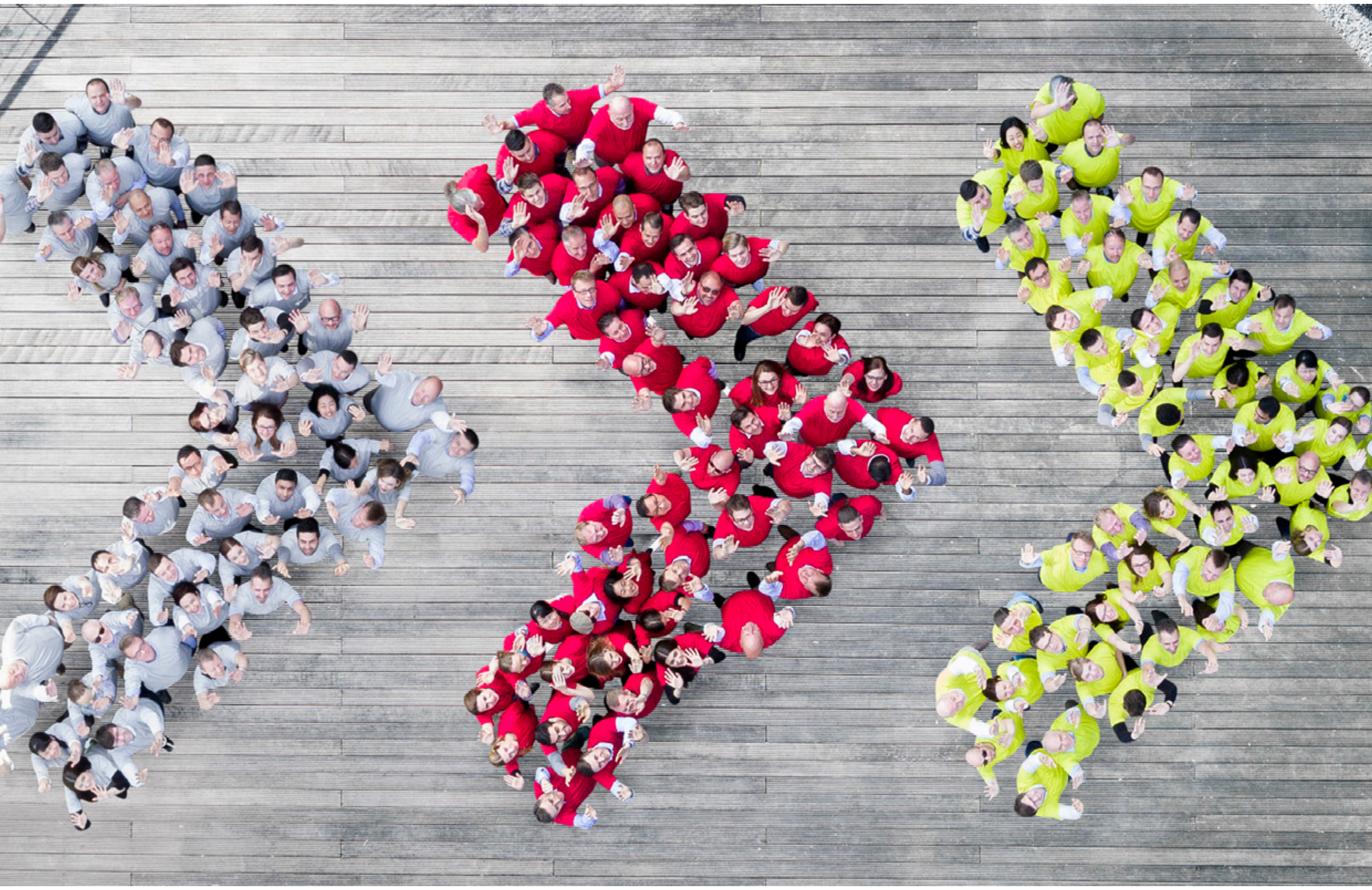
2017
ANNUAL REPORT



fintechgroup

Inhalt

HIGHLIGHTS

Highlights

12/14/2017

Morgan Stanley & Co. International plc invests in FinTech Group AG

12/12/2017

FinTech Group expects net profit to increase by 40% in 2018

10/11/2017

FinTech Group welcomes customer no. 200,000 – increase in number of B2C-customers is 50% higher than in 2016

10/04/2017

FinTech Group Bank AG is "Bank of the year 2017" for medium-sized companies

09/27/2017

Large new B2B-client Kommunalkredit goes live

09/20/2017

Steffen Jentsch signs on as Managing Director at FinTech Group AG

08/30/2017

FinTech Group half-year net profit nearly tripled

07/03/2017

"From 5 to 2":
XCOM AG annual general meeting passes resolution for squeeze-out

06/15/2017

"From 5 to 2":
The Group bank biw AG changes its name to FinTech Group Bank AG

04/17/2017

"We got IT" is the new slogan for FinTech Group

03/15/2017

flatex passes on the negative ECB interest rate of 0.40 percent to customer deposits

03/01/2017

"From 5 to 2": FinTech Group decides to reorganize for leaner set-up

01/31/2017

Breaking a record in January:
The number of new flatex customers exceeds 5,000 per month for the first time

01/01/2017

Muhamad Said Chahrour is appointed to FinTech Group AG's Management Board as CFO

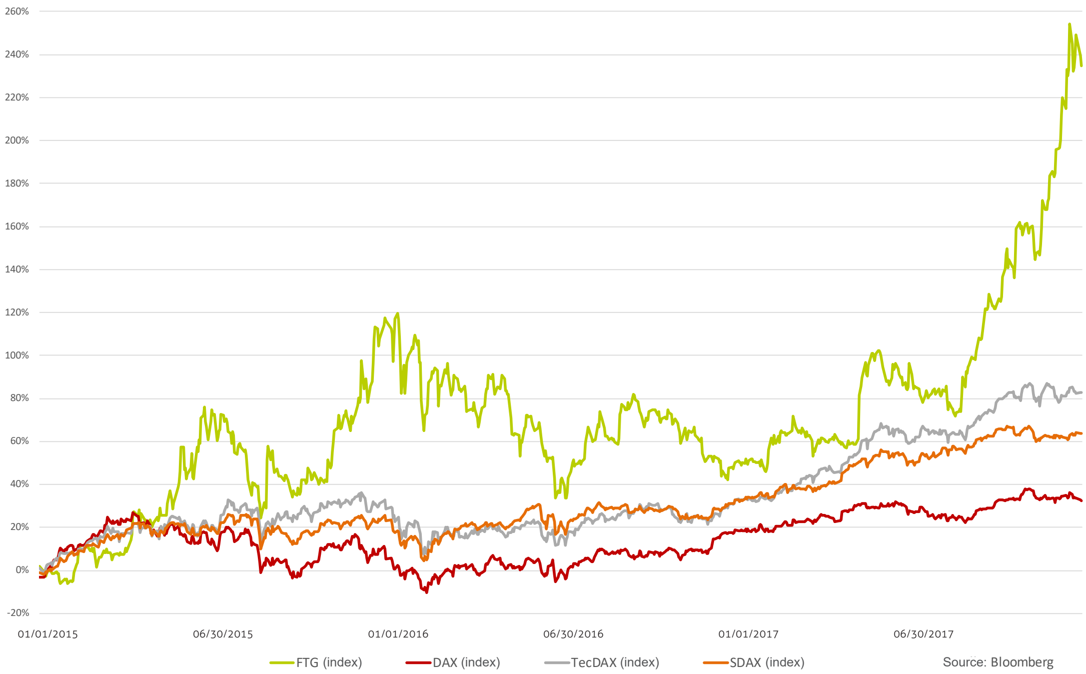
Group Key Performance Indicators

Group Key Performance Indicators

		2017	Change in %	2016
Operating business				
Transactions executed	number	11,272,496	7.7	10,462,477
Number of retail customers	number	253,825	19.7	212,040
Transactions per customer / year	number	44.41	-10.0	49.34
Customer assets under management	mEUR	11,794	8.7	10,855
of which: securities in custody	mEUR	10,910	14.7	9,512
of which: cash deposits	mEUR	884	-34.2	1,343
Financials				
Revenues	kEUR	107,014	12.6	95,021
EBITDA	kEUR	32,073	4.7	30,624
EBIT	kEUR	26,484	4.0	25,465
Net profit	kEUR	16,796	36.4	12,316
Earnings per share (undiluted)	EUR	1.00	37.0	0.73
Equity	kEUR	112,724	24.4	90,629
Total assets	kEUR	1,107,433	-27.8	1,533,994
Equity ratio	in %	10.2	72.9	5.9
Cash flow from operations - before banking operations	kEUR	23,729	52.7	15,543
Cash flow from banking operations	kEUR	-23,473	-84.4	-150,344
Cash flow from discontinued operations	kEUR	-144	-98.4	-9,155
Cost-income-ratio	in %	58.5	-13.7	67.8
Employees (average)	number	453	1.1	448
Segments				
Financial Services (FIN)	Revenues kEUR	89,113	21.4	73,394
	EBITDA kEUR	19,866	10.2	18,021
Technologies (TECH)	Revenues kEUR	30,642	-9.2	33,733
	EBITDA kEUR	20,953	21.9	17,190
Others & Consolidation	Revenues kEUR	-12,742	5.3	-12,106
	EBITDA kEUR	-8,745	90.6	-4,587
Total	**Revenues kEUR**	**107,014**	**12.6**	**95,021**
	EBITDA kEUR	**32,073**	**4.7**	**30,624**

The FinTech Group stock

Key Figures of FinTech Group Stock



		2017	Change in %	2016
Shares outstanding as per 12/31	number	17,506,426	4.1	16,810,876
Shares outstanding - year average	number	16,827,990	0.1	16,810,876
Subscribed capital	kEUR	17,506	4.1	16,811
Market capitalization	mEUR	536.57	134.2	229.13
Price at year-end	EUR	30.65	124.9	13.63
Year high	EUR	32.40	61.2	20.10
Year low	EUR	13.37	9.3	12.23
EBITDA per share (undiluted)	EUR	1.88	3.2	1.82
Earnings per share (undiluted)	EUR	1.00	36.7	0.73
Equity per share (undiluted)	EUR	6.44	19.5	5.39
Dividend per share	EUR	-	-	-

Foreword

Basis of Presentation

Frank Niehage, CEO
Muhamad Chahrour, CFO

Dear shareholders, dear friends of FinTech Group AG,

2017 was very successful for our group. Once again, we were able to significantly expand and strengthen our position. This has been appreciated at the stock exchange. Institutional and retail investors reward our daily work and long-term strategy – the performance of our stock in 2017 shows this very clearly. Transaction volume and thereby liquidity in our stock increased significantly. In December, our business partner Morgan Stanley decided to come on board as a strategic investor. This is a very positive signal, a sign of great trust in our work and our potential, which we welcome very much.

From five to two

In order to complete the integration of the XCOM group, we implemented the strategy "From 5 to 2" during the course of the year. This made us leaner and more powerful. Our new, simpler organizational structure now consists of a Financial Services segment (FIN), with the fully-licensed FinTech Group Bank AG, and a Technologies segment (TECH), with the parent company FinTech Group AG as technology provider.

To further expand our technological edge, we invest in our staff and in data centers:

- At our Kulmbach site, we have centralized our group-wide Banking Service Center, which allows us to offer more than an ordinary call center: real banking know-how, with highly trained employees.
- We have consolidated the various locations in and around Dusseldorf in new, modern offices in Neuss. Shorter distances, better logistics and a state-of-the-art environment give employees the "space" for new ideas and smart work at this venue.
- As a technology company, our data is very valuable. That's why we've invested in a new data center in Dusseldorf, which meets the highest security standards and uses less energy – providing safety and sustainability.

Excellence in B2C

Offering top value for money, our online brokerage brand flatex stands for excellence in the industry. Over 35,000 new customers joined us in 2017, and in October we were able to welcome customer no. 200,000. As of 12/31/2017, the total number of flatex customers had passed the 215,000 mark, almost one fifth (18%) higher than at the previous year-end. flatex has become a well-established broker in Germany with a market share of approx. 20%, and in Austria, in fact, we have become the market leader.

Due to the continuing consolidation in the online brokerage market, flatex is now the last big-bank independent broker who guarantees its customers one of the widest and best product ranges, top service, and continuous product innovation. Our customers have shown great trust in us, giving us a clear signal that our B2C offer is highly attractive. Our success formula for flatex is simple: top products, at top prices, on a top platform.

In addition, our trading customers can be counted among the most active and the most profitable - despite our low standard transaction fee of EUR 5.90. Thus, the number of settled securities transactions increased by 8% year-on-year to 11.3 million in 2017. Since volatility in the financial markets had reached a historic 20-year low in the course of the year, we expect to see transaction volume rise as volatility picks up again, as was already the case in the first quarter of 2018.

Strong B2B

Our B2B affairs also did very well in 2017. Many banks and financial institutions are interested in our standard platform for private and specialist banks: FTG:CBS provides technology and regulatory banking processes at a price that is 30% cheaper than the competition. Still today, the IT of many financial institutions across Europe is running on obsolete legacy systems. As a full-service solution, FTG:CBS can help the approximately 500 German – and many European – private and specialist banks, to make a long overdue technology leap, to improve their profitability, and to become future-ready.

FTG:CBS is individually adaptable to the needs of each client, whether they need securities, payments, e-money or credit solutions. In addition, the built-in control platform offers financial control, regulatory and management reporting functions. As the industry continues to digitize, our FTG:CBS platform offers modular tools, which can be tailored to meet new regulatory requirements, products and business processes. It is designed as a state-of-the art ecosystem which, thanks to technical and functional integration layers, allows third parties to interface their systems quickly and flexibly.

We are therefore confident that we will gain additional B2B clients for our FTG:CBS. The B2B segment with its stable earnings is an important factor in our growth story and for the valuation of our stock. More than 30 well-known banks and other financial service providers trust in our solutions. In 2017 two major new projects were aquired.

Growing loan book provides significant returns

In 2017, our fully secured loan book grew by more than 50% year-on-year, to reach a volume of EUR 202 million. It made a significant contribution to earnings despite the current low interest rate environment. Net interest income rose by a third to EUR 10.4 million in 2017. We are well prepared for a interest rate rebound - our exposure is concentrated on the short 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.

Also in 2017, we took steps to expand the business of providing innovative and fully secured loans such as the flatex flex loan. Here, we offer real added value: with the new "Policen-Kredit" loan, borrowers may quickly obtain additional funding without having to cancel their life or pension insurance policies.

Europe-wide recognition

Our hard work is being recognized in the industry: flatex won numerous prizes in German business media and reached top spots in the rankings. But that's not all: FinTech Group AG was the national winner in the transaction volume category of the independent European Business Award.

We are also pleased that we received a prize from the independent Oskar Patzelt Foundation. FinTech Group Bank AG was honored as Bank of the Year as part of the foundations Grand Prize awards for medium sized companies. In the eulogy, the bank was called a "pioneer of modern financial technology".

Sustainability is important to all

To us, corporate social responsibility is more than the abbreviation CSR. After having launched Europe's first university program for FinTech, together with the Frankfurt School of Finance and Management in 2016, we now have two cohorts of young talents working for us. In this "dual" integrated education, they attend classes three days and work three days a week. In the meantime, other companies have realized how important it is for young people to be prepared for the future and joined our programm in 2017.

Furthermore, FinTech Group AG has been involved in the German Sustainability Award for years. In 2017, we expanded our commitment here. We would like to set an example that technology companies also need to gear themselves towards sustainable strategies.

Conclusion: Fit for further growth

The entire FinTech Group AG team – our dedicated employees, our Executive Committee and the Management Board – has worked diligently in 2017 to get us ready for further growth. Together with our customers, our business partners and our shareholders, we have created the necessary conditions to significantly increase stakeholder value. We made significant progress in 2017 in reaching for our goal to become a European Champion.

We would like to take this opportunity to thank you all very much for your active commitment. We thank our customers, shareholders and partners for their trust and support.

Sincerely,

Frank Niehage	Muhamad Said Chahrour
CEO, Chairman of the Management Board	CFO, Member of the Management Board

Report of the Supervisory Board

Report of the Supervisory Board 2017

Martin Korbmacher,
Chairman

Dear shareholders,

FinTech Group looks back on a successful year. In addition to the positive business performance and the expansion of further strategic partnerships, 2017 was defined by measures to increase efficiency and to simplify the structure of the Group.

Cooperation with the Management Board

In 2017, the Supervisory Board of FinTech Group AG carried out the responsibilities incumbent upon it under the law, under administrative regulations, 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 the lawfulness, the expediency, the orderliness and the economic viability of the Management Board's activities. The Supervisory Board was also being involved, directly and in a timely fashion, in all decisions of material importance to FinTech Group AG.

The Management Board informed the Supervisory Board regularly, promptly and comprehensively, in written or verbal form, about corporate planning and strategy, material risks, the course of business, as well as about risk management and all relevant compliance issues. Actual vs. plan variances were explained in detail. The members of the Supervisory Board always had ample opportunity to analyze 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 and major events and developments in FinTech Group AG and the Group. He reported on important events and significant findings, 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 2017, the Supervisory Board held seven 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. Three of the meetings were held in the first half of the year and four in the second half of 2017. In addition, resolutions were also 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.

Trimming the Group's structure was a key focus of the Supervisory Board's activities in the past year. This included consulting, monitoring and, where necessary, the passing of resolutions, to achieve the group-wide mergers under the "From 5 to 2" project, in particular the merger of the five main operating companies of the Group (i. e. FinTech Group AG, FinTech Group Bank AG (formerly "biw Bank für Investments und Wertpapiere AG"), XCOM AG, ViTrade GmbH and flatex GmbH) into the surviving two companies FinTech Group AG and FinTech Group Bank AG, which was completed by the end of March 2018. Part of this merger project was the merger-related squeeze-out of XCOM AG in the summer of 2017; in preparation for this, the equity stake in this company had continuously been built up. Another focal point was the implementation of a fiscal unit for corporate income tax purposes, by concluding profit and loss transfer agreements between FinTech Group Bank AG and its parent, FinTech Group Finanz GmbH, as well as between FinTech Group Finanz GmbH and its parent company, FinTech Group AG, with retrospective effect from the beginning of 2017. Further focal points of the Supervisory Board's activities were the course of business, discussions about strategic partners and Morgan Stanley & Co. International plc.'s cash investment in FinTech Group AG via a capital increase, utilizing the 2017 authorized capital, whereby the preemptive rights of existing shareholders were excluded.

Regular discussions at the meetings of the Supervisory Board focused on strategy, revenue and earnings as well as the course of business of FinTech Group AG and its major subsidiaries. This included, in particular, the financial position, the Management Board's quarterly written reports on the risk situation, 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 2017 were:

In the Supervisory Board meeting held by telephone on March 13, 2017, Mr. Stefan Müller was elected Deputy Chairman of the Supervisory Board. Subsequently, the Supervisory Board was informed about the introduction, by way of individual agreements, of a negative credit interest rate at flatex GmbH, and its effects.

At the Supervisory Board meeting to discuss the year-end accounts, on March 28, 2017, the Management Board initially reported primarily on the progress of various strategic projects at FinTech Group AG and its major subsidiaries, on the new rental property for FinTech Group Bank AG in Neuss, and on pending litigation. Following this, the Supervisory Board approved the previously discussed implementation of the merger-related squeeze-out of XCOM AG and further implementation measures within the framework of the project "From 5 to 2". The Board also dealt with the Risk Report, the Group internal audit draft reports relating to audit in third and fourth quarters 2016, as well as the main agenda topics for the company's ordinary Annual General Meeting. The main focus of the meeting were the year-end accounts per December 31, 2016, for the company and for the Group, as well as the Group management report, which were explained in detail by the Management Board. The year-end statutory auditor, who also attended the meeting, reported in detail on the course and outcome of the audits, and was available for additional questions during the ensuing, detailed discussion. The audit of the single and consolidated accounts and the Group management report by the auditing firm, as well as the final review by the Supervisory Board, in consideration of the auditors' reports, did not lead to any objections or reservations. The Supervisory Board approved the single accounts for the year ended December 31, 2016, by circular resolution dated April 20, 2017, which were thereby adopted. The consolidated accounts as of December 31, 2016, and the Group management report, were approved by written resolution dated May 10/11, 2017.

At the meeting on June 27, 2017, the Supervisory Board was thoroughly informed about the current management reporting and, in particular, about developments in various strategic projects of FinTech Group AG and its major subsidiaries, such as the status of the sale of Die AKTIONÄRSBANK Kulmbach GmbH. This was followed by reviews of the Money Laundering Report and the Risk Report dated April 2017. The Group internal audit reports for the third and fourth quarters of 2016, for the entire year 2016, and report for the first quarter 2017, were approved unanimously.

The Supervisory Board meeting held by telephone on July 18, 2017 confirmed Mr. Martin Korbmacher as Chairman of the Supervisory Board and Mr. Stefan Müller as his deputy.

At the Supervisory Board meeting on September 26, 2017, the current management reporting was discussed and an update was given on various strategic projects. The Management Board also informed the Supervisory Board about new business ideas regarding the cooperation with Equatex AG. Furthermore, tax implications of the various options regarding the planned merger of flatex GmbH were thoroughly discussed. After that, the Supervisory Board was provided with a detailed overview of the implementation status of the regulatory requirements from MiFID II and PSD II, as well as with explanations of the Money Laundering and Risk Reports. In addition, the time, place and the main agenda items for the Extraordinary General Meeting on December 04, 2017, were agreed.

On October 20, 2017, in a written circular resolution, the Supervisory Board approved the profit and loss transfer agreement between FinTech Group Bank AG and FinTech Group Finanz GmbH (concluded on October 20, 2017), as well as the other profit and loss transfer agreement between FinTech Group Finanz GmbH and FinTech Group AG (concluded on December 04, 2017).

On December 06, 2017, a Supervisory Board meeting was held by telephone, in which the Management Board reported about current strategic projects and discussed with the Supervisory Board the analyses that were to be prepared, partly for further planning, as a basis for decision-making. Furthermore, various HR issues of FinTech Group AG and its subsidiaries were discussed. In this context, the Supervisory Board approved a planned share buyback in order to service a special Christmas bonus for employees in the form of 10 shares of FinTech Group AG each. The Management Board then explained the Money Laundering Report, gave an overview of the targets for 2018, and walked the Supervisory Board through the 2018 budget by giving detailed explanations of each individual item. After extensive discussions in the meeting, the Supervisory Board approved the 2018 plan and profit guidance by way of written circular resolution on December 10, 2017. Also at the meeting on December 06, 2017, detailed discussions were held on the internal audit report for the second quarter 2017, on the planned outsourcing of all internal audit activities to KPMG as of January 01, 2018, and on the revised monthly Risk Report format.

On December 13, 2017, in a meeting held via telephone conference, the Supervisory Board approved, after a detailed review of the conditions, the previously mentioned capital increase at FinTech Group AG, out of the 2017 authorized capital, in the notional amount of EUR 700,000.00, by issuing 700,000 new no-par value registered shares, excluding pre-emptive rights of existing shareholders. Also during this telephone meeting, the Supervisory Board resolved to amend the Articles of Association in line with the partial utilization of the 2017 authorized capital.

Organizational 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 required additionally between the scheduled meetings, were passed by written circulation.

Changes in the composition of the Supervisory Board

The Supervisory Board consists of three members in accordance with FinTech Group AG's articles of association. At the beginning of the reporting period, the Supervisory Board consisted of Mr. Martin Korbmacher (Chairman), Mr. Bernd Förtsch (Deputy Chairman) and Mr. Herbert Seuling.

During the reporting period, there were the following changes in the composition of the Supervisory Board:

With effect from January 30, 2017, Mr. Bernd Förtsch stepped down as member of the Supervisory Board. By court order of February 23, 2017, Mr. Stefan Müller was appointed member of the Supervisory Board for a period until the end of the next Annual General Meeting of the company.

This was confirmed at the Annual General Meeting on July 05, 2017 for the remainder of the term of office of the departed member Mr. Förtsch. In the meetings of the Supervisory Board on March 13, 2017 (after the court order) and on July 18, 2017 (following the election by the Annual General Meeting), Mr. Stefan Müller was elected Deputy Chairman of the Supervisory Board. At the Supervisory Board meeting on July 18, 2017, Mr. Martin Korbmacher was also confirmed as Chairman.

Currently, the Supervisory Board consists of Mr. Martin Korbmacher (Chairman), Mr. Stefan Müller (Deputy Chairman) and Mr. Herbert Seuling.

Changes in the composition of the Management Board

Effective from January 01, 2017, Mr. Muhamad Said Chahrour was appointed as an additional member of the Management Board. Since then, the Management Board has 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 March 12, 2018, for the period until August 15, 2022.

Audit of single-entity and consolidated 2017 year-end accounts

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg audited the single-entity and consolidated accounts as of December 31, 2017, as prepared by the Management Board, and the single-entity and consolidated management reports for the 2017 fiscal year, and issued unqualified opinions for each.

The documentation for the financial statements (single-entity and consolidated accounts and management reports) and the audit reports were delivered to the Supervisory Board for inspection, 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.

At the Supervisory Board meeting to discuss the year-end accounts, the single-entity accounts and management report and the consolidated accounts and Group management report, on June 14, 2018, the year-end statutory auditor again explained in detail the significant audit results and was available for additional questions. The members of the Supervisory Board took note of the audit reports and opinions, subjected them to a critical assessment, and discussed them in conjunction with the audits themselves with the statutory auditor, including questions about the types and extent of the tests conducted and the audit result. At this occasion, the Supervisory Board was able to verify the orderliness of the audits and the audit reports. The Supervisory Board acknowledged and approved the audit results.

The Supervisory Board subsequently submitted the single-entity and consolidated year-end accounts, the management report and the consolidated management report as prepared by the Management Board, in considerations of the auditors' reports, to a final examination and, as a result of this examination, raised no objections. The Supervisory Board has approved the single and consolidated annual accounts for 2017 as prepared by the Management Board. The annual accounts are thus adopted.

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 2017 fiscal year was presented to the Supervisory Board along with the corresponding audit report prepared by the statutory auditor.

The statutory auditor examined the dependency report pursuant to section 313 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. 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 audit report by the statutory auditor. The Supervisory Board concluded that, in particular, both the audit 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, and the employees of FinTech Group AG and its subsidiaries, for their performance and their great personal commitment over the past year.

Frankfurt am Main, June 21, 2018

On behalf of the Supervisory Board

Martin Korbmacher

Chairman

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 § 315 HGB and with the German Accounting Standard (DRS) 20. All the Report's contents information relate to the balance sheet date December 31, 2017 or the fiscal year ended 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 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 Consolidated Financial Statements presented here are those of FinTech Group AG (ISIN DE000FTG1111 / German securities code FTG111 / ticker symbol FTK.GR) and its subsidiaries (the "Group"). 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). Via its subsidiary FinTech Group Bank AG, which is consolidated in the Group accounts, it operates a branch office in Austria under the name of FinTech Group Bank AG, Zweigniederlassung Österreich, Vienna.

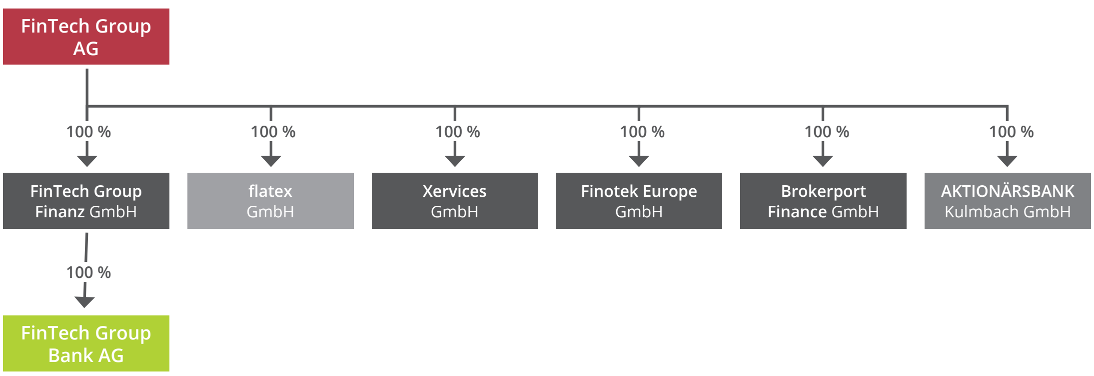
FinTech Group AG is an important B2B technology partner for German and international private and specialist banks.

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,

The FinTech Group AG, responsible for the consolidation for regulatory purposes, acts also as financial and management holding company with centralized group functions (Legal/Compliance, HR, IT, Accounting & Tax, Controlling, Procurement and Organization, Regulatory Reporting, etc.). As the managing holding company, it ensures an intelligent and efficient integration of the Group companies' business models.

Via FinTech Group Finanz GmbH, FinTech Group AG holds a 100% stake in FinTech Group Bank AG (formerly: biw Bank für Investments und Wertpapiere AG), Frankfurt. Based on the number of transactions and customer activity, the wholly owned subsidiary flatex GmbH ("flatex") has been one of the market and innovation leaders in the German B2C online brokerage market for many years. Over 200,000 private customers in Germany and abroad have already chosen flatex's clear and transparent best-value-for-money model.

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



Changes in fiscal 2017

With the continuation of our strategy "From 5 to 2" and the associated reorganization measures, which were started in late 2016, FinTech Group has set up the organizational framework for bringing the individual parts of the Group even closer together, if not combining them. The initiative brings simplification and transparency to our business structure; it also creates synergies and reduces cost.

The number of significant Group companies was reduced from five to two, the company names have been harmonized and, at the same time, a new target structure has been established.

XCOM AG and flatex & friends GmbH were merged onto FinTech Group AG effective retroactively from January 01, 2017. In this context, the remaining minority shareholders of XCOM AG excluded in return for compensation in a squeeze out under merger law. Before this, and also retroactively from January 1, 2017, b2clear GmbH had been merged onto XCOM AG. As a result of these mergers, the business of FinTech Group AG transformed from being a mere holding company to also being a technology provider.

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

The merger of ViTrade GmbH onto FinTech Group Bank AG took place retroactively from January 01, 2017. The business activities and staff were taken over by the bank, which will also continue to use the "ViTrade" brand. After the balance sheet date, flatex GmbH was merged onto FinTech Group Bank AG on March 29, 2018, effective retroactively from January 01, 2018. The successful "flatex" brand will also be retained.

In the course of the transformation process, the operating business of FinTech Group was divided into the business segments Financial Services (FIN) and Technologies (TECH). FinTech Group AG, after the merger with XCOM AG, is responsible for the TECH segment, whereas FinTech Group Bank AG, with its full banking license and the B2C brands flatex and ViTrade, covers the business of the FIN segment.

1.2. Management of the Group

Managing FinTech Group is the responsibility of the Management Board of FinTech Group AG.

As per December 31, 2017, the Management Board of FinTech Group AG was composed of the following members:

Frank Niehage (CEO), Chairman of the Management Board

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

Mr. Muhamad Said Chahrour was appointed as member of the Management Board and CFO per January 01, 2017.

The Management Board is supported in operational matters by the Executive Committee. As per December 31, 2017, next to the board members, the Executive Committee consisted of the following additional members:

Dr. Benon Janos (Head B2B)

Niklas Helmreich (Head B2C)

Bernd Würfel (Deputy CEO FinTech Group Bank AG)

Stephan Simmang (Co-Head IT, CTO)

Steffen Jentsch (Co-Head IT)

The composition of the Executive Committee changed in 2017. Mr. Sascha Bochartz left the FinTech Group AG Executive Committee on August 31, 2017. Mr. Stephan Simmang joined the Executive Committee on June 21, 2017. Mr. Steffen Jentsch was appointed as an additional member of the Executive Committee on June 07, 2017.

As per December 31, 2017, the Supervisory Board of FinTech Group AG consists of the following members:

Martin Korbmacher, Chairman of the Supervisory Board

Stefan Müller, Deputy Chairman of the Supervisory Board

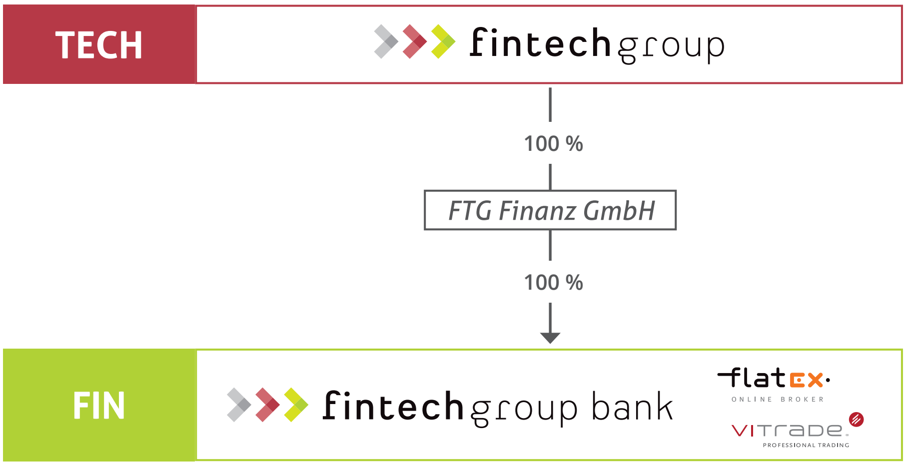
Herbert Seuling, Member of the Supervisory Board

In 2017, there was one change in the composition of the Supervisory Board: Mr. Bernd Förtsch resigned from the Supervisory Board on January 30, 2017; Mr. Stefan Müller became a new member of the Supervisory Board with effect from February 23, 2017.

1.3. Business activities

SEGMENTS OF THE GROUP

Since the second half of 2017, FinTech Group divides its business activities into the two segments Financial Services (FIN) and Technologies (TECH). There are internal supply and service relationships between the two segments, where FinTech Group AG provides, in particular, IT services for FinTech Group Bank AG.



Segment Financial Services

The former "Transaction Processing & White Label Banking Services" segment was expanded to include FinTech Group Bank AG and become the segment "Financial Services" (FIN). The FIN segment includes products in B2C online brokerage, B2B white-label banking, as well as electronic securities settlements, securities custody, and other banking services.

FinTech Group Bank AG, a modern, IT-focused, fully-licensed bank, offers almost the entire product portfolio of a technology bank, focusing on white label banking and outsourcing solutions. As an online bank and subsidiary of the technology company FinTech Group AG, FinTech Group Bank AG focuses on the highest possible process efficiency, particularly in the areas of securities and payments processing, cash deposit and lending business as well as regulatory services. Targeted clients are all interested parties who are looking for a visionary partner with a banking license at their side.

The financial business activities are divided into the operating segments Business-to-Consumer (B2C), Business-to-Business (B2B), and Credit & Treasury (C&T).

The B2C division comprises products and banking services for the Group company flatex GmbH, as well as for its own brands "ViTrade" and "Brokerport". Furthermore, under the liability umbrella of FinTech Group Bank AG, it offers the services brokerage, cash management, capital markets, and securities custody.

Within the B2B division, FinTech Group Bank AG offers its financial services partners the complete product range of a full bank as an outsourcing solution. The bank is not visible to external parties, as all processes are provided white-label of the respective business partner. Key components of FinTech Group Bank AG's services are fully automated transaction processing "factories" for securities and payments. Furthermore, under the liability umbrella of FinTech Group Bank AG, it offers services in the area of General Clearing Membership (GCM), Employee Participation, Payments, Cash Management and Deposits Platform.

The Credit & Treasury division entails the Bank's trading activities for its own investments and a conservative mostly fully secured lending portfolio.

Segment Technologies

After transferring FinTech Group Bank AG into the FIN segment, the former "Securities Trading & Financial Services" segment was transformed into the "Technologies" (TECH) segment. It covers all IT-Services, including the development and operation of the Group's core banking system FTG:CBS. In addition, the segment includes activities in research and development.

Fierce competition, cost pressure, and mounting regulatory requirements are forcing banks and other financial services providers to increasingly digitize, automate, and exploit new technologies. As a result, there is a growing need to outsource individual processes or entire supply chains.

Having completed the takeover of XCOM AG's business activities, FinTech Group AG now offers its proprietary FinTech Group Core Banking System (FTG:CBS) as a standard platform for private and specialist banks. FTG:CBS meets the highest standards in technological and regulatory banking processes and, as a full-service solution, allows German and international private and specialist banks to structure their banking processes more efficiently, more profitably and in a future-proof manner. As part of the full-service solution, all IT services and operations are offered in own data centers.

1.4. Locations

FinTech Group currently operates its business at seven locations in Germany. In addition, FinTech Group Bank AG has a branch in Vienna (Austria). The branch operates under the name of FinTech Group Bank AG, Zweigniederlassung Österreich in Vienna, and has also existed in the previous year. The ostensible business purpose of the branch is to operate the Austrian flatex business with over 20,000 brokerage customers. There are no plans to increase the geographic spread within Austria.

On reporting date, 454 staff were employed Group-wide by FinTech Group AG and its subsidiaries.

1.5. Products and services

As an innovator in the financial sector, FinTech Group's products and services cover a large portion of the technical and financial supply chain. From basic research, through the development of innovative IT technologies and highly efficient transaction processing, to the retail business in online brokerage, FinTech Group offers everything as a one-stop shop.

SEGMENT FINANCIAL SERVICES (FIN)

Operating divison Business-to-Consumer (B2C)

Online Brokerage – internal brands flatex, ViTrade

flatex

The online brokerage brand "flatex" specializes in non-advisory securities business, targeting active, well-informed traders and 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.

ViTrade

The "ViTrade" brand is a professional brokerage platform for high-frequency traders. The focus is on tailor-made conditions, a flexible trading platform, and bespoken tools.

Online Brokerage – external contractually tied agents

Institutional Brokerage

In the Institutional Brokerage business unit, FinTech Group Bank AG cooperates with its tied agent Koch Wertpapier GmbH.

Operating division Business-to-Business (B2B)

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

FinTech Group Bank AG is a general clearing member for stocks and other securities. Targeted clients are brokers and securities trading banks who can profit from FinTech Group Bank AG's streamlined and efficient securities settlement processes. For mwb fairtrade Wertpapierhandelsbank AG, Gräfelfing, FinTech Group AG has been handling their entire mutual funds business since December 2014, and since mid-2015 their entire securities settlements processing. Also, the bank offers banking services in securities custody and administration.

Employee Participation Plans

Since 2015, FinTech Group Bank AG has been providing a liability umbrella and the German custodial service for Equatex AG, who manages employee participation schemes for major German companies (DAX corporations) around the globe. In the medium to long run, FinTech Group plans to provide further services from the existing product portfolio and thus gain additional economies of scale.

Ready cash (ATM) logistics

The management of FinTech Group Bank AG has decided to discontinue the operation of its own terminals in the first half of 2018, as this business will not be of strategic importance to the company for the foreseeable future. In the future, we will continue to provide the service to third parties only.

Operating division Credit & Treasury (C&T)

Loans

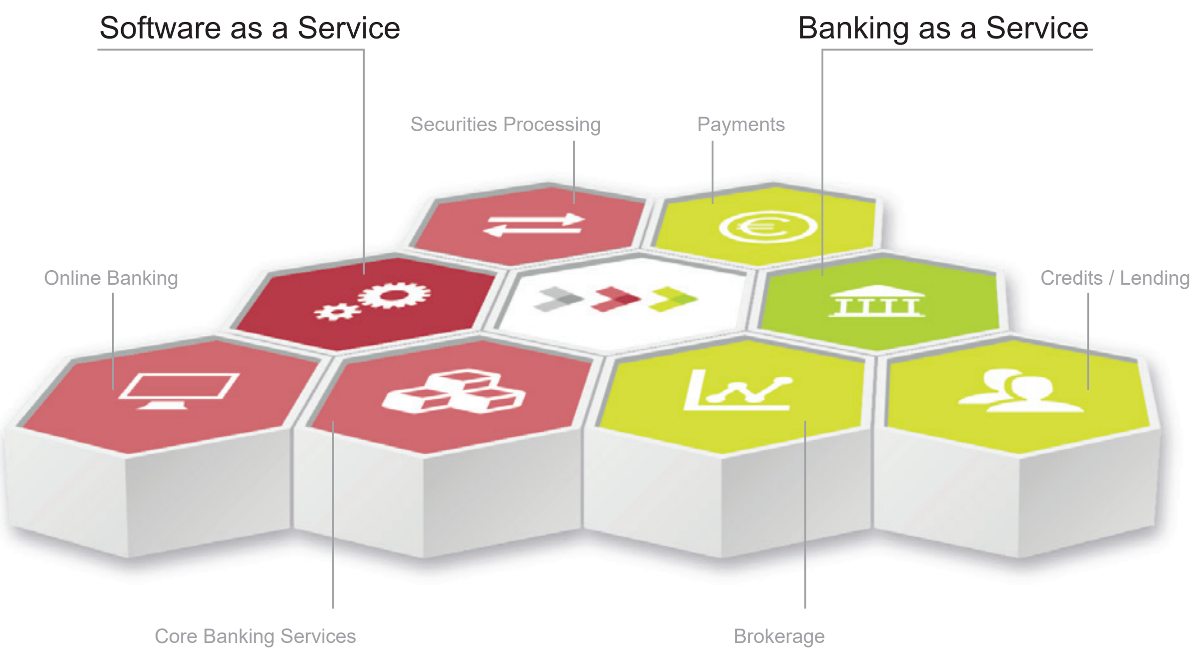
In 2017, the loan portfolio was further expanded and diversified, mainly via fully secured loans. In addition to the increase in lombard loans and flex loans at flatex, the portfolio has risen significantly by expanding the "true sale" factoring book and by adding syndicated and specialist loans.

Arbitrage trading

FinTech Group Bank AG undertakes some proprietary trading on a small, insignificant scale. Through simultaneous purchases and sales, inefficiencies in the securities markets are exploited in classical arbitrage fashion. No active position taking is pursued, so that no significant market price risks are being incurred.

Segment Technologies

After the merger with XCOM AG, FinTech Group AG now provides the Core Banking System (FTG:CBS) as a neutral, standard platform for private and specialist banks. The modular combination of different business processes within FTG:CBS creates the flexibility to meet individual customer needs.

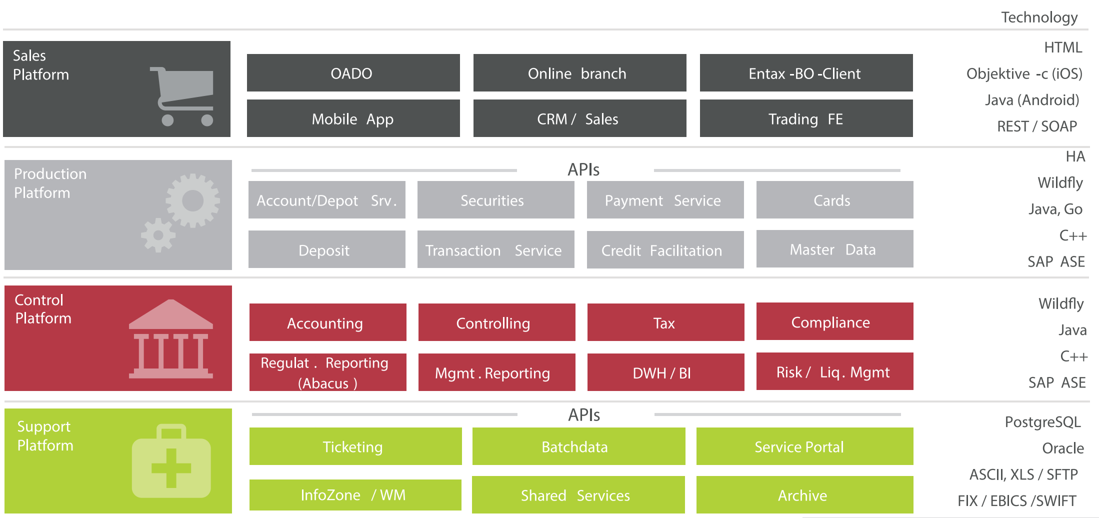


"Software as a Service" (SaaS) forms the technology basis on which the FinTech Group Bank AG runs the banking services and processes as "Banking as a Service" (BaaS). With this combination, FinTech Group covers the entire product portfolio of both a technology provider and a fully-licensed bank.

The product portfolio is divided into four platforms offering the modular technology components of FTG:CBS

1. The **sales platform** (front office) is the basis for customer contacts, with components relating to cash and securities custody account opening (KDE), customer relationship management (CRM), online banking front-end, trading front-end, support and call center, as well as (marketing) campaign management.
2. The **production platform** (back office) includes all technical processes for cash and securities custody account maintenance, cash deposits, securities settlements, payments, money market and foreign exchange transactions, loans, and ready cash (ATM) logistics.
3. The **control platform** (middle office) covers business processes in accounting, regulatory reporting, management reporting and risk management.
4. The **support platform** assists the other three platforms with archiving, release management, fulfillment and authentication processes.

Layers within the FTG:CBS banking platform:



The platforms can be viewed as a cross-section of the operating business units of FinTech Group:

Banking Applications & Accounting	Payments	Trading
• Banking Suite • Business Process Outsourcing • Fintech Start-ups • Services & Tools • Consulting	• Client-to-Bank • Bank-to-Bank • Corporate Solutions • Tools • Consulting	• Institutional Trading & Market Making • Professional Trading • Market Data & Low Latency
DATA CENTER, HOSTING, NETWORK, IT-INFRASTRUCTURE, OFFICE INFRASTRUCTURE		

In Banking Applications & Accounting, the focus is on the development of the FTG:CBS front and middleware. FinTech Group AG offers financial institutions a complete online banking suite, which may be interfaced with their existing systems - with the best usability and user experience.

The complete banking suite FTG:CBS offers particularly comprehensive applications in the securities business and in payments, based on the Group's many years of practical experience and specialized developments in these businesses.

The ever-growing digitization in the financial and industrial sectors has raised demands with respect to performance, functionality and the size of databases. FTG:CBS meets these challenges by prioritizing the following aspects in development and architecture:

Real-time performance and easy-to-navigate user interfaces:

- This is achieved, for example, by use of the TRISTAN architecture with its multichannel-capable business server, by a front-end with flexible adaptations for browsers and mobile devices, as well as by numerous tools for integration into existing systems.

Safety:

- A high safety standard is provided, for example, by hosting the applications in our own, highly available and redundant data centers in Germany.

Other priorities are transparency and audit trail, for the functional user options in decision making as well as for risk assessments and for regulatory requirements.

1.6. Target markets and clients

FinTech Group AG develops individual IT solutions, which allows its customers to focus on their core businesses and reduce their dependency on other external suppliers. Fierce competition and cost pressure are forcing financial institutions to digitize, automate, and exploit new technologies, as well as to outsource individual processes or entire supply chains. At the same time, they have to meet extensive and complex regulatory requirements. With its FinTech Group Core Banking System (FTG:CBS) FinTech Group has created a modern core banking system, a randomly scalable standard platform for private and specialist banks that can handle all production stages of the financial supply chain.

The main target market for FinTech Group's products and services continues to be the financial sector in German-speaking countries and, with increasing importance, other European countries. The current customers are mainly German and Austrian private and specialist banks.

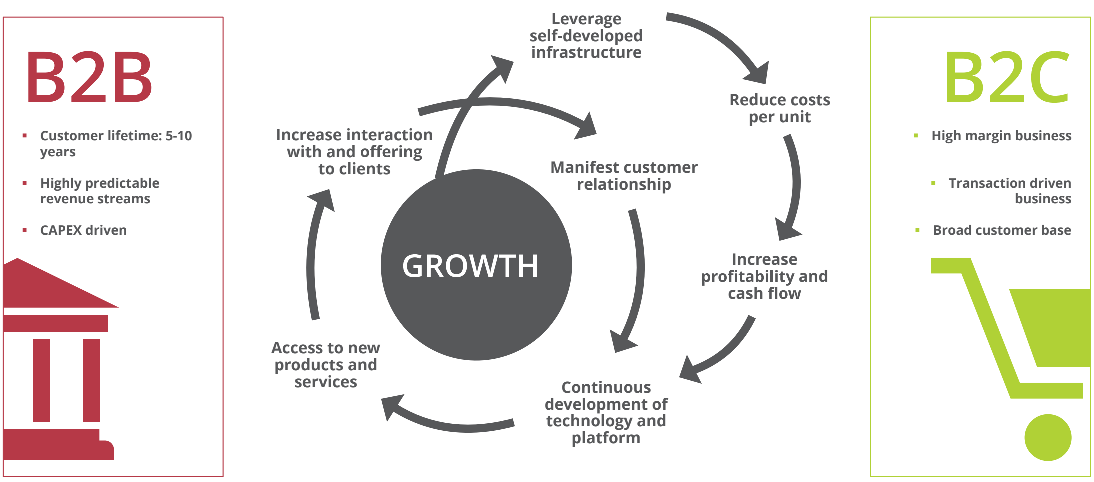
Additionally to the above-mentioned IT solutions, FinTech Group Bank AG offers its clients all regulatory and other banking processes as part of integral or partial business process outsourcing (BPO). In the coming years, FinTech Group Bank AG will continue to act as an innovator also in sales and marketing, for business partners who demand this service.

In the brokerage business (B2C), three online brokers – flatex, ViTrade, and brokerport – are on offer by FinTech Group Bank AG. Our priorities in online brokerage are mainly the organic growth of the businesses, an increase in orders and customer revenues, optimization of the order flow value chain and internationalization of flatex. While the growth in B2C transaction figures in Germany and Austria underlines the performance of the securities settlement systems, the Brokerage division occupies one of the largest business areas within the Group.

1.7. Goals and strategies

Following years of restructuring and reorganization, FinTech Group is pursuing its medium-term (2-4 years) goal to become one of the leading financial services technology companies in Europe with regard to the number of cooperation partners as well as the number of transactions processed 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. FinTech Group's ecosystem shows the symbiosis of both segments and clarifies the objective with respect to the expansion of business models by integrating B2B partners and B2C business areas:



The focus lies on business models with sustainable, above-average growth and rapid market penetration. The organizational 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.

The goals for the operating segments are derived from these overarching goals, as explained below.

1.7.1. Goals FIN segment

flatex' clear price model with selected premium partners – especially the cooperation with Morgan Stanley and Goldman Sachs – and optimized 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 transactions processed is expected to be doubled in the medium to long term. Additional optimizations in the online brokers' trading front-ends will also further channel the order flow and increase the earnings potential. With ViTrade, the Group will further 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 500 million, subject to the requirements of maximum collateralization and short-term maturities.

It is also envisaged an additional internationalization of flatex in future. The market launch in other European countries is being discussed extensively by the management and will be decided soon.

If lucrative takeover opportunities and purchase options arise, inorganic growth will also be driven forward. Due to the growth of customers from abroad and the internationalization strategy, the development of an English-language presence and customer services is being pushed ahead.

1.7.2. Goals TECH segment

In the digital world, the desire for functionality and flexibility is increasingly in the forefront, without classical requirements such as quality, reliability or costs being pushed into the background. Today, there is already a high demand for modern, modular core banking systems due to changing conditions. Closely related products such as modern payment solutions or cost-effective securities settlement solutions are increasingly in demand. FinTech Group can already meet these requirements today due to the existing set-up. The aim is to place our own core banking system on the market as the standard.

Organic growth is therefore FinTech Group's primary strategy in the B2B business. Increasing revenues are to be generated through the acquisition of new customers. In addition, FinTech Group wishes to continue to position itself as an enabler for the digitization of banks and financial service providers and thereby achieve an increasing contribution to revenues.

Another goal is to expand the highly successful banking and corporate customer business in Germany to Western Europe. In 2018, 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.).

The development of innovative services and products is at the core of our R&D activities, which are further described in the section "Research and development activities".

1.8. Group financial targets

The continuous growth of the Group's equity and the reduction of the debt-equity ratio are among the essential financial targets. Furthermore, FinTech Group focuses on the growth of operating cash flow and profit generation. At the core of all our goals is a profit-oriented and sustainable corporate development with positive effects on the shareholder value of the company. The Group's financial objectives also include ensuring comfortable liquidity at all times.

The management's medium-term goals are to generate revenues of over EUR 150 million. In view of further scaling and synergy potential, the management expects EBITDA of over EUR 50 million and a group net profit of more than EUR 30 million.

1.9. Strategies for achieving the objectives

FinTech Group AG's management essentially subdivides its strategic focus on the expansion of business models, an active personnel policy and investor relations.

The expansion of the business models – also by entering into cooperations and partnerships in the FIN segment – broadens the existing product range (e.g. through the cooperation with Morgan Stanley and Goldman Sachs) on the one hand and further extends the existing sales activities on the other. 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.

As a leading financial technology company in Germany, FinTech Group AG's IT is one of its core competencies. In addition to the development of innovative software solutions "Made in Germany", the efficient operation of own systems, in particular FTG:CBS, is a central component of the business strategy. The primary goal of IT is to provide high-quality IT services that meet legal and regulatory requirements and to support efficient business operations through their stability and performance.

This is achieved through a consistently high pursuit of innovation in IT activities and through the further development of the business model. The focus is on the continuous development of FTG:CBS and products in the areas of online brokerage and IT security. Comprehensive solutions as well as cost advantages for the customer form the basis for sustainable growth of the company.

For years, FinTech Group AG's success has been based above all on the special commitment, motivation and loyalty of its employees. To secure the profitable and sustainable development of the Group, FinTech Group AG particularly focuses on attracting and retaining highly qualified employees. The declared goal of the "From 5 to 2" strategy was to bring the employees even closer together and to leverage synergies from the collaboration.

Accordingly, progress was made in the areas of personnel development and policy. The introduction of a company pension scheme, the establishment of a High-Potential and Key-People Circle and an employee recruitment incentive program are examples of the active and professional personnel policy of FinTech Group AG.

For the executives of FinTech Group AG, strong entrepreneurial thinking and acting, focus on what is important and strategic orientation are indispensable. They are interculturally open-minded and involve their employees in the decision-making processes. This fosters team spirit, strengthens identification with the employer and awakens innovation potential. In addition, FinTech Group AG offers its employees the opportunity to participate in the company's success in the form of an employee participation program

The continuous information of the employees about the company's development is the focus of the management's information policy. A flat management hierarchy brings the management close to the employees as well as the operational business and thus enables the constant focus on fundamental questions. Meanwhile, with the second batch of students taking part in the first "FinTech Bachelor program" in cooperation with the Frankfurt School of Finance, FinTech Group AG is countering the scarce supply situation in the job market with extremely lucrative framework conditions at its FinTech campus in Frankfurt and thus retaining employees with long-term potential in the Group. In addition, existing university contacts in the Lower Rhine (Hochschule Niederrhein) were intensified.

FinTech Group meets the macroeconomic challenges with primarily organic growth in a flat and transparent corporate hierarchy. As part of its strategic orientation, however, FinTech Group AG also deliberately enters into strategic partnerships and acquisitions. Here, special attention is paid to the social responsibility of the Group to respect the interests of its employees, investors, clients, suppliers and other stakeholders, and to include them in the decision-making process. Thereby we honor the principles of stakeholder value and corporate social responsibility (CSR).

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 on request. 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 central target figures and performance indicators (KPIs) that contribute to increasing the value of the company in the long term.

Earnings before interest, taxes, depreciation and amortization (EBITDA) has established as the key performance indicator for both segments. 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).

Due to the completed integration and restructuring phase in the Group, the management had decided, starting in 2017, to use total revenues and consolidated net income as additional, central control parameters, in order to bring the development of the company value and earnings per share into focus.

Revenue-related expenses, personnel expenses and other operating expenses are not used for internal control purposes, but only for variance analyses.

For variance analysis purposes in the FIN segment, the number of active customers and the number of transactions carried out are also analyzed without these numbers themselves being among the significant performance indicators.

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 central control instruments of Group controlling. By continuously comparing planned and actual figures, changes in business development are identified at an early stage and countermeasures can be initiated in early time. As part of a monthly risk reporting and reporting system, FinTech Group AG's Supervisory Board, Management Board as well as its management are continuously informed about the development of the performance indicators.

Corporate planning at the Group, subsidiaries and segments levels is ensured by analyzing past performance indicators and forecasting on the basis of information obtained to date. Business planning modelling is continuously adapted to the latest accounting findings, new product developments and structural changes. Such business planning is carried out at least once a year top-down on the one hand, based on on the basis of the specifications of FinTech Group AG's management, and bottom-up on the other hand 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 finalized 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, and
- Adaptations, improvements and evolution of existing products and services.

The R&D activities of the Group are undertaken in both business segments. They are not provided by or to third parties. Recently completed research and development activities are new technology levels for the products "WebFiliale", "Tristan" and "L.O.X". In addition, a new ERP system (SAP Business ByDesign) is being rolled out throughout the Group, which will noticeably improve the process efficiency in the administrative areas of the organization.

In addition, existing products are systematically being improved and adapted to the evolving technology and to customer requirements. In total, development spending alone amounted to kEUR 7,889 in 2017 (2016: kEUR 4,679). Development expense in relation to total revenues was thus 7.3% in 2017 (2016: 4.9%). The ratio increased due to a number of new B2B projects. Research expenditures amounted to kEUR 2,086 in 2017 (2016: kEUR 1,949). Thus, around 10.0% of total personnel expense was invested in research in 2017 (2016: 10.0%). Capitalized development costs accounted for 79.0% (2016: 70.6%) of total research and development costs for the period (capitalization ratio). Amortization of capitalized development costs amounted to kEUR 2,192 (2016: kEUR 2,122) in the reporting period.

2. Economic Report

2.1. Macroeconomic and industry-specific conditions

World economy[1]

The pace of global economic expansion has strengthened, and world trade in particular has picked up significantly since last year. Global industrial production is still up. Overall, the world's gross domestic product grew at a much higher rate of around 3.5% in 2017 than in 2016 (approximately 3%). The main driver of the upturn is industrial production in both the advanced economies and emerging economies[2]. With the recovery in industrial production and in world trade, global investment activity is picking up as well. The decrease in a number of risk factors has contributed to the strengthening of the economic momentum. The long-feared slump in growth in China, for example, still has not happened, and domestic demand has proven to be robust. The uncertainties surrounding the new US administration, Brexit, and elections in France, Germany and the Netherlands also did not seem to slow the global economy. Building on a solid performance in 2017, we expect the global economy to continue its above-average expansion in 2018.

Overall economic conditions in Germany[3]

The economic situation in Germany was characterized by strong growth in 2017. According to the Federal Statistical Office, the price-adjusted gross domestic product rose by 2.2 percent in 2017 over the previous year. Thus, the German economy has been expanding for eight consecutive years. Private household spending proved to be an important driver of growth in the German economy. Increased private sector investment activities and the strong export industry have also contributed to the growth.

Financial markets[4]

The German stock index Dax saw an annual increase for the sixth consecutive year. On the last trading day in 2017 it closed at 12,917.64, up 12.5% year-on-year. The small caps index MDax rose by 18.1%. Global stocks started increasing moderately but rose significantly as the year went on. The MSCI World Index rose by more than 18%.

The euro gained as well, appreciating in value against all major currencies. At the end of the year, the price of the euro climbed to USD 1.2010, a year-on-year gain of more than 14%. The price of oil also rose, with a barrel of Brent crude clocking in at USD 66.23, almost 17% higher than at the previous year-end. The crypto-currency Bitcoin was the absolute high-flyer, rising from USD 966 at the beginning of the year to USD 14,366 at year-end, an increase of 1,387%. The very low level of interest rates on European bonds continued to prevail in 2017; a consistent trend towards higher market interest rates could not be sustained. The ten-year German federal bond yielded 0.43% at the end of the year.

The ECB maintained its expansionary monetary policy. Since June 2016, the ECB has also been purchasing euro-denominated corporate bonds in the euro area. In April 2017, total net bond purchases were reduced from EUR 80.0 billion per month to EUR 60 billion; in October 2017, the halving to EUR 30.0 billion per month was announced starting in January 2018. Since March 2016, the main refinancing rate has been 0.00% and the interest rate on deposits with the ECB remains unchanged at –0.40%.

[1] http://ap-verlag.de/die-wirtschaft-im-euroraum-wird-2018-kraeftig-wachsen/40231/ (12/15/2017)
[2] https://www.iwd.de/artikel/die-weltwirtschaft-waechst-stetig-373787/ (04.01.2018)
[3] Source: Federal Statistical Office, press release No. 011 (01/11/2018)
[4] cf. Börsen-Zeitung (12/30/2017)

Yields on government bonds in the European core markets rose slightly over the course of the year. At the end of the year, most government bond yields were thus back to being in the positive range; 10-year German government bonds bore a 0.43% interest.

The average interest rate level in new business with consumer loans fell slightly compared to the previous year. At the same time, demand for loans increased, which was reflected in higher new business volumes.

Industry-specific conditions affecting the FIN segment

Germany's benchmark DAX index moved sideways in the first few weeks of trading, reaching its low for the year at 11,509.84 points on February 6, 2017.

This was followed by a continuous but low-volatility upward movement, which accelerated again significantly from September onwards after a moderate correction phase in the summer months. Over the year as a whole, DAX gained around 13% to reach 12,918 points.

The value-based trading volume on the German cash market (XETRA, Tradegate and Frankfurt Stock Exchange) was 6.6% higher than in the previous year. The volume of orders for shares rose by 9.9% and the number of orders increased by 20.3%. The traded volume of index funds – ETFs and ETCs Exchange Traded Notes (ETNs) – fell by more than 20% compared to 2016, while trades fell by around 15%. In derivatives trading (Euwax and Frankfurt Stock Exchange), trading volume was a significant 2.0% below the previous year's level.

The mutual funds included in the BVI investment statistics reached a net inflow of funds of EUR 66.6 billon in the period from January to November 2017, compared with only EUR 6.1 billion in the same period in the previous year. Equity, pension and mixed funds were particularly in demand.

Rising regulatory costs and the continuing low interest rate environment continued to put strong pressure on the banking industry. Branch closures and job cuts in the banking sector in Germany continued in 2017. Many banks reacted to the pressure on margins in the deposit business by raising fees, in individual cases also with negative interest rates (custodial fees).

Despite low market volatility in 2017 and ongoing consolidation in the brokerage market, FinTech Group continued to establish itself in the market with more than 30,000 new customers in the brokerage business. In particular, the ETP partnership with Morgan Stanley and the preparations for another ETP partnership with Goldman Sachs were disruptive in their design, further strengthening FinTech Group's position as one of the leading leverage product and certificate providers.

Some banks developed and launched digital investment advisors ("robo-advisors") for securities investment in the course of 2017. With flatex, FinTech Group has mainly committed itself to active and self-deciding B2C customers, but at the same time it is also looking for suitable partners to avoid unnecessary development effort while still meeting the market demand for automated investment managers.

The company's securities expertise was also a key factor in further expanding its business activities in the area of employee stock option programs and making the Group the main partner of one of the largest managers of employee stock option programs.

Industry-specific conditions affecting the TECH segment

According to the US market research institute Gartner, the global IT market grew by 3.3% in 2017. Financial institutions worldwide invested 3.4% more than in the previous year. While retail banks recorded significantly higher growth rates than investment banks in 2016, these equaled each other in the past fiscal year and stood at 3.3% (retail) and 3.8% (investment). Investments were mainly made in digitization projects. Future technologies such as artificial intelligence and blockchain were also increasingly in the focus of investment activities.

The German market for information and communications technology (ICT) developed better than initially expected in 2017. According to the digital association Bitkom, sales of corresponding products and services rose by 2.2% – at the end of the first half of the year it had still assumed an increase of 1.9%. The IT business continued to be the growth driver, with an increase of 3.9%, clearly outperforming the telecommunications market, which grew by only 0.1%. Revenue in the IT services area improved by 2.3%. The competitive environment was also characterized by the entry of new suppliers with a fintech background. In addition, the established providers expanded their range of digital service modules to take account of ongoing digitzation.

Demand for technology products and services is strongly driven by the ongoing digitization of the financial industry. Furthermore, increased regulatory requirements require greater adaptability of existing systems, which in turn have been in use for decades and offer neither flexibility nor scalability.

These new requirements in the financial sector and the increasing use of new technologies in retail banking and securities processing are important growth drivers for the Group. FinTech Group AG combines banking and technological expertise to integrate new technologies precisely into the business models of B2B customers. This had enabled the company to strengthen its position as a standard platform provider in 2017. The acquisition of two new major mandates fully compensated for the decline in revenues due to the loss of a major customer in 2017.

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

The aforementioned economic developments in fiscal 2017 had an overall positive impact on the business 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.

2.3. Business performance FIN segment

The business result of the FIN segment developed according to plan. In particular, the number of customers and the number of transactions processed increased significantly. Existing strategic partnerships with issuers, trading platforms and stock exchanges have developed in a satisfactory manner.

In fiscal 2017, a total of 11.3 million securities, forex and CFD transactions were processed (2016: 10.5 million transactions). There was a disproportionate increase in nominal trading volumes in securities transactions from EUR 65.7 billion to EUR 78.9 billion (approximately 20.2%). The number of customers rose from 212,040 to 253,825. As of December 31, 2017, the Bank had EUR 11.79 billion of assets under administration (EUR 0.88 billion in cash deposits and EUR 10.91 billion in securities deposits).

Significant business-to-consumer (B2C) developments

Online brokerage – internal brands flatex, ViTrade

The number of securities, forex and CFD transactions executed for these internal brands once again increased in 2017, to 10,104,745 transactions compared with 9,546,061 transactions in the previous year, an increase of approximately 5.9%. The number of active clients rose by 17.5% from 185,514 in 2016 to 217,945 in 2017. The volume of assets under administration once again increased by approximately EUR 1.6 billion (or about 26.2%) to approximately EUR 7.5 billion in 2017.

flatex

2017 saw a large number of innovations and the achievement of new records. Handelsblatt awarded flatex the title of "Best Online Broker" for the fifth consecutive year[5], and flatex was voted best broker in the category "Mutual Funds & Certificates" in the 2017 broker[6] competition. Furthermore, flatex took first place[7] in the online broker line-up done by "Euro am Sonntag" journal. As a result of these repeated awards, 38,838 new customers could be brought on board through the existing marketing channels (Germany: 30,325 / Austria: 8,513), so that at the end of the year, the total number of customers had increased by 18.6%, from 175,434 to 207,995.

ViTrade

The number of executed securities, forex and CFD transactions increased in 2017, totaling 1,459,201, compared with 1,192,886 transactions in 2016, an increase of approximately 22.9%. The number of clients rose from 2,357 in 2016 to 2,378 in 2017. Assets under administration increased by EUR 21 million to approximately EUR 270 million in 2017.

Significant developments in Business-to-Business (B2B)

General Clearing Member/BPO

In 2017, more than 1,059,963 securities trades were settled as GCM, an increase of 24.6% compared to 2016.

Our activities with pbb direct platforms saw a decline in earnings in 2017 as a result of the persistent low interest rate policy, and continuing competition in the brokerage of daily and fixed-term deposits. We expect these market conditions to continue in 2018, but a further decline in earnings will be prevented by agreed contractual terms.

The continuous improvement and refinement of our banking products and processes will further increase the levels of automation and efficiency. Increasing regulatory and technical requirements, such as Markets in Financial Instruments Directive (MiFID II), Payments Services Directive 2 (PSD II), TARGET2-Securities (T2S), "Regulation on the collection of granular credit and credit risk data" (AnaCredit), etc. are creating new challenges for our customers, which we are confident to meet with products and services from FinTech Group AG and FinTech Group Bank AG.

Employee Participation

In 2017, the cooperation in the area of employee stock option plan processing was strengthened, and FinTech Group is now handling the banking aspects of stock option plans for over 200,000 employees. In addition, further mandates were won with regard to share buyback programs, which strengthened the visibility of Fintech Group AG as a securities processor for large corporations.

Ready cash (ATM) logistics

FinTech Group Bank AG has not been able to keep the total number of ATMs in 2017 at the previous level, when counting all machines with its partners in various industries and with the use of divergent operating models, as well as its own equipment. The management of FinTech Group Bank AG has decided to discontinue the operation of its own terminals in the first half of 2018, as this business will not be of strategic importance to the firm for the foreseeable future. In the future, we will continue to provide the service to third parties only.

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[5] http://www.handelsblatt.com/finanzen/anlagestrategie/trends/online-broker-wo-handel-wenig-kostet/20490476. html, „Wo Handel wenig kostet" (11/14/2017)
[6] https://broker-test.de/brokerwahl-neuigkeiten/nachrichten/brokerwahl-2017-das-sind-die-besten-broker-35512/ (03/31/2017)
[7] Magazin „€uro am Sonntag", Test „Direktbanken-Brokerage", Issue 31/17 (08/05/2017)

Significant developments in Credit & Treasury (C & T)

Deposits / Treasury

Liabilities to customers decreased from approximately EUR 1,340 million at 12/31/2016 to EUR 885 million at 12/31/2017. The decline resulted primarily from an increase in securities investing by B2C brokerage customers. 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 FinTech Group Bank AG charges its clients negative interest rates on their cash deposits. This again confirms that FinTech Group Bank AG's clients use their deposits as the basis for their trading activities. In the Treasury area, we pursue a broader diversification of investments, in bonds and cash loans to local authorities among others, by significantly spreading adequate counterparty risk while leaving the holding period unchanged.

Loans

Diversification brought on a further expansion of our lending business in 2017. Essentially, this consists of fully-secured loans. In addition to the increase in lombard credit utilization and the flex loan at flatex, we increased our loan portfolio significantly by expanding true-sale factoring and by adding syndicated loans and specialists loans. As of December 31, 2017, loans to customers totaled more than EUR 200 million.

2.4. Business performance TECH segments

The business result of the TECH segments was in line with expectations. Business with the segment's long-standing customers continued to develop positively.

The TECH segments includes client business, offers from the banking system in whole and the sub-functions middleware, booking core/SAE, planning tool, master data management, reporting and archiving. Essentially, insourcing for banks and financial service providers is provided here.

In the 2017 financial year, technical implementation was pushed ahead for various clients, so that they can commence operations in the course of 2018.

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 and the close integration between the FIN and TECH segments.

The continuous further development of the IT landscape continues to show the desired effects and led to an increase in efficiency. By concentrating on the FTG:CBS platform, further product and process standardization is made possible, allowing customers to use modular components. This modularization shows potential benefits already realized in the B2B end-customer business in the past fiscal year.

A major new development is the connection of a new credit processing module to the FTG:CBS for tapping further customer potential. In addition, FTG:CBS modules and components will also be available in English in the future.

FTG:CBS is experiencing increased customer demand across all sales channels. The acquisition of two large B2B mandates in the past fiscal year underscores FinTech Group's growing market position in the IT services sector. This is also reflected in the positive development of the segment EBITDA, which is generated from pure IT services and product developments.

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. Due to the changed segmentation, the comparison of the previous year's forecasts with actual developments presents a different picture. However, it was possible to ensure a reconciliation to the previous year:

In units /	Group		FIN Segment		TECH Segment	
In kEUR	2017e*	2017	2017e*	2017	2017e*	2017
Number of customers	-	-	>230,000	253,825	-	
Number of accounts	-	-	> 280,000	314,207	-	-
Number of transactions	-	-	>10,996,000	11,272,496	-	-
Revenue	> 100,000	107,014				
EBITDA continued activities	> 32,000	32,073	>15,500	19,866	> 16,500	20,953
Group results	>14,800	16,796				

*e = estimated value

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 segment, as well as the gratifying development of B2B business in the TECH segment with the acquisition of new mandates. The main reasons for the positive development in the FIN segment were the strengthening of the market position as an independent online broker with a simple and cost-effective pricing structure and the significant expansion of the product range due to the partnership with Morgan Stanley.

In the TECH segment, the positive development was due to the holistic strategy of acting as a one-stop shop by offering both IT and banking processes from a single source. The further development of the credit module now allows deeper penetration of the market as a provider of an integrated core banking system.

2.6. Earnings

The main revenue types are commission income, interest income, and sales of IT services.

Gross commission income in 2017 amounts to kEUR 77,488 (2016: kEUR 64,031); after deducting commission expense of kEUR 20.569 (2016: kEUR 16.012), which is included in raw materials and consumables used, net commission income amounts to kEUR 56,919 (2016: kEUR 48,019), an increase of 18.5 % over 2016. 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 10,352 (2016: kEUR 7,799). Interest expense was kEUR 170 (2016: kEUR 238), so that net interest income rose to kEUR 10,182 (2016: kEUR 7,561). The significant 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 flatex flex and special loans).

Revenues from the provision of IT services amount to kEUR 16,006 (2016: kEUR 15,583). After deducting expenses of kEUR 3,295 (2016: kEUR 3,661), which are included in raw materials and consumables used, net revenue from IT services amounts to kEUR 12,711 (2016: kEUR 11,921).

Personnel expenses amount to kEUR 23,143 (2016: kEUR 19,489) and thus increased by 18,75%. The increase is mainly due to the reversal of a provision of EUR 3 million in 2016 after a lawsuit was won. Other administrative expenses increased by 7.1% to kEUR 20,812 (2016: kEUR 19,427).

All Group revenues were earned with customers from and products and services generated in Europe, mainly in Germany, and realized in euro. Inflation and the movement of foreign exchange rates have not significantly impacted earnings.

In 2017, EBITDA of kEUR 32,073 (2016: kEUR 30,624, +5%) and net income of kEUR 16,796 (2016: kEUR 12,316, +36%) were achieved.

2.7. Financial Position

The highest priority in the financial management of the Group is to always secure a comfortable level of liquidity 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:

In kEUR	2017	2016	Change in kEUR	Change in %
Subscribed capital	17,506	16,811	695	4
Capital reserves	67,540	49,690	17,850	36
Retained earnings	9,070	-1,076	10,146	n/a
Net profit	16,796	8,419	8,377	100
Minority interests	0	15,063	-15,063	-100
Other earnings	1,811	1,722	89	5
Total	**112,724**	**90,629**	**22,095**	**24**

In December 2017, Morgan Stanley & Co. International PLC became a strategic investor in FinTech Group AG with an ownership share of 4%. This increased the subscribed share capital by kEUR 700 and the capital reserves by kEUR 17,458. The remaining minority interests were acquired in 2017 in the course of a squeeze out based on merger law.

Treasury stock

Regarding the purchase of a total of 4,450 own shares in the 2017, and the disclosures required by section 160 paragraph 1 no. 2 of the German stock corporation act (AktG) relating to purchases of treasury stock, please refer to Note 18) Equity of the consolidated year-end accounts.

The capital structure of the Group looks as follows:

CAPITAL STRUCTURE

In %	12/31/2017	12/31/2016	Change in %
Equity ratio	10.2	5.9	4.3
Debt ratio	89.8	94.1	-4.3

The decrease of the debt ratio results from the decline of the customers' cash and deposits going along with the increase of the subscribed capital and capital reserves caused by the strategic investment of Morgan Stanley and retained earnings.

LIABILITIES

The vast majority of FinTech Group's liabilities, totaling kEUR 994,709 (2016: kEUR 1,443,365) are of a short-term nature kEUR 965,317 (2016: kEUR 1,428,557) and mainly consist of customer deposits with FinTech Group Bank AG kEUR 885,112 (2016: kEUR 1,339,845). The decrease from 2016 is the result of a discretionary shift of customers' funds, induced by the first-time introduction of negative interest rates on cash deposits as well as increased investments in securities and thus lower cash positions. There are long-term (non-current) financial liabilities in the amount of kEUR 29,392 (2016: kEUR 14,808). They include liabilities to banks of kEUR 16,040 (2016: kEUR 2,875). The change from 2016 is mainly due to a long-term loan taken out in 2017 (maximum term until 2020) for the purchase of the outstanding minority shares in XCOM AG. As at balance sheet date, the outstanding amount for this loan was kEUR 14,998.

Other non-current liabilities are mainly pension obligations in the amount of kEUR 7,203 (12/31/2016: kEUR 7,541), loans and liabilities from leases of kEUR 3,345 (12/31/2016: kEUR 1,054) and deferred tax liabilities of kEUR 2,804 (12/31/2016: kEUR 3,338).

In addition, there are contingent liabilities from unutilized irrevocable lines of credit in the amount of kEUR 181,500 (12/31/2016: kEUR 174,841). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralized by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans). The funding of potential utilizations is secured by the level of customers' cash deposits.

2.8. Investments

Acquisition of remaining minority interests in XCOM AG and mergers

A major investment was the purchase of the remaining shares of XCOM AG (kEUR 12,657) which were not owned by the Group at the beginning of the year. FinTech Group AG increased its stake in the company, held directly and indirectly, from 76.81% to almost 100%. Subsequently, the remaining shares were acquired via squeeze-out against compensation (kEUR 533).

The acquisition of full ownership of XCOM AG was also a key element in the implementation of the Group's strategic move "From 5 to 2", concentrating all business activities in two significant legal entities.

Investments in intangible and fixed assets

In intangible assets, kEUR 2,380 were invested in the further development of FTG:CBS. Essentially, this was for the further development of the multilingual interface and the addition of new, essential functions in the banking processes. kEUR 1,318 was invested in the introduction of a Group-wide standardized ERP system with connection to FTG:CBS. An additional kEUR 1,205 was invested in the completion and further development of software products such as LOX and TRISTAN.

In fixed assets, major investments in the mount of kEUR 2,285 relate to the purchase of hardware and office equipment.

2.9. Liquidity

The consolidated cash flow statement - here in condensed form - shows the cash flows generated in 2017:

CASH FLOW

In kEUR	2017	2016
Cash flow from operations - before banking operations	-23,729	15,543
Cash flow from banking operations	-23,473	-150,344
Cash flow from discontinued operations	-144	-9,155
Net cash flow from operations	112	-143,956
Cash flow from investments in continuing activities	-12,587	-8,018
Cash flow from investments in discontinued operations	-	-1,174
Net cash flow from investments	-12,587	-9,192
Cash flow from long-term financing	20,273	1,078
Cash and cash equivalents at the beginning of the period	389,202	541,273
Cash and cash equivalents at the end of the period	397,002	389,202

The FinTech Group companies were at all times able to meet their financial obligations. No liquidity shortages occurred in 2017, nor are any liquidity shortages expected in the foreseeable future.

In 2017, the most significant cash flow factor was the decrease of customer cash deposits (kEUR 454,734), which was offset by inflows from the sale of securities (kEUR 337,817) and the reduction of cash loans to local authorities (kEUR 164,006). At the same time, substantial outflows occurred for the increase in the volume of customer loans (kEUR 70,787). The resulting net effect is included in the cash flow from banking operations.

In long-term financing cash flows, significant payments were made for the acquisition of minority interests (kEUR 13,340), offset by inflows from borrowing (kEUR 13,165) and the capital increase (kEUR 18,158).

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. Financial position – assets

Following is the consolidated balance sheet in condensed form:

In kEUR	2017	2016
Assets	**1,107,433**	**1,533,994**
Non-current assets	97,373	78,889
Current assets	1,009,677	1,454,647
Assets from discontinued operations	383	459
Liabilities and Stockholders' Equity	**1,107,433**	**1,533,994**
Equity	112,724	90,629
Non-current liabilities	29,392	14,808
Current liabilities	965,317	1,428,557

The decrease of mEUR 427 in the balance sheet total results in particular from the decrease of short-term customer deposits in the FIN segment. This reduction of customer cash deposits was deliberately triggered by passing on the negative ECB deposit facility interest rate, in order to induce customers to increase their investments in securities.

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

NON-CURRENT ASSETS

In kEUR	2017	in %	2016	in %	in kEUR	in %
Goodwill	28,780	30	28,780	36	-	-
Internally-generated intangible assets	26,022	27	20,376	26	5,646	28
Customer relationships	5,262	5	5,603	7	-342	-6
Other intangible assets	2,890	3	2,580	3	310	12
Property, plant and equipment	6,973	7	5,590	7	1,382	25
Financial assets and other assets	951	1	790	1	161	20
Non-Current Loans to customers	26,497	27	8,653	11	17,844	206
Deferred taxes	-	-	6,517	9	-6,517	-100
Total	**97,373**	**100**	**78,889**	**100**	**18,484**	**23**
Assets from discontinued operations	383	-	459	-	-76	-

Goodwill represents the goodwill identified as part of the purchase price allocation for XCOM AG acquired in 2015.

Internally-generated intangible assets include technology and software, which was also identified and determined as part of the purchase price allocation (kEUR 16,466 after regularly scheduled depreciation; 12/31/2016: kEUR 18,915). In addition, this item includes capitalized development costs in the amount of kEUR 14,731 (12/31/2016: kEUR 7,047). The increase of kEUR 5.646 represents mainly capitalized cost from the development of FTG:CBS and other technologies.

The increase in property, plant and equipment mainly includes the capitalization of finance lease assets for hardware and office equipment in the amount of kEUR 1,818 (12/31/2016: kEUR 1,054). These leases have for the most part been concluded since 2016.

Non-current loans to customers increased through the expansion of the lending business, in particular with regard to special and niche loans by the bank. The terms of the loans are, however, at the short end of the long-term bracket, i. e. less than 3 years as a rule.

CURRENT ASSETS

In kEUR	12/31/2017	short-term assets in %	12/31/2016	short-term assets in %	in kEUR	in %
Inventories and work in progress	113	-	334	-	-221	-66
Trade receivables	7,593	1	8,538	1	-945	-11
Other receivables	1,255	-	5,033	-	-3,778	-75
Financial assets available for sale	177,517	18	514,335	35	-336,818	-65
Financial instruments carried at fair value through profit or loss	1,006	-	1,234	-	-228	-18
Cash loans to local authorities	237,165	24	401,171	28	-164,006	-41
Current Loans to customers	175,415	17	122,472	8	52,943	43
Other receivables due from banks	12,610	1	12,328	1	282	2
Cash reserve - cash on hand	26,937	3	14,166	1	12,771	90
Cash reserve - balances with central banks	224,355	22	178,122	12	46,233	26
Receivables owed by banks maturing daily	145,709	14	196,914	14	-51,205	-26
Total	**1,009,677**	**100**	**1,454,647**	**100**	**-444,970**	**-31**

The changes in current assets mainly relate to the FIN (Financial Services) segment.

Short-term assets, such as financial assets available-for-sale and cash loans, have been reduced in line with the decrease in liabilities customers.

Also, the lending business continued to expand in 2017. For the most part these are fully secured loans. In addition to increases in the lombard loan utilization and the flatex flex loan, the loan book was significantly increased by expanding true-sale factoring and by adding syndicated and working capital loans.

2.11. General statement on the course of business and the situation of the Group

2017 was another profitable year for FinTech Group. Revenues increased by 12.6% to kEUR 107,014. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 4,7% to kEUR 32,073. Net income rose by 36,4% to kEUR 16,796.

The increased number of settled transactions and the expanded fully secured loan book contributed to this result.

Despite the ongoing consolidation in the online brokerage market and the historically low volatility in 2017, FinTech Group was able to significantly expand its market share in Germany with flatex, and assumed the position of market leader in Austria with around 25,000 flatex.at customers.

The total number of B2C customers in the FIN segment increased to almost 254,000 by 12/31/2017. At the same time, the number of settled securities transactions increased to a record 11.3 million in 2017.

The strategically important lending business recorded a strong positive trend, with an increase of 49.1% to reach a volume of around EUR 202.0 million (short and long-term) as of December 31, 2017.

Two important mandates could be won in B2B. The new business pipeline of this segment also developed very well - the key factor here was the further expansion of the loan "production chain" in FTG:CBS, and rendering the system multilingual.

With its healthy financial performance and growth, FinTech Group is well prepared for its internationalization strategy, while cost control remains a key factor for us. Growth opportunities for the Group are seen both in the B2C and the B2B segments.

2.12. Events after the balance sheet date

For events of particular importance that occurred after the end of the reporting period, please refer to our comments in Note 37 "Events occurring after the balance sheet date".

2.13. Report on opportunities and risk, forecast

The forecast period for the course of our business relates to fiscal 2018 and covers 12 months. The forecast only includes continuing activities.

The Management Board of FinTech Group AG expects a stable economic environment in 2018, at the previous year's level with slightly increasing volatilities, in particular with regard to various elections in Europe and further decisions regarding the adjustment of key interest rates.

There could be a volatile sideward movement on the stock markets after the price gains in 2017. 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 promote trading activity on the stock exchanges, and the Management Board expects an attractive stock market environment for the coming year. This will result in a continuation of the positive development of the previous years, in the number of customers as well as in increased trading activities.

The 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 development of the previous year to continue. FinTech Group's strategies in terms of business segmentation, clients, partners and lending business have proven to be successful, and we will thus be able to compensate cost increases resulting from the interest rate environment and from increasing regulatory requirements.

In terms of the development of the business in 2018 management expects consolidated revenues of EUR 120 million. After deducting personnel and other administrative expenses management expects EBITDA of EUR 40 million, and net income of EUR 24 million.

FIN segment

FinTech Group Bank AG has made significant investments in developing its market presence in most of its business units, and is pursuing these continuously.

In 2018, cooperation with existing partners will also be influenced by their respective product developments. FinTech Group will continue to expand, for its business partners, its evolving role as an innovator also in sales and marketing.

Also, Management expects the ECB to continue its policy of negative interest rates in 2018, which provides a continuing handicap to earning a risk-adequate positive return on investments. Accordingly, FinTech Group Bank AG's treasury strategy regarding its investment universe was adjusted already in 2015, and the lending business was successfully expanded. As of December 31, 2017, credit utilization had once again increased by almost 50% compared to the previous year.

The Group is continuously working on building up its loan / factoring volume. The „flatex-flex loan", for which securities held in custody are automatically used as collateral, has recently made a major contribution to the increase in lending volume. In the future, the plan is to make "flex loans" available to a wider market, and not just offer them exclusively to our own customers. For example, the paperless and fully secured "flex-Kredit" is to be offered in a modified form to third-party customers who are not flatex customers today. Furthermore, the recently developed "flatex PolicenKredit" will allow customers to pledge their life or pension insurances as collateral for loan amounts of up to EUR 100,000, without having to sell the insurance policy or letting it expire.

In the brokerage business, the bank will – unencumbered by external risk factors – leverage its digital infrastructure and platform, and further improve its web presence by enhancing user friendliness and revising its mobile services. Based on our efforts to intensify and optimize our marketing activities around the "flatex" and "ViTrade" brands, we expect to once again exceed last year's numbers of transactions and new customers, and to gain additional market share. Future success will be securely underpinned by new, innovative products and by solid partnerships. In addition to the newly developed loan types, flatex was the first broker to offer a certificate on the price of Bitcoin, and will continue to develop customized products for our customers' needs. At the same time, flatex will intensify its strategic partnership with Morgan Stanley, under which certificates and warrants are already jointly issued for the German market. In addition, the expansion into other European countries is being prepared: With one of the most up-to-date trading platforms and our transparent "one-price-for-all" pricing model, we are confident that we can attract new customers to the "flatex" brand even outside the "DACH" region.

The client (B2B) / Business Process Outsourcing (BPO) segment will continue to be an important success factor for FinTech Group Bank AG and for the Group in 2018. Fierce competition and cost pressure are forcing financial institutions to digitize, automate and use new technologies as well as to outsource processes or entire supply chains. Simultaneously, financial institutions have to meet extensive and complex regulatory requirements. With its FinTech Group Core Banking System (FTG:CBS), introduced in 2017, FinTech Group AG has created a randomly scalable standard platform for private and specialist banks, which can process all transactions in the value chain. Within the scope of a BPO, the bank offers its clients all regulatory and banking processes. The first new client of 2018 was able to go live already in January, and the start of operations for a further new client is currently being prepared. Another new client was gained, this time from Andorra, once again demonstrating that FinTech Group Group's products and solutions are now attracting international attention. Based on the state of ongoing negotiations, we expect to attract additional clients.

Positive market perception and recently won mandates confirm FinTech Group Bank AG's strategy of expansion. It is management's express goal to stick to the existing white label strategy of FinTech Group Bank AG and to focus on its implementation.

TECH segment

The main objective for 2018 is the transfer of technical components into the modular platform FTG:CBS. This will create further benefits by enabling B2B users to acquire individual components. The multilingual availability of the systems is also in focus.

Important technology "pillars" will contribute to the platforms at various levels, resulting in a process- and product-based transaction catalog, which will be rolled out in various languages simultaneously.

The client business continues to show a positive development and represents an increasingly important and stable contribution to the result. This was shown not only in the expansion of the service portfolio with existing customers, but also in the positive discussions with potential new clients.

In addition, a prior-year R & D ratio is of great importance to the Group.

A significant goal is the further integration of the technological components. Full systems integration will lift the TECH segment service to the next level of evolution and set the ground for further internationalization.

Plan assumptions and forecast of key performance indicators

Expected earnings in the FIN segment are based on extrapolations of the customer base beyond December 31, 2017, premised on empirical values. In addition, increased marketing activities, the expansion of our cooperation with 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). On the one hand, 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 at 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.

Assumptions for the forecast of the performance indicators:

quantity /	**Group**		**FIN Segment**		**TECH Segment**	
in kEUR	2018e	2017	2018e	**2017**	**2018e**	**2017**
Number of customers	-	-	significant increase	253,825	-	-
Number of accounts	-	-	significant increase	314,207	-	-
Number of transactions	-	-	significant increase	11,272,496	-	-
Revenues	significant increase	107,014	significant increase	89,113	significant increase	30,642
EBITDA	major increase	32,073	major increase	19,866	significant increase	20,953
Consoldiated net profit	major increase	16,796	-	-	-	-

Legend

Amount of change (up or down)	
slight	> 0 up to 5 %
moderate	> 5 up to 10 %
significant	> 10 up to 20 %
major	> 20 %

Opportunities

As a matter of principle, business opportunities for the firm are analyzed on a regular basis and reported to the Management Board and the Executive Committee. Besides additional opportunities in the collaboration with strategic business partners, management sees improvements in operating procedures and additional cost and revenue synergies. The planned introduction of new products such as "TradeNow" and "flatex-Insurance Credit" could lead to positive budget variances.

Opportunities FIN segment

Online brokerage traditionally depends on the volatilities in the various markets. This dependency will continue in 2018, as it has in previous years. The bank will proceed with its dependency-reducing diversification strategy and build up new, stable, sustainable revenue streams with new products (B2B, B2C, and loans).

An increase in volatility in the equity markets would be accompanied by an increase in trading activity, which would have a positive effect on the generated order commissions in the B2C area and would lead to lower customer cash balances. As a positive side effect, a decline in customer cash deposits could reduce the interest charge on the cash to be deposited with the ECB.

Should market interest rates rise faster than assumed in our standard plan, this would have a positive impact on interest income. Independently of this, diversification will be driven forward by a further expansion of the lending business.

The further expansion of the client business and the continued development of fintech solutions with new partners will support the diversification of revenues at FinTech Group also in 2018.

Opportunities TECH segment

In the B2B client business, the Group's internationalization strategy creates growth potential. This is due to the increased awareness from the successful implementation of FTG:CBS for international customers, who act as multipliers. The modularization of the products and processes in this segment facilitates the effort to gain new customers, and to prompt existing customers to buy additional services.

Crucial to market success is the ability to identify customer needs, to anticipate industry developments, to master new technologies and test their possible applications. Among other things, these opportunities are supported by the start of a technology partnership with SAP SE in order to mutually support sales and marketing activities. In cooperation with our customers and technology partners, optimization potentials are identified and the feasibility of various approaches is checked. Finally, scenarios and prototypes of new application solutions are developed and implemented as needed.

2.14. Risk report

Risk management system

FinTech Group 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 company, 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 analyzed. The Management Board incorporates the 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 central component 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, both among management and among employees of FinTech Group. Also, for all managers of FinTech Group, the limitation of risks within their respective areas of responsibility is one of their key performance targets. Thus, each manager develops effective task-specific control processes and ensures their ongoing application.

In addition, FinTech Group has set up a separate „Risk Management" department for the overall and comprehensive assessment, limitation and management of risks. The department has particularly also taken on the Group-wide tasks of the risk controlling function 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 integration process of XCOM AG, acquired in 2015, and the corresponding expansion and standardization of risk management throughout the Group, were successfully completed in the year under review. The Risk Management department has free access to all risk-related information and data of FinTech Group AG and its subsidiaries.

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 will be 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, market price, interest rate, liquidity, operational and other. 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. In this process, FinTech Group and the cooperation partners attach great importance to ensuring that risks are borne or partially underwritten in proportion to the related upside potentials.

In the risk inventory process of FinTech Group, the risk assessments of all significant corporate divisions are carried out 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 in a timely fashion.

The risk assessments of the risk inventory (RiskMap) are reported as part of the ongoing risk reporting of FinTech Group and are regularly discussed with the management and supervisory boards of FinTech Group AG.

Risk management

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 install 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 short-term reactions to emerging risk control needs. The monitoring and control instruments which are used in this process, in the form of daily and monthly reports, are subsequently presented in more detail.

Risk monitoring and risk communication

Management is supplied with current figures pertaining to the risk and P&L situation in FinTech Group by 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 utilization 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 supplemented by the "Monthly Risk Report" ("MRR"), which contains a detailed presentation and commentary on the Group's profit and loss and risk situation, and offers additional analyses of the Group's opportunities and risks, covering one reporting month. The Monthly Risk Report is also addressed to the Supervisory Board, among others, and is debated in detail with the Management and Supervisory Boards in regularly scheduled "finalization meetings".

The measures taken to analyze 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, also no 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 categorization of the likelihood of occurrence and the magnitude of a potential loss is done according to the following increments:

Probability	**Rating**
< 5%	Very low
≥ 5 to 25%	low
> 25 to 50%	Medium
> 50%	High

Size of potential loss in EUR (EBITDA) - single risk	**Rating**
< 0.25 million	Low: Limited negative effect on operations, net assets, liquidity, earnings, reputations
> 0.25 - 1.00 million	Medium: Some negative effect on operations, net assets, liquidity, earnings, reputations
> 1.00 - 5.00 million	High: Significant negative effect on operations, net assets, liquidity, earnings, reputations
> 5.00 million	Very High: Very significant negative effect on operations, net assets, liquidity, earnings, reputations

Probability of occurrence and magnitude of loss.

Managing and limiting market price risks

FinTech Group 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 on one hand from arbitrage trading in the FIN segment, where securities are bought and sold simultaneously without taking positions. In cases of unplanned positions due to unforeseen market movements / reactions, this may result in overnight positions, which are generally hedged by corresponding offset-transactions. The resulting market price risk is contained by a multi-level system of value-at-risk 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 rates the loss impact of the remaining market price risks from arbitrage trading as low and the likelihood of occurrence as very low. The calculated VaR figures in 2017 stayed at around kEUR 10, significantly below the allocated VaR limit of kEUR 40.

Further 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. 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 rates the remaining market risks from this business as low and the probability of occurrence as very low. The calculated VaR figures for 2017 fluctuated around kEUR 50, significantly below the kEUR 300 cash collateral available to cover potential losses.

Finally, VaR-oriented monitoring is also done 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 2017. FinTech Group estimates that for this business, which is also attributable to the FIN segment, both the magnitude of potential losses and the probability of their occurrence are low.

In the FIN segment, FinTech Group has had stable and sizable customer deposits over the course of time (FinTech Group Bank AG). Since these funds are not reinvested at the exact same terms that they are taken in, FinTech Group 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 modified duration ensures that negative developments in interest rate risk are identified early on and countermeasures may be taken. FinTech Group rates the probability of occurrence of corresponding losses as very low, but calculates with a high risk amount. The modified duration loss estimate is in the magnitude of kEUR 543.

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

The Group „cockpit" is updated with control-relevant information on market price risks on a daily basis, thereby informing the Group'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 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, which also serves as the basis for risk-oriented audit planning by the Internal Audit function of FinTech Group.

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

Managing and limiting counterparty default risks

At FinTech Group, counterparty default risk is defined 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, counterparty default risk arises, on one hand, 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 credit 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 estimates the size of the resulting risk amount as high, but the associated probability of occurrence as very low.

Following the successful integration of XCOM AG and biw AG (now: FinTech Group Bank AG), FinTech Group AG put significant resources into an effort to capture the counterparty default risks arising at its subsidiaries in a consistent manner, and include them in a comprehensive risk management system. Pertinent presentations and analyses have been integrated into the MRR of FinTech Group and are continuously being refined. With its comprehensive credit portfolio model, the Group can quantify its important counterparty 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 terms of the investments) and thereby limits concentration risks effectively.

FinTech Group is also exposed to counterparty 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 collateral-secured customer loans is sufficiently covered by the provided collateral even when prices are falling. The Group rates the likelihood of loss occurrence due to the residual risks as very low and the possible loss impact as low.

b. Counterparty default risk also exists in the diversified true-sale factoring business of the FIN segment, which has expanded from the previous year by around 50% from EUR 20 million to EUR 30 million. The factoring receivables are secured by commercial credit insurances policies of large insurance companies. Surety holdbacks have also been agreed.

c. In addition, FinTech Group Bank AG (FIN segment) operates an opportunistic loan portfolio, amounting to about EUR 61 million at year-end, including specialist financing, financing of football clubs etc. The loans are secured by indemnity insurances, guarantees, as well as assignments of sponsorship, TV and advertising rights.

Controlling and limiting liquidity risks

FinTech Group defines its liquidity risk as the risk that it cannot fully and on time meet its current or future payment obligations from the available financial resources. As a consequence, funding 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 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, and thus are assigned to the lowest risk categories used with regard to both the likelihood of occurrence ("very low") and the possible loss impact ("low").

To limit the remaining liquidity risk (liquidity risk in the narrow sense), FinTech Group 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 the Group which are inside the target term range of under 15 months. Finally, ongoing liquidity monitoring and adequate financial planning / liquidity planning is performed in the group's financial accounting department. The measures taken, in combination with a suitable "business continuity plan - liquidity", 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 unfavorable market developments or payment deferrals and client defaults.

In view of the comfortable liquidity position and the risk-limiting measures taken, FinTech Group rates the likelihood of its remaining liquidity risks (in the narrow sense) as being very low and the possible loss impact as low.

Controll and limitation of operational and other risks

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

FinTech Group uses a multi-year time series of actually incurred losses for its operational risk inventory. These losses are categorized according to the type of damage, the cause of the loss, the time of occurrence etc. and 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 utilized for operational risks. In addition to the identification of operational risks from historical data, the FinTech Group uses expert assessments to identify potential losses as part of risk assessments with all specialist departments of the Group, in order to map quantifiable risks where a sufficient loss data history is not available.

Dependency on software and other IT risks

For FinTech Group, 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. Groupwide, comprehensive IT and internet-based systems are being used, which are essential for the proper conduct of business. The Group is dependent to a very high degree on the trouble-free functioning of these systems. Despite comprehensive measures for data backup and the bridging of system disruptions, malfunctions and / or complete failures of the IT and internet systems may not be precluded. Also, deficiencies in data availability, errors or functional problems of the software used and / or server failures due to hardware or software flaws, 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 undertakes significant IT investments to ensure, on one hand, that the high business volume is executed adequately and, on the other hand, that sufficient protection is provided against disruptions. The likelihood 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

The comprehensive restructuring of FinTech Group, which continued into 2017, resulted in changes to the organizational structure and processes as well as in changed communication processes, which may initially lead to an increased potential for error and loss. FinTech Group has established monitoring and communication processes to limit these risks, which are in particular personnel-related. Nevertheless, individual mistakes or errors of employees can never be completely ruled out. We estimate the likelihood 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

FinTech Group acts as a regulated provider of financial services in an environment characterized by a rapidly changing legal (regulatory) framework. Legal violations can result in fines or litigation. FinTech Group contains these legal risks by permanently monitoring the legal environment, having internal legal know-how and by resorting to external legal expertise if necessary. We estimate the likelihood 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 itself.

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

FinTech Group has installed 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.

Service level agreements are part of all major outsourcing contracts. 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.

To limit its operational risks, FinTech Group promotes a fundamental risk culture which ensures compliance with high ethical standards and a pronounced awareness of risk in all relevant business processes, for both the management and the employees of the FinTech Group. Also, the limitation of risks is one of the key performance targets for all FinTech Group managers within their respective areas of responsibility. Each manager develops task-specific control processes and ensures their ongoing application. In addition, FinTech Group regularly establishes 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 assigns a low probability of occurrence to the operational risks outlined above and cautiously estimates a high risk impact.

Other Risks

Included in other risks at FinTech Group are general business risks.

General business risk exists due to the dependence on technical developments and customer behavior. 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 behavior can significantly influence the market conditions for financial services. They may open up opportunities for FinTech Group'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 is paying particular attention to changes in the legal and regulatory environment, as well as to changes in customer behavior and technological progress, and is constantly reviewing the resulting strategic implications. The Group considers the likelihood of occurrence of a loss event due to dependencies on technical developments and customer behavior 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 2017 is comparable to that of the previous year. FinTech Group is convinced that, at the balance sheet date and at the time of preparation of the consolidated financial statements, neither one of the above-mentioned individual risks, nor the consolidated risks, pose a threat to the Group as a going concern.

Furthermore, FinTech Group 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.

2.15. Remuneration system of the Management Board and of the Supervisory Board

The remuneration of the Management Board of FinTech Group AG, in terms of overall structure and amount, is determined by the Supervisory Board. Both structure and amount are reviewed by the Supervisory Board at regular intervals and adjusted if necessary.

Main criteria for the appropriateness of compensation are the individual duties and the performance of the respective Management Board member. Additional criteria are the economic performance, success and sustainability of the group, as well as best practice, taking into consideration comparable compensation packages within the Group and in other German corporations. Furthermore, compensation must be competitive in the market for highly qualified executives.

The total remuneration of the members of the Management Board in fiscal 2017 consisted of a base salary, a variable annual bonus and fringe benefits. The variable annual bonus may be paid partly in cash and partly share-based. The fringe benefits basically consist of a company car and insurance coverage.

There are no contractual commitments for pension obligations towards any of the aktiv members of the management board.

Outside of reimbursements of travel expenses, the members of the Supervisory Board of FinTech Group AG receive only a fixed compensation.

3. Responsibility statement by the Management Board

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 14, 2018

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 -

of December 31, 2017

In kEUR	Note	12/31/2017	12/31/2016
Assets		**1,107,433**	**1,533,994**
Non-current assets		**97,373**	**78,889**
Intangible assets	10	62,953	57,339
Goodwill	11	28,780	28,780
Internally-generated intangible assets	10	26,022	20,376
Customer relationships	10	5,262	5,603
Other intangible assets	10	2,890	2,580
Property, plant and equipment	12	6,973	5,590
Financial assets and other assets		951	790
Non-Current loans to customers*	13	26,497	8,653
Deferred taxes	28	-	6,517
Current assets		**1,009,677**	**1,454,647**
Inventories and work in progress		113	334
Trade receivables		7,593	8,538
Other receivables		1,255	5,033
Other current financial assets	13	603,714	1,051,540
Financial assets available for sale	30	177,517	514,335
Financial instruments carried at fair value through profit or loss	30	1,006	1,234
Cash loans to local authorities	13	237,165	401,171
Current loans to customers*	13	175,415	122,472
Other receivables due from banks	13	12,610	12,328
Cash and cash equivalents	14	397,002	389,202
Cash reserve - cash on hand	14	26,937	14,167
Cash reserve - balances with central banks	14	224,355	178,122
Receivables owed by banks maturing daily	14	145,709	196,914
Assets from discontinued operations	**8**	**383**	**459**

* Previous year values were adjusted due to reclassifications (detailed presentation see note 13)

In kEUR	Note	12/31/2017	12/31/2016
Liabilities and Shareholders' Equity		**1,107,433**	**1,533,994**
Equity		**112,724**	**90,629**
Subscribed capital	15	17,506	16,811
Capital reserves	15	67,540	49,690
Retained earnings	15	27,677	9,064
Minority interests	15	-	15,063
Liabilities		**994,709**	**1,443,365**
Non-current liabilities		**29,392**	**14,808**
Non-current liabilities to banks	16	16,040	2,875
Non-current liabilities to non-banks	16	3,345	1,054
Pension obligations	17	7,203	7,541
Deferred tax liabilities	28	2,804	3,338
Current liabilities		**965,317**	**1,428,557**
Trade payables	18	963	5,844
Liabilities to customers *	19	885,112	1,339,845
Liabilities to banks	20	61,010	60,275
Other financial liabilities *	28	7,463	3,813
Tax provisions	21	3,215	15,615
Other provisions	30	7,554	3,165

* Previous year values were adjusted due to reclassifications (detailed presentation see note 20)

Consolidated Income Statement - IFRS -

for the period from January 01 to December 31, 2017

In kEUR	Note	2017	2016
Revenues	22	107,014	95,021
Raw materials and consumables used		30,985	25,481
Personnel expenses	23, 24	23,143	19,489
Other administrative expenses	25	20,812	19,427
Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA)		**32,073**	**30,624**
Depreciation and amortization	10 - 12	5,590	5,159
Consolidated earnings before interest and income tax (EBIT)		**26,484**	**25,465**
Financial result	27	-1,288	-1,226
Consolidated earnings before income tax (EBT)		**25,195**	**24,239**
Income tax expense	28	8,179	3,956
Consolidated earnings from continuing activities		**17,016**	**20,283**
Earnings from discontinued operations	8	-220	-7,967
Consolidated net profit		**16,796**	**12,316**
Minority shareholders' share of income		-	3,897
Majority shareholders' share of income		16,796	8,419

Consolidated Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income - IFRS -

for the period from January 01 to December 31, 2017

In kEUR	Note	2017	2016
Consolidated net profit		**16,796**	**12,316**
Income and expense items recognized directly in equity			
Pensions			
Actuarial gains and losses	17	-164	-3,628
Valuation of plan assets	17	91	305
Reimbursement rights	17	-46	-
Adjustment previous year		-184	-
Securities			
Change in value reported in equity		544	-996
Deferred taxes	28	-152	1,517
Pensions		92	1,186
Securities		-244	331
Total other earnings		**90**	**-2,801**
Comprehensive income		**16,885**	**9,515**

Consolidated Financial Statements

Consolidated Cash Flow Statement - IFRS -

as of December 31, 2017

In TEUR	2017	2016
Earnings from continuing activities	**17,016**	20,283
Depreciation and amortization/appreciation on property, plant and equipment and intangible assets	5,590	5,159
Increase/decrease in trade receivables	944	17,854
Increase/decrease in other receivables, deferred tax assets, covered fund assets	10,134	-2,558
Increase/decrease in inventories	220	752
Increase/decrease in trade payables	-4,881	-12,986
Increase/decrease in other financial liabilities	3,650	-13,489
Increase/decrease in provisions, changes in deferred taxes, pension obligations	-8,883	204
Other non-cash transactions	-60	323
Cash flow from operations - before banking operations	**23,729**	**15,543**
Increase/decrease in receivables from customers	-70,787	-77,399
Increase/decrease in receivables from cash loans to local authorities	164,006	-19,995
Increase/decrease in receivables from banks	-282	-10,576
Increase/decrease in liabilities to customers	-454,734	346,257
Increase/decrease in liabilities to banks	735	-3,261
Increase/decrease in financial instruments available for sale	336,817	-384,759
Increase/decrease in financial instruments held to maturity (htm)	228	-611
Other non-cash transactions	544	-
Cash flow from banking operations	**-23,473**	**-150,344**
Cash flow from operations - continuing activities	***256***	-134,801
Cash flow from discontinued operations	-144	-9,155
Cash flow from operations	**112**	**-143,956**

In TEUR	2017	2016
Investments in intangible assets	-9,343	-6,119
Investments in property, plant and equipment	-3,244	-1,899
Cash flow from investments in continuing activities	**-12,587**	**-8,018**
Cash flow from investments in discontinued operations	-	-1,174
Net cash flow from investments	**-12,587**	**-9,192**
Increase/decrease in non-current liabilities to banks (loans)	13,165	-1,833
Increase/decrease in non-current liabilities to non-banks	2,291	-1,446
Proceeds from equity injections by shareholders of the parent company	-	-
Proceeds from equity injections by other shareholders	18,158	-
Incoming payments/disbursements for loss absorption from discontinued operations	-	9,389
Disbursements for increase of shares without change of control	-13,340	-5,032
Cash flow from long-term financing	**20,273**	**1,078**
Change in cash and cash equivalents	**7,799**	**-152,071**
Cash and cash equivalents at the beginning of the period	389,202	541,273
Cash and cash equivalents at the end of the period	**397,002**	**389,202**

Additional information according to IAS 7

In kEUR	as of 01/01/2017	cash changes	non-cash changes					as of 12/31/2017
			acquisitions	currency effects	fair values	reclassifications	other	
Non-current liabilities								
Non-current liabilities to banks	2,875	13,165	-	-	-	-	-	16,040
Non-current liabilities to non-banks	1,054	2,291	-	-	-	-	-	3,345
Total	**3,929**	**15,456**	**-**	**-**	**-**	**-**	**-**	**19,385**

Konzernabschluss

Statement of Changes in Group Equity -IFRS-

as of December 31, 2017

In kEUR	Subscribed Capital	Capital Reserves	Consolidated retained earnings	Actuarial gains/ losses	Gains/losses from financial instruments measured at fair value through other comprehensive income	Total	Minority shares	Total equity
As at 12/31/2015 - 01/01/2016	**16,811**	**49,367**	**2,466**	**4,127**	**396**	**73,167**	**12,689**	**85,856**
Issue of new shares	-	-	-	-	-	-	-	-
Contributions to / withdrawals from reserves	-	323	-	-	-	323	-	323
Changes not involving a change of control	-	-	-3,520	-	-	-3,520	-1,512	-5,032
Dividend payments	-	-	-22	-	-	-22	-11	-33
Other earnings	-	-	-	-2,158	-643	-2,801	-	-2,801
Consolidated net profit	-	-	8,419	-	-	8,419	3,897	12,316
As at 12/31/2016 - 01/01/2017	**16,811**	**49,690**	**7,343**	**1,969**	**-247**	**75,565**	**15,063**	**90,629**
Issue of new shares	696	-	-	-	-	696	-	696
Contributions to / withdrawals from reserves	-	17,850	-	-	-	17,850	-	17,850
Changes not involving a change of control	-	-	1.727	-	-	1.727	-15,063	-13,336
Other earnings	-	-	-	-182	271	89	-	89
Consolidated net profit	-	-	16,796	-	-	16,796	-	16,796
As at 12/31/2017	**17,506**	**67,540**	**25,866**	**1,787**	**24**	**112,724**	**-**	**112,724**

List of abbreviations

AG	Corporation
AktG	Stock Corporation Act
ATM	Automatic Teller Machine
BaaS	Banking as a Service
BPO	Business Process Outsourcing
B2B	Business to Business
B2C	Business to Consumer
CAD	Canadian Dollar
CDS	Credit Default Swap
CEO	Chief Executive Officer
CFD	Contract for Difference
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CHF	Swiss Franc
CODM	Chief Operating Decision Maker
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
C&T	Credit & Treasury
DCF	Discounted Cash-Flow
EBIT	Earnings Before Interest and Taxes
EBT	Earnings Before Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ECB	European Central Bank
ECL	Expected Credit Loss
ERP	Enterprise Resource Planning
ETC	Exchange Traded Commodity
ETF	Exchange Traded Fund
ETN	Exchange Traded Notes
ETP	Exchange Traded Products
EU	European Union
FIN	Financial Services
FTG	FinTech Group AG
FTG Bank	FinTech Group Bank AG
FTG:CBS	FinTech Group Core Banking System
FVTOCI	Fair Value not affecting profit or loss Though Other Comprehensive Income
FVTPL	Fair value through profit or loss
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GCM	General Clearing Member

GfBk	Gesellschaft für Börsenkommunikation
GmbH	limited liability corporation
hft	Financial assets measured at fair value through profit or loss
HGB	Commercial Code
HR	Human Resources
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICT	Information and Communications Technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS IC IFRS	Interpretations Committee
ISIN	International Securities Identification Number
ISO	International Organization for Standardization
IT	Information Technology
KDE	cash and securities custody account opening
kEUR	thousand Euros
KPI	Key Performance Indicator
KWG	Banking Act
L.O.X.	Limited Order Xervices
MaRisk	Minimum Requirements for Risk Management
mEUR	million Euros
MiFID II	Markets in Financial Instruments Directive II
MRR	Monthly Risk Report
MSCI	Morgan Stanley Capital International plc.
M&A	Mergers & Acquisitions
OCI	Other Comprehensive Income
OTC	Over The Counter
PSD 2	Payment Service Directive 2
p.a.	per anno
P&L	profit and loss
R&D	Research and Development
SaaS	Software as a Service
TECH	Technologies
TRG	Transition Resource Group
T2S	TARGET2-Securities
USD	United States Dollar
VaR	Value at Risk
WACC	Weighted average cost of capital
WpHG	Securities Trading Act

Notes to the Consolidated Financial Statement as of December 31, 2017

NOTE 1 About the Company / the Group

The Consolidated Financial Statements presented here are those of FinTech Group AG and its subsidiaries (the "Group").

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

The registered 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, Kulmbach.

The Consolidated Financial Statements of the Group were finalized on June 14, 2018 and are scheduled to be presented to the Supervisory Board on June 18, 2018 for approval to be published. After publication, the Consolidated Financial Statements may not be altered.

NOTE 2 Basis of Preparation

For companies within the European Union, preparation of consolidated financial statements in accordance with IFRS is mandatory, provided they are capital market-oriented companies (Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002). All other parent companies must prepare consolidated financial statements 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 capital market-oriented German parent company must prepare consolidated financial statements in accordance with IFRS (section 315e par. 1 in conjunction with section 290 par. 1 HGB). A capital market-oriented company is defined as a company whose stock is listed on an organized market (section 2 par. 5 German Securities Act (WpHG).

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

However, FinTech Group AG has, in line with section 315e par. 3 HGB, 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. Since, in the consolidated financial statements, the previous year's figures have to be provided for comparison, FinTech Group prepared an IFRS opening balance sheet per January 1, 2014.

The Consolidated Financial Statements are in full compliance with IFRS as applicable within the European Union, and with the supplementary provisions of section 315a HGB, the German Commercial Code. The Consolidated Financial Statements of FinTech Group AG are based on the assumption of a going concern.

FinTech Group presents information in thousands or millions of currency units. Generally, the information is expressed in millions of units. For detailed information on the income statement, information 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 Scope of consolidation

The consolidated Group accounts comprise the accounts of FinTech Group AG and the subsidiaries controlled by it.

Scope of consolidation of FinTech Group AG as at 01/01/2016:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- flatex & friends GmbH, Kulmbach (100%)
- XCOM AG, Willich (63.65%)

Changes in scope of consolidation in 2016:

In 2016, there was no change in the number of consolidated firms.

Scope of consolidation of FinTech Group AG as at 12/31/2016 - 01/01/2017:

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

Changes in scope of consolidation in 2017:

In 2017, there was no change in the scope of consolidation, concerning the individual subsidaries on the Group, there were the following changes in 2017:

XCOM AG and flatex & friends GmbH were merged onto FinTech Group AG retroactively from 01/01/2017. The remaining minority 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 onto XCOM AG, also retroactively from 01/01/2017.

biw Bank für Investments und Wertpapiere AG changed its name to FinTech Group Bank AG on 06/15/2017; XCOM Finanz GmbH changed its name to FinTech Group Finanz GmbH on 09/10/2017.

The merger of ViTrade GmbH onto FinTech Group Bank AG was also effected retroactively from 01/01/2017. The business activities and staff were taken over by the bank, who will continue to use the "ViTrade" brand. flatex GmbH was merged onto FinTech Group Bank AG on 03/29/2018, wih retroactive effect from 01/01/2018. The "flatex" brand will be retained as well.

Also in 2017, the following companies were liquidated: BrokerPort AG in Abwicklung, Willich, and XCOM Trading Services GmbH in Liquidation, Willich.

Scope of consolidation of FinTech Group AG as at 12/31/2017:

- Die AKTIONÄRSBANK Kulmbach GmbH, Kulmbach (100%)
- flatex GmbH, Kulmbach (100%)
- FinTech Group Finanz GmbH (formerly XCOM Finanz GmbH, Willich) (100%)
- FinTech Group Bank AG (formerly biw Bank für Investments und
- Wertpapiere AG, Willich) (100%)
- Brokerport Finance GmbH, Willich (100%)
- Xervices GmbH, Willich (100%)

FinTech Group AG continues to own a share in a jointly controlled company, Finotek Europe GmbH, Frankfurt/Main, which remains outside the scope of consolidation due to immateriality. There are no associated companies, neither as at 12/31/2017 nor as at 12/31/2016.

NOTE 4 Business combinations

No business combinations occurred in fiscal 2016 or in fiscal 2017.

NOTE 5 Accounting policies

Business combinations and consolidations

Business combinations are recorded in accordance with the provisions of IFRS 3.

At initial consolidation, identifiable assets and liabilities are measured at their fair value at the time of acquisition. Shares of minority shareholders are recognized in proportion to their share of the fair value of assets and liabilities. Ancillary acquisition costs and fees are directly recorded as an expense. Any remaining excess of the cost of acquisition over the value of net assets measured at fair value is capitalized as goodwill. 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.

Inventory

Inventory is measured at the lower of purchase/production cost or net realizable value on balance sheet date.

Research and development costs

Research costs are recognized as expense in the profit and loss account. Development costs are capitalized if they can be reliably ascertained, if the product or process to which they pertain is realizable in technical and economic terms, and if the future economic benefit is probable. The initial capitalization of these costs will be based on the assumption that such technical and economic feasibility has been established. This will generally be the case where a project has reached a certain milestone previously defined in the Group's project management model. In addition to the availability of sufficient resources, there must be an intention within the Group to complete the project and use or sell the resulting asset. Once projects are completed, development costs are depreciated over the useful life, starting at the time when economic benefits are generated. Impairment testing is carried out on an annual basis, with future economic benefits substantiated by relevant business cases. The start of a development project may be based on basic research results or on a non-exclusive customer order, whereby the respective research effort must be expensed.

Intangible assets acquired for valuable consideration

Purchased software, licenses and industrial property rights are accounted for at their acquisition costs and depreciated on a straight-line basis over their expected useful lives as follows:

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

Intangible assets acquired for valuable consideration are subject to impairment testing if there is an indication that it may be impaired. There were no such indications at the end of 2017.

Property, plant and equipment

Property, plant and equipment which is subject to wear and tear and is used for more than one year is measured at amortized 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 40 years. Land is ordinarily not depreciated. Other plant and equipment is depreciated over the expected useful life of the respective asset, which is between 3 and 5 years for computer hardware and generally 13 years for office furnishings. Maintenance and repair costs are recognized as expense for the period. Where there are indications of impairment and the recoverable amount is lower than the amortized acquisition or production cost, the asset is written down to the recoverable amount.

Impairments

The carrying values 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 indication 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, with assets being apportioned 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 when indications of impairment (triggering events) occur.

The derivative goodwill is not subject to scheduled depreciation, 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 in the reports to the primary decision-making body, thereby establishing a link to the internal reporting system. Impairment testing is carried out at least annually at the end of each reporting period, and additionally when there is an indication of impairment of the CGU. In the fiscal year under review, however, there was no such indication.

In the event that the book value 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 recognized, it may not be reversed. Where the difference established for the CGU exceeds the book value of the derivative goodwill allocated to it, the book values of the assets allocated to the CGU are subjected to pro-rated impairments for a total of the remaining impairment amount.

Financial instruments

Financial assets and liabilities are recognized where the Group 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 recognized from the point in time when the Group becomes a contractual party to the financial instrument. Regular way purchases or sales of financial assets are principally recognized or derecognized on trade date.

The Group's financial instruments are divided into the following categories, which at the same time may be viewed as classes within the meaning of IFRS 7:

- Loans and receivables
- Financial assets at fair value through profit or loss
- Financial assets available for sale
- Financial liabilities measured at amortized cost
- Financial liabilities at fair value through profit or loss

There are no financial investments held to maturity.

Financial instruments are categorized at the time of their acquisition, with the categorization depending on the type and intended purpose of the financial asset or liability. At initial recognition, financial instruments are measured at their fair value.

"Loans and receivables" comprise cash, overdraft facilities granted to customers and issued loans. These are valued at their amortized acquisition cost according to the effective interest rate method. Any impairments are accounted for in profit or loss. Foreign currency assets or liabilities are converted into the home currency at the rate of the relevant reporting date. Foreign currency risks are largely ruled out by the conversion of foreign currency considerations simultaneously with each security transaction.

"Financial assets at fair value through profit or loss" comprise financial instruments in the trading portfolio. These are measured at their fair value through profit or loss.

"Financial assets available for sale" comprise equity participations and fixed-income securities. These are measured at fair value; in the absence of impairments, valuation changes during the current period are directly reported in equity through other comprehensive income without affecting profit or loss.

"Financial liabilities measured at amortized cost" comprise customer deposits and loan liabilities. These are measured at their amortized acquisition cost using the effective interest method.

"Financial liabilities at fair value through profit or loss" comprise financial liabilities in the trading portfolio. These are measured at their fair value through profit or loss.

Income tax

Income tax for the period comprises current tax and deferred tax. Tax is recognized as income or expense and included in the profit or loss for the period, except to the extent that the tax arises from an item which is recognized in other comprehensive income, in which case the relevant tax will be recognized in other comprehensive income as well. Current tax is calculated on the basis of profit or loss realized in the fiscal year, which has been determined according to applicable tax rules.

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 recognized 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 capitalization of deferred tax assets relating to loss carryforwards is subject to a special rule: These may only be capitalized where it is highly likely that sufficient taxable profits will be available in the future to offset the losses.

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.

Defined benefit plans

The Group values claims arising out of defined benefit plans using the projected unit credit method. In calculating the net present value of future benefit claims for services already provided, the Group takes future increases in salary and pensions into consideration. Actuarial gains and losses arising, for example, from adjustments to the discount rate, are reported under other comprehensive income for the period in which they occur.

Provisions

A provision will be recognized where the Group is subject to a current de facto or legal obligation arising as a result of 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.

Recognition of revenues

Revenues are recognized on the basis of contractual agreements once the products in question have been delivered, if the amount of the remuneration can be reliably ascertained, if there are no material obligations toward the customer, and if the collection of the receivable is deemed likely. The net amount of the consideration, after deduction of any discounts, customer incentives and rebates, is recognized as revenue.

Interest is recognized on an accrual basis. Operating expenses are recognized in profit or loss when the service in question is being utilized or has been initiated.

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 recognized 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 recognized in profit or loss by the lessee.

If substantially all risks and rewards incidental to ownership of the leased asset are 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 recognized 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 recognized 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 of the parent company's shares issued and outstanding during the fiscal year.

NOTE 6 Changes in accounting policies - amended standards and interpretations

Annual improvements and new ones from IASB and IC adopted standards and interpretations

As part of its "annual improvements", IASB makes small changes to existing standards. They always follow a 3-year review cycle. Below, the "annual improvements" are listed in tabular form together with the current EU endorsement statuses. 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.

Newly applied standards and interpretations in the current reporting year (2017)

The following standards became mandatory in 2017 and were newly applied by FinTech Group:

The amendment to IAS 12 "Income Taxes" aims to counteract the diverging practices in regards to the (non-) recognition of deferred tax assets for unrealized losses of debt instruments that are categorized as financial assets available for sale (afs). The insertion of the new paragraph 29A in IAS 12 now provides an explicit rule for the above-mentioned case, stating when one can principally assume that the reporting entity can realize an amount in excess of the carrying value of the asset. There are no effects for FinTech Group from the first-time application of the amendment to this new standard.

The amendments to IAS 7 "Cash Flow Statement" were implemented as part of the IASB's so-called "disclosure initiative" and relate to additional disclosures regarding liabilities arising from financing activities. According to the newly inserted paragraphs 44A to 44E, an entity has to make presentations that allow the recipients of the financial statements to assess changes in the liabilities arising from financing activities, including cash flow and non-cash flow items. FinTech Group applied the new rules for the first time in the year under review, and the additional presentations were made below the cash flow statement.

New but not yet mandatory standards and interpretations

The following new or amended standards and interpretations have already been adopted by IASB and IC, but have not yet come into force or have not yet been transferred into European law. The Group has opted against early application of these standards and interpretations.

New standards and interpretations

Standard / Interpretation	Date published	Amendment / new regulation	Date of application (EU)	EU endorsed
IFRS 9 Financial instruments	07/24/2014	Guidance on accounting for financial instruments	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 15 Revenue from contracts with customers	05/28/2014 09/11/2015	Accounting rules for the timing and amount of revenue recognition	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 16 Leases	01/13/2016	Accounting for leases	Fiscal years beginning on or after 01/01/2019	Yes
IFRIC 22 Foreign currency transactions and advance consideration	12/08/2016	Foreign currency translation of transactions in which the consideration is not a monetary asset	Fiscal years beginning on or after 01/01/2018	Yes
IFRIC 23 Uncertainty over income tax treatments	06/07/2017	Clarifies the accounting for uncertainties in income taxes	Fiscal years beginning on or after 01/01/2019	No

New standards and interpretations

Standard / Interpretation	Date published	Amendment / new regulation	Date of application (EU)	EU endorsed
Annual improvements to IFRS (2014-2016 cycle)	12/08/2016	IFRS 1: Deletion of short-term exemptions IAS 28: Clarification that the election to measure at fair value is available for each investment separately	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 15 Revenue from contracts with customers	04/12/2016	Clarification and short-term exemptions from the Transition Resource Group for Revenue Recognition (TRG)	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 2 Share-based payment transactions	06/20/2016	Classification and measurement of share-based payment transactions	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 4 Insurance contracts	09/12/2016	Application of IFRS 9 Financial instruments together with IFRS 4 Insurance contracts	Fiscal years beginning on or after 01/01/2018	Yes
IAS 40 Property held to earn rentals or for capital appreciation	12/08/2016	Accounting for property (land and/or buildings) held to earn rentals or for capital appreciation	Fiscal years beginning on or after 01/01/2018	Yes
IFRS 9 Financial Instruments	10/12/2017	Prepayment features with negative compensation	Fiscal years beginning on or after 01/01/2019	No
IAS 28 Long-term interests in an associate or joint venture	10/12/2017	Clarification that IFRS 9 applies to long-term interests in an associate or joint venture to which the equity method is not applied	Fiscal years beginning on or after 01/01/2019	No
Annual improvements to IFRS (2015-2017 cycle	12/12/2017	IFRS 3/IAS 11: Clarification about the measurement of interests at the time in which the acquirer obtains control IAS 12: Clarification that all income tax consequences of dividends must be recognized IAS 23: Treatment of borrowing costs after the related qualifying asset is ready for its intended use or sale	Fiscal years beginning on or after 01/01/2019	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.

For fiscal 2018, the EU-adopted standards IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers will be applied for the first time. The effects on the consolidated financial statements from the first-time application of significant standards are described in the following paragraphs.

IFRS 9: Financial instruments

With the issuance of IFRS 9, the replacement of IAS 39 will now be completed. The introduction of IFRS 7 in 2007 had expanded the disclosure requirements and deleted the respective rules from IAS 39 and IAS 32.

Now the remaining regulations, namely for recognition and measurement of financial instruments as well as for hedge accounting, are being replaced by IFRS 9. The main rules and regulations are:

Recognition and measurement of financial assets

For the classification of financial assets, two criteria are deciding:

1. The business model (held to maturity, available for sale, held for trading)
2. The nature of the cash flows associated with the financial instrument (solely payments of principal and interest on the principal amount out-standing)

These criteria determine whether the instrument is to be measured at amortized cost or at fair value – through profit or loss, or not affecting profit or loss.

Business model

The classification into the three categories of financial assets is based on the company's business model for controlling financial assets and the characteristics of the contractual cash flows of the financial asset (IFRS 9.4.1.).

The classification is not to be made at the level of a single financial instrument, but at a higher aggregation level, e.g. a portfolio.

Measurement categories

According to IFRS 9, the following measurement categories are used for financial assets:

- Amortized cost: For financial assets whose cash flows consist exclusively of interest and principal payments, and where the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).
- Fair value not affecting profit or loss through other comprehensive income (FVTOCI): For financial assets whose cash flows consist exclusively of interest and principal payments, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss (FVTPL): For all other financial assets.

For equity instruments, for example stocks, as long as they are not allocated to the trading portfolio, the company has the option of measuring them either at fair value through profit or loss, or at fair value through other comprehensive income.

A financial asset is measured at amortized cost (IFRS 9.4.2), if the asset is held within a business model whose objective is achieved by collecting contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In all other cases, financial assets are measured at fair value.

The classification for the subsequent measurement of a financial asset has to be designated already at the time of its initial recognition.

Measurement of financial liabilities

The provisions of IAS 39 were retained to a large extent. Only for financial liabilities for which the fair value option was used, the change in fair value due to changes in the entity's own credit standing may, under certain conditions, accrue to OCI without affecting profit or loss.

Impairment

The impairment model deviates significantly from IAS 39. Whereas IAS 39 was based on the incurred loss model, IFRS 9 is based on the expected credit loss model.

IFRS 9 provides, that on the basis of the expected loss a so-called 3 stages-approach has to be implemented. The new regulation has to be applied in future only for such financial instruments, which are measured at amortized cost or at fair value not-affecting profit or loss.

Already at initial recognition, 12-month expected credit losses are required to be measured through a loss allowance for all financial instruments (financial instruments in stage 1 - 12-month ECL). If the credit standing has worsened or if the credit risk of the financial instrument has increased significantly since initial recognition, the financial instrument moves into stage 2, and a loss allowance for full lifetime expected credit losses is required (lifetime ECL). If an objective indication of an expected loss can be observed, the financial instrument moves into stage 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).

Hedge Accounting

The rules basically remain unchanged. According to IAS 9, there is a more stringent relationship with the actually practiced risk management. The effectiveness criteria are less rigid and allow for an adjustment of the hedge ratio (rebalancing). To increase the effectiveness of the hedge, it can be referenced more precisely onto the actual risk components. Also, certain value components of the hedging instrument can be taken out of the hedging relationship and accrue to OCI. In contrast to IAS 39, an established hedge relationship may not be terminated by simple revocation.

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

1. Measurement categories:

The financial assets of FinTech Group AG will be classified according IFRS 9 as follows:

- Amortized cost
- Fair value not affecting profit or loss through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

The financial assets will be designated on a portfolio-level to the business models "held to maturity" or "available for sale".

Within FinTech Group, the new IFRS 9 regulations impact mainly the financial assets of the subsidiary FinTech Group Bank AG. At all other Group companies, the financial assets consist of liquid assets such as cash reserves and demand deposits at banks, as well as trade receivables. These principally fulfill the business model criterion "held to maturity" as well as the cash flow criterion, and the categorization and measurement will remain unchanged, i. e. at amortized cost. In addition, FinTech Group AG still has a small portfolio of equities. Since these equities are not held for trading, their measurement will continue to be at fair value not affecting profit or loss (FVTOCI).

At FinTech Group Bank AG, on the other hand, the financial assets from the lending business and from investments in securities, mainly bonds and mutual bond funds, are impacted by the new measurement categories of IFRS 9. For the purpose of classification, the financial assets of FinTech Group Bank AG were therefore analyzed to determine if, based on the business model and the cash flows of the underlying products, one could continue to categorize them as "held to maturity" and measure them at amortized cost as under IAS 39.

FinTech Group Bank AG is a "non-trading book institution" as defined in article 94 of the EU-regulation (EU) Nr. 572/2013. Therefore, the transactions of the entity are principally undertaken with the intention of holding the related instruments to maturity.

Receivables and loans will continue to largely meet the criteria for measurement at amortized cost. Debt instruments will, in due consideration of the above-mentioned conditions, be measured at fair value not affecting profit or loss (FVTOCI); financial instruments with maturities under one year will probably be measured at fair value through profit or loss (FVTPL).

On the basis of the conducted analyses it is expected that the changes in measurement categories will not have a major impact on the reported equity of the Group.

FinTech Group will therefore make use of the option for the initial application of IFRS 9 and omit IFRS 9 comparative figures for the periods preceding initial application.

2. Impairment

FinTech Group expects an increase of the risk provision of an estimated mEUR 0.5 due to the new impairment rules, wich is mainly due to the change to the 12-month-ECL at initial measurement as well as the new calculation methodology to the expected default risk.

3. Hedge Accounting

FinTech Group still does not make use of hedge accounting and accordingly there will be no impact on the consolidated financial statements.

IFRS 15: Revenue from contracts with customers

Further, with IFRS 15, the IASB has issued new rules for determining the amounts and the timing of revenue recognition. These new rules incorporate especially the preceding discussions about multiple performance obligations and variable considerations. The standard provides a 5-step model framework that applies to all contracts for the delivery of goods and services, with the exceptions, in particular, of lease contracts, insurance contracts, and financial instruments. The individual steps are the following:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the individual performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

For FinTech Group, these new regulations are not expected to have a major impact, since the Group currently does not engage in transactions with multiple performance obligations, and make-to-order production is currently negligible. For the most part, FinTech Group enters into service contracts which by their nature do not entail the transfer of an unrestricted, negotiable right to the software created by the Group, but, as a rule, assign a limited-term usage right for its software on the basis of a maintenance, service, and support agreement.

Also, as a rule, there are no variable consideration agreements.

NOTE 7 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 valuation of reported pension provisions. As a consequence, values actually realized 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 balance sheet date and the presentation of these accounts.

NOTE 8 Discontinued operations

The result of the remaining two discontinued operations (previous year three) of Aktionärsbank and flatex & friends, which was merged onto FinTech Group AG, amounted to kEUR -220 in 2017.

The result breaks down as follows:

In kEUR	2017	2016
Revenues	29	562
Expenses	173	8,274
EBITDA	-144	-7,712
Depreciation	76	255
Result of current year from discontinued operations	-220	-7,967

In discontinued operations, all fair values correspond at least to the book values, so that no impairments had to be taken in 2017.

NOTE 9 Group subsidiaries with minority shareholders

Significant minority shareholders existed only at the level of XCOM AG. With the successful completion of the squeeze-out for the remaining free float XCOM shares, there are no minority interests left as at 12/31/2017.

As at 12/31/2016, the non-controlling interest in XCOM AG's equity had totaled 23.19%. Correspondingly, the non-controlling shareholders were allocated a share of the 2016 profit in the amount of kEUR 3,897. The shareholders of XCOM AG received a dividend of EUR 0.06 per share for fiscal 2016.

The following tables show for the fiscal year 2016 the condensed financial information on assets and liabilities, profit and loss, and cash flows of XCOM AG. The information provided relates exclusively to XCOM AG prior to any intra-group eliminations.

Balance sheet (condensed):

In kEUR		2016
Current		
Assets		11,550
Liabilities		-4,988
Total current net assets		6,562
Non-current		
Assets		42,896
Liabilities		-4,966
Total non-current net assets		37,930

Income statement (condensed):

In kEUR		2016
Revenues		31,040
Earnings before income taxes		11,413
After-tax earnings from continuing operations		8,486
Other earnings		-
Total earnings		8,486
Total earnings attributable to minority shareholders		2,226
Dividends paid to minority shareholders		11

Cash flow statement:

In kEUR		2016
Net income		**8,486**
Depreciation and amortization of fixed assets		1,313
Increase (+)/decrease (-) in the debit difference from asset allocation		-813
Increase (+)/decrease (-) in provisions		-140
Other non-cash expenses (+)/income (-)		-2,582
Gain (-)/loss (+) on disposal of assets		-39
Increase (-)/decrease (+) in inventories, trade receivables and other assets		1,784
Increase (+)/decrease (-) in trade payables and other liabilities		-13,545
Interest expense (+)/income (-)		-
Income tax expense (+)/income (-)		8,486
Income tax payments (+/-)		1,740
Cash outflow/inflow from operations		**4,690**
Proceeds from the disposal of assets (+)		348
Payments for investments in assets (-)		-1,302
Interest received (+)		13
Cash outflow/inflow from investing activities		**-941**
Issue (-)/repayment (+) of loans to related parties		-
Taking out (+)/repayment (+) of loans from third parties		-1,833
Interest paid (-)		-63
Dividend distribution		-33
Proceeds from equity injection by the parent company		-
Cash outflow/inflow from financing activities		**-1,929**
Change in cash and cash equivalents		1,820
Cash and cash equivalents at the beginning of the period		3,694
Cash and cash equivalents at the end of the period		**5,514**

NOTE 10 Intangible assets

Intangible assets in 2017 (all from continuing activities):

In kEUR	Balance sheet	Cost as of 01/01/2017	Additions	Disposals	Reclassifications	Cost as of 12/31/2017	Accumulated depreciation as of 12/31/2017	Book value as of 12/31/2017	Depreciation in 2017
Goodwill	Goodwill	28,780	-	-	-	28,780	-	28,780	-
Capitalized development cost	Internally-generated intangible assets	16,925	2,510	-	+7,044	26,479	5,757	20,722	2,192
Current development cost	Internally-generated intangible assets	6,965	5,379	-	-7,044	5,300	-	5,300	-
Customer relationships	Customer relation-ships	6,200	-	-	-	6,200	938	5,262	341
Industrial property rights and similar rights	Other intangible assets	8,813	2,374	1,732	-	9,455	7,356	2,099	1,130
Trademarks	Other intangible assets	700	-	-	-	700	193	508	70
Down payments	Other intangible assets	-	283	-	-	283	-	283	-
Intangible assets		**68,383**	**10,546**	**1,732**	**-**	**77,197**	**14,244**	**62,953**	**3,733**

Intangible assets in 2016 (all from continuing activities):

In kEUR	Balance sheet	Cost as of 01/01/2016	Additions	Disposals	Cost as of 12/31/2016	Accumulated depreciation as of 12/31/2016	Book value as of 12/31/2016	Depreciation in 2016
Goodwill	Goodwill	28,780	-	-	28,780	-	28,780	-
Capitalized development cost	Internally-generated intangible assets	16,300	625	-	16,925	3,514	13,411	2,122
Current development cost	Internally-generated intangible assets	2,391	4,679	104	6,965	-	6,965	-
Customer relationships	Customer relationships	6,200	-	-	6,200	597	5,603	341
Industrial property rights and similar rights	Other intangible assets	7,849	1,058	94	8,813	6,810	2,003	785
Trademarks	Other intangible assets	700	-	-	700	123	577	70
Down payments	Other intangible assets	44	-	44	-	-	-	-
Intangible assets		**62,264**	**6,362**	**242**	**68,383**	**11,044**	**57,339**	**3,319**

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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 depreciation and impairments. Scheduled depreciation of intangible assets is reported in the statement of profit or loss and other comprehensive income under the line item "depreciation of assets".

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 discount rate of 10.35% p. a. (2016: 10.35%). Cash flows beyond the five-year period are extrapolated by assuming a long-term growth rate of 1.0% p. a. The assumptions in the impairment tests are based on management's previous experiences regarding the respective asset.

Management believes that no reasonably 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:

Asset	Line item	Book value 12/31/2017 EUR	Book value 12/31/2016 EUR	Remaining amortization Years
Technology and software (FTG)	Capitalized development cost	10,696,875	**12,734,375**	**5**
Customer relationships (ViTrade)	Customer relationships	3,191,250	**3,376,250**	**17**
Customer relationships (FTG Bank)	Customer relationships	2,070,313	**2,226,563**	**13**

Research costs expensed in 2017 amount to kEUR 2,086 (2016: kEUR 1,949).

NOTE 11 Impairment of derivative goodwill

For the impairment test, the derivative goodwill acquired in the course of business combinations is allocated to the existing segments as cash-generating units (CGUs). Since the segmentation has changed from the previous year, the goodwill, which in 2016 was allocated exclusively to the segment "Transaction Processing & White Label Banking Services", had to be re-allocated to the two new segments according to the related cash flows. Thus, the goodwill of kEUR 28,780 (12/31/2016: kEUR 28,780) is now allocated to the two segments "TECH" (20%) and "FIN" (80%).

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

The Group undertakes goodwill impairment tests on a regular basis at the end of each fiscal year, and also if and when there is an indication of an impairment. 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 before-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. Also, the growth of the company's business is taken into account.

As per 12/31/2017 and per 12/31/2016, no impairment of derivative goodwill had to be recognized as a result of impairment testing.

The book value of the CGU "TECH" as at 12/31/2017 amounts to kEUR 102,568 (12/31/2016: kEUR 48,913). The recoverable amount of this CGU is kEUR 123,021 (12/31/2016: kEUR 52,555). The derivative goodwill allocated to this CGU as at 12/31/2017 was kEUR 5,756 (12/31/2016: kEUR 5,756). The pre-tax discount rate used for the cash flow forecast was 10.35% (12/31/2016: 10.35%). The long-term growth rate is assumed to be 1.0% (12/31/2016: 1.0%).

The book value of the CGU "FIN" as at 12/31/2017 amounts to kEUR 77,443 (12/31/2016: kEUR 60,813). The recoverable amount of this CGU is kEUR 236,692 (12/31/2016: kEUR 93,959). The derivative goodwill allocated to this CGU as at 12/31/2017 was kEUR 23,024 (12/31/2016: kEUR 0). The pre-tax discount rate used for the cash flow forecast was 10.35% (12/31/2016: 10.35%). The long-term growth rate is assumed to be 1.0% (12/31/2016: 1.0%).

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 the

- discount factor (interest rate),
- market share attainable during the reporting period, and the
- growth rate used for extrapolating expected cash flows beyond the five-year detailed budgeting period.

Discount rate – 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.

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.

Growth rate – The growth rate used is based on published industry-specific market research.

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.

NOTE 12 Property, plant and equipment

Property, plant and equipment in 2017:

In kEUR	Costs as of 01/01/2017	Additions	Disposals	Cost as of 12/31/2017	Accumulated depreciation as of 12/31/2017	Book value as of 12/31/2017	Depreciation in 2017
Land and buildings, including buildings on third party 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 operations						382	76
Property, plant and equipment from continuing activities						**6,973**	**1,857**

Property, plant and equipment in 2016:

In kEUR	Costs as of 01/01/2016	Additions	Disposals	Cost as of 12/31/2016	Accumulated depreciation as of 12/31/2016	Book value as of 12/31/2016	Depreciation in 2016
Land and buildings, including buildings on third party land	4,816	124	92	4,848	2,678	2,169	351
Other plant and equipment	13,912	2,524	657	15,780	11,900	3,880	1,744
Property, plant and equipment	**18,728**	**2,648**	**749**	**20,627**	**14,578**	**6,049**	**2,096**
of which: from discontinued operations						458	255
Property, plant and equipment from continuing activities						**5,590**	**1,841**

In fiscal 2017 – as well as in 2016 – no impairment expense or appreciation in value was recorded. No property, plant and equipment has been pledged as collateral.

NOTE 13 Other current financial assets

Other current financial assets comprise the following:

In TEUR	31.12.2017	31.12.2016
Financial assets available for sale	177,517	514,335
Financial assets measured at fair value through profit or loss (hft)	1,006	1,234
Cash loans to local authorities	237,165	401,171
Current loans to customers	175,415	122,472
Other receivables due from banks	12,610	12,328
Total	**603,714**	1,051,540

Financial assets available for sale consist of bonds and mutual funds, which in turn invest bonds as well. The position breaks down into the following components: Public bonds kEUR 15,067 (12/31/2016: kEUR 337,488), other bonds kEUR 71,669 (12/31/2016: kEUR 132,064), and mutual funds kEUR 89,913 (12/31/2016: kEUR 40,388). No individual loan loss provisions were taken in 2017 (2016: kEUR 0).

Financial assets measured at fair value through profit or loss („held for trading") mainly include equities in the amount of kEUR 669 (12/31/2016: kEUR 711) and other non-fixed-income securities from the designated sponsoring business in the amount of kEUR 139 (12/31/2016: kEUR 26).

Cash loans to local authorities decreased by kEUR 164,006, from kEUR 401,171 (12/31/2016) to kEUR 237.165 (12/31/2017). The reason for this was the reduced investment activity due to mainly negative interest rates. Freed up liquidity was deposited as cash reserves with the European Central Bank. These shifts in investments were undertaken by FinTech Group in due consideration of their risk and return profiles.

With the expansion of the loan book, loans to customers increased in total to kEUR 201,912 (12/31/2016: kEUR 131,125). Since the beginning of the year, loans to customers are split year into current assets (maturity in less than a year) in the amount of kEUR 175,415 (12/31/2016: kEUR 122,472) and non-current assets (maturity of more than a year, disclosed in non-current assets) in the amount of kEUR 26,497 (12/31/2016: kEUR 8,653). According to IAS 1.41, prior-year figures were reclassified. Important products here are the flatex flex loan, launched already in 2016, and the newly introduced flatex "PolicenKredit", in which life and pension insurance policies are pledged as collateral for loan amounts of up to EUR 100,000.00 as well as specialized lending. The portion of the factoring business included in the loan book amounts to kEUR 47,558 (12/31/2016: kEUR 24,737).

The Lombard loans and the flatex-flex exposures are collateralized by securities, the factoring receivables are secured by commercial credit insurance of big insurance companies. Specialized lendings are covered by contingency insurance, guarantees and assignment of claims of sponsorship-, TV- and advertising rights.

Other receivables due from banks of kEUR 12,610 (12/31/2016: kEUR 12,328) mainly include receivables from security deposits with partner banks of kEUR 10,530 (12/31/2016: kEUR 10,520).

NOTE 14 ## Cash and cash equivalents

Cash and cash equivalents reported in the balance sheet comprise cash on hand, balances with central banks and daily receivables owed by banks as follows:

In kEUR	2017	2016
Balances with central banks	224,355	178,122
Receivables owed by banks (due on daily basis)	145,709	196,914
Cash on hand	26,937	14,167
Total	**397,002**	389,202

The cash and cash equivalents amount in the cash flow statement corresponds to the respective amount in the balance sheet. In 2017, there were no material restrictions regarding Cash and cash equivalents.

NOTE 15 ## Equity

Subscribed capital

At the end of the fiscal year, the subscribed capital is divided into 17,510,876 (12/31/2016: 16,810,876) no-par-value registered shares with a proportionate, notional par value of EUR 1.00 each. On balance sheet date, the subscribed share capital of FinTech Group AG amounts to kEUR 17,511 (12/31/2016: kEUR 16,811).

In December 2017, Morgan Stanley & Co. International PLC, as a strategic partner and investor, subscribed to a 4% capital increase of FinTech Group AG. With this transaction, the number of issued and outstanding shares increased by 700,000, and subscribed capital was increased by EUR 700,000.00. All of the issued shares have been fully paid up.

On December 19, 2017, FinTech Group AG bought 4,450 shares of treasury stock for temporary use, with a notional par value of EUR 4,450.00 of the subscribed capital, at a quoted price of EUR 32.2452 per share. The subscribed capital therefore includes kEUR 17,506. The purchase was transacted in accordance with section 71 par. 1 of the German stock corporation act (AktG) and on the basis of the authorization given by the shareholder meeting for the distribution of such shares as a special Christmas bonus to the employees of FinTech Group AG, FinTech Group Bank AG and flatex GmbH. On balance sheet date, total treasury stock amounts to these 4.450 shares, which corresponds to approximately 0.0254% of subscribed capital. The distribution of the shares to the employees and the completion of the sale of any remaining treasury stock did not take place before the balance sheet date. Except for the 4,450 shares of treasury stock mentioned above, no other shares of the company were held by FinTech Group AG or its subsidiaries as at 12/31/2017 (12/31/2016: 0).

Number of shares issued and outstanding as per 12/31/2016	16,810,876
Number of new shares issued in 2017	700,000
Number of shares issued as per 12/31/2017	17,510,876
Treasury stock as per 12/31/2017	-4,450
Number of shares outstanding as per 12/31/2017	17,506,426

All of the issued shares have been fully paid up.

Authorized capital

2016

At the beginning of fiscal 2016, FinTech Group AG had authorized capital of EUR 7,496,346.00.

Regarding the issuance of new shares, the following resolution were passed in 2016:

1. By resolution of the general meeting on 07/27/2016, the Management Board was authorized to increase the subscribed share capital, with the consent of the Supervisory Board, by a total of up to kEUR 2,807 by issuing new, no-par-value registered shares against contributions in cash and/or in kind, in one or more instalments, until 07/26/2021 (authorized capital 2016). Principally, the existing shareholders must be granted subscription rights. The Management Board, however, with the consent of the Supervisory Board, is authorized to exclude such subscription rights of the shareholders in specific instances.

2. On 12/31/2016, FinTech Group AG had authorized capital of kEUR 8,405 (authorized capital 2014: kEUR 5,598; authorized capital 2016: kEUR 2,807).

Regarding the issuance of new shares, the following resolution were passed in 2017:

1. The authorized capital 2014 in the amount of kEUR 5,598 was revoked in its entirety by resolution of the general meeting on 07/05/2017.

2. By resolution of the general meeting on 07/05/2017, the Management Board was authorized to increase the subscribed share capital, with the consent of the Supervisory Board, 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 07/04/2022 (authorized capital 2017). Principally, the existing shareholders must be granted subscription rights. The Management Board, however, with the consent of the Supervisory Board, is authorized to exclude such subscription rights of the shareholders in specific instances. On 12/13/2017, the Management Board, with the consent of the Supervisory Board, and on the basis of the authorization granted on 07/05/2017, 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 authorized capital 2017 was hereby partly utilized; after registration of the capital increase, the remaining authorized capital 2017 on balance sheet date was kEUR 4,898.

Thus, on 12/31/2017, the company has authorized capital of kEUR 7,705 (authorized capital 2016: kEUR 2,807; authorized capital 2017: kEUR 4,898).

	12/31/2017	12/31/2016
Number of authorized shares	7,705,438	8,405,438

Conditional capital

1) Conditional capital 2013

By resolution of the general meeting on 06/27/2013, the Management Board was authorized to conditionally increase the subscribed share capital until 06/26/2018 by a total of up to kEUR 5,425 by issuing up to 5,425,000 new, no-par-value bearer shares, with profit participation from the beginning of the year of their issuance (conditional capital 2013). According to the resolution of 06/27/2013, the exclusive purpose of the conditional capital 2013 is to secure subscription rights, which are issued on the basis of the general meeting's authorization of 06/27/2013.

The general meeting on 07/27/2016 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 12/04/2017, the Management Board was authorized to increase the possible nominal amount of the bonds by a total of up to kEUR 160,000 (from previously up to kEUR 50,000); at the same time, it was decided that the conditional capital 2013 serves to service bonds that are issued based on general meeting's authorization of 06/27/2013, in the version after the aforementioned amendment by resolution of the extraordinary general meeting of 12/04/2017.

2) Conditional capital 2014

By resolution of the extraordinary general meeting on 10/30/2014, the Management Board was authorized 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 year of their issuance (conditional capital 2014). According to the resolution of 10/30/2014, the exclusive purpose of the conditional capital 2014 is to secure subscription rights, which are issued on the basis of the general meeting's authorization of 10/30/2014, 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 09/30/2019.

The general meeting on 07/27/2016 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 12/04/2017, the general meeting's authorization of 10/30/2014, with modifications by the general meeting on 07/27/2016, 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 subscription rights which have been or will be issued on the basis of the general meeting's authorization of 10/30/2014, also with modifications by the general meeting of 07/27/2016 and also as amended by the resolution of the extraordinary general meeting on 12/04/2017, 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 12/04/2017.

3) Conditional capital 2015

By resolution of the general meeting on 08/28/2015, the Management Board was authorized 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 year of their issuance (conditional capital 2015). According to the resolution of 08/28/2015, the exclusive purpose of the conditional capital 2015 is to secure subscription rights, which are issued on the basis of the general meeting's authorization of 08/28/2015, 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 08/27/2020.

The general meeting on 07/27/2016 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 12/04/2017, the general meeting's authorization of 08/28/2015, with modifications by the general meeting on 07/27/2016, 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 subscription rights which have been or will be issued on the basis of the general meeting's authorization of 08/28/2015, also with modifications by the general meeting of 07/27/2016, and also as amended by the resolution of the extraordinary general meeting on 12/04/2017, 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 12/04/2017.

4) Conditional capital 2017

By resolution of the extraordinary general meeting of 12/04/2017, the Management Board was authorized to conditionally increase the subscribed share capital, until 12/03/2022, by a total of up to kEUR 1,300 by issuing up to 1,300,000 new, no-par-value registered shares, with profit participation from the beginning of the year of their issuance (conditional capital 2017).

Capital reserves

Capital reserves per 12/31/2017 are kEUR 67,540 (12/31/2016: kEUR 49,690), comprising the following components:

- Amounts exceeding the notional par value from payments for the
- issuance of new shares (additional paid-in-capital)
- Direct payments by shareholders into the equity account
- Payments by shareholders for the granting of precedence for their shares.

In the course of the capital increase of kEUR 18,158 in December 2017, based on the 2017 authorized capital resolved on by the general shareholders' meeting the subscripted capital increased by kEUR 700. The capital reserve increased by kEUR 17,458 through the premium of the issued.

Also in 2017, kEUR 392 (2016: kEUR 323) was recognized in capital reserves for the employee subscription rights issued.

Retained earnings

The following table shows the changes in retained earnings during the relevant periods: The presentation in note 18 of the previous year, with kEUR 2,466 as at 12/31/2015 and kEUR 7,343 as at 12/31/2016, did, in both instances, not include the actuarial gains / losses and the valuation results from afs financial instruments, which are also reported under retained earnings.

In kEUR	**2017**
As at 01/01/2016	**6,989**
Additions / consumption	4,877
of which: Allocation from net profit	8,419
of which: Dividend distribution	-22
of which: Changes in the scope of consolidation not involving a change of control	-3,520
Other earnings	-2,801
As at 12/31/2016	**9,065**
Additions / consumption	18,523
of which: Allocation from net profit	16,796
of which: Dividend distribution	-
of which: Changes in the scope of consolidation not involving a change of control	1,727
Other earnings	89
As at 12/31/2017	**27,677**

The changes in the scope of consolidation not involving a change of control in 2017 are mainly due the complete removal of minority shares in 2017, as a result of share purchases and the squeeze-out according to merger law.

The difference between the costs of acquiring the remaining minority interests (purchase of shares and squeeze-out, kEUR 13,190) and the proportionate equity share of minority interests (kEUR 15,063) was allocated to retained earnings in the amount of kEUR 1,873.

NOTE 16 Non-current liabilities to banks and non-banks

Non-current financial liabilities comprise the following:

In kEUR	2017	2016
Non-current liabilities to banks		
Loans with original terms > 1 year to 5 years	14,998	1,667
Loans with original terms > 5 years	1,042	1,208
Total	**16,040**	**2,875**
Non-current liabilities to non-banks		
Liabilities from finance leases > 1 year to 5 years	3,345	1,054

Liabilities to banks are EUR 16.0 million (12/31/2016: EUR 2.9 million). The increase is due to the financing of the portion of XCOM shares which were still held by third parties at the beginning of 2017 as well as to finance the squeeze-out. The contractually agreed annual repayment of principal is EUR 6.0 million, with the final repayment scheduled for the year 2020.

The non-current liability to banks with a term of more than five years relates to a secured mortgage loan for an office building used by the Group in the state of North Rhine-Westphalia.

The finance leases are mainly long-term contracts for office equipment and for IT infrastructure hardware. The contracts have terms of five years and contain purchase options. The net book values of the capitalized financial leasing goods are the following:

In kEUR	2017	2016
Hardware	2,538	345
Office Equipment	807	709
Total	**3,345**	**1,054**

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NOTE 17 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 (formerly XCOM 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 reporting date is based on the yield of high-quality corporate bonds.

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

The principal actuarial assumptions used are the following:

In kEUR	12/31/2017	12/31/2016
Actuarial discount rate	1.70%	1.70%
Inflation rate	1.00%	1.00%
Mortality	Heubeck Tables 2005G	Heubeck Tables 2005G

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

In kEUR	12/31/2017	12/31/2016
Present value of benefit obligations	24,857	24,302
Fair value of plan assets	-17,654	-16,761
Net liability for pension obligations	7,203	7,541

The development of the net liability for pension obligations was as follows:

In kEUR	2017	2016
As per balance sheet at beginning of year	**7,541**	**4,348**
Current service expense	78	96
Past service expense	65	-
Net Interest expense	120	97
Remeasurements	73	3,675
Thereof:		
- Actuarial (gains) / losses due to change in demographic assumptions	-	-
- Actuarial (gains) / losses due to change in financial assumptions	-	3,481
- Actuarial (gains) / losses due to adjustments in experience	164	147
- Proceeds from plan assets other than the amounts recognized in income statement	-91	47
Employer's contributions to plan assets	-673	-675
Pension benefits paid	-	-
Transfers and company transactions	-	-
As per balance sheet at end of year	**7,203**	**7,541**

The development of the present values of defined benefit obligations, and the fair values of plan assets and reimbursement rights, is shown in following tables.

Defined benefit obligations:

In kEUR	2017	2016
Present value of defined benefit obligations at beginning of year	**24,302**	**20,161**
Amounts recognized in the income statement	**554**	**580**
Current service expense	78	96
Accrued interest expense	412	484
Past service expense and (gains) / losses from plan settlements	65	-
Amounts recognized in OCI	**164**	**3,628**
Actuarial (gains) / losses	164	3,628
due to changes in demographic assumptions	-	-
due to changes in financial assumptions	-	3,481
due to adjustments in experience	164	147
Payments and other adjustments	**-164**	**-67**
Employer contributions	-	-
Pension benefits paid	-164	-67
Payments for plan settlements	-	-
Transfers and company transactions	-	-
Present value of defined benefit obligations at end of year	**24,857**	**24,302**

In the year under review, past service expenses were incurred due to an unplanned increase in a pension entitlement.

Plan assets:

In kEUR	2017	2016
Fair value of plan assets at beginning of year	**-16,761**	**-15,813**
Amounts recognized in Income statement	**-292**	**-387**
Interest income	-292	-387
Amounts recognized in OCI	**-91**	**47**
Income from plan assets other than amounts recognized in income statement	-91	47
Payments and other adjustments	**-510**	**-608**
Employee contributions	-	-
Employer contributions	-673	-675
Payments for settlements	-	-
Pension benefits paid	164	67
Transfers and company transactions	-	-
Fair value of plan assets at end of year	**-17,654**	**-16,761**

Reimbursement rights:

In kEUR	2017	2016
Fair value of reimbursement rights at beginning of year	**-790**	**-440**
Amounts recognized in Income statement	**-15**	**-13**
Accrued interest Income	-15	-13
Amounts recognized in OCI	**46**	**-146**
Amounts recognized in OCI	46	-146
Payments and other adjustments	**-191**	**-191**
Employee contributions	-	-
Employer contributions	-191	-191
Fair value of reimbursement rights at end of year	**-951**	**-790**

On the balance sheet, reimbursement rights are included in "financial assets and other assets".

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

In kEUR	12/31/2017	12/31/2016
Active employees	650	580
Former, vested employees	20,013	19,450
Retirees	4,194	4,271
Present valued of benefit obligations	24,857	24,302
Weighted average duration of obligations in years	23	24

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 ("Betriebsrentengesetz"). 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 he 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 valuation method as the valuation 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	12/31/2017	12/31/2016
Total obligation when the actuarial discount rate is increased by 0.25% p.a.	23,234	22,978
Total obligation when the actuarial discount rate is decreased by 0.25% p.a.	25,941	25,563
Total obligation when inflation rate increases by 0.25% p.a.	24,940	24,734
Total obligation when inflation rate decreases by 0.25% p.a.	24,148	23,879
Total obligation when life expectancy of a 65-year-old increases by 1 year	25,429	24,857

For the upcoming year, pension payments of kEUR 166k are expected (2016: kEUR 164). Payment contributions to plan assets are expected in the amount of kEUR 678 (2016: kEUR 678) and to reimbursement rights in the amount of kEUR191 (2016: kEUR 191).

NOTE 18 Liabilities to customers

On 12/31/2017, liabilities to customers are kEUR 885,112 (12/31/2016: kEUR 1,339,845). The liabilities to customers consist of customer deposits at FinTech Group Bank AG, mainly balances from cash accounts of customers of the ViTrade brand and of flatex GmbH. The decrease in balances, compared to the previous year-end, results from customers' changed trading patterns, shifted towards significantly increased investments in securities with a simultaneous reduction of cash deposits, and from the negative interest rates on customer deposits introduced in March 2017.

In addition, there are contingent liabilities from unutilized portions of irrevocable lines of credit in the amount of kEUR 181,500 (12/31/2016: kEUR 174.841). They stem largely from securities-related loan agreements with customers, whereby the loans are fully collateralized by the customers' securities deposits, consisting for example of stocks and bonds (Lombard loans).

NOTE 19 Current liabilities to banks

Current liabilities to banks comprise the following:

In kEUR	2017	2016
Liabilities to banks	48,370	38,954
Foreign currency obligations	12,640	21,321
Total	**61,010**	**60,275**

Short-term financial liabilities to banks amount to kEUR 61,010 (12/31/2016: kEUR 60,275). They include kEUR 48,370 (12/31/2016: kEUR 38,954) in settlement liabilities from securities transactions on behalf of customers, and kEUR 12,640 (12/31/2016: kEUR 21,321) in foreign currency balances from transactions on behalf of customers.

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 20 Other financial liabilities

Other financial liabilities comprise the following:

In kEUR	12/31/2017	12/31/2016
Tax liabilities	5,627	-
Accruals and deferrals	1,769	3,746
Other financial liabilities	67	67
Total	**7,463**	**3,813**
Also reported here in the previous year		
Pledged collateral	31,526	25,248
Other financial liabilities	27,710	21,061
Total according to previous year	**66,699**	**50,123**

Other financial liabilities of kEUR 7,463 (12/31/2016: kEUR 3,813) mainly comprise tax liabilities and deferred income. The tax liabilities of kEUR 5,627 (12/31/2016: kEUR 12,024) include mainly withholding taxes, deducted from customer transactions and payable to the tax authorities.

As an improvement in the presentation of the financial statements, pledged collateral (kEUR 31,526 12/31/2016: kEUR 25,248) as well as other financial liabilities in an amount of kEUR 27,710 (12/31/2016: kEUR 21,061) are now - from 2017 onwards - being shown under liabilities to customers.

NOTE 21 Other provisions

The development of provisions:

In kEUR	01/01/2017	Utilization	Reversals	Additions	12/31/2017
Short-term provisions					
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**

In kEUR	01/01/2016	Utilization	Reversals	Additions	12/31/2016
Short-term provisions					
Restructuring expenses	1,000	750	250	-	-
For warranty claims	248	103	145	65	65
Other provisions	8,224	7,401	50	2,327	3,100
Total	**9,472**	**8,254**	**445**	**2,392**	**3,165**

Other provisions include the measurable risk exposures towards third parties. These are calculated at full cost.

The provision for warranty claims of kEUR 55 (12/31/2016: kEUR 65) is based on experience, current sales and other available information. Payment obligations with regard to warranty claims are expected to arise mainly in 2018.

Other provisions amount to kEUR 7,499 at year-end (12/31/2016: kEUR 3,100). They mainly include Group provisions for performance-related, variable compensation of kEUR 2,633 (12/31/2016: kEUR 1,365) and other personnel costs including vacation provisions of kEUR 597 (12/31/2016: kEUR 676). Provisions for audit and other professional fees amount to kEUR 761 (12/31/2016: kEUR 933), and for outstanding invoices to kEUR 3,411 (12/31/2016: kEUR 76)..

NOTE 22 Revenues

Revenues for fiscal 2017 and 2016 had the following components:

In kEUR	2017	2016
Commission income	77,488	64,031
Provision of IT services	16,006	15,583
Interest income	10,352	7,799
Other operating income	3,168	7,608
Total	**107,014**	**95,021**

In the financial year, commission income of kEUR 77,488 (previous year: kEUR 64,031) was mainly generated from the flatex and ViTrade securities business and from FinTech Group Bank AG's B2B services. The increase in fee and commission income is mainly due to the successful onboarding of new customers and the concomitant increase in the number of transactions. The product range of the B2B business mainly includes cash and securities administration, securities settlements, payments, customer service, and regulatory compliance services such as regulatory reporting.

The group reported revenues of kEUR 16,006 for the provision of IT services (2016: kEUR 15,583). Significant contributors were the OTC trading systems L.O.X. and the system Tristan, flanked by further development services for third parties. Revenues in this segment rose despite the loss of a significant customer.

Included in provision of IT services are also proceeds for the sale of goods. There are no value adjustments to financial assets (2016: kEUR 169); whilst shown separately in 2016, the 2016 value adjustment is now included in other operating income in the above table.

The significant growth in interest income (kEUR 10,352 after kEUR 7,799 in 2016) is mainly due to the continuous expansion of the secured loan book.

External revenues were generated by subsidaries located in Germany only. In the fiscal year 2017 FinTech Group AG did not realize any material revenues (> 10%) with just one customer.

NOTE 23 Personnel expenses

The average number of staff in 2017 was 453 (2016: 448). Personnel expenses break down as follows:

In kEUR	2017	2016
Wages and salaries	18,991	15,280
Social security contributions and discretionary benefits	4,034	3,859
Expenses for pension obligations	118	350
Total	23,143	19,489

Wages and salaries in fiscal 2017 amounted to kEUR 18,991 (2016: kEUR 15,280). To a large degree, the variance is due to a reversal of provisions in fiscal 2016.

NOTE 24 Stock option plan

Description of stock option programs

FinTech Group AG has set up stock option programs to ensure that the total remuneration paid to its managers is competitive. The first stock options program was launched in 2014; subscription rights from this program were first issued in 2015.

Each subscription right issued pursuant to the stock option program 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 lifetime of these subscription 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 right (trigger - 2014 stock option plan). Only in the event of a change of control as defined in the authorization 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 subscription 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 right (trigger – 2015 stock option plan). The other terms remain the same as those applicable to the first program.

Development of the stock option programs

The following table shows the development of issued and outstanding subscription rights / options:

Program	Date of issuance	Number issued	Strike price in EUR	Price at time of issuance in EUR	Value per option in EUR	Total value of options in kEUR
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
Number of options issued 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
Number of options issued 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
Number of options issued in 2015		**1,088,000**				**1,389**
Total number of options issued		**1,340,500**				**2,008**
2014 stock option plan	07/08/2015	84,000				
2014 stock option plan	08/24/2015	55,000				
Lapsed, forfeited or expired options		**139,000**				
Outstanding options at 12/31/2017		**1,201,500**				

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 over 6 years. 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 strike price is EUR 7.30 for the 2014 stock option plan, and EUR 12.79 for the 2015 plan. Since there are no derivatives on the stock price in the market, implied volatility is not directly available. 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 federal 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

In 2017, the subscription rights issued from the 2014 program (83,000 options) had a market value of EUR 137,780 (EUR 1.66 per option), the subscription rights issued from the 2015 program (55,000 options) had a market value of EUR 172,700 (EUR 3.14 per option).

Stock option plan expenses

In relation to the stock option programs, kEUR 392 was recognized as an expense in the income statement and transferred to capital reserves in 2017 (2016: kEUR 323). 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 310 x 82% = kEUR 254 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:

Program / year of issuance	Total option value / total expense in kEUR	Number of days	Expected percentage of exercise	Recognized in capital reserve in 2017 in kEUR
2014 stock option plan	121	274	82 %	19
2015 stock option plan	141	274	82%	22
2014 stock option plan	17	181	82%	2
2015 stock option plan	31	181	82%	3
2017 total	**310**			**45**
2016	**308**	**365**	**82 %**	**63**
2015	**1.389**	**365**	**82 %**	**284**
Total				**392**

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NOTE 25 Other administrative expenses

Other administrative expenses comprise the following:

In kEUR	2017	2016
Marketing and advertising	4,220	4,108
Premises	3,896	3,506
Legal and professional services	3,004	3,797
Bank-specific contributions	2,944	2,830
IT	1,836	1,511
Vehicle expenses	932	886
Insurance, contributions, official fees	876	951
Travel	753	734
Postage and office supplies	614	523
Representation	248	186
Other expenses	1,488	395
Total	**20,812**	**19,427**

Other expenses include, among others, remuneration of the supervisory board of kEUR 439 (2016: kEUR 323), cost of the shareholder meetings of kEUR 248 (2016: kEUR 81), and education and training of kEUR 301 (2016: kEUR 177). In 2016, the remuneration of the supervisory board and the cost of the shareholder meetings were listed under bank-specific contributions.

NOTE 26 Leasing

Group companies have concluded commercial leasing agreements for automobiles as lessees. The leasing contracts have lifetimes between one and five years. Group companies are not subject to restrictions when concluding such leasing contracts.

As of 12/31/2017 and as of 12/31/2016, future minimum payment obligations from fixed-term leasing contracts are due within the following time bands:

In kEUR	Within 1 year	1-5 years	Over 5 years
Car Leasing 2017 (2016)	482 (399)	197 (224)	-

NOTE 27
Financial result

The result from financial activities comprises the following:

In kEUR	2017	2016
Interest income pensions	292	377
Other interest income	85	-
Total other financial income	**377**	**377**
Interest expense for current liabilities	-	10
Interest expense for non-current liabilities	439	-
Interest expense for deposit facility	975	965
Interest expense pensions	228	484
Other interest expense	23	144
Total other financial expenses	**1,666**	**1,603**
Financial result	**-1,288**	**-1,226**

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

NOTE 28
Tax on income

Income tax expense for the years ending on 12/31/2017 and 12/31/2016 consists of the following components:

In kEUR	2017	2016
Current income tax		
Current income tax expense	-2,463	-5,363
Tax refunds / tax expense from previous years	103	-73
Deferred tax		
Deferred tax recognized	-1,923	-1,902
Deferred tax recognized	-3,896	3,382
Income tax as per income statement	**-8,179**	**-3,956**
Comprehensive income		
Changes in deferred taxes recognized directly in other comprehensive income	-152	1,517
of which:		
- Actuarial gains / losses from defined benefit		
pension liabilities	92	1,186
- Gains / losses from changes in measurement		
of assets held for sale	-244	140
- Recycling of deferred taxes	-	191
Income tax in comprehensive income	**-8,331**	**-2,439**

Other earnings per balance sheet date 12/31/2017 include deferred tax liabilities (income tax charge) from actuarial gains on defined benefit pension liabilities of kEUR 804 (2016: kEUR 895) and deferred tax liabilities (2016: deferred tax assets / income tax relief) from changes in the value of financial assets available for sale of kEUR 119 (2016: kEUR -125).

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 31.03% (2016: 30.21%). 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 tax and the applicable tax rate for the Group – to the actual tax expense:

Tax reconciliation

In kEUR	2017	2016
Earnings before tax	25,195	24,239
Applicable tax rate	31.03%	30.21%
Expected tax expense	-7,818	-7,323
Effect from discontinued operations due to their inclusion in fiscal unity	68	2,357
Effect from non-deductible expenses / non-taxable income	-362	441
Effect from non-deductible expenses from stock option plans	-122	-98
Effect from current income taxes on previous year's income	103	-73
Effect from deferred taxes for previous years	-100	243
Effect from changes in tax rates	183	-304
Effect from deviating tax rates	19	-207
Effect from tax loss utilization where no deferred tax asset was recognized in previous year	56	671
Other tax effects	-206	337
Actual tax expense	-8,179	-3,956
Group tax rate	32.50%	16.30%

Since discontinued operations are still part of the Group's fiscal unit, the income tax attributable to these (deferred tax relief on losses brought forward) is impacting the result of continuing activities and is assigned accordingly.

The 2017 income tax gain on the result of discontinued operations of kEUR -220 (2016: kEUR - 7,967) was kEUR 0 (2016: kEUR 0).

On balance sheet date, no deferred tax was balanced for tax loss carried forwards for corporation and trade tax which both amount to kEUR 33 (12/31/2016: kEUR 211). These tax losses may be carried forward for an indefinite period.

On balance sheet 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 443 (2016: kEUR 452) on which no deferred tax liabilities were recognized.

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

In kEUR	2017	2016
Deferred tax assets		
Loss carryforward	2,644	6,540
Financial instruments	-	131
Pension liabilities	4,481	4,507
Provisions	493	98
Other temporary differences	-	259
Offset in accordance with IAS 12.74	-7,618	-5,018
Total	**-**	**6,517**
Deferred tax liabilities		
Intangibles	-9,680	-8,074
Property and Equipment	-564	-282
Financial instruments	-178	-
Provisions	-	-
Other temporary differences	-	-
Offset in accordance with IAS 12.74	7,618	5,018
Total	**-2,804**	**-3,338**

NOTE 29 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.

Due to the completion of the takeover and integration of XCOM group, and the ensuing strategy "From 5 to 2" completed in 2017, FinTech Group AG has revised the reporting segments. With full access to the respective Group units and parts of the company, segment reporting now follows the business strategy to offer financial services and technology from a single source.

The former "Securities Trading & Financial Services" segment was expanded to include FinTech Group Bank AG and become the segment "Financials Services" (FIN). The FIN segment thus includes the products in B2C online brokerage, B2B white-label banking, as well as electronic securities settlements, securities custody, and other banking services.

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.

Segment reporting for continuing activities in 2017

In kEUR	FIN	TECH	Other & consolidation	Total
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 and amortization				5,590
Consolidated earnings before interest and tax (EBIT)				26,484
Financial result				-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**

Segment reporting for continuing activities in 2016

In kEUR	FIN	TECH	Other & consolidation	Total
Revenues	73,394	33,733	-12,106	95,021
Raw materials and consumables	22,202	6,766	-3,487	25,481
Personnel expenses	10,390	5,803	3,297	19,490
Other administrative expenses	22,781	3,974	-7,329	19,427
EBITDA	**18,021**	**17,190**	**-4,587**	**30,624**
Depreciation and amortization				5,159
Consolidated earnings before interest and tax (EBIT)				25,465
Financial result				-1,226
Consolidated earnings before income tax (EBT)				**24,239**
Income tax expense				3,956
Consolidated earnings from continuing activities				**20,283**
Earnings from discontinued operations				-7,967
Consolidated net profit				**12,316**

Services provided between the segments are undertaken at arm's length. 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.

NOTE 30 Financial instruments

The following table shows the book values and the fair values (for the underlying valuation levels, see Note 35) of financial assets and financial liabilities for each financial instrument category:

In kEUR	Book value 12/31/2017	Fair value 12/31/2017	Book value 12/31/2016	Fair value 12/31/2016
Cash and cash equivalents (category loans and receivables)	397,002	397,002	389,202	389,202
Cash loans to local authorities (category loans and receivables)	237,165	237,165	401,171	401,171
Loans to customers (category loans and receivables)	201,912	201,912	131,125	131,125
Financial assets available for sale	177,517	177,517	514,335	514,335
Other receivables owed by banks (category loans and receivables)	12,610	12,610	12,328	12,328
Trade receivables (category loans and receivables)	7,593	7,593	8,538	8,538
Financial assets measured at fair value through profit or loss	1,006	1,006	1,234	1,234
Financial assets and other assets (category loans and receivables)	951	951	790	790
Financial liabilities measured at amortized cost	980,173	980,173	1,415,404	1,415,404
Trade payables (category loans and receivables)	963	963	5,844	5,844

The financial instruments measured at fair value through profit or loss are all financial assets which are "held for trading".

The amount by which the fair value of financial liabilities has changed during the reporting period due to a change in credit default risk is kEUR 0 (2016: kEUR 0). The cumulative amount per 12/31/2017 is kEUR 0 (12/31/2016: kEUR 0).

Provided collateral

FinTech Group AG has provided collateral with the clearing and depositary agents of FinTech Group Bank AG for the processing of the bank's principal broking services. The collateral is largely provided in the form of deposited securities. As of 12/31/2017, the book value of provided collateral amounts to kEUR 46,808 (12/31/2016: kEUR 44,786).

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. Two types of collateral are required here, the so-called "clearing fund" and the "margin". The "clearing fund", amounting to kEUR 5,000 at 12/31/2017 (12/31/2016: 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 (12/31/2017: kEUR 15,000; 12/31/2016: kEUR 10,000) depends in particular on the risk content of the relevant transactions. The "margin" is to cover the risk of potential market price fluctuations of pending transactions at Eurex. The required "margin" amount is determined by Eurex on a daily basis.

- FinTech Group carries out foreign exchange transactions with two business partners. For the default risk inherent in these transactions, it has to provide collateral in contractually fixed amounts. Per 12/31/2017, the total amount thus provided is kEUR 10,030 (12/31/2016: kEUR 11.285).

- Two business partners have granted FinTech Group credit lines for the settlement of securities transactions in foreign currency, for a total of kEUR 16,778 (12/31/2016: kEUR 18,501). For these, FinTech Group has provided collateral in the form of deposited securities in the amount of kEUR 16,778 (12/31/2016: kEUR 18,501). FinTech Group can dispose of the deposited securities, at any time with a concomitant reduction of the respective credit line.

In addition, FinTech Group has provided collateral for the financing of an owner-occupied business property in the state of North Rhine-Westphalia. Collateral is provided in the form of a registered mortgage in the amount of EUR 1.5 million against the owner-occupied business property, in favor of the lender of the installment loan. The loan amount per 12/31/2017 is EUR 1.0 million (12/31/2016: EUR 1.2 million); see also Note 16: Non-current liabilities to banks and non-banks.

Held collateral

FinTech Group does not hold any financial or non-financial Collaterals according to IFRS 7.15

Net gains/losses

The net gains/losses from financial instruments are the following:

	Net gains		Net losses	
In kEUR	**2017**	**2016**	**2017**	**2016**
Financial assets or liabilities measured at fair value through profit or loss	1,078	3,303	-	244
Loans and receivables	9,660	3,941	228	78
Financial assets available for sale	189	183	-	15
Financial assets available for sale - reclassification from equity to the profit and loss account	-	550	-	-

The net gains and losses from loans and receivables stem 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.

Income, expense, profit or loss items

The impairment expenses for financial assets are, by category:

In kEUR	2017	2016
Loans and receivables	472	106
Financial assets available for sale	-	15

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NOTE 31 Financial risk management

The Management Board incorporates emerging opportunities and potential threats into its business and risk strategy and adjusts it accordingly as necessary. Monitoring and managing risks is a central component 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.

FinTech Group AG has set up a separate „Risk Management" department for the overall and comprehensive assessment, limitation, and management of risks. It contributes significantly to the Group-wide tasks of

- risk identification,
- risk assessment,
- risk management, as well as
- risk monitoring and risk communication

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

The measures undertaken to standardize and produce a Group-wide, consistent risk management function have been completed.

Default risk

Counterparty 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.

The Group undertakes individual impairment tests when necessary (i. e. if there is an impairment trigger) and at the end of each fiscal year. Impairments are recognized, 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. Relevant calculations are based on historical data.

Per 12/31/2017, impairments from loans to customers and trade receivables are the following:

In kEUR	Total	Of which: Impaired receivables	Neither impaired nor overdue	Overdue, but not impaired		
				<31 days	31-60 days	>60 days
2017						
Loans to customers	201,912	1,276	200,636	-	-	-
Trade receivables	7,593	33	7,626	-	-	-
Total	**209,505**	**1,309**	**208,262**	**-**	**-**	**-**
2016						
Loans to customers	131,125	1,024	130,101	-	-	-
Trade receivables	8,538	33	7,481	-	-	-
Total	**139,663**	**1,057**	**137,582**	**-**	**-**	**-**

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

Market price risk

FinTech Group Bank AG has had stable and sizable customer deposits over the course of time. Since these funds are not reinvested at the exact same term that they are taken in, FinTech Group 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 valuations of financial instruments of FinTech Group Bank AG and may therefore have a positive or negative impact on the profitability of the Group.

The Group mitigates these interest rate risks by reinvesting its customer 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 unfavorably or if the overall risk situation should require it.

The following table shows the sensitivity of the Group's profit before tax 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	Profit before tax (new) in kEUR	Equity (new) in kEUR
2017	+ 0.5	27,895	114,521
2017	- 0.5	22,495	110,849
2016	+ 0.5	21,272	94,129
2016	**- 0.5**	**11,272**	**87,129**

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

Liquidity risk

FinTech Group regularly monitors its liquidity situation. It ensures its continuous funding through the use of debt financing and operating leases. FinTech Group has taken measures to secure financing for its ongoing expansion. It has introduced so-called liquidity coverage ratios in its internal reporting structure, so that the risk of insufficient funding resources is monitored regularly.

The following table summarizes the maturity profile of its financial liabilities:

Financial liabilities of FinTech Group

In kEUR	**at**	**12/31/2017**	**at**	**12/31/2016**
Due	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through profit or loss
Within one year (short term)	965,317	-	1,428,557	-
In more than one year (long term)	29,392	-	14,808	-
		-		-
Total	**994,709**	**-**	**1,443,365**	**-**

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 allow the initiation of countermeasures at an early stage, as soon as potential risk concentrations appear. The monitoring is thereby 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). At balance sheet date 12/31/2017, the nominal value of the highest claim to a single counterparty was EUR 25.5 million (12/31/2016: 55.0 million). On account of the good credit rating and the short remaining term, the VaR for this receivable, calculated with the FinTech Group's credit portfolio model, was zero.

Capital management

The Group's objectives with regard to capital management are to ensure 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 has relied on traditional equity financing (e.g. issue of new shares) and debt financing. The total of equity capital and of debt capital is managed as capital. The central 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 32 Fair value measurements

FinTech Group AG carries out fair value measurements of selected financial instruments on a regular/recurrent basis. These are instruments of the following categories as per IAS 39:

- Financial assets measured at fair value through profit or loss
- Financial assets available for sale
- Financial liabilities measured at fair value through profit or loss.

All of the financial instruments attributable to one of these categories are assignable to level 1 of the fair value hierarchy.

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 valuation techniques for the fair value hierarchy according to IFRS 13). This includes fixed income securities, mutual funds, and equities.

One-time or event-related fair value measurements are carried out at FinTech Group for the following accounting issues:

- Measurement of discontinued operations as at 12/31/2017 at fair value less selling costs in accordance with IFRS 5: The fair value is an unobservable parameter, calculated by use of discounted cash flow technique, and is therefore assigned to level 3 of the fair value hierarchy. The fair value of the three discontinued operations is determined by the net present value method of immediate cash flow forecasts. In each case, an interest rate of 10.35% (WACC as of 12/31/2017) is used. For the fair value measurement of the three discontinued operations, the following further parameters are applied:

- "Aktionärsbank": The duration of the estimated future cash flows is under one year. The amount of the total estimated cash flows is kEUR 5,000.

- "flatex & friends": The duration of estimated future cash flows is 3 Years. The amount of the total estimated cash flows is at least the book value of kEUR 383

For financial instruments which are not recognized at fair value, the fair value must be disclosed. The fair values of cash loans to local authorities, loans and receivables, and of financial liabilities measured at amortized cost, essentially correspond to their book values.

The fair value disclosed for these instruments is to be categorized as level 3 input in the fair value hierarchy (see values disclosed in Note 30). 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.

NOTE 33 Dividends

No dividends were distributed during the reporting period.

NOTE 34 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 fiscal 2017, it should be noted that, for the calculation of the time-weighted average number of shares outstanding, the purchase of own shares and the issuance of new shares for a capital increase of FinTech Group AG during the year had to be taken into consideration.

Number of shares issued and outstanding	**2017**	**2016**
Number of issued shares as per January 01 (all outstanding)	16,810,876	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	-
Number of new shares issued during fiscal year	700,000	-
Time-weighted allocated of newly issued shares for yearly average	17,260	-
Average, time-weighted number of issued shares outstanding during fiscal year	**16,827,990**	**16,810,876**

Earnings in kEUR	**2017**	**2016**
From continuing activities	17,016	20,283
From discontinued operations	-220	-7,967
Total	**16,796**	**12,316**
Undiluted earnings per share - in kEUR	**2017**	**2016**
From continuing activities	1.01	1.21
From discontinued operations	-0.01	-0.47
Total	**1.00**	**0.73**

Earnings per share (diluted)

Separate values for diluted results have not been calculated, as no options for shares of the parent company were exercisable during 2017 or 2016.

NOTE 35 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 governing boards of other important group companies and their families, are considered to be related parties.

Also, Mr. Bernd Förtsch, his close family members, and the companies controlled by them are considered to be related parties of FinTech Group AG, since Mr. Förtsch, as sole shareholder of BFF Holding GmbH and BF Holding GmbH and their subsidiaries, exerts a controlling influence over FinTech Group AG.

Compensation of Management Board of FinTech Group AG

Members of the management board of FinTech Group AG were:

2017	Frank Niehage
	Muhamad Said Chahrour (from January 01, 2017)
2016	Frank Niehage

Management board members received fixed and variable compensation as follows:

Frank Niehage		**2017**	**2016**
Fixed compensation	EUR	500,000.00	500,000.00
Variable compensation			
- short-term award	EUR	500,000.00	350,000.00
- long-term award - stock options			
2014 program	No.	-	-
Value at time of award	EUR	0,00	0,00
Fixed compensation for supervisory board memberships in Group companies	EUR	34,447.54	108,175.00

Muhamad Said Chahrour		2017	2016
Fixed compensation	EUR	200,000.00	
Variable compensation			
- short-term award	EUR	50,000.00	
- long-term award - stock options			
2014 program	No.	60,000	
Value at time of award	EUR	99,600.00	
Fixed compensation for supervisory board memberships in Group companies	EUR	75,179.70	

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:

2017
- Martin Korbmacher, Vorsitzender
- Stefan Müller (from February 23, 2017)
- Bernd Förtsch (until January 30, 2017)
- Herbert Seuling

2016
- Martin Korbmacher, Vorsitzender
- Bernd Förtsch
- Herbert Seuling (from May 01, 2016)
- Achim Lindner (until April 30, 2016)

Members of FinTech Group AG's supervisory board receive exclusively fixed compensation.

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 EUR	2017 FTG AG	2017 Subsidiaries	2017 Total	2016 FTG AG	2016 Subsidiaries	2016 Total
Martin Korbmacher	93,309.04	99,128.18	192,437.22	35,700.00	40,286.00	75,986.00
Stefan Müller	49,572,46	32,165.83	**81,738.29**	-	-	-
Bernd Förtsch	1,487.50	2,028.13	**3,515.63**	17,850.00	24,338.00	**42,188.00**
Herbert Seuling	48,090.88	-	**48,090.88**	17,850.00	-	**17,850.00**
Achim Lindner	-	-	-	**8,925.00**	-	**8,925.00**

Other transactions / Other

In 2017, Group companies have had the following transactions with related parties (all at arm's length):

- With a company controlled by supervisory board member Martin Korbmacher, FTG AG had transactions in the amount of kEUR 158 (2016: kEUR 239), mostly related to M&A advisory services.

- With companies controlled by Mr. Bernd Förtsch, Group companies had transactions totaling kEUR 1.111 in 2017 (parent company kEUR 104, subsidiaries kEUR 1,006; in 2016: total kEUR 1,138). These were mostly related to advertising and PR activities and the lease of commercial space.

At year-end 2017, the Group had no receivables against related parties (2016: kEUR 3); liabilities to related parties amounted to kEUR 58 (2016: kEUR 0).

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

NOTE 36 Auditors' fees

Total fees invoiced by the auditors of the Consolidated financial statements were for the following services:

In kEUR	2017	2016
Audit of the financial statements	414	414
Other assurance services	-	-
Tax advisory services	-	-
Other	-	-
Total	**414**	**414**

NOTE 37 *Events occurring after the balance sheet date*

Changes in the composition of the Supervisory Board of FinTech Group Bank AG

Effective on February 14, 2018, Mr. Muhamad Said Chahrour resigned from his office as member of the Supervisory Board of FinTech Group Bank AG. As replacement, Mr. Hans Peter Peters was appointed as a member of the Supervisory Board.

Changes in legal status of Group companies

On March 29, 2018, the merger of flatex GmbH onto FinTech Group Bank AG was registered in the trade register and thereby became legally effective, retroactive from January 01, 2018.

Independent Auditor's Report

Note: This is a convenience translation of the German text contained in the Appendix 4a of IDW PS 400. Solely the original text in German language is authoritative.

To the FinTech Group AG

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of FinTech Group AG, Frankfurt am Main and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the business year from 1st January 2017 to 31st December 2017.

Management's Responsibility for the Consolidated Financial Statements

The management of FinTech Group AG is responsible for the preparation of these consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and the supplementary requirements of German law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code], to give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The company's management is also responsible for the internal controls that management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as in supplementary compliance with International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Audit Opinion

Pursuant to § 322 Abs. 3 Satz1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply in all material respects with IFRSs as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315e Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31th December 2017 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of FinTech Group AG for the business year from 1st January 2017 to 31st December 2017. The management of FinTech Group AG is responsible for the preparation of the group management report in compliance with the applicable requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code]. We are required to conduct our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion, based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 14th June 2018

BDO AG

Wirtschaftsprüfungsgesellschaft

signed Otte	signed Streicher
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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