amount of kEUR 28 (previous year: kEUR 0); liabilities to related parties amounted to kEUR 45 (previous year: kEUR 58).

In addition, a number of related parties maintain cash and/or securities custody accounts with flatex Bank AG. All transactions on these accounts are done at arm's length.

NOTE 28 Compensation of Management Board of FinTech Group AG

Members of the Management Board of FinTech Group AG continued to be Frank Niehage and Muhamad Said Chahrour.

Management Board members received fixed and variable compensation as follows:

		2018	2017
Fixed compensation	EUR	700,000.00	700,000.00
Variable compensation			
- short-term award	EUR	1,150,000.00	550,000.00
2014 program	No.	35,000	60,000
Value at time of award	EUR	178,500.00	99,600
Fixed compensation for Supervisory Board memberships in Group companies	**EUR**	**8,998.36**	**34,447.54**

In addition, they received certain fringe benefits, mainly company cars and insurance coverage. There are no compensation commitments by FinTech Group AG to members of the Management Board for the time after the end of their respective terms of employment with the company.

Compensation of Supervisory Board of FinTech Group AG

Members of the Supervisory Board of FinTech Group AG were:

2018	Martin Korbmacher, Chairman of the Supervisory Board
	Stefan Müller
	Herbert Seuling
2017	Martin Korbmacher, Chairman of the Supervisory Board
	Stefan Müller (from February 23, 2017)
	Bernd Förtsch (until January 30, 2017)
	Herbert Seuling

Members of FinTech Group AG's Supervisory Board receive fixed compensation only. Their compensation in detail, divided into compensation for their membership in the Supervisory Board of the parent company Fin Tech Group AG (FTG AG), and for their memberships in the Supervisory Boards of other Group companies (subsidiaries), inclusive of 19% VAT respectively:

In kEUR	2018 Total	2017 Total
FinTech Group AG	285,600.00	192,459.88
Subsidiaries	178,500.00	133,322.14

In the fiscal year under review, the Supervisory Board members received compensation for travel expenses in the context of their Supervisory Board activities of kEUR 3 (previous year: kEUR 2).

NOTE 29 Earnings per share

Earnings per share (undiluted)

The undiluted earnings per share are calculated by dividing the consolidated earnings of the Group attributable to the shareholders by the average number of the parent company's shares issued and outstanding during the fiscal year. With regard to the value given for 2018, it should be noted that weighting of the number of issued shares is required for the calculation. This is due to new shares being issued during the year under a capital increase of FinTech Group AG and because of previous year's buy-back of own shares and the allocation of these own shares to the employees in the year under review. The number of 460 treasury shares was sold in the capital market.

Issued shares	2018	2017
Number of issued shares as of 01 January (all outstanding)	17,506,426	16,810,876
Number of own shares bought during fiscal year (treasury stock)	-	4,450
Time-weighted allocated of treasury stock for yearly average	-	-146
Time-weighted allocation of newly issued treasury stock in the fiscal year	3,673	-
Number of new shares issued during fiscal year	1,225,761	700,000
Time-weighted allocated of newly issued shares for yearly average	372,766	17,260
Average, time-weighted number of issued shares outstanding during fiscal year	**17,882,865**	**16,827,990**

Earnings in kEUR	2018	2017
From continuing activities	21,044	17,016
From discontinued operations	-	-220
Total	**21,044**	**16,796**
Undiluted earnings per share - in EUR		
From continuing activities	1.12	1.01
From discontinued operations	-	-0.01
Total	**1.12**	**1.00**

Earnings per share (diluted)

Separate values for diluted results have not been calculated for fiscal years 2018 and 2017, as no options for shares of the parent company were exercisable in the reporting period.

NOTE 30 Stock Option Plan

Description of stock option plans

FinTech Group AG has set up stock option plans to ensure that the total compensation package paid to its managers is competitive. The first stock option plan was launched in 2014. Pre-emptive rights from this programme were first issued in 2015. Each pre-emptive right issued pursuant to the stock option plan gives the holder the right to acquire one bearer share of FinTech Group AG against payment of the stipulated strike price. The strike price is determined on the basis of the average closing price of the stock over a fixed period of time preceding the adoption of the relevant resolution by the annual general meeting, minus a discount.

The maturity of these pre-emptive rights is six years from the date of issuance; they may only be exercised upon the expiration of a waiting period (vesting period) of four years. The right to exercise is conditional upon the stock price having risen by at least 100%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive right (trigger - 2014 stock option plan). Only in the event of a change of control as defined in the authorisation and, if applicable, in subsequent amendments to the option terms, or in the event of a delisting, may FinTech Group AG pay, or may the holders of pre-emptive rights demand, a cash settlement in lieu of shares (in some cases also before the end of the vesting period).

A second stock option plan was launched in 2015 by another resolution of the annual general meeting (2015 stock option plan). In light of the development of the stock price, the terms of this second plan were modified in regard to the condition for exercise, in that the stock price must now have risen by at least 50%, on any stock exchange trading day, during a period of two years from the date of issuance of such pre-emptive right (trigger – 2015 stock option plan). The other terms remain the same as those applicable to the first program.

Changes in the stock option plans

The following table shows the changes in issued and outstanding pre-emptive rights/opti-ons:

Program	Date of issuance	Number issued	Exercise price	Price at date of issuance	Price per option in EUR	Option values total in kEUR
2014 stock option plan	03/02/2018	35,000	7.30	28.85	5.10	179
Options granted in 2018		**35,000**				**179**
2014 stock option plan	04/01/2017	73,000	7.30	14.78	1.66	121
2015 stock option plan	04/01/2017	45,000	12.79	14.78	3.14	141
2014 stock option plan	07/03/2017	10,000	7.30	17.98	1.66	17
2015 stock option plan	07/03/2017	10,000	12.79	17.98	3.14	31
Options granted in 2017		**138,000**				**310**
2015 stock option plan	04/07/2016	44,500	12.79	15.45	3.71	165
2015 stock option plan	07/01/2016	10,000	12.79	13.00	2.55	26
2014 stock option plan	07/01/2016	60,000	7.30	13.00	1.96	118
Options granted in 2016		**114,500**				**308**
2014 stock option plan	01/26/2015	924,000	7.30	8.60	1.11	1,026
2014 stock option plan	07/08/2015	84,000	7.30	14.81	2.40	202
2014 stock option plan	08/24/2015	55,000	7.30	11.40	1.77	97
2015 stock option plan	09/28/2015	20,000	12.79	12.44	2.60	52
2015 stock option plan	10/01/2015	5,000	12.79	12.37	2.55	13
Options granted in 2017		**1,088,000**				**1,389**
Total number of options issued		**1,375,500**				**2,186**
2014 stock option plan	07/08/2015	84,000	-	-	-	-
2014 stock option plan	08/24/2015	75,000	-	-	-	-
Lapsed, forfeited or expired options		**159,000**				
Outstanding options		**1,216,500**				

Valuation model

For each issuance date, a separate options valuation was simulated, on the basis of a Monte Carlo model. The model is based on the work of Kevin D. Brewer, which is acknowledged to be significant for the modelling of option valuations: 'Geometric Brownian Motion, Option Pricing, and Simulation: Some Spreadsheet-Based Exercises in Financial Modelling.'

In this valuation, 100,000 share prices are generated, according to the Monte Carlo method, for each issuance date. Each price is checked to see if it cleared the hurdle (condition 1) and is higher than the strike price at the predefined exercise dates (condition 2). If this is not the case, a zero value is assigned for each exercise date and also to the present value on the issuance date. If the value of the stock is above the strike price on one of the pre-defined exercise dates, then the option has an intrinsic value, which is discounted to the issuance date using a 5-year risk free interest rate (source: Bundesbank). It is assumed that the option is exercised on the first date possible, and that the average time from date of issuance to date of exercise is 5 years.

Pricing factors

The first factor that goes into the model is the price of the stock at issuance date (Xetra closing price). The options strike price is EUR 7.30 for the 2014 stock option plan and EUR 12.79 for the 2015 option plan. The volatility could not be derived from an implied volatility due to non-existent derivatives on the shares of FinTech Group AG. Volatility was thus derived from the historic volatility of the stock price (source: Bloomberg).

The risk-free interest rate for the modelling of the 6-year binomial expansion is based on the 6-year interest rates valid at the respective months of issuance, based on the yield curve of listed German government bonds (source: Bundesbank). The number of annual trading days is assumed to be 250.

The hurdles are stipulated in the respective program: In the 2014 options plan, it is 2 times the issuance price, in the 2015 option plan, it is 1.5 times the issuance price. Based on experience from the operating business, transaction cost for options is only a few percent of the option value and is therefore being ignored for the purposes of this calculation.

Option values

The pre-emptive rights granted from the stock option plan 2014 in the 2018 calendar year (35,000 units) had an average market value of EUR 178,500 (EUR 5.10 per option).

Stock option plan expenses

In relation to the stock option plans, kEUR 382 was recognised as an expense in the income statement and transferred to additional paid-in capital in 2018 (previous year: kEUR 392). The underlying assumption was that 82% of issued options will in fact be exercised by the entitled employees, so that an equity value of kEUR 179 x 82% = kEUR 147 was calculated.

The expense was divided pro rata temporis over the from time from the date of issuance of the option to the first day the option exercisable (end of vesting period). The resulting amounts are shown in the following table:

Plan / year of issuance	Total value of options/ Total expenditure in kEUR	Number of days	Expected Allocation	Expenses to be captured / Capital reserve in 2018 in kEUR
2014 stock option plan	179	304	82 %	30
2018	**179**			**30**
2017	**310**	**365**	**82 %**	**66**
2016	**308**	**365**	**82 %**	**63**
2015	**1.389**	**365**	**82 %**	**223**
Total				**382**

NOTE 31 Segment reporting in accordance with IFRS 8

FinTech Group is required by IFRS 8 to report on its operating segments. The manner of segmentation is based on the so-called management approach. Segments are subdivisions of the business for which separate financial information is available that is regularly evaluated by the Management Board and other managers as they allocate resources and evaluate performance.

The Financial Services (FIN) segment includes the products in B2C online brokerage, B2B white-label banking, as well as electronic securities settlements, securities custody, and other banking services. The segment is derived from flatex Bank AG, factoring.plus.GmbH and brokerport finance GmbH.

The Technologies (TECH) segment includes all IT-services; among other things it develops and operates the Group's core banking system (FTG:CBS). In addition, this segment includes activities in research and development. The segment consists of the Group companies of FinTech Group AG and Xervices GmbH.

Services provided between the segments are undertaken at arm's length based on existing contracts. For all transactions between the reporting segments, the basis of recognition is in compliance with IFRS provisions. There is a corresponding segment reporting to the Management Board of FinTech Group AG.

The Group generates income from the transfer of goods and services on a time-related basis exclusively from the Group companies based in Germany. In fiscal year 2018 FinTech Group AG did not realise any material revenues (> 10%) with just one customer.

Segment reporting for continuing activities in 2018

In kEUR	FIN	TECH	Consolidation	Total
Total net Revenues	107,140	39,730	-21,770	125,100
Raw materials and consumables	44,517	5,462	-13,132	36,847
Personnel expenses	17,274	9,470	-4,830	21,914
Other administrative expenses	17,001	10,779	-3,808	23,972
EBITDA	**28,349**	**14,019**	**-**	**42,368**
Depreciation				8,180
Consolidated earnings before interest and income tax (EBIT)				**34,188**
Net financial income/finance costs				-2,179
Consolidated earnings before income tax (EBT)				**32,010**
Income tax expense				10,965
Consolidated earnings from continuing activities				**21,044**
Earnings from discontinued operations				-
Consolidated net profit				**21,044**

Segment reporting for continuing activities in 2017

In kEUR	FIN	TECH	Consolidation	Total
Total net Revenues	89,113	30,642	-12,742	107,014
Raw materials and consumables	28,688	3,937	-1,640	30,985
Personnel expenses	15,353	2,702	5,088	23,143
Other administrative expenses	25,206	3,050	-7,445	20,812
EBITDA	**19,866**	**20,953**	**-8,745**	**32,073**
Depreciation				5,590
Consolidated earnings before interest and income tax (EBIT)				**26,483**
Net financial income/finance costs				-1,288
Consolidated earnings before income tax (EBT)				**25,195**
Income tax expense				8,179
Consolidated earnings from continuing activities				**17,016**
Earnings from discontinued operations				-220
Consolidated net profit				**16,796**

In the segment reporting for 2017, the proportion of the expenses of the holding structure was fully allocated to the segment "Other & Consolidation". After completing the 'From 5 to 2' strategy in 2018, the share will be allocated to both segments by means of a pay-as-you-go system. Thus, the transparency of the presentation of the segment key figures could be further increased.

In 2017, the revenue share from holding activities related exclusively to a group allocation of kEUR 9,106 and cost of materials amounting to kEUR 2,637. In addition, personnel expenses of kEUR 9,142 and other administrative expenses of kEUR 6,072 were allocated to the segment. The EBITDA share from holding expenses in the "Other & Consolidation" segment amounted to kEUR -8,745 in 2017.

NOTE 32 Financial risk management

The Management Board incorporates potential risks and rewards into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing risks is a key element of FinTech Group AG's management tools.

FinTech Group takes a risk inventory on a regular basis - which may also be updated on an ad hoc basis – to counter any risks to which it is exposed through its business activities. With regards to financial instruments, these risks comprise the following categories:

- Counterparty default risk (also referred to as: default risk or credit risk): The risk of losses or forgone profits due to unexpected default by or unforeseeable deterioration in the creditworthiness of counterparties, in particular in the case of customers of FinTech Group Bank AG, and of bond issuers.
- Market price risk: The risk of losses due to changes in market prices, in particular as a result of changes in interest rates.
- Liquidity risk: The risk of losses resulting from liquidity shortfalls.

For the overall and comprehensive assessment, limitation and control of the aforementioned risks, FinTech Group AG has a separate department 'Risk Management'. It contributes significantly to the Group-wide tasks of

- Risk identification
- Risk assessment
- Risk management
- Risk monitoring and risk communication

FinTech Group AG thereby adds extensive structural and procedural measures implemented to ensure that, in different parts of the Group, to all relevant banking activities including material risk management and control processes.

The implementation of action items to standardise and produce a group-wide, consistent risk management has been completed.

Credit default risk

Credit default risk arises, in general, in every transaction that is undertaken with a business partner, in particular in loans to customers, trade receivables, but also in bonds in which the Group has invested. The maximum credit default risk essentially corresponds to the carrying amount of the financial assets. Collateral received as collateral or other credit enhancements are not available. With regard to further collateral in connection with lending, please refer to the explanations below.

The Group performs impairment tests on an ad hoc basis (if there is an impairment trigger event) and for each reporting date. Impairments are recognised, for instance, when a business partner is in unexpected economic difficulty.

In addition, a number of receivables are bundled into homogeneous clusters and subjected to group impairment tests.

Cash loans due to local authorities and other receivables are subject to their business-specific credit default risk, which is being looked at and analysed on a daily basis.

Expected credit losses at the individual transaction and portfolio level

Impairment losses already be taken into account at the date of initial recognition of the financial asset. The risk provision allocated to level 1 can be created both at the level of individual transactions, as well as at the portfolio level.

With regard to the credit strategy and the structure of the credit portfolios, please refer to the section entitled 'Management and limitation of counterparty default risks' in the risk report of the Group management report.

For larger credit exposures, including those arising from the opportunistic credit portfolio, the Group analysed the counterparty default risk at both the end of the month and on an ad hoc basis at the individual transaction level to ascertain whether the expected credit loss has significantly increased.

For credit exposures whose default or credit exposures are monitored and controlled in homogeneous portfolios by the bank's credit risk management, it is necessary to assess the default risk at the portfolio level, since the assessment at the level of the individual financial instrument would result in a change in the counterparty default risk being recognised too late.

Risk provisions at portfolio level are calculated at least quarterly.

For the calculation of the expected credit loss, parameters are used which are available to fulfil the supervisory requirements of the CRR. In order to determine the expected loss (EL) according to CRR, a multiplicative link between the Probability of Default (PD), the Loss Given Default (LGD) and the exposure amount in the Exposure at Default (EaD) is carried out using the following formula:

$$\text{Impairments or risk provisions (EL)} = PD \times LGD \times EaD$$

At the Group level, an allowance is recognised in the amount of the expected credit losses that occur within the next 12 months.

Risk provisions for level 1 financial instruments must therefore be recognised in the amount of the 12-month ECL. The 12-month ECL corresponds to the expected loss over the residual maturities resulting from a loss that is possible within the next twelve months. This requires the weighting of the ECL with the probability of default of the financial instrument within the next twelve months following the Valuation Day (hereinafter 12-month PD; PD_t^{12M}). Using the CRR calculation formula described above, the 12-month ECL is as follows:

$$ECL_t^{12M} = PD_t^{12M} \times LGD_t \times EAD_t$$

This corresponds to the portion of expected credit losses from default events expected within 12 months of the reporting date. If the credit risk has not increased significantly since initial recognition, the financial instrument remains at level 1.

For an assessment at the loan portfolio level, a grouping of individual transactions takes place on the basis of counterparty default risk characteristics of similar financial product groups.

The Financial Services security-backed loans (Lombard & flex loans) are loans collaterlized diversified fungible securities in the custody accounts. The mortgage lending value is determine very conservatively with high discounts. Lombard and flex customers are immediately warned in a three-stage order for payment procedure if the mortgage lending limits are not met.

The loans allocated to the diversified true sale factoring portfolio in the Financial Services division are collateralised by securities collateral, contingency insurance, guarantees, assignments of claims, in particular sponsorship, TV and advertising rights. The LGD is derived from the one-year historic recovery rate by rating from the recent study by Moody's (Annual Default Study: Corporate Default and Recovery Rates, 1920 - 2017, dated 15 February 2018). As an EaD, the factoring receivables are calculated based on utilisation less trade credit insurance and security deposits.

Determination of the significant increase in credit risk

To assess a significant increase in the risk of default, the counterparty default risk at of acquisition date is compared with the default risk at the reporting date.

An impairment provision has to be measured in the amount of the lifetime expected credit loss (LTECL) for those financial assets that have assumed a significant increase in credit risk since their initial recognition. This requires the calculation of the ECL based on the Lifetime Probability of Default (LTPD), which represents the probability of default over the residual maturities of the financial asset. Credit risk provisioning is higher at this stage as credit risk increases and the impact of a longer time horizon compared to 12 months in level 1 is taken into account.

The Group considers reasonable information that is relevant and available without undue burden when determining whether the credit risk (i.e. the counterparty default risk) of a financial asset has increased significantly since the initial recognition. This includes quantitative and qualitative information that is based on previous experience of the Group, analyses and assessments of counterparty default risk, among others:

- the financial instrument under consideration
- the debtor
- the geographical region of the debtor
- forward-looking information (including macroeconomic factors)

The procedure for the early detection of increased default or credit risks

The procedure for the early detection of increased default or credit risks is used to identify borrowers whose commitments are beginning to indicate latent or increased risks. It is designed to enable the Group to identify credit default risk exposures at an early stage so that appropriate risk mitigation measures can be taken if necessary.

The monitoring of early warning signals in lending businesses is organised at various levels:

- annual monitoring
- systematic, event-driven monitoring in the context of electronic dunning
- systematic, event-driven monitoring by arrival agencies (SCHUFA and Creditreform)
- event-driven monitoring on the basis of other information (e.g. press reports)

The following are early warning signals in the lending business, which make it easier to identify a possible increased risk. If factors for the determination of an increased counterparty default risk can not be identified at individual loan level, an investigation is carried out on a higher aggregated level (e.g. sub-portfolio).

Significant changes in the external market indicators of counterparty default risk for a particular financial instrument, such as borrower default credit default swap rates, and internal credit ratings are used as early warning indicators.

The assessment of counterparty default risk at the debtor level may lead to divergent results than an individual transaction level assessment. Therefore, other financial instruments of the same borrower are also checked to see whether the counterparty default risk has increased significantly.

Accountability, contractual compliance and behaviour of the borrower (among other things overdue), including in the form of overdrafts of credit lines, non-compliance with agreements, conditions and covenants as well as non-payment of interest and principal of more than 30 days, are early warning signals for an increased credit risk in the Group. When these early warning signals occur, a check is made as to whether an increase in risk provisioning and possibly also a different level allocation is necessary due to a change in the external rating.

Any actual or anticipated significant adverse change in the borrower's regulatory, economic or technological environment that results in a significant change in the borrower's ability to meet its debt obligations (such as a decline in demand for the borrower's products due to a technology shift) will serve as further indicators of increased counterparty default risk.

Furthermore, significant changes in the value of the collateral for the obligation or the quality of the guarantees or collateral security of third parties are recorded that is likely to reduce the economic incentive of the borrower to make planned contractual payments or that is likely to affect the probability of a default occurring.

If the debtor is likely to indicate breaches of contract that may lead to waivers or supplements, interest payment pauses, increases in interest rates, additional collateral or guarantees required or changes in the contractual framework of the instrument, will be examined whether any potential increased counterparty default risks can be identified.

Framework for identification of financial assets at risk of default

Under IFRS 9, the Group follows the definition of loans classified as defaults in accordance with the Capital Requirements Regulation (CRR) pursuant to Art. 178 with its definition of impaired loans.

The assessment of whether a financial asset is at risk of default concentrates exclusively on counterparty default risk without taking into account the effects of credit risk mitigants such as collateral or guarantees. Specifically, a financial instrument is at risk of default and assigned to level 3 if the Group assumes that the borrower (debtor) will not meet its loan obligations to the Group company. This definition includes measures where the borrower has been granted, for economic or legal reasons, a concession that is a qualitative indicator of a credit reduction or contractual payments of principal or interest by the debtor are more than 90 days past due. As part of the level allocation process, financial instruments with an external investment grade rating are assigned to level 1 in the event of irrevocable addition and in the subsequent measurement, since a low default risk is expected in these cases. For financial instruments with an investment grade rating, it is therefore not necessary to investigate a significant increase in the default risk and to continuously assess the risk.

Financial instruments with an external non-investment grade rating are also assigned to level 1 upon addition. As part of the subsequent measurement, when the early warning signals listed above occur, it is checked whether there is a significant increase in the default risk, an increase in risk provisioning and a transfer of the financial instrument from level 1 is necessary. The assessment is based, among other things, on the changes in external rating.

The changes in the risk provisions in the reporting period are shown as follows:

In kEUR	**12-month ECL**	**Total ECL maturity – unimpaired financial instruments**	**Total ECL maturity – depreciated financial instruments**	**Total**
Stock at the beginning of the year	**560**	**-**	**-**	**560**
Changes in amortisation of financial assets including newly issued or acquired financial assets	1,234	28	6,889	7,262
Of which: Additions to risk provisions from financial assets acquired as part of the acquisition of factoring.plus. GmbH	-	-	889	889
Changes due to disposals of financial instruments (including repayments, disposals)	-	-	-13	-13
Changes in impairments for irrevocable loan commitments	37	-	-	37
Stock at the end of the reporting period	**942**	**28**	**6,876**	**7,846**

The increase in risk provisions in the amount of kEUR 6,015 results in particular from an individual value adjustment on receivables from the factoring business from a German retail company.

In the first stage (12-month ECL), the securities-secured loans (Lombard & flex loans) with a gross carrying amount of kEUR 108,109 are particularly exposed. Due to the very conservative lending system and low historical defaults, these are treated as financial instruments with an external investment grade rating for which a lower default risk is expected. Level 1 also includes receivables from borrowers with an external investment grade rating from the true sale factoring portfolio with a gross carrying amount of kEUR 77,320 from the opportunistic loan portfolio of kEUR 26,725 and receivables from banks of the treasury portfolio of kEUR 150,772. Irrevocable loan commitments with a gross carrying amount of kEUR 193,812 are additionally aallocated to Level 1. For further details on irrevocable loan commitments, see Note 16 Liabilities to customers.

Level 2 (total term of ECL of non-impaired financial instruments) includes securities-secured loans with a significantly increased default risk with a gross carrying amount of kEUR 33. Level 3 (total term of ECL of impaired financial instruments) includes receivables from the factoring business with a German retail company with a gross carrying amount of kEUR 12,496 (see also Note 22 Cost of materials) as well as the impaired receivables with a gross carrying amount of kEUR 1,052 taken over in the wake of the acquisition of factoring.plus.GmbH.

Market price risk

flatex Bank AG has extensive cash deposits. Since these funds are not reinvested at the exact same terms that they are taken in, flatex Bank AG incurs an additional market risk in the form of interest rate risk through the resulting yield curve gaps. Market interest rates have a significant impact on the prices and measurements of financial instruments of flatex Bank AG and may therefore have a positive or negative impact on the profitability of the Group.

FinTech Group AG mitigates these interest rate risks by reinvesting its customer's cash deposits with a small time gap (conservative asset-liability management), so there is currently no need for hedging transactions. However, the management of FinTech Group AG reserves the right to take action if interest rates change unfavourably or if the overall risk situation should require it.

The following table shows the sensitivity of the Group's pre-tax profit and the Group's equity to possible changes in market interest rates of 0.5 percentage points up or down, all other variables remaining equal:

In kEUR	Change in market interest rate in percentage points	Pre-tax Earnings (new)	Equity (new) in kEUR
2018	+0.5 percentage points	25,448	171,629
2018	-0.5 percentage points	16,640	162,821
2017	+0.5 percentage points	27,895	114,521
2017	-0.5 percentage points	22,495	110,849

The risk from movements in exchange rates (currency risk) in financial instruments at FinTech Group is immaterial.

Liquidity risk

FinTech Group AG monitors its liquidity regularly and ensures its continuous funding through the use of debt financing and operating leases. FinTech Group AG has taken appropriate action items to guarantee the financing of the ongoing expansion and introduced so-called liquidity coverage ratios in its internal reporting structure, so that the risks of insufficient financial resources are regularly monitored.

Risk concentration

Risk concentration is of particular importance for FinTech Group, especially with regard to potential cumulative counterparty default risks among bond issuers or partners in the Group's lending business ('cluster risk'). FinTech Group has an investment guideline, and a limit system derived from it, which generally prevents risk concentrations. In addition, the new loan portfolio model introduced in 2016 and the Group's ongoing risk reporting facilitate initiation of countermeasures at an early stage, as soon as potential risk concentrations appear. Monitoring is therefore carried out with regard to possible concentration trends in maturity terms, in the geographic spread of counterparties, and in asset classes, but in particular with regard to possible concentration risks in individual counterparties (outside the central banking sector). As of the reporting date on 31 December 2018, the nominal value of the highest claim to a single counterparty was EUR 26.9 million. (previous year: EUR 25.5 million). On account of the good credit rating and the short residual maturities, the VaR for this receivable, calculated with the FinTech Group AG's credit portfolio model, was 0.0.

Capital management

The Group's objective with regard to capital management is ensuring the continuation of the business, in order to meet the requirements of the shareholders and other stakeholders regarding its expected performance. To date, FinTech Group AG has relied on traditional equity financing (e.g. issuance of new shares) and debt financing. The sum of the equity and debt capital is managed as capital. The key control parameter for the strategic capital structure is the equity ratio derived from the consolidated balance sheet. It is the stated goal of our long-term capital management to further strengthen the equity ratio over the coming years. Compared to the previous year, there have been no material changes in terms of capital management.

Individual group companies have been subject to regulatory minimum capital requirements during the reporting period. Such requirements are included in the capital management planning at Group level. All existing minimum capital requirements have been consistently met.

NOTE 33 Dividends

No dividends were distributed during the reporting period.

NOTE 34 Auditors' fees

The group auditor's fee recognised as an expense in the financial year is made up as follows:

In kEUR	**2018**	**2017**
Audit of the financial statements	1,388	414
of which: BDO AG	711	163
of which: TREUWERK AUDIT GmbH	657	118
of which for the previous year	360	-
Other assurance services	-	-
Tax advisory services	34	-
Other	14	-
Total	**1,436**	**414**

NOTE 35 Events after the balance sheet date

FinTech Group becomes flatex

After years of reorganisation of the Group and focused realignment, FinTech Group AG will integrate the main earnings and growth driver flatex in the company name from here on out. Together with the Supervisory Board, the management has decided to rename FinTech Group Bank AG into flatex Bank AG and to propose the renaming of the parent company FinTech Group AG to flatex AG at the upcoming general meeting in the summer of 2019.

New CRO of flatex Bank AG

Since 01 February 2019, Mr Jörn Engelmann has been the new CRO at flatex Bank AG and has become a permanent member of the Executive Committee of FinTech Group AG.

AUDITOR'S REPORT

For the reporting period from 01 January 2018 to 31 December 2018, in the versions included in this report as Annex I (Consolidated Financial Statements) and Annex II (Cconsolidated Management Report), we have issued the unqualified audit opinion, signed on 27 June 2019 in Frankfurt am Main, regarding the Consolidated Financial Statements and consolidated management report of FinTech Group AG, Frankfurt am Main, as follows:

„INDEPENDENT AUDITOR'S REPORT

To FinTech Group AG, Frankfurt am Main

AUDIT OPINIONS

We have audited the Consolidated Financial Statements of FinTech Group AG, Frankfurt am Main, and its subsidiaries (the Group). Our audit included the consolidated balance sheet as of 31 December 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We also audited the consolidated management report of FinTech Group AG for the financial year from 01 January 2018 to 31 December 2018. We have not examined the content of the components of the Group's annual financial report mentioned under 'OTHER INFORMATION'.

In our opinion, based on the findings of the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB and, give a true and fair view of the net assets and financial position of the Group as of 31 December 2018,, as well as its earnings for the fiscal year from 01 January 2018 to 31 December 2018, and
- the accompanying consolidated management report gives a true and fair view of the Group's position. The consolidated management report is consistent with the Consolidated Financial Statements in all material respects, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) (1) HGB, we declare that our audit has not led to any objections regarding the orderliness of the consolidated financial statements and the consolidated management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the consolidated management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those rules and regulations are further described in the section of our auditor's opinion entitled 'AUDITORS' RESPONSIBILITY FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT'. We are independent of the Group companies in accordance with German commercial law and professional code of conduct and have fulfilled our other professional obligations under German law 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 on the consolidated financial statements and the consolidated management report.

OTHER INFORMATION

Management is responsible for the other information. Other information includes:

- the parts of the Group's Annual Report entitled 'Highlights', 'Key Figures of the Company', 'Letter from the Management Board' and 'Report of the Supervisory Board' provided as a draft by the date of the auditor's opinion.

Our audit opinions on the consolidated financial statements and the consolidated management report do not involve the other information and accordingly we are not issuing any opinion or other form of audit conclusion.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and to assess whether the other information

- reveals material inconsistencies with the consolidated financial statements, the consolidated management report or our knowledge acquired during the audit, or
- otherwise appears materially misrepresented.

RESPONSIBILITY OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements thatcomply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB. They must also ensure that the consolidated financial statements provide a true and fair view of the net assets, financial and earnings position of the Group. Furthermore, the legal representatives are responsible for the internal control features that they have determined to be necessary to facilitate the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing, as applicable, matters related to going concern. Furthermore, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

In addition, management is responsible for the preparation of the consolidated management report, that, as a whole, provides a true and fair view of the Group's position, and is, in all material respects, consistent with the consolidated financial statements, complies with legal requirements under German legal requirements, and appropriately presents the opportunities and risks of future development. Furthermore, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a consolidated management report in accordance with the applicable German legal requirements and to be able to provide sufficient appropriate evidence for the assertions in the consolidated management report.

The Supervisory Board is responsible for overseeing the Group's accounting process for preparing the consolidated financial statements and the consolidated management report.

RESPONSIBILITY OF THE AUDITOR FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the consolidated management report as a whole provides an appropriately view of the situation of the Group as a whole; and is consistent in all material respects with the consolidated financial statements, as well as with the obtained insights from the audit; if it complies with the German statutory regulations and represents the chances and risks of the future development correctly, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and the consolidated management report.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit conducted in accordance with § 317 HGB and in compliance with the German Generally Accepted Standards for the Audit of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) will always reveal a material misstatement. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influencethe economic decisions of addressees made on the basis of these Consolidated Financial Statements and the consolidated management report.

During the audit, we exercise professional judgment and maintain professional skepticism throughout the audit. Furthermore,

- we identify and assess the risks of material misstatement (whether intentional or unintentional) in the consolidated financial statements and the consolidated management report. We also plan and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and suitable to form the basis of our audit opinions. The risk of not detecting a material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, s, or the override of internal controls.
- we obtain an understanding of the internal control system relevant for the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the consolidated management report 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 these systems.
- we evaluate the appropriateness of accounting policies used by management and the reasonableness of the estimates and related disclosures made by the management.
- we conclude on the appropriateness of management's use of the going concern basis of accounting and, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may give rise to significant doubts on the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the auditor's report to the relevant disclosures in the consolidated financial statements and the consolidated management report or, if these disclosures are inadequate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may cause the Group to cease to be able to continue as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner to ensure that the consolidated financial statements comply in all

material respects with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315e (1) HGB. They must also ensure that the consolidated financial statements provide a true and fair view of the net assets, financial and earnings position of the Group.

- we obtain sufficient appropriate audit evidence for the financial information of the entities or business activities within the Group to provide audit opinions on the consolidated financial statements and the consolidated management report. We are responsible for the guidance, supervision and execution of the consolidated financial statements audit. We are solely responsible for our audit opinions.
- we evaluate the consistency of the consolidated management report with the consolidated financial statements, its compliance with the German law, and the fair view of the Group's position that it provides.
- we perform audit procedures on prospective information presented by management in the consolidated management report. Based on sufficient, appropriate audit evidence, we evaluate, in particularly, the significant assumptions used by management as a basis for the prospective information, and assess the proper derivation of the prospective information from these assumptions. We do not provide an independent opinion on the prospective information and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the prospective information.

Among other things, we discuss the planned scope and timing of the audit with the people in charge of monitoring, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit."

Frankfurt am Main, 27 June 2019

BDO AG

Wirtschaftsprüfungsgesellschaft

FinTech Group AG
Rotfeder-Ring 7
D-60327 Frankfurt am Main
Tel 069 450 001 0
info@fintechgroup.com
www.fintechgroup.com