ANNUAL FINANCIAL REPORT
SAB FINANCE a.s.

31. 12. 2023

This document is a transcription of the official version of the Annual Report of SAB Finance, a.s. for the year 2023, which was prepared in XHTML format in accordance with the requirements of the European Single Electronic Format (ESEF) Regulation. Compared to the official version, this document does not contain machine-readable marks. In the event of any differences in the information contained, the official version of the annual report shall prevail over this version. The official version of the Annual Report of SAB Finance, a.s. for the year 2023 prepared in accordance with the ESEF Regulation is available at https://www.sab.cz/ke-stazeni

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Introductory remarks by the Board of Directors

Dear shareholders, clients and business partners,

we are honoured to present to you the annual report of SAB Finance a.s. (hereinafter referred to as "SABF" or the "Company") for the year 2023. We are pleased to report that SAB Finance a.s. continues its successful direction and profitable performance in 2023, which delivers superior value to our shareholders.

The audited individual accounting profit before tax for 2023 amounted to CZK 304.5 million, surpassing the profit for 2022 and the highest profit in the history of SAB Finance a.s. Compared to 2022, the profit was exceeded by 13.5%. Revenues amounted to CZK 401 million. The companies in which SAB Finance a.s. holds shares also contributed to these record results in the form of dividends received. Income from dividends received amounted to CZK 104 million.

During 2023, the company's capital was significantly strengthened, with 471,699 shares subscribed and the company's capital increased by a total of CZK 500 million. It was the largest share issue traded on the Prague Stock Exchange in 2023. The entire issue was subscribed in just 34 working days, which proves the high interest in the newly issued shares and the right strategy. The funds from the share issue will be used to increase the equity participation in TRINITY BANK a.s. and thus increase the future profitability of the company thanks to the dividends received.

In 2023, our main objective was to provide the highest quality services to our clients, helping them to solve their foreign exchange needs, securing the most favourable exchange rates on the Czech market and helping businesses to overcome unforeseen events. At the end of 2023, we expanded our product base with the SAB TARF product, enabling us to offer our clients an additional tool to meet their foreign exchange needs.

Looking ahead, we are confident that the global economy will continue its slow recovery, which will bring increasing demand for our services. The year 2024 is sure to again be full of challenges, unexpected events and turbulence in global markets. Yet our commitment to delivering exceptional service and meeting the needs of our clients remains steadfast.

Finally, we would like to thank all of our shareholders, employees and clients for their continued support and loyalty. We are confident that SAB Finance a.s. will continue to thrive and deliver exceptional value to all its shareholders.

In Prague, dated 19th April 2024

Board of Directors

Proposal of the Board of Directors for the settlement of the financial result for the previous financial year

The Board of Directors of SAB Finance a.s. proposes to distribute the profit after tax for the year 2023 in the amount of CZK 264,264,072 as follows (this is the profit based on the individual financial statements of SAB Finance a.s:

1) Amount of CZK 183,520,454 for the benefit of shareholders.
2) An amount of 80,743,618 to the retained earnings account.

Report of the Supervisory Board

During the financial year from 1 January 2023 to 31 December 2023 (hereinafter referred to as the "financial year"), the Supervisory Board of SAB Finance a.s. (hereinafter referred to as the "Company"), which did not change during the year, consisted of: Ing. Radomír Lapčík, LL.M and Jana Ježková.

During the financial year, the Supervisory Board conducted its activities in accordance with the relevant legislation, the Articles of Association and the Rules of Procedure. The Supervisory Board met a total of ten times in the financial year.

The Supervisory Board carried out control activities in the course of which it was regularly informed about the company's management, the expected financial development and all material matters of the company. The Supervisory Board regularly discussed the conclusions of the internal audit reports, including the monitoring of corrective actions on the findings of the internal audits, the report on complaints and claims, and dealt with the proposed and implemented measures and their effectiveness in the Company's management and control system. The Supervisory Board was also informed in detail about the trading process of the company's shares. The Supervisory Board issued its approval opinion on the final draft of the company's half-year report with interim individual financial statements as of 30 June 2023.

On the basis of the information made available to it, the Supervisory Board noted that during the financial year the Company continued to improve the efficiency and quality of its management and control system. Furthermore, the Supervisory Board stated that the cooperation with the Board of Management, the Company's management, the Internal Audit Department and the Audit Committee was at a good level, and that it had the necessary conditions stipulated by law for the performance of its tasks.

The Supervisory Board reviewed the individual financial statements and the Management Board's proposal for profit distribution, including the audit report on the individual financial statements for 2023. The Supervisory Board has no objections to the result of the audit.

The Supervisory Board recommends that the General Meeting of Shareholders approve these individual financial statements, the individual annual report and the proposal for the distribution of profits as proposed by the Executive Board.

The Supervisory Board notes that, in the course of its supervisory activities, it has not identified any significant deficiencies in the audited areas and in the activities of the Management Board that would result in the management and control system as a whole or in its individual parts not functioning properly or that would require the adoption of extraordinary corrective measures.

In Prague, dated 19th April 2024

Ing. Tomáš Kudela
Chairman of the Supervisory Board

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RELATIONSHIP REPORT BETWEEN THE CONTROLLER AND THE CONTROLLED AND BETWEEN THE CONTROLLED AND THE CONTROLLERS OF THE SAME CONTROLLER, for the accounting period from 1 January 2023 to 31 December 2023

The Relationship Report on Interconnected Persons has been prepared by the Board of Directors of SAB Finance a.s. in accordance with Section 82 of Act No. 90/2012 Sb., Act on Commercial Companies and Cooperatives (Act on Commercial Corporations), as amended and in force.

SAB Financial Group a.s., with registered office at Prague 1, Senovážné náměstí 1375/19, Postal Code 110 00, ID No 036 71 518.

SAB Financial Group a.s. (hereinafter also referred to as the "controlling person"), as the controlling person, owns 1,674,618 ordinary bearer shares in book-entry form with a nominal value of CZK 388.00, which represents a 54.92% share in the voting rights in SAB Finance a.s.

Mutual relations exist between the controlling person and SAB Finance a.s. on the basis of:

- Payment Services Agreement of 6 January 2017,
- Share Subscription Agreement of 25 August 2020,
- Voluntary Additional Payment Agreement of 10 November 2020,
- Loan Agreements dated 6 April 2022, 2 May 2022, 13 May 2022, 30 May 2022, 15 June 2022, 22 July 2022, 26 August 2022, 1 November 2022, 15 November 2022, 29 November 2022, 13 December 2022 and 14 December 2022, 5 January 2023, 19 July 2023 and 6 October 2023, as amended. As of 31.12.2023, all receivables or liabilities arising from the above contracts were settled.
- Loan Agreement dated 14.11.2023,

The agreements were concluded on normal commercial terms and none of the above-mentioned persons are at a market advantage under the agreements.

The influence of the controlling person is exercised through decisions of the General Meeting in matters determined by the applicable articles of association and the law, the actual business activities of SAB Finance a.s. are independent of the controlling person.

The controlling person of the parent company is Ing. Radomír Lapčík, LL.M.

Between the controlling person Ing. Radomír Lapčík, LL.M. and the company SAB Finance a.s., there are no other mutual relations apart from his membership in the Supervisory Board of the company.

LIST OF PERSONS CONTROLLED BY THE SAME CONTROLLING PERSON:

SAB Holding a.s., with registered office at Prague 1, Senovážné nám. 1375/19, Postal Code 110 00, ID No. 036 68 118.

SAB Financial Group a.s. owns 1,670 ordinary registered shares with a nominal value of CZK 100,000, representing 100% of the voting rights in SAB Holding a.s.

For the period under review, SAB Holding a.s. and SAB Finance a.s. have contractual relations with each other based on:

- Payment Services Agreement dated 30 June 2016.
- Loan Agreements dated 6 April 2022, 2 May 2022, and 30 May 2022. As of 31 December 2022, all receivables or liabilities under the above contracts were settled.

The agreements were concluded on normal commercial terms and none of the above-mentioned persons are at a market advantage under the agreements.

SAB Financial Investments a.s., with registered office at Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1, ID No.: 019 57 201.

SAB Finance a.s. owns 6 registered ordinary shares with a nominal value of CZK 1,000,000 and 16 registered ordinary shares with a nominal value of CZK 10,000,000, representing in total 100% of the voting rights in SAB Financial Investments a.s. The controlling person is the controlling person of SAB Finance a.s. and indirectly also of SAB Financial Investments a.s.

There are no contractual relationships between SAB Financial Investments a.s. and SAB Finance a.s. for the period under review.

SAB Europe Holding Ltd., with registered office at SUITE 3, TOWER BUSINESS CENTRE, TOWER STREET, SWATAR, BIRKIRKARA 4013, Malta, registration number C70457.

SAB Finance a.s. owns 14 682 330 ordinary registered shares with a nominal value of EUR 0.5, representing 50.34% of the voting rights in SAB Europe Holding Ltd. The controlling person is the controlling person of SAB Finance a.s. and indirectly also of SAB Europe Holding Ltd.
For the period under review, there are mutual contractual relationships between SAB Europe Holding Ltd. and SAB Finance a.s. arising from:

- Cooperation Agreement of 29 March 2018

The agreement was concluded under normal commercial terms and conditions and none of the parties to the contract is at a market advantage.

SAB Bohemia s.r.o, with registered office at Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1, ID No.: 05 132 363.

SAB Finance a.s. is the owner of 100% of the voting shares in SAB Bohemia s.r.o., which corresponds to 100% of the voting shares in SAB Bohemia s.r.o. The controlling person is the controlling person of SAB Finance a.s. and indirectly also of SAB Bohemia s.r.o.

In the period under review, SAB Bohemia s.r.o. and SAB Finance a.s. have contractual relations with each other based on:

- Payment Services Agreement dated 28 June 2016, including its amendments,
- Framework Agreement for the Lease of Vehicles of 17 April 2018 and
- Vehicle Lease Agreement dated 5 April 2022.

These agreements were concluded under normal commercial terms and conditions and none of the parties to the contracts are at a market advantage.

FCM Bank Limited, with registered office at SUITE 3, TOWER BUSINESS CENTRE, TOWER STREET, SWATAR, BIRKIRKARA 4013, Malta, registration number C 50343

SAB Finance a.s. owns 1 ordinary share with a nominal value of EUR 1 and indirectly, through SAB Europe Holding Limited, 28,484,999 ordinary shares with a nominal value of EUR 1, representing a total of 94.14% of the voting rights in FCM Bank Limited. The controlling person is the controlling person of SAB Finance a.s. and indirectly also of FCM Bank Limited.

During the period under review, FCM Bank Limited and SAB Finance a.s. have contractual relationships with each other based on:

- Cooperation Agreement of 29 March 2018
- Loan Agreement dated 18 May 2022 and the amendment to the Loan Agreement dated 30 May 2023 and the related Promissory Note and Deposit Lien Agreement dated 18 May 2022,
- Payment Services Agreement dated 29 May 2018, as amended.

mediaport solutions s.r.o., with registered office in Zlín, třída Tomáše Bati 2132, Postal Code 760 01; ID No. 291 92 790. Mediaport solutions s.r.o. is owned by SAB Holding a.s., which is owned by SAB Financial Group a.s. There are mutual relations between mediaport solutions s.r.o. and SAB Finance a.s. based on:

- Payment Services Agreement of 21 December 2011, including amendments thereto
- Agreement on the Provision of Software and IT Services dated 14 December 2018, as amended.
- Agreement on Sublease of Non-Residential Premises dated 25 May 2022

These agreements were concluded under normal commercial terms and conditions and none of the parties to the contracts are at a market advantage.

SAB MALTA LIMITED, , with registered office at SUITE 3, TOWER BUSINESS CENTRE, TOWER STREET, SWATAR, BIRKIRKARA 4013, Malta, registration number: C 91163.

SAB Finance a.s. owns indirectly through SAB Europe Holding Limited 10 000 ordinary shares with a nominal value of EUR 1, representing 100% of the voting rights in SAB Malta Limited. The controlling person is the controlling person of SAB Finance a.s. and indirectly also of SAB Malta Limited.

There are no contractual relationships between SAB Malta Limited and SAB Finance a.s. for the period under review.

newstream agency a.s., with registered office at Sokolovská 85/104, Karlín, 186 00 Prague 8, ID No.: 10716491.

SAB Financial Group a.s. owns indirectly through SAB Holding a.s. 9 ordinary shares with a nominal value of CZK 200,000, representing 90% of the voting rights in newstream agency a.s.

There are no contractual relationships between newstream agency a.s. and SAB Finance a.s. for the period under review.

TRINITY Investorská a.s., with registered office at Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1, ID No.: 063620280.

SAB Financial Group a.s. owns 2,000,000 ordinary shares with a nominal value of CZK 1, representing 100% of the voting rights in TRINITY Investorská a.s.

There are no contractual relationships between TRINITY Investorská a.s. and SAB Finance a.s. for the period under review.

SAB o.c.p., a.s., se sídlem Gajova 2513/4, Bratislava - Staré Mesto 811 09, ID No.: 35 960 990.

SAB Financial Group a.s. owns 6 ordinary shares with a total value of EUR 1,950,000, representing 100% of the voting rights in SAB o.c.p., a.s.

There are mutual relations between SAB o.c.p., a.s. and SAB Finance a.s. based on:

- Agreement on Placement of Investment Instruments of Newly Issued Shares of SAB Finance a.s. without Underwriting Commitment dated 1 September 2023.

The agreement was concluded under normal commercial terms and conditions and none of the parties to the contract is at a market advantage.

PROSTREAM FX LTD (formerly SAB Corporate Finance Ltd.), with registered office at 30 St Mary Axe, Level 28/29, London, United Kingdom, EC3A 8BF.

SAB Financial Group a.s. owns 211 ordinary shares with a nominal value of GBP 10,000, representing 100% of the voting rights in PROSTREAM FX LTD.

For the period under review, a mutual contractual relationship exists between PROSTREAM FX LTD and SAB Finance a.s. based on:

- Payment Services Agreement dated 25 April 2018, including its amendments.

The above contract concerning the provision of payment services to PROSTREAM FX LTD was concluded on normal terms and conditions and none of the parties to the contract is at a market advantage.

REZIDENCE VINOHRADY s.r.o. - with registered office at Chorvatská 2268/14, Vinohrady, 101 00 Prague 10

SAB Financial Group a.s. owns a 90% stake in REZIDENCE VINOHRADY s.r.o. There are no contractual relations between REZIDENCE VINOHRADY s.r.o. and SAB Finance a.s. for the period under review.

In the financial year 2023, no legal actions were taken by SAB Finance a.s., nor were any measures taken in the interest of or at the instigation of the controlling person within the meaning of Section 82 (2) (d) of the Business Corporations Act. SAB Finance a.s. did not incur any damage in connection with the existence of the controlling person in the financial year 2023, for which reason no provision was made for the reimbursement of income, nor were any contracts concluded in respect of such reimbursement.

In Prague, dated 19th April 2024

Mgr. Petra Bilerová

Chairwoman of the Board of Directors

Ing. Dana Hübnerová

Member of the Board of Directors

Other information disclosed in the consolidated annual report

Information on environmental protection activities

As the Group is in the business of providing financial services, its actions do not directly affect the environment.

Activities in labour relations

The Group acts in accordance with all applicable laws and regulations in its labour relations. It enables its employees to continuously improve their professional qualifications and language skills.

Information on research and development activities

The Group did not report any research and development activity during the financial year.

Information about whether the entity has a branch or other part of a business establishment abroad

FCM Bank, SAB Europe Holding and SAB Malta have their registered offices in Malta. Other than that, the Group does not have a branch or other part of a business establishment abroad.

Information about whether the entity has acquired treasury shares

No company of the Group acquired any treasury shares in 2023.

Information on the expected development of the company's activities

The Group does not expect to change its activities in the coming year and will continue to provide financial services, with SAB Finance providing payment institution services and FCM Bank acting as a licensed bank.

Events as of the date of the consolidated annual report

As of the date of the consolidated annual report, other than the events listed in the notes to the consolidated and separate financial statements, management is not aware of any significant subsequent events that would affect the consolidated annual report as of December 31, 2023.

Non-audit services provided by the auditor or companies with an auditor in the network

The in-network company, Grant Thornton Appraisal services Inc. provided services consisting of an assessment of the parameters of FCM Bank's Tier 2 instrument. This was an assessment of whether the interest rate on this product is in line with market standards (the rate is not above or below the market standard). The T2 instrument is at accrued value on FCM Bank's books, i.e. the potential rate does not affect the value of the instrument on the books.

Corporate governance statement

Information on corporate governance codes

See Note A.6 in the notes to the separate and consolidated financial statements.

Information on corporate governance practices

See Note A.2. in the notes to the consolidated financial statements.

Description of the main parameters of the internal control and risk management systems in relation to the financial reporting process

The Company and the Group use a number of tools to ensure that the accounting records present a true and fair view of the financial position of the Company and the Group and to ensure that transactions are properly recorded and included in the financial statements of the Company and the Group. The accounting treatment of the principal activities of the Company and the Group is automated to the maximum extent possible. Individual analytical accounts in the general ledger are reconciled on a regular basis and each account has a designated person who is responsible for its control and accuracy.

The Company's economic department and the economic departments of the individual Group companies are responsible for the compliance of the accounting with international accounting standards and the setting up of accounting and accounting controls. Information on the accounting methods and valuation techniques used is described in section B of the separate and consolidated financial statements.

The accuracy of the information in the Company's and Group's individual and consolidated financial statements is confirmed by the auditor in his/her opinion. The auditor's opinions on the separate and consolidated financial statements are included in this annual report.

Description of the rights attached to the shares

See Note A.5 in the notes to the separate financial statements and Note A.5 and the consolidated financial statements.

Description of the composition and decision-making procedures of the management body

See Note A.2. in the notes to the separate and consolidated financial statements.

Description of the decision-making procedures and the basic scope of the General Meeting's powers

See Note B.3 in the notes to the separate financial statements and note A.12 to the consolidated financial statements.

Structure of the issuer's equity capital and other details pursuant to Section 118(5) of the Capital Market Undertakings Act

See Note D.13 in the notes to the separate financial statements and note C.16 to the consolidated financial statements.

Affidavit

We declare on our honour that, to the best of our knowledge, this Consolidated Annual Report gives a true and fair view of the financial position, business activities, together with a description of the principal risks and results of operations of SAB Finance Inc. and the SAB Finance Group as of 31 December 2023 and for the year ended 31 December 2022.

In Prague, dated 19th April 2024

Mgr. Petra Bilerová

Chairwoman of the Board of Directors

Ing. Dana Hübnerová

Member of the Board of Directors

CONSOLIDATED
FINANCIAL STATEMENTS
OF THE SAB FINANCE GROUP
31.12.2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousands CZK)	Note	31.12.2023	31.12.2022
Cash and cash equivalents	C.1.	2,005,242	1,129,107
Receivables from banks	C.2.	425,943	221,441
Receivables from non-banking entities	C.3.	8,658,667	5,419,461
Debt securities	C.4.	2,317,224	2,245,819
Positive fair value of derivatives	C.5.	373,387	681,184
Shares, units and other interests	C.6.	32,701	368,258
Shares - significant influence	C.7.	442,869	0
Tax receivables, of which	C.14.	51,660	80,247
- *deferred tax*		*51,660*	*80,247*
Intangible fixed assets	C.8.	57,631	92,992
Tangible fixed assets	C.8.	185,443	163,855
Other assets	C.9.	428,836	187,058
Total assets		14,979,603	10,589,422

Liabilities (in thousands CZK)	Note	31.12.2023	31.12.2022*
Liabilities			
Liabilities to banks	C.10.	628,114	661,551
Liabilities to non-banking entities	C.11.	10,758,918	7,719,374
Negative fair value of derivatives	C.5.	226,572	456,869
Tax liabilities, of which	C.14.	21	19,804
- *tax payable*		*0*	*19,756*
- *deferred tax*		21	*48*
Subordinated liabilities	C.12.	120,005	0
Other liabilities	C.13.	370,262	167,434
Provisions	C.15.	2,050	2,050
Total liabilities		12,105,942	9,027,082
Equity			
Share capital	C.16.	1,183,019	1,000,000
Share premium		323,337	6,356
Capital funds		436,395	373,783
Valuation differences		27,839	34,894
Undistributed profit or unreimbursed loss from previous periods		-20,794	-42,624
Profit or loss for the accounting period		225,260	269,726
Translation reserves		-110,364	-86,502
Equity		2,064,692	1,555,633
Non-controlling interests		808,969	6,707
Total liabilities		14,979,603	10,589,422

The notes form part of these consolidated financial statements.

*Prior period adjustment. The correction is described in the Consolidated Statement of Changes in Shareholders' Equity for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2023 TO 31 DECEMBER 2023

(in thousands CZK)		Note	2023	2022
Net profit from trading operations		**C.22.**	**396,407**	**539,992**
Interest income calculated using the effective interest rate method		**C.20.**	**573,715**	**255,001**
Interest and similar expenses		**C.20.**	**322,087**	**116,790**
Net interest expense			**251,628**	**138,211**
Income from fees and commissions		**C.21.**	**22,267**	**21,440**
Fee and commission expenses		**C.21.**	**44,764**	**33,640**
Net fee and commission expense			**-22,497**	**-12,200**
Income from shares			**0**	**13,663**
Other operating income		**C.23.**	**209,217**	**68,173**
Other operating expenses		**C.23.**	**188,779**	**59,021**
Administrative expenses		**C.24.**	**329,481**	**330,427**
in which:	(a) staff costs		195,652	205,610
	(b) other administrative costs		133,829	124,817
Depreciation, amortisation, creation and use of provisions and valuation allowances for tangible and intangible fixed assets			**33,159**	**10,281**
Net impairment of financial assets			**343**	**12,157**
Income from investments accounted for using the equivalence method			**67,400**	**0**
Profit before tax			**351,079**	**335,953**
Income tax			**83,808**	**65,864**
Profit after tax			**267,271**	**270,089**
Of which controlling interest			**225,260**	**269,726**
Of which minority interests			**42,011**	**363**
Other comprehensive income - not to be recycled to profit and loss in subsequent periods (other)			**-1,473**	**1,115**
Other comprehensive income - not to be recycled to profit and loss in subsequent periods (FCM bonds)			**-757**	**-27,431**
Other comprehensive income - revaluation of financial investment in TRINITY BANK a.s. to fair value			**0**	**62,325**
Other comprehensive income - revaluation of financial investment in TRINITY BANK a.s. using the equivalence method			**57,150**	**0**
Total comprehensive income for the period			**322,191**	**306,098**

The notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 DECEMBER 2023

thous. CZK	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Economic result before tax	**351,079**	**335,953**
Adjustment:		
Depreciation, amortisation and change in valuation allowances on tangible and intangible fixed assets	33,159	17,074
Change in provisions	0	2,050
Dissolution and creation of allowances	-343	-12,157
Net interest income and net fee expense	-229,131	-138,211
Gain/loss on sale of tangible and intangible fixed assets	-45,815	-25,955
Income from investments accounted for using the equivalence method	-67,400	0
Net change in financial instruments recognised in profit or loss	189,922	0
Exchange rate differences	8,439	0
Change in valuation allowances on debt securities	13,723	0
	253,633	**178,754**
Changes in:		
Receivables from non-banking entities	-3,239,206	-1,586,813
Receivables from banks	-204,502	11,303
Other assets	-241,780	-498,276
Liabilities to banks	-33,437	-646,921
Liabilities to non-banking entities	3,039,544	3,364,665
Other liabilities	202,828	159,956
	-222,920	**982,668**
Interest, fees and other revenue received	595,982	276,441
Shares in profit received	38,359	13,663
Interest paid, fees and other expenses	-366,851	-150,430
Income tax paid	-78,878	-49,718
Net cash flow related to operating activities	**-34,308**	**1,072,624**

CASH FLOWS FROM INVESTING ACTIVITIES		
Expenses related to the acquisition of available-for-sale and held-to-maturity securities	-502,906	-495,645
Proceeds from the sale of available-for-sale securities	462,902	182,316
Expenses related to the acquisition of tangible and intangible fixed assets	-135,298	-74,143
Proceeds from the sale of tangible and intangible fixed assets	181,113	41,394
Net cash flow related to investing activities	**5,811**	**-346,078**

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of ordinary shares	762,574	168,805
Proceeds from the issue of investment capital deposits	98,725	0
Dividends paid	-216,903	-209,371
Payment of return on investment capital deposits	-26,318	-13,790
Other income from parent company	25,101	96,460
Lease liability repayments	-2,102	0
Issuance of subordinated liabilities	120,005	0
Additions outside share capital to subsidiaries	143,550	0
Net cash flow related to financing activities	**904,632**	**42,104**
Net increase or decrease in cash and cash equivalents	**876,135**	**768,650**
Cash and cash equivalents as of 1 January	**1,129,107**	**360,457**
Cash and cash equivalents as of 31 December	**2,005,242**	**1,129,107**
Cash and cash equivalents include:	**2,005,242**	**1,129,107**
Cash on hand	631	116
Current accounts	2,004,611	1,128,991
Cash and cash equivalents as of 31 December	**2,005,242**	**1,129,107**

The notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31.12.2023

	Share capital	Share premium	Capital funds	Valuation differences	Translation reserves	Retained earnings	Profit	Total	Minority interests	Other operating result
Balance as of 1.1.2022	**1,000,000**	**6,356**	**432,807**	**-1,115**	**-28,579**	**-120,109**	**212,439**	**1,501,800**	**6,669**	**-8,343**
Transfer to retained earnings	0	0	0	0	0	92,439	-92,439	0	0	0
Net profit/loss for the accounting period	0	0	0	0	0	0	269,726	269,726	363	0
Other operating result	0	0	0	36,009	0	0	0	36,009	0	36,009
Valuation currency differences	0	0	-11,547	0	-18,624	1,430	0	-28,741	-325	0
Transfers to funds	0	0	0	0	0	0	0	0	0	0
Payment of dividends	0	0	-47,477	0	0	-41,894	-120,000	-209,371	0	0
Payment of appreciation on investment capital deposits	0	0	0	0	0	-13,790	0	-13,790	0	0
Balance as of 31.12.2022	**1,000,000**	**6,356**	**373,783**	**34,894**	**-47,202**	**-81,924**	**269,726**	**1,555,633**	**6,707**	**27,666**
Correction of past errors					**-39,300**	**39,300**				
Balance as of 1.1.2023	**1,000,000**	**6,356**	**373,783**	**34,894**	**-86,502**	**-42,624**	**269,726**	**1,555,633**	**6,707**	**27,666**
Transfer to retained earnings	0	0	0	0	0	127,973	-127,973	0	0	0
Net profit/loss for the accounting period	0	0	0	0	0	0	225,260	225,260	42,011	0
Other operating result	0	0	0	-7,055	0	0	0	-7,055	0	-7,055
Valuation currency differences	0	0	13,337	0	-23,862	-3,612	0	-14,136	0	0
Changes in non-controlling interests	0	0	0	0	0	-1,318	0	-1,318	760,506	0
Payment of dividends	0	0	0	0	0	-74,895	-141,753	-216,648	-255	0
Issuance of shares	183,019	316,981	0	0	0	0	0	500,000	0	0
Payment of appreciation on investment capital deposits	0	0	0	0	0	-26,318	0	-26,318	0	0
Issuance of investment capital deposits	0	0	98,725	0	0	0	0	98,725	0	0
Sale of investment capital deposits	0	0	-49,450	0	0	0	0	-49,450	0	0
Balance as of 31.12.2023	**1,183,019**	**323,337**	**436,395**	**27,839**	**-110,364**	**-20,794**	**225,260**	**2,064,692**	**808,969**	**20,611**

The notes form part of these consolidated financial statements.

*** Correction of past errors**

As of 1 January 2023, a correction was made to the retained earnings and translation reserve position due to incorrect exchange rates used in prior periods.

ANNEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period

1. 1. 2023 - 31. 12. 2023

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A. GENERAL DATA

A.1. Description of the parent company

name:	SAB Finance a.s.
Registered office:	Prague 1 - Nové Město, Na příkopě 969/33, Postal Code 110 00 Czech Republic
legal form:	joint stock company (publicly traded)

core business: performance of activities of a payment institution within the scope of the authorisation granted by the Czech National Bank pursuant to Act No 284/2009 Sb., on payment transactions

date of incorporation of the company: 30 July 2010

ID: 247 17 444

(hereinafter referred to as "SABF" or "the Company" or "the entity")

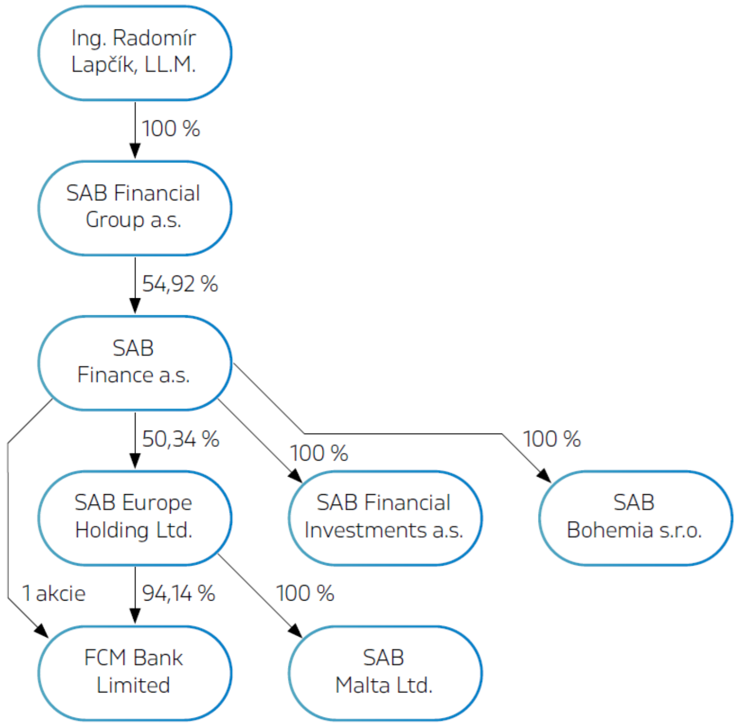
The Company carries out the activities of a payment institution within the scope of the authorisation granted by the Czech National Bank pursuant to Act No. 370/2017 Sb., on payment transactions. It was entered in the Commercial Register on 15 February 2013.

Since 2 April 2014, the company's other activity has been the rental of real estate, apartments, and non-residential premises.

Since 2 April 2014, the commercial corporation has been subject to the law as a whole in accordance with the procedure under Section 777(5) of Act No. 90/2012 Sb., on Commercial Companies and Cooperatives.

Since 28 January 2021, the company's shares have been traded on the Standard Market of the Prague Stock Exchange.

A.2. Description of the Group



The list of companies forming, alongside SAB Finance a.s., the consolidation unit of the SAB Finance Group (hereinafter referred to as the "Group"):

Name and surname of the shareholder	Shareholding in the share capital as of 31 December 2023	Shareholding in the share capital as of 31 December 2022
SAB Europe Holding Ltd.	50.34 %	100 %
SAB Bohemia s.r.o.	100 %	100 %
SAB Financial Investments a.s.	100 %	100 %
FCM Bank Limited	94.14 %	99 %
SAB Malta Limited	100 %	100 %

SAB Europe Holding Ltd., with registered office at SUITE 3, TOWER BUSINESS CENTRE, TOWER STREET, SWATAR, BIRKIRKARA 4013, Malta, registration number C70457.

SAB Bohemia s.r.o, with registered office at Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1, ID No: 05 132 363.

SAB Financial Investments a.s., with registered office at Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1, ID No.: 019 57 201.

FCM Bank Limited, with registered office at SUITE 3, TOWER BUSINESS CENTRE, TOWER STREET, SWATAR, BIRKIRKARA 4013, Malta, registration number C 50343

SAB MALTA LIMITED, with registered office at SUITE 3, TOWER BUSINESS CENTRE, TOWER STREET, SWATAR, BIRKIRKARA 4013, Malta, registration number: C 91163.

No company has been removed from the consolidation of SAB Finance Inc. for immateriality.

A.3. Members of the Board of Directors and the Supervisory Board as of 31 December 2023

Status as of 31.12.2023	Name and surname	Position
Statutory representative - Board of Directors	Mgr. Petra Bilerová	Chairman of the Board of Directors
Statutory representative - Board of Directors	Ing. Dana Hübnerová	Member of the Board of Directors
Supervisory Board	Ing. Radomír Lapčík, LL.M.	Chairman of the Supervisory Board
Supervisory Board	Jana Ježková	Member of the Supervisory Board
Audit Committee	MVDr. Jan Černý	Chairman of the Audit Committee
Audit Committee	Prof. Dr. Ing. Drahomíra Pavelková	Member of the Audit Committee
Audit Committee	Ing. Blanka Kameníková, Ph.D.	Member of the Audit Committee

The company is represented by the Chairman of the Board of Directors alone or jointly by two members of the Board of Directors.

The Board of Directors has three members, who are elected and dismissed by the Supervisory Board. The members of the Board of Directors elect a chairman from among their number. The term of office is five years. Each member of the Board of Directors shall have one vote at a meeting of the Board of Directors, with the vote of the Chairman being decisive in the event of a tie. As of 31 December 2023, only two positions on the three-member Board of Directors were filled.

The Supervisory Board has two members who are elected and dismissed by the General Meeting. The members of the Supervisory Board elect a chairman from among their number. The term of office is five years. The Supervisory Board shall meet at least once a year. Each member of the Supervisory Board shall have one vote at the meeting, with the Chairman's vote being decisive in the event of a tie.

The Audit Committee has three members, who are elected and dismissed by the General Meeting from among the members of the Supervisory Board or third parties. The Audit Committee shall have three members, elected, and dismissed by the General Meeting from among the members of the Supervisory Board or third parties. The term of office of an individual member of the Audit Committee shall be five years. The Audit Committee shall be quorate with the presence of a majority of all members. Each member of the Audit Committee shall have one vote in making decisions. The Audit Committee shall act by a majority of all its members. In the event of an equality of votes, the vote of the Chairman of the Audit Committee shall not be decisive.

Changes to the Board of Directors and the Supervisory Board during the current financial year

The following changes were made to the entity's Board of Directors in 2023:

- on 15 June 2023 Ing. Dana Hübnerová resigned from her position as a member of the Board of Directors

- on 27 September 2023 Ing. Ondřej Korecký, FCCA resigned from the position of Chairman of the Board of Directors
- on 27 September 2023, Ing. Petr Čumba resigned from his position as a member of the Board of Directors
- on 28 September 2023, Ing. Dana Hübnerová was elected as a member of the Board of Directors
- on 2 October 2023, Mgr. Petra Bilerová was elected as Chairman of the Board of Directors

Board of Directors as of 31 December 2023

Mgr. Petra Bilerová

Apart from deciding on all matters of the Company not reserved by law or the Articles of Association to the competence of the General Meeting or the Supervisory Board and acting for the Issuer externally, Mgr. Petra Bilerová is not responsible for any other activities of the Company.

Date of birth: 20. 02. 1985

Date of appointment/office: 16.06.2023 / 02.10.2023

Experience to date:

A graduate of the Faculty of Law of Charles University in Prague. After graduating from the Law Faculty, she worked as a trainee at law firms and passed the bar exam in 2014. Since 2013 she has worked as a lawyer at Moravský Peněžní Ústav - a savings cooperative - now TRINITY BANK a.s., where she participated in the transformation of the savings cooperative into a bank. From 2019 to 2020 she held the position of Head of the Legal Department at TRINITY BANK a.s. (before going on parental leave). She is currently a member of the Executive Committee at TRINITY BANK a.s. From 2019 to 2020, she held the position of Head of Compliance and from July 2023 to February 2024, she was a member of the Board of Directors at SAB o.c.p., Inc. From 2013 to 2020, she worked in legal and compliance advisory activities at SAB Finance a.s. and in 2022 at the Maltese bank FCM Bank Limited. Since 2023, she has been a partner and a Managing Director of Excelia, advokátní kancelář, s.r.o. Since 2023 she has been a member of the Board of Directors of SAB Financial Investments a.s. and a proxy of mediaport solutions s.r.o.

Current membership in the bodies of other companies:

Member of the Board of Directors of SAB Financial Investments a.s.

Managing Director of Excelia, advokátní kancelář, s.r.o.

Former membership in the bodies of other companies in the last 5 years:

Member of the Supervisory Board of the Foreign Exchange Market Association

Member of the Board of Directors of SAB o.c.p., a.s.

Ing. Dana Hübnerová

In addition to deciding on all company matters not reserved by law or the Articles of Association to the General Meeting or the Supervisory Board and acting for the company externally, Ing. Dana Hübnerová holds the position of compliance officer in the company on the basis of a concluded employment contract.

Date of birth: 01. 02. 1955
Date of appointment: 28.09.2023

Experience to date:
Graduate of the University of Economics in Prague. After graduating from the University of Economics (1978) she worked in the then State Bank of Czechoslovakia in various positions in the credit area until 1989. Between 1990 and 2004, she worked in the banking industry, among others at ČSOB a.s., where she held the position of Head of the Economic and Accounting Department and later also the position of Economic Deputy of the regional branch. Since 2005, she has worked as an internal audit manager and later as a compliance manager at Moravský Peněžní Ústav - savings cooperative (now TRINITY BANK a.s.), where she is currently a compliance consultant. From 2016, she also worked in compliance consulting activities at SAB Finance a.s. From 2014, she was a member of the Management Board of Asset Management and Banking Advisory a.s. and SAB Financial Group a.s. and also as a member of the Supervisory Board of SAB Holding a.s. Since 2017 he has been a member of the Supervisory Board of SAB o.c.p. and in the following year as a member of the Supervisory Board of SAB Financial Investments a.s. In 2019, she was elected as a member of the Board of Directors of the Trinity Credo Foundation and in 2022 as the Managing Director of REZIDENCE VINOHRADY s.r.o.

Current membership in the bodies of other companies:

Chairman of the Supervisory Board of SAB o.c.p., a.s. (Slovakia)
Member of the Board of Directors of SAB Financial Group a.s.
Member of the Supervisory Board of SAB Holding a.s.
Member of the Supervisory Board of SAB Financial Investments a.s.
Member of the Board of Trustees of Trinity Credo Foundation
Managing Director of REZIDENCE VINOHRADY s.r.o.

Former membership in the bodies of other companies in the last 5 years:

Member of the Board of Directors of Asset Management and Banking Advisory a.s.

The members of the Board of Directors declare that:

- none of the members of the Board of Directors has been convicted of a deliberate criminal offence in the past five years;
- none of the members of the Board of Directors has been subject to an official public accusation or sanction by statutory or regulatory bodies in the past five years;
- none of the members of the Board of Directors has been judicially disqualified from acting as a member of an administrative, management or supervisory body or from acting as an officer or director of the company or any other company-issuer of securities in the past five years;
- none of the members of the Board of Directors has been involved in bankruptcy proceedings, liquidation or receivership in the past five years as a natural person or as a member of the statutory or supervisory body of the company;
- they are not related to other members of the company's Board of Directors or to members of the company's Supervisory Board;
- they are not aware of any existing or threatened conflict of interest in connection with the performance of their duties as members of the Board of Directors.
-

Supervisory Board as of 31 December 2023

Ing. Radomír Lapčík, LL. M.

Chairman of the Supervisory Board
Date of birth: 03. 07. 1969
Date of appointment: 04. 03. 2019

Experience to date:

The Zlín native and patriot is the founder and 100% owner of SAB Group with over 26 years of experience in the banking sector. He honours the Bata style of business - from drops of the sea, from pennies millions - i.e. achieving profitability step by step by taking care of clients every day. He is a supporter of conservative and safe banking, gradual and continuous development. He relies on continuous improvement of services. In 2008 he was awarded the Entrepreneur of the Year 2008 of the Zlín Region.

His lifelong career has been strongly focused on the banking and financial services sector. He started doing business in the financial sector in the Czech Republic 26 years ago, when in 1996 he founded Moravský peněžní ústav - savings cooperative, which he transformed into TRINITY BANK a.s. on 1 January 2019. In Moravský peněžní ústav - savings cooperative, he served as Chairman of the Board and CEO.

Currently, he is the Chairman of the Supervisory Board of SAB Finance a.s. and Chairman of the Supervisory Board of TRINITY BANK a.s., and he has been approved by the Czech National Bank as a person suitable and professionally qualified for these positions.

In 2017 and 2018, together with SAB Finance a.s. and SAB Europe Holding Ltd, he was approved by the European Central Bank and the Malta Financial Services Authority, the National Bank of Slovakia

and the UK regulator Financial Conduct Authority as a suitable and financially strong owner of regulated entities (bank, securities dealer and payment institution).
He graduated in Business Law from Nottingham Trent University (UK) where he obtained a Master of Laws degree. Prior to that, he graduated from Brno University of Technology and completed his PhD studies at Tomas Bata University in Zlín.
In addition to business, he is engaged in teaching. He lectured for example at the University of Economics in Prague and introduced the subject of financial mathematics at Tomas Bata University.
He is also active as a philanthropist. His foundation CREDO CZ has long supported families with disabled children.

Current membership in the bodies of other companies:

Chairman of the Supervisory Board of TRINITY BANK a.s.
Chairman and Member of the Board of Trustees CREDO CZ - Endowment Fund
Chairman of the Board of Trustees of the Trinity Credo Foundation

Jana Ježková

Member of the Supervisory Board

Date of birth: 04. 01. 1959
Date of appointment: 11 November 2020

Experience to date:
She graduated from the secondary school of economics with a secondary school diploma, after graduating from the secondary school (1978) she worked in various positions until 1991 as an independent professional officer at the Federal Ministry of Foreign Trade, from 1992 to 1994 she worked at SETRA Service Trading s.r.o. as a sales manager of telecommunication equipment, from 1995 to 2013 she worked as a director of the sales and shopping centre at OVUS a.s, since 2014, she has been working as a manager in the company Asset Management and Banking Advisory Services a.s., whose successor company SAB CZ s.r.o. became a merger company in 2021.

Current membership in the bodies of other companies:

Member of the Committee of the Community of Owners for the house Makovského 1140-1145, Prague 6
Member of the Supervisory Board of SAB Financial Group a.s.
Chairman of the Management Board of newstream agency a.s.

The members of the Supervisory Board declare that:

- none of the members of the Supervisory Board has been convicted of a deliberate criminal offence in the past five years;
- none of the members of the Supervisory Board has been subject to official public charges or sanctions by statutory or regulatory authorities in the past five years;
- none of the members of the Supervisory Board has been judicially disqualified from acting as a member of an administrative, management or supervisory body or from acting as an officer or director of the company or any other company-issuer of securities in the past five years;
- none of the members of the Supervisory Board has been involved in bankruptcy proceedings, liquidation or receivership in the past five years as a natural person, member of the company's statutory or supervisory body;
- they are not related to other members of the company's Supervisory Board or to members of the company's Management Board.
- they are not aware of any existing or threatened conflict of interest in connection with the performance of their duties as members of the Supervisory Board.

The working addresses of the members of the Board of Directors and the Supervisory Board are the same as the registered office of the company.

A.4. Changes in the Commercial Register

In 2023, changes were made to the Commercial Register, in particular changes to the Company's Board of Directors, see Note A.3. under ***Changes to the Board of Directors and Supervisory Board during the current financial year***, which is included in the Appendix to this consolidated annual report.

On 1 March 2024, the Company's registered office was changed. The original registered office at Prague 1 - Nové Město, Senovážné náměstí 1375/19, Postal Code 11000 has been replaced by the registered office at Na příkopě 969/33, Staré Město, 110 00 Prague 1.

A.5. Details of the company's securities

The Company's ordinary shares, ISIN: CZ0009009940; are issued under the Commercial Corporations Act and Act No. 89/2012 Coll., the Civil Code as book-entry securities per owner. The shares have a nominal value of CZK 388 (before the share split in October 2021: CZK 3,880). The shares are registered in the central register of book-entry securities maintained by the Central Securities Depository, a.s., ID No. 250 81 489, registered office Rybná 14, 110 05 Prague 1. The shares are freely transferable.

The Company's shares were subscribed for in 2023. On 20 September 2023, the 1st round of the 1st tranche of the subscription of shares of SAB Finance a.s. ended, which was a preferential subscription for existing shareholders. This preferential right was exercised by 178 shareholders who subscribed for 20,459 shares. On 30 October 2023, the 2nd round of the 1st tranche of the subscription of shares of SAB Finance a.s. ended, with 471,698 shares subscribed.

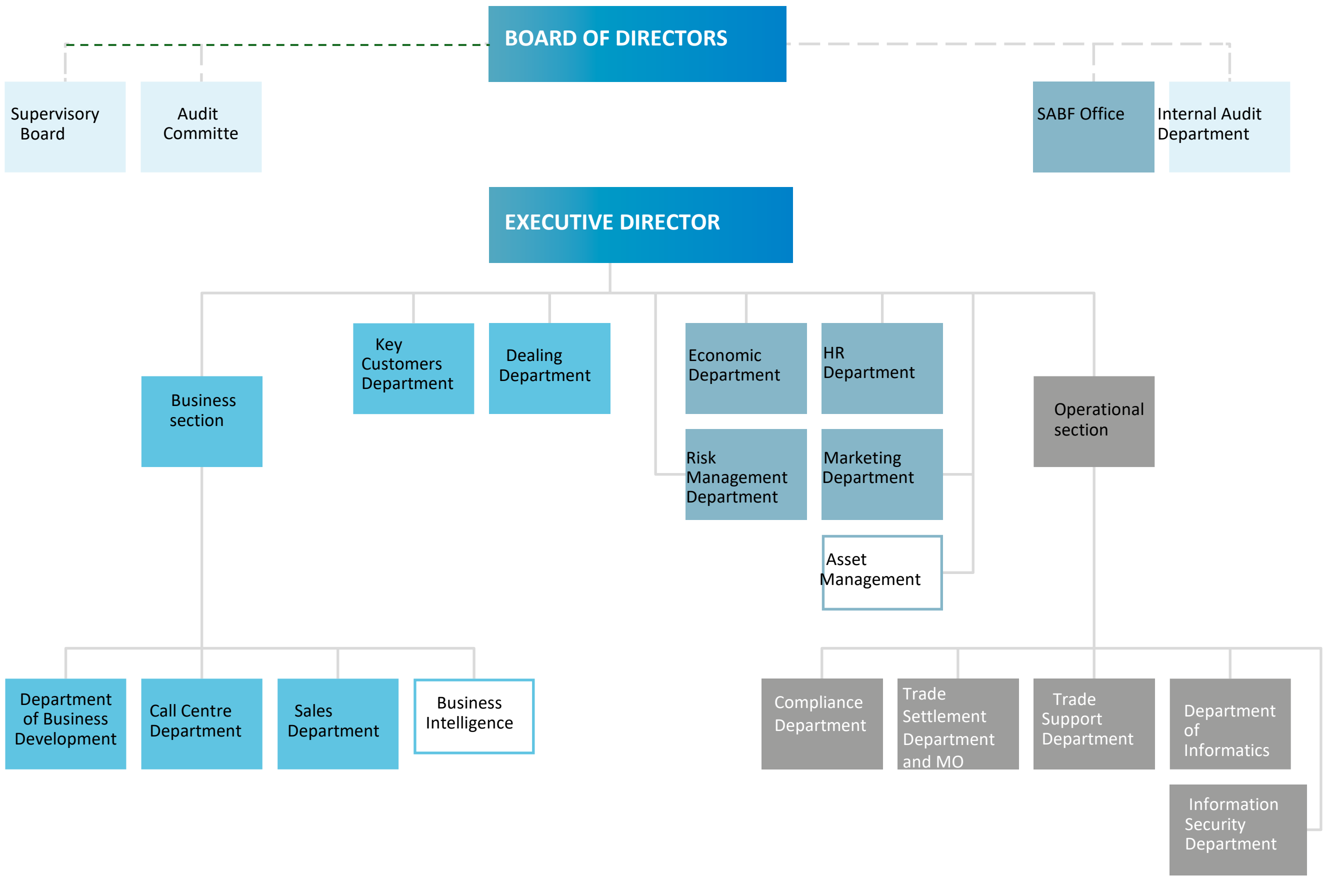
There are no special rights attached to the shares. In particular, a shareholder has the right to a share in the company's profit (dividend), the right to participate in the General Meeting, to vote at the General Meeting, to request and receive explanations of matters concerning the company, to make proposals and counterproposals, to sell protests, or to exercise other shareholder rights under the Articles of Association and relevant legislation. Upon dissolution of the company, a shareholder shall be entitled to a share of the liquidation balance. A detailed description of the rights and obligations attached to the shares is contained in the company's articles of association available on the website www.justice.cz and in the relevant legislation, in particular the Companies Act.

A.6. Information on the *Group*'s codes of governance

The companies in the Group did not have a Corporate Governance Code or any other similar code implemented in 2023.

This is due to the fact that the companies in the Group are governed in their activities by generally binding legislation, articles of association and internal directives, which are regularly reviewed and updated accordingly. The Group considers this framework to be sufficient for its responsible and transparent operations, including in the area of governance.

A.7. Organisational structure *as of 31. 12. 2023*



A.8. Persons with significant or decisive influence

List of shareholders holding more than 20 percent of the Group's share capital.

Name and surname of the shareholder	Equity interest in the share capital as of 31 December 2023	Equity interest in the share capital as of 31 December 2022
SAB Financial Group a.s.	54.92 %	71.80 %

A.9. Average number of employees in the Group

Indicator	2023	2022
Average number of employees in the Group	123	126
Of which: members of boards of directors	9	9
members of supervisory boards	3	3

Staff costs, including staff costs for managers, are shown in section C.22. Administrative costs.

A.10. Performance for the benefit of persons close to the company

The Group does not grant loans, credits or other collateral in monetary or non-monetary form to persons who are close persons of the members of the statutory body, nor to members of the statutory or other management and supervisory bodies.

A.11. Basis for preparing the consolidated financial statements

The consolidated financial statements have been prepared on the basis of the accounting policies adopted in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under Regulation (EC) No 1606/2002 on the application of International Accounting Standards.

These consolidated financial statements are the first consolidated financial statements of the entity. These consolidated financial statements include a consolidated statement of financial position under IFRS, which includes data as at the balance sheet date (31 December 2023) and as of the end of the previous financial year (31 December 2022).

The consolidated financial statements are based on the assumptions that the Company will continue as a going concern and that there is no event that would restrict or prevent it from continuing in that business for the foreseeable future.

The consolidated financial statements are prepared on the historical cost basis except for items measured at fair value, which are financial assets and liabilities at fair value through profit or loss.

The balance sheet date of the consolidated financial statements is 31 December 2023. The current accounting period is from 1.1.2023 to 31.12.2023. The previous accounting period is from 1.1.2022 to 31.12.2022.

The consolidated financial statements of the SAB Finance Group are prepared in the functional currency, which is the Czech koruna (CZK). All figures are in thousands of CZK (thousands of CZK), unless otherwise stated. The financial statements of the consolidated companies domiciled abroad have been translated at the exchange rate prevailing at the date of closing the books of the consolidating company. All financial statements entering into the consolidation were prepared as of 31.12.2023.

These financial statements are consolidated. The company also prepares individual financial statements.

A.12*. Decision-making and powers of the General Meeting*

The General Meeting, as the Company's supreme body, is quorate if shareholders holding shares with a nominal value exceeding 30% of the share capital are present. Voting at the General Meeting shall be by show of hands. An electronic voting machine or other similar method may be used to record votes. If all shareholders agree, a general meeting may be held without complying with the requirements laid down by law for convening a general meeting. Per rollam decision-making pursuant to Sections 418 to 420 of the Business Corporations Act is not permitted.

The competence of the General Meeting includes, in particular, deciding on amendments to the Articles of Association, unless the amendment is due to an increase in the share capital authorised by the Board of Directors or a change resulting from other legal facts, giving instructions to the Board of Directors and approving the principles of the Board of Directors' activities, unless they are contrary to legal regulations. In particular, the General Meeting may prohibit a member of the Board of Directors from certain legal actions if it is in the interest of the company. Furthermore, the competence of the General Meeting includes deciding on the lease of the company's plant or a part thereof forming a separate organisational unit, appointing and dismissing the liquidator, approving the performance and performance agreement pursuant to Section 61 of the Companies Act, electing and dismissing members of the Supervisory Board, electing and dismissing members of the Audit Committee and approving performance agreements of members of the Audit Committee, approving the remuneration policy and the remuneration report pursuant to the Capital Market Undertakings Act, approving a significant transaction pursuant to Section 121s et seq. Capital Market Business Act and, where applicable, decisions on other matters entrusted to it by the Articles of Association or by the relevant legislation, in particular the Companies Act

A.*13.* New and revised standards and interpretations adopted by the EU as of 12 January 2024, effective for annual periods beginning after 1 January 2023

Standard/interpretation *[IAS 8.31(a), 8.31(c)]*	**The substance of the forthcoming change in accounting policy** [IAS 8.31(b)]	**Example of wording related to the potential impact on the financial statements** *[IAS 8.30(b); 31(d), (e)].*
Amendments to IFRS 16 Leases: Lease liability on sale and leaseback (Effective for annual periods beginning on or after 1 January 2024, applied retrospectively. Early application permitted)	The amendments to IFRS 16 Leases have an impact on how a seller-lessee accounts for variable lease payments in sale and leaseback transactions. The amendment introduces a new accounting model for variable payments and will require vendor-lessees to reassess and, where appropriate, re-recognise sale and leaseback transactions entered into from 2019. The amendment confirms: • on initial recognition, a seller-lessee shall include variable lease payments when measuring the lease liability resulting from a sale and leaseback transaction; • after initial recognition, the vendor-lessee applies the general requirements in subsequently accounting for the lease liability by not recognising a gain or loss related to the right-of-use that it retains. The lessee-seller may adopt different approaches to meet the new subsequent measurement requirements. The amendment does not change the accounting for leases other than those arising in sale and leaseback transactions.	The company plans to apply the amendment from 1 January 2024. The company expects that, on initial application, the amendment will have an immaterial impact on the entity's financial statements.
Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current (Effective for annual periods beginning on or after 1 January 2024 [1]Early application is permitted)	See description below	See description below

[1] On 31 October 2022, the IASB issued an amendment that delays the effective date to 1 January 2024.

Amendments to IAS 1 Preparation and Disclosure of Financial Statements: Long-term liabilities with covenants (Effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively. Earlier application is permitted. Entities that elect early application of amendments already issued but not yet effective for 2020 are subject to specific transition requirements.)	Under the current requirements of IAS 1, entities classify a liability as current unless they have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. The amendments issued in 2020 removed the requirement for the right to be unconditional and instead require that the right to defer settlement exists at the end of the reporting period and has substance (the classification of the liability is not affected by management's intentions or expectations as to whether the company will exercise its right to defer settlement or elect to settle earlier). The amendments issued in 2022 further clarify that if the right to defer settlement is conditional on the entity's compliance with the terms (covenants) specified in the loan arrangement, only those covenants that the entity is required to comply with at or before the end of the reporting period affect the classification of the liability as current or non-current. Covenants that the entity is required to comply with after the end of the reporting period do not affect the classification of the liability at that date. However, the amendment requires entities to disclose information about those future covenants to enable users to assess the risk that the obligations will become due within 12 months after the end of the reporting period. The amendment also clarifies how an entity classifies a liability that can be settled in equity (i.e. convertible debt).	The company plans to apply the amendment on 1 January 2024. The company expects that, on initial application, the amendment will have an immaterial impact on the entity's financial statements.

A.14. New and amended standards and interpretations effective for annual periods beginning after 1 January 2023 but not yet endorsed by the EU as of 12 January 2024

Standard/interpretation	The substance of the forthcoming change in accounting policy	Possible impact on financial statements
Amendments to IFRS 10 and IAS 28: Sale or deposit of assets between an investor and its associate or joint venture. (Effective date postponed indefinitely. Use in IFRS financial statements is possible. The European Commission has decided to postpone endorsement indefinitely, it is unlikely to be endorsed by the EU in the foreseeable future)	The amendments clarify that, in the case of a transaction involving an associate or joint venture, the extent to which a gain or loss is recognised depends on whether the assets sold or contributed constitute a business, by: • a full profit or loss is recognised if the transaction between the investor and its associate or joint venture involves the transfer of an asset or assets that constitute a business (whether or not located in a subsidiary), while • a partial profit or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if those assets are located in a subsidiary.	The company plans to apply the changes from 1 January 2024. The company expects the amendments to have an immaterial impact on its financial statements upon initial application.
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure: Contractor Financing Arrangements (Effective for annual periods beginning on or after January 1, 2024. Disclosure of comparative information for all reporting periods prior to the annual period in which the entity first applies those amendments and information as at the beginning of that period is not required. An entity shall also not be required to disclose information otherwise required by the amendments for any interim reporting period within the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.)	The amendment introduces additional disclosure requirements where a company is required to provide information about its vendor financing arrangements to enable users (investors) to assess the impact of these arrangements on the company's liabilities and cash flows and its exposure to liquidity risk. The amendment applies to supply chain financing arrangements (also referred to as supply chain financing, liability financing or reverse factoring) that have all of the following characteristics: the financing provider (also referred to as a factor) pays amounts owed by the company to its suppliers; • the company undertakes to make payment in accordance with the terms of the arrangement on the same date	The company plans to apply the amendment on 1 January 2024. The Company expects the amendment to have an immaterial impact on the financial statements upon initial application.

Standard/interpretation	The substance of the forthcoming change in accounting policy	Possible impact on financial statements
	as the suppliers are paid or on a later date; • the company is granted extended payment terms or the suppliers benefit from early payment terms compared to the due date of the relevant invoice. However, the amendment does not apply to receivables or inventory financing arrangements.	
Amendments to IAS 21 The Effects of Changes in Exchange Rates: Lack of convertibility Applies to annual periods beginning on or after 1 January 2025. Earlier application is permitted.	Under IAS 21 The effects of changes in exchange rates, an entity uses the spot exchange rate when translating a foreign currency transaction. In some jurisdictions, the spot rate is not available because the currency cannot be exchanged for another currency. IAS 21 has been amended for clarification: • when a currency is convertible into another currency; and • how an entity estimates the spot rate when a currency is not convertible. The amendments also include additional disclosure requirements to help users assess the impact on the financial statements of using an estimated exchange rate.	The company plans to apply the changes from 1 January 2025. The company does not expect the amendments to have a material impact on its financial statements upon initial application.

The chapters in Section A present other information in the consolidated annual report.

B. INFORMATION ON THE ACCOUNTING METHODS AND VALUATION TECHNIQUES USED

B.1. Date of the accounting event

Depending on the type of transaction, the date of the accounting event is primarily the date of payment or receipt of currency, the date of purchase or sale of foreign exchange, the date of payment (collection from the customer's account), the date of the correspondent's instruction to make payment, the date of crediting of funds in accordance with the report received from the correspondent's bank, the date of negotiation and the date of settlement of the foreign exchange transaction.

The trade day accounting method has been chosen for accounting cases of purchases and sales of financial assets with a normal delivery date (spot transactions). The purchase or sale of a financial asset is already recognised in the balance sheet on the trade date and a liability or receivable is recognised at the same time in respect of the settlement of the financial asset.

The Group derecognises a financial asset or part of a financial asset from the balance sheet when it loses control of the contractual rights to that financial asset or part of that financial asset. The Group loses this control if it exercises, terminates, or relinquishes rights to the benefits defined in the contract.

B.2. Tangible and intangible fixed assets

Tangible and intangible fixed assets ("TFA" and "IFA") are recorded at cost. Depreciation is calculated on the basis of the cost and the estimated useful life of the relevant asset. TFA and IFA with a purchase price of up to CZK 2,000 is not recognised in the balance sheet and is expensed in the year of acquisition.

Depreciation methods and periods by asset group

Assets	Method	Number of years
Buildings	linear	60
Inventory, apparatus, equipment	linear	4-10
Software	linear	3-5

Land, fixed assets in progress, works of art and collections are not depreciated. Leasehold improvements on leased assets are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life.

The estimated useful lives are reviewed annually and revised if necessary. Any change in the amortisation period is recognised as a change in estimate in the current year's profit or loss.

Costs incurred after the asset is brought into use, such as repair and maintenance costs, are expensed in the period in which they are incurred.

a) Tangible fixed assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses over the estimated useful life of the asset.

Cost includes the cost of acquiring the asset, any costs directly attributable to transporting the asset to its destination and to bringing the asset to the condition necessary for it to be used to the extent intended by management, and an initial estimate of the cost of dismantling and removing the asset.

Subsequent to initial recognition as an asset, the Group subsequently recognises property, plant and equipment at cost less accumulated depreciation and any accumulated impairment losses.

b) Intangible fixed assets

Software acquired by the Group is measured at cost less accumulated amortisation and any impairment losses.

The cost of internally generated software is recognised as an asset when the Group can demonstrate its intention and ability to complete the development of the software and use it to generate future economic benefits and the cost of completing the development can be reliably measured.

Self-generated software is stated at cost less depreciation and amortisation.

Software is depreciated over its useful life, which does not normally exceed 3-5 years.

Subsequent expenditure on software is capitalised only if it increases the future economic benefit arising from the related asset. All other expenses are expensed as incurred.

c) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets and assesses whether there is any indication that they are impaired. If such indications exist, the recoverable amount is estimated.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are charged to profit or loss.

An impairment loss may be derecognised to the extent that the remeasurement does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Leasing from the lessee's perspective

The Group applies International Accounting Standard IFRS 16 Leases. An agreement is treated as a lease if it transfers the right to control the use of an identified asset for a specified period of time in exchange for consideration.

In particular, IFRS 16 introduces changes to lessee accounting and reporting. An entity, as lessee, recognises a right-of-use asset and a related lease liability on the balance sheet except when:

- the lease period is not more than 12 months
- or the underlying asset has a low cost basis.

Right-of-use asset

A right-of-use asset is initially measured at cost, which includes:

- the initial measurement of the lease liability,
- lease payments made on or before the commencement date less any lease incentives received,
- initial direct costs,
- the estimated cost to the lessee of dismantling and removing the leased asset.

The right-of-use asset is recognised in the balance sheet under "Tangible fixed assets" and is depreciated on a straight-line basis over the shorter of the economic life of the underlying asset or the end of the lease. The related depreciation is recognised in the consolidated income statement under "Depreciation, amortisation and use of provisions and allowances for tangible and intangible fixed assets".

Lease liability

The lease liability is initially measured at the present value of the lease payments outstanding at the date of initial recognition. The lease payments are discounted at the interest rate that the lessee would have to pay if it had borrowed the funds to purchase the underlying asset, taking into account the terms and conditions associated with the lease (i.e. lease/loan term, loan amount, etc.).

Subsequently, the lease liability is remeasured if there is a change in future lease payments (e.g. due to a change in valuation, whether and when the lease is extended or terminated early, etc.). If the lease liability is remeasured in this way, then the valuation of the right-of-use asset is also adjusted. If the right-of-use asset is nil, the remeasurement of the lease liability is recognised through the consolidated income statement.

The lease liability is shown in the balance sheet under "Other liabilities".

Interest expense arising from the lease liability is recognised in the consolidated income statement under 'Interest expense and similar charges' and is recognised using the effective interest rate.

B.3. Financial assets and financial liabilities (financial instruments)

1. Posting and initial posting

The SABF initially recognises selected financial assets and financial liabilities (e.g. amounts due from customers, amounts owed to customers, debt securities, shares) when they are incurred. All other financial instruments (including spot purchases and sales of financial assets) are accounted for on the trade date, which is the date on which the entity becomes the owner of the financial instrument in accordance with the contractual provisions.

2. Classification

On initial recognition, a financial asset is classified as at fair value:

- accrued value (AC),
- fair value through other comprehensive income (FVOCI),
- fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost (AC) if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- the asset is held within a business model that seeks to hold financial assets to earn contractual cash flows,

- the contractual terms of the financial asset specify a specific date for cash flows consisting solely of principal and interest payments on the outstanding principal amount (the “SPPI test'”.

A financial asset is measured at fair value through equity (FVOCI) only if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- the asset is held within a business model whose objective is achieved through both the collection of contractual cash flows and the sale of financial assets,

- the contractual terms of the financial asset specify a specific date for cash flows consisting solely of principal and interest payments on the outstanding principal amount (the “SPPI test'”.

All other financial assets are measured at fair value through profit or loss (FVTPL).

Business model assessment (debt securities)

Key management personnel determine the business model in which a financial asset is held by assessing how financial instruments are managed to generate cash flows, i.e. whether the objective is to collect only contractual cash flows from the assets or to collect both contractual cash flows and cash flows from the sale of the assets. If neither of these applies (e.g. financial assets are held for trading purposes), then the financial assets are classified and measured at FVPL. Such an assessment is made at the 'portfolio level' as it best reflects the way the business is managed and the information is provided to management.

Reclassification

Subsequent to initial recognition, financial assets are not reclassified unless the entity changes its business model for managing financial assets in the current financial year.

Financial liabilities

An entity classifies its financial liabilities, other than financial guarantees and commitments given, as measured:

- the accrued value, or

- fair value through profit or loss (FVTPL).

3. Derecognition

Financial assets

An entity derecognises a financial asset when

- the contractual rights to the cash flows from the financial asset are extinguished; or

- it transfers the rights to receive cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between

- the carrying amount of the asset (or the portion of the carrying amount allocated to the portion of the asset derecognised) and

- the sum of (i) the consideration received (including any asset acquired less the value of any new liability assumed) and the cumulative gain or loss recognised in equity

the two is recognised in the consolidated income statement.

Financial liabilities

An entity derecognises a financial liability when its contractual obligations are discharged, cancelled or extinguished.

4. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, an entity shall assess whether the cash flows of the modified financial asset are materially different.

If the cash flows are significantly different, then the contractual right to the cash flows from the original financial asset is considered extinguished. In that case, the original financial asset is derecognised and the new financial asset is recognised and carried at fair value.

If the cash flows from the modified asset measured at amortised cost are not materially different, the modification does not result in derecognition of the financial asset. In that case, the entity shall recalculate the gross carrying amount of the financial asset and recognise the amount arising from the gross carrying amount adjustment as a gain or loss on modification in the consolidated income statement. If such a modification is made because of the borrower's financial difficulties, the gain or loss is recognised together with the creation, release or application of the valuation allowance in the consolidated income statement. Otherwise, the gain or loss is recognised together with interest income in the consolidated income statement.

Financial liabilities

An entity derecognises a financial liability when the terms of the financial liability are modified and the cash flows of the modified liability are materially different. In that case, the new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the extinguished financial liability and the new financial liability with the modified terms is recognised in the consolidated income statement.

5. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to assume a liability in an orderly transaction between market participants at the measurement date in the principal (or most advantageous) market to which the entity has access at that date. The fair value of the liability reflects the risk of default. The risk of default includes, but is not necessarily limited to, the entity's own credit risk.

An entity measures the fair value of an instrument using a quoted price in an active market for the instrument, if available. An active market is a market in which transactions for assets or liabilities take place frequently enough and in sufficient volume to ensure a regular flow of price information.

If a quoted price in an active market is not available, an entity shall use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The selected valuation technique incorporates all of the factors that market participants would include in valuing the transaction.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price (i.e. the fair value of the consideration given or received).

If an entity determines that the fair value at initial recognition differs from the transaction price and the fair value is neither supported by a quoted price in an active market for an identical asset or liability nor based on a valuation technique, for which unobservable inputs are considered insignificant in relation to the measurement, then the financial instrument is initially measured at fair value and, subsequently, the difference between the fair value at inception and the transaction price is systematically deferred in the consolidated income statement over the life of the instrument. However, this accrual is at most for the period until the measurement is fully supported by observable market data or the transaction is completed.

If an asset or liability that is measured at fair value has a bid price and an ask price, then the entity measures

- assets and long positions at the bid price
- and liabilities and short positions at the ask price.

The fair value of a financial liability that includes a demand feature (e.g. a demand deposit) is not less than the amount repayable on demand discounted from the first date on which it can be called.

6. Fair value hierarchy

An entity determines fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurement.

Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity has access to at the valuation date.

Level 2: Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This level includes instruments valued using:

- quoted prices for similar instruments in active markets;
- quoted prices for identical or similar instruments in markets that are considered less than active;
- or other valuation methods in which all significant inputs are directly or indirectly observable from market data.

Level 3: Level 3 inputs are unobservable input variables. This level includes all instruments for which the valuation methods include inputs that are unobservable and the unobservable inputs have a significant impact on the valuation of the instrument. This level includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

An entity considers transfers between levels of the fair value hierarchy made at the end of the financial year in which the change occurs. See further Note C.25 Fair value.

7. Impairment

Determination of expected credit losses (ECL)

ECLs are probability-weighted estimates of credit losses and are determined as follows:

- financial assets that are not credit-impaired: as the present value of any cash shortfall (i.e. the difference between the contractual cash flows to the entity and the cash flows that the entity expects to receive;
- financial assets that are credit-impaired: as the difference between the gross carrying amount of the financial asset and the present value of estimated future cash flows;
- undrawn credit commitments: the present value of the difference between the contractual cash flows to the entity when the credit commitment is drawn and the cash flows the entity expects to receive;
- financial guarantees: the difference between the expected payments required to satisfy the holder of the financial guarantee and the payments the entity expects to receive.

The entity recognises an allowance for expected credit losses (ECL) for the following financial instruments not at fair value through profit or loss (FVTPL):

- Cash and cash equivalents;
- Receivables from banks;
- Receivables from non-banking entities;
- Other receivables.

Credit-impaired financial assets

At each balance sheet date, the entity assesses whether financial assets measured at amortised cost and debt financial assets measured at fair value through equity (FVOCI) are credit impaired. A financial asset is credit-impaired if one or more events have occurred that have an adverse effect on the estimated future cash flows of the financial asset.

Evidence of credit impairment of a financial asset includes the following observable facts;

- significant financial problems of the borrower or issuer;

- breach of contract, e.g. default of the debtor or failure to meet the due date;

- if it becomes likely that the debtor will enter bankruptcy, insolvency or other financial reorganisation; or;

- the disappearance of an active market for a security due to financial difficulties.

8. Effective interest rate

Interest income and expense are recognised in the consolidated income statement under 'Interest income and similar income' and 'Interest expense and similar expense' respectively using the effective interest rate method.

The effective interest rate is the interest rate that discounts expected future cash flows received or sent over the expected life of the financial instrument to:

- the gross carrying amount of the financial asset;
- the accrued value of the financial liability.

In calculating the effective interest rate for financial instruments (other than credit-impaired financial assets), an entity estimates future cash flows by considering the contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, the effective interest rate adjusted for credit risk is calculated based on estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs, fees and interest paid or received between the parties to the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

9. Accrued value and gross carrying amount

The “accrued value” of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and plus or minus the cumulative amortisation of any premium or discount using the effective interest rate (i.e. the difference between the initial value and the value at maturity) and, for financial assets, adjusted for any valuation allowance.

The “gross carrying amount” of a financial asset is the accrued value of the financial asset before adjustment for any valuation allowance.

Calculation of interest income and interest expense

In calculating interest income and interest expense, the effective interest rate is applied to:

- the gross carrying amount of the asset (unless the asset is credit impaired); or
- the accrued value of the liability.

For financial assets that become credit impaired after initial recognition, interest income is calculated using the effective interest rate applied to the accrued value of the financial asset. If the asset is no longer credit impaired, the effective interest rate is applied back to the gross carrying amount.

For financial assets that were credit impaired at initial recognition, interest income is calculated using the effective interest rate adjusted for credit risk applied to the financial asset's accrued value. For these financial assets, the calculation of interest income no longer changes to the application of the effective interest rate to the gross carrying amount, even if the credit risk of the asset subsequently improves.

Presentation

Interest income or interest expense recognised in the consolidated income statement under "Interest income and similar income" or "Interest expense and similar expense" includes the following:

- interest on financial assets and financial liabilities measured at amortised cost, calculated using the effective interest rate;

Interest income and interest expense on trading assets and liabilities and on other financial assets and financial liabilities measured at FVTPL are recognised together with changes in the fair value of the financial assets and financial liabilities in the 'Gain or loss on financial transactions' line in the consolidated income statement.

Presentation of ECL allowances in the balance sheet

ECL valuation allowances are presented as follows:

• Financial assets measured at amortised cost: the valuation allowance is deducted from the gross carrying amount of the assets.

The ECL allowances charged to expense are recognised in the consolidated income statement under “Net impairment of financial assets”. Any subsequent use of valuation allowances is also recognised under this heading.

The release of the ECL impairment allowance for non-requirement is recognised in the consolidated income statement under “Net impairment of financial assets”.

Write-offs

Loans and debt securities are written off (either partially or fully) when there is no realistic and achievable possibility of recovery. This generally occurs when an entity determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount owed that is subject to write- off. However, written-off financial assets may still be subject to recovery to comply with the entity's procedures for recovering amounts due.

Write-offs of receivables are included in 'Net impairment of financial assets' in the consolidated income statement. In the case of a write-off of a receivable for which a full allowance has been made, the allowance in the same line item in the consolidated income statement is reduced by the same amount. Gains on previously written-off loans are included in the consolidated income statement under "Net impairment of financial assets".

Fees and commissions

Fee income and expenses, which are an integral part of the effective interest rate of a financial asset or liability, are included in the measurement of the effective interest rate and are considered as part of interest income and expense.

Other fee income is recognised when the related services are rendered. The cost of fees relates mainly to transaction and service fees, which are charged to expense at the time of receipt of the service.

B.4. Interests with significant influence

An associate is an entity in which an investor has significant influence.

Significant influence is the power to participate in the financial and operating policies and decisions of an investee, but it is not control or joint control of such policies.

If an entity holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of an investee, it is regarded as having significant influence unless the contrary can be clearly demonstrated. Conversely, if an entity holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of an investee, it shall be regarded as not having significant influence unless such influence can be clearly demonstrated. Substantial or majority ownership by another investor does not necessarily prevent an entity from having significant influence.

The existence of significant influence is usually evidenced by one or more of the following:

- representation on the board of directors or similar governing body of the investee;
- participation in policy making, including participation in decisions about dividends or other distributions from earnings;
- a significant transaction between the entity and the investee;
- mutual exchange of management personnel or;
- providing key technical information.

B.*5*. Provisions

A provision represents a probable benefit with an uncertain timing and amount. A provision is made when the following criteria are met:

- there is an obligation (legal or factual) to perform that is the result of past events,
- it is probable or certain that performance will occur and require an outflow of resources representing an economic benefit, where 'probable' means a probability of more than 50 %,
- a reasonably reliable estimate of performance can be made.

Tax liability
As the corporate income tax return has not yet been filed at the date of the consolidated financial statements, the tax liability represents the positive difference between the calculated tax payable and the advances paid.

B.5. Foreign currency conversion

The consolidated financial statements are presented in Czech crowns, which is the Group's functional currency. The functional currency is the currency of the primary economic environment in which the Group operates.

Transactions denominated in a foreign currency are accounted for in the domestic currency translated at the exchange rate announced by the Czech National Bank at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into the domestic currency at the exchange rate announced by the CNB at the balance sheet date. The resulting gain or loss on the translation of assets and liabilities denominated in foreign currencies is recognised in the consolidated income statement as “Gain or loss on financial operations”. Exchange differences arising on consolidation are recognised in the consolidated statement of financial position in the line Translation reserves.

B.6. Taxation

Tax payable

The tax base for income tax is calculated from the profit for the current period by adding back non-tax deductible expenses and deducting income not subject to income tax, further adjusted for tax credits and possible credits.

Deferred tax

Deferred tax is based on any temporary differences between the carrying amount and the tax bases of assets and liabilities using the expected tax rate for the next period. A deferred tax asset is accounted for only when there is no doubt that it will reverse in subsequent accounting periods.

B.7. Use of estimates

The preparation of consolidated financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities recognised at the balance sheet date, the disclosures about contingent assets and liabilities and the reported amounts of expenses and income for the period.

Management has determined these estimates and assumptions based on all relevant information available to it.

These estimates and accounting judgements are based on information available at the date of the consolidated financial statements and relate primarily to the determination of:

- fair values in the consolidated statement of financial position of financial instruments not quoted in active markets that are classified as financial assets or financial liabilities at fair value through profit or loss;
- impairment amounts of financial assets.

B.8. Derivatives

A derivative is a financial instrument that meets the following conditions:

- its fair value changes depending on changes in an interest rate, security price, commodity price, exchange rate, price index, credit rating or index, or other variable (the underlying asset),
- it requires little or no initial investment compared to other types of contracts, which rely on a similar response to changes in market conditions,
- it will be settled in the future, with a longer negotiation-to-settlement period than a spot transaction.

The fair value of financial derivatives is determined as the present value of the expected cash flows arising from these transactions. Parameters observed in the active market such as exchange rates, interest rates for given maturities based on the yield curve, etc. are used to determine the present value.

The Group also enters into forward transactions that can be settled in tranches over time. The fair value of these derivatives is determined as the sum of the option and forward components. The valuation of the forward component is based on the classic forward contract valuation. To calculate the option component, a random path simulation of the FX price is performed for each day from the valuation date until the maturity date of the derivative. The sum of the fair value of the two components is the total fair value of the derivative.

B.9. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recognised in equity as a deduction from the proceeds net of tax.

B.10. Investment capital deposits

Investment capital deposits qualify as Tier 1 non-core capital instruments, are undated and subordinated liabilities. Coupon payments on permanent capital bonds may be cancelled at the Bank's discretion and are accounted for in the statement of financial position through equity.

B.11. Corrections of prior period errors and changes in accounting policies

Corrections of prior period errors are described in the Consolidated Statement of Changes in Equity for the year ended 31 December 2023. No other corrections or changes have been made.

No corrections of prior period errors were made in the financial year ending 31 December 2022.

C. NOTES TO THE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF COMPREHENSIVE INCOME

C.1. Cash and cash equivalents

In thous. CZK	31.12.2023	31.12.2022
Cash on hand	631	116
Current accounts	746,861	290,504
Balances with central banks	1,257,750	838,653
Allowances	0	-166
Total	**2,005,242**	**1,129,107**

Current accounts as at 31.12.2023 include deposited customer funds for the purpose of concluding spot transactions in the amount of CZK 57,291 thousand (2022: CZK 55,258 thousand), which the Company has a limited ability to dispose of.

Cash and cash equivalents include cash deposited with the Central Bank of Malta in the amount of CZK 1,257,750 thousand (2022: CZK 838,653 thousand).

C.2. Receivables from banks

In thous. CZK	31.12.2023	31.12.2022
Other receivables	425,943	221,441
Total	**425,943**	**221,441**

Other receivables represent cash deposited in bank accounts in the amount of CZK 425,943 thousand (2022: CZK 221,441 thousand). These funds represent collateral deposited for the purpose of executing transactions with bank counterparties.

All cash and cash equivalents and receivables from banks as of 31.12.2023 and 31.12.2022 are measured at accrued value in accordance with IFRS 9. Receivables from banks represent exclusively receivables from stable financial institutions. From a credit risk perspective, the Company considers all of its receivables from banks as of 31 December 2023 and 31 December 2022 to be of high quality. As part of the ECL calculation, all receivables from banks have been categorised as at 31.12.2023 and 31.12.2022 under Stage 1. As of 31.12.2023 and 31.12.2022, the allowance was calculated based on 12 months of expected credit losses.

31.12.2023:

In thous. CZK.	Stage 1 12-month expected credit losses	Stage 2 Expected credit losses over the duration for financial assets that are not credit impaired	Stage 3 Expected credit losses over the duration for financial assets that are credit impaired	Total
Cash and cash equivalents and amounts due from banks measured at accrued value				
Credit rating min. Baa1	2,431,546	0	0	2,431,546
Allowance	-361	0	0	-361
Cash and cash equivalents and amounts due from banks, net	**2,431,185**	0	0	**2,431,185**

31.12.2022:

In thous. CZK.	Stage 1 12-month expected credit losses	Stage 2 Expected credit losses over the duration for financial assets that are not credit impaired	Stage 3 Expected credit losses over the duration for financial assets that are credit impaired	Total
Cash and cash equivalents and amounts due from banks measured at accrued value				
Credit rating min. Baa1	1,350,599	0	0	1,350,599
Allowance	-166	0	0	-166
Cash and cash equivalents and amounts due from banks, net	**1,350,433**	0	0	**1,350,433**

C.3. Receivables from non-banking entities

In thous. CZK	31.12.2023	31.12.2022
a) Repayable on demand	**450,707**	**638,595**
Of which: Receivables from unsettled foreign exchange transactions	373,325	581,512
Of which: Loans granted (FCM Bank)	77,382	57,083
b) Other receivables	**8,223,856**	**4,792,347**
Of which: Loans granted (FCM Bank)	8,139,397	4,756,706
Of which: Other receivables	84,459	35,641
Allowance for loans (under IFRS9)	**-15,896**	**-11,481**
Total	**8,658,667**	**5,419,461**

Amounts due from non-banks payable on demand represent amounts due from customers in respect of unsettled foreign exchange transactions.

Distribution of claims on non-bank entities by credit quality stages:

31.12.2023

In thous. CZK	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	ECL for duration for financial assets that are not credit impaired	ECL for duration for financial assets that are credit impaired	
Gross amounts due from customers	8,353,298	243,883	77,382	8,674,563
Allowances	-10,591	-1,503	-3,802	-15,896
Receivables from customers, net	**8,342,707**	**242,380**	**73,580**	**8,658,667**

31.12.2022

	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	ECL for duration for financial assets that are not credit impaired	ECL for duration for financial assets that are credit impaired	
Gross amounts due from customers	5,367,716	44,130	19,096	5,430,942
Allowances	-7,518	-839	-3,123	-11,481
Receivables from customers, net	**5,360,198**	**43,291**	**15,972**	**5,419,461**

The Company does not make an allowance for receivables due on demand, which represent receivables from customers from unsettled foreign exchange transactions, because settlement of foreign currency transactions always occurs after the customer has credited the Company's accounts, so the Company is not exposed to credit risk.

The largest item is receivables from loans granted to clients outside the SAB Finance a.s. group by FCM Bank. An allowance of EUR 15,896 thousand has been made for these loans as at 31.12.2023. CZK (as of 31.12.2022: CZK 11,481 thousand).

C.4. Debt securities

The Company's debt securities consist solely of listed securities. Their breakdown by valuation categories and types is as follows:

a) Debt securities at accrued value

thous. CZK	31.12.2023	31.12.2022
Bonds issued by the government sector	105,384	101,526
Bonds issued by other institutions	1,692,168	1,899,463
Allowances	**-10,226**	**-5,415**
Total	**1,787,326**	**1,995,574**

(b) Debt securities at fair value through equity (FVOCI)

thous. CZK	31.12.2023	31.12.2022
Bonds issued by the government sector	224,394	16,777
Bonds issued by other institutions	305,504	233,468
Total	**529,898**	**250,245**

(c) Change in the carrying amount of financial investments

Debt securities at accrued value

thous. CZK	2023	2022
As of 1.1.	**1,995,574**	**1,731,562**
Increases	74,175	406,400
Decreases	-298,749	-104,272
Amortisation of premium/discount	-12,792	17,634
Exchange rate revaluation	42,841	-51,688
Change in valuation allowances	-13,723	-4,062
As of 31.12.	**1,787,326**	**1,995,574**

Debt securities at fair value through equity (FVOCI)

thous. CZK	2023	2022
As of 1.1.	**250,245**	**384,754**
Increases	428,731	0
Decreases	-156,906	-81,961
Amortisation of premium/discount	484	876
Exchange rate revaluation	8,624	-11,530
Changes in fair value	-1,280	-41,894
As of 31.12.	**529,898**	**250,245**

As of 31.12.2023, the valuation allowance for debt securities measured at fair value against equity accounts (FVOCI) amounted to CZK 253 thousand (as of 31.12.2022: CZK 269 thousand). These valuation allowances are charged against equity accounts and are included in the financial statements line "Valuation differences".

Debt securities worth EUR 658 million are not subject to foreign exchange risk. CZK 658 million (31.12.2022: CZK 408 million) were provided as collateral in favour of the Central Bank of Malta for the purpose of accessing the European Central Bank's open market operations.

C.5. Derivatives

As of 31.12.2023

in thous. CZK	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Positive value of currency forwards	18,428,722	0	373,387	0
Of which: product Forward+	7,128,233	0	102,578	0
Negative value of currency forwards	0	18,263,788	0	226,572
Of which: product Forward+	0	7,198,998	0	119,416
Total derivatives for trading	**18,428,722**	**18,263,788**	**373,387**	**226,572**

As of 31.12.2022

in thous. CZK	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Positive value of currency forwards	23,404,264	0	681,184	0
Of which: product Forward+	8,888,309	0	47,306	0
Negative value of currency forwards	0	23,151,976	0	456,869
Of which: product Forward+	0	9,315,751	0	317,271
Total derivatives for trading	23,404,264	23,151,976	681,184	456,869

C.6. Shares, *units and other interests*

thous. CZK	31.12.2023	31.12.2022
Shares issued by financial institutions	32,701	368,258
Total	32,701	368,258

The decrease is due to the transfer of the participation in TRINITY BANK a.s. to holdings with significant influence.

C.7. Interests with *significant influence*

thous. CZK	31.12.2023	31.12.2022
Interests with significant influence	442,869	0
Total	442,869	0

As of 31 December 2023, the Group, through SAB Finance and SAB Financial Investments, holds a qualified participation in TRINITY BANK a.s. together with the following entities: Ing. Radomír Lapčík, LL.M. and SAB Financial Group a.s. SAB Finance Group holds a 10.15% share in the share capital and a 14.12% share in the voting rights as of 31 December 2023. The acquisition of the qualifying participation in the bank took place after the Czech National Bank granted its approval for the acquisition of the qualifying participation in November 2022.

As of 31 December 2023, the Company has assessed that the Company has a significant influence over Trinity Bank a.s. based on the International Accounting Standard IAS 28 and therefore the investment is held within Significant Influence Interest and newly consolidated using the equity method from 2023. As of 31 December 2022, the investment was held under Shares, units and other interests. As the share is not publicly traded, the value of the participation was determined as the multiple of the number of shares and the share value disclosed by the Bank at the date of the financial statements. The value of a share is determined by the Bank according to the ratio of equity to the number of issued unit shares; equity consists of the contributions of the founders (owners, shareholders) to the company's share capital and the components arising during the company's operations. Equity capital thus includes monetary and non-monetary contributions of assets to the company, capital funds, the results of previous accounting periods and the loss from the current period, and funds formed from profits (reserve fund) or other components of equity capital meeting the definition of common equity Tier 1 capital under EU Regulation 575/2013 (CRR). For the purpose of calculating the value of a share, the unaudited profit or loss for the part of the accounting period to which the value is being determined is included. The value of the share is published in the bank's internet banking system or is communicated upon request at the bank's branches.

C.8. Fixed assets

Intangible fixed assets

In thous. CZK	Intangible fixed assets	Intangible fixed assets in progress	Goodwill	Total
Purchase price				
As of 1.1.2022	**91,330**	**1,895**	**20,705**	**113,930**
Increases	19,506	0	0	19,506
Decreases	0	-1,476	0	-1,476
Currency revaluation of goodwill		0	-620	-620
As of 31.12.2022	**110,836**	**419**	**20,085**	**131,340**
As of 1.1.2023	**110,836**	**419**	**20,085**	**131,340**
Increases	8,836	0	0	8,836
Decreases	-36,906	-419	0	-37,325
Currency revaluation of goodwill	0	0	1,774	1,774
As of 31.12.2023	**82,766**	**0**	**21,859**	**104,625**

Write-downs and valuation allowances in thousands of CZK	Intangible fixed assets	Intangible fixed assets in progress	Goodwill	Total
As of 1.1.2022	**26,705**	**0**	**0**	**26,705**
Depreciation and impairment of disposed assets	11,643	0	0	11,643
Decreases	0	0	0	0
As of 31.12.2022	**38,348**	**0**	**0**	**38,348**
As of 1.1.2023	**38,348**	**0**	**0**	**38,348**
Depreciation and impairment of disposed assets	10,865	0	0	10,865
Decreases	-2,219	0	0	-2,219
As of 31.12.2023	**46,994**	**0**	**0**	**46,994**

Residual value in thous. CZK	Intangible fixed assets	Intangible fixed assets in progress	Goodwill	Total
As of 31.12.2022	**72,488**	**419**	**20,085**	**92,992**
As of 31.12.2023	**35,772**	**0**	**21,859**	**57,631**

The acquisition of FCM Bank by the Group in 2017 resulted in goodwill of EUR 833 thousand. This represents the difference between the acquisition cost and the fair value of the identifiable assets and liabilities acquired at the acquisition date. Goodwill is an asset that represents future economic benefits arising from other assets acquired in a business combination, but which are not individually identified and separately recognised. These include in particular a banking licence from the Maltese banking regulator, but which is not transferable and therefore does not meet the requirements for intangible assets under IAS 38. Goodwill does not generate cash flows independently of other assets or groups of assets and often contributes to the cash flows of multiple cash-generating units.

The Group tests goodwill for impairment on an annual basis at the date of the financial statements. No impairment indicators have been identified as of 31.12.2023 and 31.12.2022.

Tangible fixed assets

In thous. CZK	Vehicles	Buildings and land	Instruments and equipment	Other tangible assets	Assets in progress	Total
Purchase price						
As of 1.1.2022	**52,649**	**9,223**	**17,679**	**5,532**	**3,176**	**88,259**
Increases	116,816	3,323	2,477	1,611	23,512	147,739
Decreases	-41,804	-434	-703	0	-3,176	-46,117
As of 31.12.2022	**127,661**	**12,112**	**19,453**	**7,143**	**23,512**	**189,881**
As of 1.1.2023	**127,661**	**12,112**	**19,453**	**7,143**	**23,512**	**189,881**
Increases	202,733	577	1,421	0	6,036	210,767
Decreases	-145,010	0	-5,489	0	-29,508	-180,007
As of 31.12.2023	**185,384**	**12,689**	**15,385**	**7,143**	**40**	**220,641**

Write-downs and valuation allowances in thousands of CZK	Vehicles	Buildings and land	Instruments and equipment	Other tangible assets	Assets in progress	Total
As of 1.1.2022	**3,139**	**5,074**	**7,702**	**2,743**	**0**	**18,658**
Depreciation and impairment of disposed assets	44,553	2,053	2,804	708	0	50,117
Decreases	-41,804	-246	-700	0	0	-42,751
As of 31.12.2022	**5,888**	**6,880**	**9,806**	**3,450**	**0**	**26,025**
As of 1.1.2023	**5,888**	**6,880**	**9,806**	**3,450**	**0**	**26,025**
Depreciation and impairment of disposed assets	26,494	0	1,540	0	0	28,034
Decreases	-11,879	-387	-1,752	0	0	-14,017
As of 31.12.2023	**20,503**	**6,493**	**9,594**	**3,450**	**0**	**40,040**

Residual value of tangible fixed assets in thous. CZK	Vehicles	Buildings and land	Instruments and equipment	Other tangible assets	Assets in progress	Total
As of 31.12.2022	**121,773**	**5,232**	**9,646**	**3,692**	**23,512**	**163,855**
As of 31.12.2023	**164,881**	**6,195**	**5,791**	**3,693**	**40**	**180,600**

Tangible fixed assets acquired under lease

In thous. CZK	Buildings and land	Total
Purchase price		
As of 1.1.2022	**9,223**	**9,223**
Increases	3,323	3,323
Decreases	434	434
As of 31.12.2022	**12,112**	**12,112**
As of 31.1.2023	12,112	12,112
Increases	1,711	1,711
Decreases	0	0
As of 31.12.2023	**13,823**	**13,823**

Write-downs and valuation allowances in thousands of CZK		
As of 1.1.2022	**5,074**	**5,074**
Depreciation and impairment of disposed assets	2,053	2,053
Decreases	247	247
As of 31.12.2022	**6,880**	**6,880**
As of 1.1.2023	**6,880**	**6,880**
Depreciation and impairment of disposed assets	2,100	2,100
Decreases	0	0
As of 31.12.2023	**8,980**	**8,980**

Residual value of tangible fixed assets acquired under lease in thous. CZK		
As of 31. 12.2022	**5,232**	**5,232**
As of 31. 12.2023	**4,843**	**4,843**

The company leases land and buildings for its headquarters and headquarters. These leases are usually for an indefinite term with a notice period of one year, with an estimated lease term of 4 years. The estimated period is based on the judgement of the Company's senior management and is based on the medium term horizon for which the Company prepares its financial plan. Renegotiation of lease payments occurs in the event of a change in the size of the leased area.

C.9. Other assets

In thous. CZK	31.12.2023	31.12.2022
Claims on various debtors	170,781	59,001
Advances made	112,079	95,748
Other assets	114,490	15,368
Accrued expenses and income	32,129	17,478
Allowances	-643	-537
Total	**428,836**	**187,058**

Advances made consist exclusively of advances for IT services for the development and implementation of information software and the largest item in the receivables line is the parent company's assigned receivable of CZK 20,000 thousand (2022: CZK 0).

The largest item on the other assets line is the Depositor compensation scheme reserve (similar to the Czech deposit insurance fund) in the amount of CZK 19,875 thousand (2022: CZK 10,364 thousand).

All other assets as at 31.12.2023 are measured at accrued value according to IFRS 9. As part of the ECL calculation, all other assets have been categorised under Stage 1 as of 31.12.2023 and 31.12.2022. As of 31.12.2023 and 31.12.2022, the allowance was calculated based on 12 months of expected credit losses.

31.12.2023:

In thous. CZK.	Stage 1 12-month expected credit losses	Stage 2 Expected credit losses over the duration for financial assets that are not credit impaired	Stage 3 Expected credit losses over the duration for financial assets that are credit impaired	Total
Other assets	429,480	0	0	**429,480**
Allowance	-643	0	0	**-643**
Other assets, net	**428,837**	0	0	**428,837**

31.12.2022:

In thous. CZK.	Stage 1 12-month expected credit losses	Stage 2 Expected credit losses over the duration for financial assets that are not credit impaired	Stage 3 Expected credit losses over the duration for financial assets that are credit impaired	Total
Other assets	187,594	0	0	**187,594**
Allowance	-537	0	0	**-537**
Other assets, net	**187,057**	0	0	**187,057**

C.10. Liabilities to banks

	Maturity	Currency	Balance 31. 12. 2023 in thous. CZK	Balance 31. 12. 2022 in thous. CZK
Repayable on request		CZK/EUR	99	116
Loans received*	n/a	EUR	207,690	241,150
REPO operations	n/a	CZK/EUR	420,325	420,285
Total			**628,114**	**661,551**

*The borrowings received represent a loan from the ECB under the PELTRO programme

C.11. Liabilities to non-banking entities

In thous. CZK	31.12.2023	31.12.2022
Repayable on request	**3,010,422**	**2,198,396**
Of which: Liabilities from unsettled foreign exchange transactions	385,856	597,578
Of which: Deposits of clients	2,579,985	1,555,321
Of which: Other	44,581	45,497
Other liabilities	**7,748,496**	**5,520,978**
Of which: Deposits of clients	7,415,105	4,820,054
Of which: Other	333,391	700,924
Total	**10,758,918**	**7,719,374**

Liabilities to non-banks payable on demand represent liabilities due to customers' deposits received and payable on demand in the amount of CZK 2,579,985 thousand (31 December 2022: CZK 1,555,321 thousand) and liabilities to non-banks due to unsettled foreign exchange transactions. All these liabilities are due to maturity.

Other liabilities as at 31 December 2023 consist primarily of customer term deposits of CZK 7,415,105 thousand (31 December 2022: CZK 4,820,054 thousand), collateral received under forward transactions of CZK 136,185 thousand (31 December 2022: CZK 191,169 thousand) and an intra-group loan from the ultimate parent company SAB Financial Group, which is not part of the consolidated entity and these consolidated financial statements, of CZK 158,188 thousand (31 December 2023: CZK 509,625 thousand).

C.12. *Subordinated liabilities*

thous. CZK	31.12.2023	31.12.2022
Subordinated liabilities	120,005	0
Total	**120,005**	**0**

The subordinated liabilities represent an investment instrument issued by the FCM Bank. On 27 April 2023, FCM Bank offered 240,000 thousand CZK to the Bank. CZK unsecured subordinated bonds maturing on 30 June 2033 with a variable interest rate linked to the 2T repo rate announced by the Czech National Bank.

C.13. *Other liabilities*

In thous. CZK	31.12.2023	31.12.2022
Liabilities for employees	5,915	6,491
Social security and health insurance liabilities	2,956	2,111
Passive accrued accounts	60,408	3,899
Deferred income and expenditure	78,991	0
Other	221,992	154,932
Total	**370,262**	**167,434**

In the financial years 2023 and 2022, no liability exceeded a maturity of more than 5 years.

The largest item under the other line is the deposit received for vehicles in the amount of CZK 153 920 thousand and operating advances in SAB Bohemia in the amount of CZK 74 158 thousand as at 31 December 2023.

C.14. Income tax

The main components of income tax include

In thous. CZK	31.12.2023	31.12.2022
Tax payable - current year, recognised in profit or loss	52,836	52,763
Income tax from previous tax years	-296	-730
Tax deferred	31,268	13,831
Total	**83,808**	**65,864**

The items explaining the difference between the Group's theoretical and effective tax rates are as follows:

thous. CZK	31.12.2023	31.12.2022
Profit or loss for the accounting period before tax	351,079	335,953
Tax calculated based on the Czech entity's VAT rate (19%)	46,536	55,125
Tax calculated on the basis of the Maltese entity's DPPO rate (35%)	21,721	21,958
Tax effect:		
Non-tax costs	2,099	4,430
Non-tax revenue	-7,288	0
Effect of tax losses of previous years and loss-making entities	-7,409	-17,044
Other	-2,823	1,396
Income tax for the current period	52,836	52,763
Correction of previous years' tax	-296	-730
Movements in deferred tax	31,268	13,831
Total income tax expense	**83,808**	**65,864**
Effective tax rate	**23.87 %**	**19.61 %**

Deferred tax

Items giving rise to temporary differences (in thousands CZK)	31.12.2023	31.12.2022	Change
Fixed assets (deferred tax liability)	-21	-48	27
Deferred tax liability (SAB Finance)	**-21**	**-48**	**27**
Loss from previous periods (deferred tax receivable)	36,026	65,419	-29,393
Gain/loss on debt securities measured through equity accounts (deferred tax liability)	15,634	14,828	806
Deferred tax asset (FCM Bank)	**51,660**	**80,247**	**-28,587**

Deferred income tax is calculated on all temporary differences using the tax rate applicable to the period in which the tax liability or asset will be utilised, i.e. 19% and 35% respectively in the case of FCM Bank Limited. Deferred tax assets and liabilities are recognised separately as each item arises in a different jurisdiction.

C.15. Provisions

The provisions represent a provision for untaken leave amounting to CZK 2 050 thousand (2022: CZK 2 050). The entire amount of the reserve was created in 2022.

C.16. Equity

The Company's share capital consists of 3,049,019 (2022: 2,577,320) ordinary shares per bearer in certificated form with a nominal value of CZK 388 (2022: CZK 388). With effect from 1 October 2021, the shares of SAB Finance a.s. were split 1 for 10.

The Company's shares were subscribed for in 2023. On 20 September 2023, the 1st round of the 1st tranche of the subscription of shares of SAB Finance a.s. ended, which was a preferential subscription for existing shareholders. This preferential right was exercised by 178 shareholders who subscribed for 20,459 shares. On 30 October 2023, the 2nd round of the 1st tranche of the subscription of shares of SAB Finance a.s. ended, with 471,698 shares subscribed.

There was no change in the number of shares in 2022.

The total volume of offered shares of SAB Finance a.s. placed and sold in the public offer as of 31 December 2023 is 1,128,801 shares.

Data on securities

Type	Ordinary shares
Form	To owner
Form	Book-entry
Number of units as of 31.12.2023	3,049,019
Number of units owned by persons with management authority	160
Volume of offered shares of SAB Finance a.s. placed and sold in the public offer as of 31.12.2023	1,128,801
ISIN	CZ0009009940
Nominal value	388
Taxation of shares	Income from securities is taxed in accordance with Act No. 586/1992 Sb., on Income Taxes, as amended
Taxpayer withheld from the proceeds of the security	Issuer
Methods of transferring a security	Through the CDCP
Limitations on transferability	There are no restrictions on the transferability of shares
Restrictions on voting rights	The Company is not aware of any restrictions on the voting rights of the shares issued by the Company.
Dividend strategy	5% p.a. of the market price of the shares on admission to trading
Dividend payment	Semi-annually

Significant direct or indirect voting interests in the company

See Note A.8.

Information on agreements between shareholders or similar holders of securities representing an interest in the company that may have the effect of making the transferability of shares or similar securities representing an interest in the company more difficult, if known to the company

The company is not aware of any agreements between shareholders which may have the effect of impairing the transferability of shares issued by the company.

Information on special rules governing the election and removal of members of the statutory body and amendments to the articles of association or similar document of the company

The company has not adopted any special rules governing the election and removal of members of the statutory body and the amendment of the articles of association or similar document of the company.

Information on the special powers of the statutory body or the board of directors under the Act regulating the legal relations of companies and cooperatives

The statutory body of the company does not have special powers under the law governing the legal relations of companies and cooperatives.

Information on significant agreements to which the company is a party and which will take effect, change or terminate in the event of a change of control of the company as a result of a takeover bid, and the effects thereof

The Company is not aware of any such agreements.

Information about agreements between the company and members of its statutory body or employees by which the company is obliged to perform in the event of termination of their office or employment in connection with the takeover bid

The company has not entered into any agreements with members of its statutory body or employees which contain provisions for performance by the company in the event of termination of their office or employment in connection with the Takeover Bid.

Information about any plans under which employees and members of the statutory body of the company are permitted to acquire participating securities of the company, options over such securities or other rights over such securities on preferential terms and how the rights under such securities are exercised

The company does not have any plans under which employees and members of the statutory body are allowed to acquire participating securities, options on such securities or other rights on preferential terms.

Profit sharing

The Board of Directors of SAB Finance a.s. proposes to distribute the profit after tax for the year 2023 in the amount of CZK 264,264,072 as follows:

1) An amount of CZK 183,520,454 for the benefit of shareholders.
2) An amount of CZK 80,743,618 to the retained earnings account.

On 16 September 2022, the General Meeting of SAB Finance a.s. decided to distribute the company's own resources in the total amount of CZK 89,371 thousand in favour of the shareholders. The interim dividend per share (after the split) was CZK 34.68 before tax.

On 25 April 2022, the General Meeting of SAB Finance a.s. decided on the proposed distribution of profit for 2021. CZK 120,000 thousand was resolved in favour of the shareholders and CZK 41,499 thousand was transferred to the retained earnings account.

The company's long-standing and implemented dividend policy has been to pay out all profits after statutory contributions to shareholders. The planned dividend strategy is to pay a dividend twice a year, corresponding to at least 5% per annum of the price of the Shares at the time of the public offering, i.e. CZK 1,060 per share.

C.17. Information disclosed in accordance with IFRS 3

Date of acquisition or establishment of individual subsidiaries in the group:

Name and surname of the shareholder	Date of acquisition/establishment of subsidiary	Method of obtaining control	Reasons
SAB Europe Holding Ltd.	7. 5. 2015	Established	Acquisition of a Maltese bank
SAB Bohemia s.r.o.	2. 6. 2016	Established	Asset management
SAB Financial Investments a.s.	4. 4. 2018	Established	Managing financial investments
FCM Bank Limited	30. 11 2017	Acquisitions	Expansion of the Group's activities in the euro area
SAB Malta Limited	22. 4. 2019	Established	Support services for Maltese companies

All subsidiaries are consolidated using the full method.

C.18. Non-controlling interest

A non-controlling interest in SAB Europe Holding was created in 2023. The non-controlling interest amounts to 49.66%, which was acquired by SAB Financial Group a.s. through the capitalization of loans in order to strengthen the capital structure of the company.

The non-controlling interest in the case of FCM banks is 5.86% (0.74% as at 31 December 2022) of the share capital held by minority shareholders. The increase in 2023 was due to the partial sale of the company.

Non-controlling interests are valued on the basis of equity interest (not fair value).

C.19. Pledges and guarantees received

As at 31 December 2023, the Company records commitments and guarantees received in the amount of CZK 500,000 thousand (as at 31 December 2022 in the amount of CZK 500,000 thousand). This is the undrawn credit framework based on a loan agreement with TRINITY BANK a.s. In addition, the Company records credit commitments of CZK 3,760,125 thousand (31 December 2022: CZK 2,657,258 thousand) in respect of credit commitments granted to FCM Bank.

C.20. Net interest income/deposit

in thous. CZK	2023	2022
Interest income calculated using the effective interest rate method	573,715	255,001
Total	**573,715**	**255,001**

in thous. CZK	2023	2022
Interest on bank overdrafts	13,439	145
Interest on loans	17,121	25,793
Interest on deposits received	281,951	90,441
From the lease	384	411
Interest on collateral received	9,192	0
Total	**322,087**	**116,790**

Interest income represents mainly interest on loans to customers.

Interest on loans mainly represents interest expense on loans received from FCM Bank Limited and SAB Financial Group a.s. Interest on deposits received represents interest generated on deposits received from customers.

All interest was calculated using the effective interest rate method.

C.21. Revenue and commission and fee expenses

in thous. CZK	2023	2022
Income fees from closed trades	288	1,747
Fees on loans	21,979	19,693
Total	**22,267**	**21,440**

Loan fees include income from loan origination fees, loan application fees, fees for undrawn commitments at the date the loan agreement provides for, etc.

in thous. CZK	2023	2022
Cost of bank charges	34,852	30,287
Commission	2,223	2,919
Other	7,689	434
Total	**44,764**	**33,640**

Fees and commissions expense includes the cost of bank fees for overdraft facilities with TRINITY BANK a.s. The overdraft facility was CZK 500 million as of 31 December 2023 and has not been drawn (2022: CZK 500 million). The company can draw on this framework in three currencies - CZK, EUR and USD depending on the current liquidity needs in a given currency. The overdraft facility is concluded for an indefinite period with a three-month notice period. In addition, the item fee and commission expenses includes fees for current accounts with other banks.

The commission item includes costs related to commissions to third parties for referring/intermediating a new credit client.

C.22. Net profit from trading operations

in thous. CZK	2023	2022
Foreign exchange profit/loss	-8,439	10,689
Profit/loss on trading	485,235	401,980
Revaluation of financial derivatives	-80,389	127,323
Total	**396,407**	**539,992**

Gains on financial operations were split into a portion representing the exchange difference on the revaluation of balance sheet account balances and gains on trading, which represent the exchange differences between the rate agreed at settlement and the CNB rate, and gains on the sale of securities and the revaluation of derivative transactions.

C.23. Other operating expenses and income

Other operating income

in thous. CZK	2023	2022
Proceeds from the sale of fixed assets	181,113	41,395
Other income	28,104	26,778
Total	**209,217**	**68,173**

Revenues from the sale of fixed assets represent mainly revenues from the sale of cars and discarded assets (mainly IT equipment).

Other income represents mainly income from car rental.

Other operating expenses

in thous. CZK	2023	2022
Donations	571	145
Insurance	6,630	668
Other costs	46,281	19,983
Residual value of assets sold	135,298	38,225
Total	**188,779**	**59,021**

C.24. Administrative expenses

in thous. CZK	2023	2022
Wages and remuneration	**158,828**	**169,311**
Social security and health insurance	**35,494**	**32,752**
Other staff costs	**1,330**	**3,548**
Other administrative costs	**133,829**	**124,816**
of which: audit, legal and tax consultancy costs	23,139	21,467
of which: statutory audit of financial statements	6,105	4,058
other	70	0
tax consultancy	2,736	214
regulatory advice	750	1,611
Total	**329,481**	**330,427**

As at 31 December 2023 and 31 December 2022, the Company has not granted any loan, advance, pledge or borrowing to members of the management and controlling bodies.

Persons with managerial authority

Principles of remuneration

In the remuneration of employees and employees with management authority, the company is governed by generally binding legislation, in particular Act No. 262/2006 Sb., the Labour Code and Act No. 90/2012 Sb., the Business Corporations Act. In addition to the above, remuneration is regulated by internal regulations. In particular, the remuneration principles aim to ensure transparency, predictability, compliance with legal requirements and fairness for all employees.

The basic remuneration for the performance of their duties is due to the members of the statutory body on the basis of the Performance Contract concluded with the company. Members of the Board of Directors are remunerated for the performance of their duties in accordance with the applicable provisions of the Commercial Corporations Act and the Labour Code. The above remuneration is a fixed monthly remuneration.

At the same time, the service contract obliges the Company to reimburse the member for all reasonable expenses actually incurred in the performance of the duties arising from the performance of his/her duties. The extent of the reimbursement and other conditions shall be governed by internal regulations and the relevant legislation governing employee compensation. These reimbursements include, for example, travel expenses, travel insurance, etc.

For the purpose of performing its duties, the Company shall provide, at its own expense, to a member of the Board of Directors who is not also an employee of the Company and who does not already have such resources at his disposal by virtue of his position, such working equipment as he deems necessary for the performance of his duties. These means of performing the function include, for example, a company car, laptop, mobile phone, SIM card, data tariffs, etc.

Lastly, the company undertakes to reimburse the Board member for the costs of educational and other activities related to the performance of the Board member's duties and the business management of the company. The costs incurred are aimed at enhancing the professional knowledge and skills of these managers.

No monetary or non-monetary benefits shall be due to a member of the statutory body upon termination of his/her office. The only exception is the case where a member of the Board of Directors is also an employee of the company and is therefore entitled to remuneration on the basis of this employment relationship.

The Company has no other persons with management authority outside the members of the Board of Directors.

The Supervisory Board of the Company does not have an agreed remuneration arising from the performance of its duties.

No material contracts were entered into during the financial years 2023 and 2022, other than contracts entered into in the ordinary course of business to which the Company is a party.

C.25. Revenue and expenses by operating segment

	Czech Republic		European Union except the Czech Republic		Other	
thous. CZK	2023	2022	2023	2022	2023	2022
Interest income and similar income	143,343	69,920	430,372	185,081	0	0
Interest and similar expenses	-78,143	63,550	-243,944	53,133	0	106
Revenue from fees and revisions	2,513	0	19,754	0	0	0
Cost of fees and revisions	-39,937	0	-4,827	0	0	0
Net profit from trading operations	384,125	504,181	12,275	35,745	7	66
Other operating income	202,801	0	6,417	0	0	0
Other operating expenses	-188,779	0	0	0	0	0
Net impairment of financial assets	-301	0	644	0	0	0
Depreciation and amortisation	-22,358	10,281	-10,801	0	0	0
Tax expense or income	-40,352	52,064	-43,456	13,801	0	0

The company operates in one segment. No other segments are separately monitored by the Company. The above breakdown is based on the geographic footprint of the Company's clients.

C.25. Related party transactions

thous. CZK	31.12.2023	31.12.2022
Receivables from banks	595,652	152,532
Receivables from non-banking entities	282,859	193,937
Other assets	202,643	15,071
Liabilities to banks	207,690	420,405
Liabilities to non-banking entities	185,973	509,625
Other liabilities	1,048	100,609
Subordinated liabilities	120,005	0

Receivables from banks represent receivables due to reverse REPO transactions concluded with another bank. Amounts due from banks represent deposits from another bank held in FCM Bank's current account.

Receivables from non-bank entities represent loans granted, while liabilities from non-bank entities represent deposits and a loan from the parent company SAB Financial Group.

The item Other assets mainly includes advances for the purchase of cars, advances for the implementation of banking software. Other liabilities mainly include liabilities to an IT outsourcing company.

thous. CZK	31.12.2023	31.12.2022
Net profit from trading operations	5,113	0
Interest income and similar income	8,206	6,053
Interest and similar expenses	16,759	66,233
Income from shares	0	13,663
Fee and commission expenses	35,073	18,402
Other operating expenses	0	57
Administrative expenses	14,275	23,104

These costs relate mainly to IT services and interest on loans taken out and bank charges. Proceeds from shares represent the dividend paid from Trinity Bank a.s.

Summary of balances between the Group and its parent company SAB Financial Group:

thous. CZK	31.12.2023	31.12.2022
Receivables from non-banking entities	55,445	0
Liabilities to non-banking entities	185,973	509,625

The balances represent intra-group borrowings.

The following transactions were made between the Group and its parent company SAB Financial Group a.s. in 2023 and 2022:

thous. CZK	31.12.2023	31.12.2022
Interest income and similar income	566	396
Interest and similar expenses	16,759	19,580
Administrative expenses	0	785

The expense between the Group and SAB Financial Group Inc. represents interest expense generated by short-term loans made by SAB Financial Group Inc. to the Group during 2023 and 2022 and long-term loans made in 2023 and 2022. Revenue represents interest income from short-term loans granted by the Group to SAB Financial Group a.s. The Group used these short-term borrowings to meet its short-term liquidity needs.

C.26. Classification of financial assets and financial liabilities

The following table provides a reconciliation between balance sheet items and the valuation categories of financial instruments.

31.12.2023

31.12.2023 in thous. CZK	Note	FVTPL	FVOCI	Accrued value	Total
Cash and cash equivalents	C.1.	0	0	2,005,242	2,005,242
Receivables from banks	C.2.	0	0	425,943	425,943
Positive fair value of currency forwards	C.5.	373,002	0	0	373,002
Receivables from non-banking entities	C.3.	0	0	8,658,667	8,658,667
Debt securities	C.4.	0	529,897	1,787,326	2,317,223
Shares, units and other interests	C.6	32,701	0	0	32,701
Other assets	C.9.	0	0	428,837	428,837
Total financial assets		**405,703**	**529,897**	**13,306,015**	**14,241,615**

31.12.2023 in thous. CZK	Note	FVTPL	FVOCI	Accrued value	Total
Liabilities to banks	C.10.	0	0	628,114	628,114
Liabilities to non-banking entities	C.11.	0	0	10,758,918	10,758,918
Negative fair value of currency forwards	C.5.	226,187	0	0	226,187
Subordinated liabilities	C.12.	0	0	120,005	120,005
Other liabilities	C.13.	0	0	370,262	370,262
Total financial assets		**226,187**	**0**	**11,877,299**	**12,103,486**

31.12.2022

31.12.2022 in thous. CZK	Note	FVTPL	FVOCI	Accrued value	Total
Cash and cash equivalents	C.1.	0	0	1,129,108	1,129,108
Receivables from banks	C.2.	0	0	221,441	221,441
Positive fair value of currency forwards	C.5.	681,184	0	0	681,184
Receivables from non-banking entities	C.3.	0	0	5,419,461	5,419,461
Debt securities	C.4.	0	250,277	1,995,543	2,245,819
Shares, units and other interests	C.6.	0	368,258	0	368,258
Other assets	C.9.	0	0	187,057	187,057
Total financial assets		**681,184**	**618,535**	**8,952,610**	**10,252,328**

31.12.2022 in thous. CZK	Note	FVTPL	FVOCI	Accrued value	Total
Liabilities to banks	C.10.	0	0	661,551	661,551
Liabilities to non-banking entities	C.11.	0	0	7,719,374	7,719,374
Negative fair value of currency forwards	C.5.	456,869	0	0	456,869
Other liabilities	C.13.	0	0	167,434	167,434
Total financial assets		**456,869**	**0**	**8,548,359**	**9,005,228**

C.27. Financial instruments - risk management

An overview of the main risks that may accompany the Group's business activities and results of operations and how they are managed:

a) Credit risk

The Group's credit risk arising from the provision of payment services is defined as the failure to repay funds provided to customers in the agreed amount and time. The Group is not exposed to credit risk in its payment services business because settlement of foreign currency transactions always occurs after the customer has credited the funds to the accounts held by the Company.

Credit institution credit risk is the risk of loss to the Group arising from the failure of a counterparty to meet its obligations under the terms of the contract under which the Group has become a creditor of the counterparty.

The credit risk to which the Group is exposed arises mainly from loans and borrowings, investments in securities and credit commitments. In terms of the nature of its activities, the Group considers it to be the most significant. The objective of the credit risk management process is to ensure that the credit risks to which the Group is exposed in its operations are identified, their amount determined, their status and development analysed and measures taken to optimise the Group's financial risks and returns in the long term.

The Company is exposed to credit risk on account of receivables from banks, receivables from non-banks and other assets.

Determination of expected credit losses (ECL)

For the purpose of determining expected credit losses (ECL), the Group has separated the items Receivables from banks, Receivables from non-banks and Other assets into receivables based on quantitative and qualitative criteria:

- without default and without a significant increase in credit risk (so-called "Stage 1"),

- with a significant increase in credit risk from the initial recognition (so-called "Stage 2"),

- in failure (so-called "Stage 3").

Calculation of expected credit losses (ECL):

The Group determines expected credit losses (ECL) according to the following formula:

$$ECL = PD * EAD * LGD$$

The key inputs and assumptions for the ECL calculation are the following parameters:

i) probability of default (PD)

Cash and cash equivalents, amounts due from banks:

The PD for each exposure was determined by reference to the external credit rating of the counterparty based on Moody's data. In the event that the counterparty does not have an assigned external credit rating, the external rating is calculated on the basis of the parent company's rating, reduced by one rating step. In the event that neither the parent company has an assigned external credit rating, the average rating of the remaining banks was used, reduced by two rating grades.

Amounts due from non-banks and Other assets:

An external credit rating based on quantitative and qualitative criteria has been assigned to each exposure of receivables from non-banks and other assets based on Moody's data.

PD values used

Rating equivalent	PD
Aaa-Aa	0-0.04 %
A	0.04-0.06 %
Baa	0.10-0.21 %
Ba	0.39-1.19 %
B	1.78-4.24 %
Caa	3.93-17.33 %
Ca-C	30.04 %

ii) Exposure at default (EAD) value

The gross book value of the exposure at the date of calculation of the ECL was considered as the EAD.

Loss given default (LGD)

Loss given default was determined on the basis of regulatory LGD values and the Czech National Bank statistics published in the Financial Stability Report.

Classification of receivables into individual impairment stages

The ECL calculation for receivables by impairment stage is as follows:

- impairment stage 1 - equal to 12 months credit loss

- impairment stage 2 and 3 - equal to the lifetime credit loss

Assets in impairment stage 1:

- Financial assets less than 30 days past due;

- Financial assets for which there are no other qualitative and quantitative factors indicating that they are not assets with low counterparty credit risk;

Assets in impairment stage 2:

- Financial assets 30 days or more past due, but not more than 90 days past due;

- Financial assets for which the counterparty's credit rating on Moody's scale has been downgraded by two or more stages since initial recognition (significant increase in credit risk since initial recognition);

Assets in impairment stage 3:

- Financial assets 90 days or more past due;

- Financial assets designated as purchased or incurred credit impaired financial assets (POCI);

- Financial assets whose counterparty has a credit rating of Moody's Caa1 or worse.

b) Operational risk

Operational risk is defined as the risk of loss due to inadequacy or failure of internal processes, human factors or systems or the risk of loss to the Group due to external events. The basis for the Group's operational risk management was created primarily by the conceptualisation of the organisational structure. The human factor risk is managed by strictly defining the responsibilities of the individual bodies and employees of the Group and by the organisational rules. Information systems risk is secured by creating access profiles to information systems and establishing control mechanisms. The risk of inappropriate or faulty internal processes is limited by the control mechanisms in place.

The objective of the operational risk management process is to ensure that, based on observation and evaluation of past events, measures are taken to eliminate or remove individual elements of operational risk. The Group monitors operational risk in all areas of activity where losses may arise from this risk. Operational risk management includes preventing the laundering of proceeds of crime and ensuring the security of the Group's information technology.

c) Market risk

Market risk is the risk of loss arising from changes in market prices, interest rates and exchange rates. It is an umbrella term for general interest rate risk, equity risk, currency risk, commodity risk and other risks associated with market price movements. Market risk is managed by prudent and efficient management of open foreign exchange and interest rate positions and by setting internal limits on the maximum amount of total open foreign exchange and interest rate positions.

d) Currency risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Group's exposure to foreign currency risks.

Further, the management and monitoring of currency risk is carried out on a daily basis using the VaR method, which is based on an estimate of the maximum change in the exchange rate over a given time period with a certain probability.

Assets as of 31.12.2023 (in thous. CZK)	CZK	EUR	Other	Total
Cash and cash equivalents	888,597	1,004,632	112,014	2,005,242
Receivables from banks	160,992	259,702	5,249	425,943
Receivables from non-banking entities	358,677	8,199,800	100,190	8,658,667
Debt securities	599,103	1,581,350	136,770	2,317,223
Shares, units and other interests	0	3,627	29,074	32,701
Participating interests with decisive influence	0	0	0	0
Positive fair value of derivatives	370,497	2,890	0	373,387
Other	180,080	243,364	5,392	428,837
Total balance sheet	2,557,947	11,295,365	388,688	14,242,000

Liability as of 31.12.2023 (in thous. CZK)	CZK	EUR	Other	Total
Liabilities to banks	0	628,114	0	628,114
Liabilities to non-banking entities	1,337,358	9,342,784	78,776	10,758,918
Negative fair value of derivatives	226,572	0	0	226,572
Subordinated liabilities	120,005	0	0	120,005
Other	225,667	144,580	15	370,262
Total balance sheet	1,909,602	10,115,478	78,791	12,103,871

Long positions in off-balance sheet instruments	9,288,159	7,419,515	1,721,047	18,428,721
Short positions of off-balance sheet instruments	9,375,944	7,563,937	2,008,154	18,763,787

Net foreign exchange position	560,559	1,035,465	22,790	1,618,815

Assets as of 31.12.2022 (in thous. CZK)	CZK	EUR	Other	Total
Cash and cash equivalents	66,840	982,643	79,624	1,129,107
Receivables from banks	13,231	202,240	5,970	221,441
Receivables from non-banking entities	188,559	5,199,644	31,257	5,419,461
Debt securities	685,406	1,552,834	7,579	2,245,819
Shares, units and other interests	368,258	0	0	368,258
Participating interests with decisive influence	0	0	0	0
Other	929,771	275,507	57	1,205,336
Total balance sheet	**2,252,066**	**8,212,868**	**124,488**	**10,589,422**

Liability as of 31.12.2022 (in thous. CZK)	CZK	EUR	Other	Total
Liabilities to banks	161,754	499,797	0	661,551
Liabilities to non-banking entities	565,387	7,007,610	146,377	7,719,374
Other	1,890,435	317,736	324	646,157
Total balance sheet	**2,617,577**	**7,825,143**	**146,701**	**9,027,082**

Long positions in off-balance sheet instruments	12,169,884	10,014,499	1,219,882	23,404,264
Short positions of off-balance sheet instruments	12,245,962	10,220,680	1,185,334	23,651,976

Net foreign exchange position	**-441,589**	**181,543**	**12,334**	**-247,712**

The following table provides a sensitivity analysis of the EUR assets and liabilities whose value depends on the exchange rate:

31.12.2023

thous. CZK	Exchange rate rise of 10%	Exchange rate depreciation of 10%
Impact on the profit and loss account	10,355	-10,355
Impact on equity	0	0
Total balance sheet	10,355	-10,355

31.12.2022

thous. CZK	Exchange rate rise of 10%	Exchange rate depreciation of 10%
Impact on the profit and loss account	18,154	-18,154
Impact on equity	0	0
Total balance sheet	18,154	-18,154

d) Interest rate risk

The Group is exposed to interest rate risk due to the fact that interest-bearing assets and liabilities have different maturities or interest rate reset/adjustment periods and also the volumes in those periods.

Assets as of 31.12.2023 (in thous. CZK)	Within 3 months	From 3 months. to 1 year	From 1 year to 5 years	Over 5 years	Total gross	Allowances	Total net
Cash and cash equivalents	2,005,242	0	0	0	2,005,242	0	2,005,242
Receivables from banks	252,868	173,075	0	0	425,943	0	425,943
Receivables from non-banking entities	7,451,611	293,565	741,855	187,531	8,674,563	15,896	8,658,667
Debt securities	760,608	0	1,140,358	426,483	2,327,449	10,225	2,317,224
Total	**10,470,329**	**466,640**	**1,882,213**	**614,014**	**13,433,197**	**26,121**	**13,40, 075**

Derivative assets							
Positive fair value of currency derivatives	121,086	194,678	57,238	0	373,002	0	0

Liabilities as of 31.12.2023 (in thousands CZK)	Within 3 months	From 3 months. to 1 year	From 1 year to 5 years	Over 5 years	Total	Allowances	Total
Liabilities to banks	628,114	0	0	0	628,114	n/a	628,114
Liabilities to non-banking entities	9,033,104	1,693,330	32,485	0	10,758,919	n/a	10,758,919
Other liabilities	171,221	194,198	0	4,843	370,262	n/a	370,262
Total	**9,832,439**	**1,887,528**	**32,485**	**4,843**	**11,757,295**		**11,757,295**

Derivative liabilities							
Negative fair value of currency derivatives	73,791	114,877	37,519	0	226,187	n/a	226,187

Gap	685,185	-1,341,087	1,869,447	609,171	1,822,716		
Cumulative gap	685,185	-655,902	1,213,545	1,822,716	1,822,716		

Assets as of 31.12.2022 (in thousands CZK)	Within 3 months	From 3 months. to 1 year	From 1 year to 5 years	Over 5 years	Total
Cash and cash equivalents	1,129,335	0	0	0	1,129,335
Receivables from banks	53,014	168,805	0	0	221,819
Receivables from non-banking entities	638,595	161,770	2,318,645	2,311,932	5,430,942
Debt securities	642,769	0	695,866	912,599	2,251,234
Total	**2,463,712**	**330,575**	**3,014,511**	**3,224,531**	**9,033,329**

Derivative assets					
Positive fair value of currency derivatives	177,159	308,473	195,552	0	681,184

Liabilities as at 31.12.2022 (in thous. CZK)	Within 3 months	From 3 months to 1 year	From a year to 5 years	Nad5let	Total
Liabilities to banks	403,893	257,659	0	0	661,551
Liabilities to non-banking entities	3,973,035	3,109,857	636,482	0	7,719,374
Other liabilities	158,143	0	0	0	158,143
Total	**4,535,071**	**3,367,515**	**636,482**	**0**	**8,539,069**
Derivative liabilities					
Negative fair value of currency derivatives	123,653	217,368	115,848	0	456,869
Gap	**-2,017,853**	**-2,945,835**	**2,457,733**	**3,224,531**	**718,576**
Cumulative gap	**-2,017,853**	**-4,963,688**	**-2,505,955**	**718,576**	**1,437,152**

The above summary includes only interest sensitive assets and liabilities and is therefore not identical to the values presented in the Company's balance sheet.

e) Liquidity risk

Liquidity risk is the risk that the Group will lose the ability to meet its financial obligations as they fall due or will be unable to fund its assets.

Payment services:

Liquidity is defined in the case of the Group as the Group's ability to meet customer obligations arising from currency conversions and related payment transactions in an orderly and timely manner.

The Group has established mechanisms to segregate client funds from the Group's operating funds when providing payment services.

Closed foreign exchange trades are settled by the Group only after the Group receives financial backing for the trade from the client. This mechanism prevents liquidity risk.

Banking services:

In order to avoid liquidity risk, the Group optimises its cash flows, both in the short and medium and long term, with the aim of being able to cover at all times the needs arising from payment orders from its clients and the settlement of trade transactions on its own account.

In managing liquidity risk, the Group uses two types of scenarios for the Bank, namely the base case scenario, based on the expected development of the Bank, and alternative scenarios. The alternative scenarios include a specified risk scenario, supplemented by a set of stress scenarios that take into account developments under potential extreme adverse conditions. In order to maintain an optimal level of liquid assets and sufficient liquidity buffers, the Bank establishes a set of ratios and limits to ensure an adequate level of liquidity.

The table below shows the assets and liabilities by residual maturity. The residual maturity is the period from the date of the financial statements to the contractual maturity of the asset or liability.

Non-derivative assets as of 31.12.2023 (in thousands CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months. to 1 year	From 1 year to 5 years	Over 5 years
Cash and cash equivalents	2,005,242	2,070,873	2,070,873	0	0	0
sAccounts receivable from banks	425,943	431,101	177,274	253,827	0	0
Receivables from non-banking entities	8,674,563	8,916,804	596,307	651,778	3,944,895	3,723,824
Debt securities	2,327,449	2,327,449	32,041	167,079	1,462,798	665,531
Other assets	428,837	438,349	61,361	145,048	20,000	0
Total	**13,862,034**	**14,184,576**	**2,937,856**	**1,217,732**	**5,427,693**	**4,389,355**
Derivative assets						
Positive fair value of currency derivatives	373,002	399,592	144,452	197,104	60,926	0
Total	**14,235,036**	**14,584,168**	**3,082,308**	**1,414,836**	**5,488,619**	**4,389,355**

Non-derivative liabilities as of 31.12.2023 (in thous. CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months. to 1 year	From 1 year to 5 years	Over 5 years
Liabilities to banks	628,114	99	628,015	99	0	0
Liabilities to non-banking entities	10,758,918	571,260	9,195,322	1,536,719	32,485	0
Subordinated liabilities	120,005	120,005	120,005	120,005	120,005	120,005
Other liabilities	370,262	227,808	170,257	0	0	0
Total	11,877,299	919,172	10,113,599	1,656,823	152,490	120,005
Derivative liabilities						
Negative fair value of currency derivatives	226,572	228,528	72,963	115,718	39,847	0
Total	12,103,871	1,147,700	10,186,562	1,772,541	192,337	120,005
Net liquidity risk	985,265	1,013,628	763,082	216,207	41,079	-6,740

31.12.2022

Non-derivative assets as of 31.12.2022 (in thous. CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months. to 1 year	From 1 year to 5 years	Over 5 years
Cash and cash equivalents	1,129,108	1,129,335	1,077,153	0	0	52,182
Receivables from banks	221,441	223,834	52,636	171,198	0	0
Receivables from non-banking entities	5,419,461	5,430,942	638,595	161,770	2,318,645	2,311,932
Debt securities	2,245,819	2,251,234	110,065	1,408,621	0	732,548
Other assets	109,394	109,932	21,433	78,135	0	10,364
Total	**9,125,222**	**9,145,277**	**1,899,882**	**1,819,723**	**2,318,645**	**3,107,026**
Derivative assets						
Positive fair value of currency derivatives	681,184	716,111	182,844	322,818	210,449	0
Total	**9,806,406**	**9,861,388**	**2,082,726**	**2,142,541**	**2,529,094**	**3,107,026**

Non-derivative liabilities as of 31.12.2022 (in thous. CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Liabilities to banks	661,551	667,302	662,521	4,781	0	0
Liabilities to non-banking entities	7,719,374	7,725,253	3,973,548	3,115,223	636,482	0
Other liabilities	167,434	167,433	63,539	103,895	0	0
Total	**8,548,360**	**8,559,989**	**4,699,608**	**3,223,899**	**636,482**	**0**
Derivative liabilities						
Negative fair value of currency derivatives	456,869	460,653	124,240	218,626	117,787	0
Total	**9,005,229**	**9,020,642**	**4,823,848**	**3,442,525**	**754,269**	**0**
Net liquidity risk	1,114,306	1,136,098	-1,447,626	-2,589,251	2,805,329	2,369,170

The above summary includes only assets and liabilities that have contractual maturity and is therefore not identical to the amounts presented in the Group's balance sheet.

C.28. Fair value

Valuation methods

Valuation methods include:

- net present value and discounted cash flow models,
- comparisons with similar instruments for which observable prices exist,
- and other valuation models.

Assumptions and inputs

Assumptions and inputs used in the valuation methods include:

- risk-free interest rates,
- foreign exchange rates,
- benchmark interest rates,
- swap rates,
- counterparty credit risk.

Objective of the valuation method

The objective of the valuation technique is to determine a fair value that reflects the price that would be received to sell an asset or paid to assume a liability in an orderly transaction between market participants at the measurement date.

Processes and controls

The entity has established a set of controls for measuring fair value. The controls include the following:

- verification of observable inputs and prices;
- re-running model-based calculations;
- review and approval of processes for new valuation models and changes to them;

Financial instruments not carried at fair value on the balance sheet

The following table sets out the carrying amounts and fair values of financial assets and financial liabilities that are not recognised at fair value in the Group's balance sheet:

Assets as of 31.12.2023 (in thous. CZK)	Book value	Fair value
Cash and cash equivalents	2,005,242	2,005,242
Receivables from banks	425,943	425,943
Receivables from non-banking entities	8,658,667	8,658,667
Debt securities	2,317,224	2,317,224
Other assets	428,837	428,837
Total	**13,835,913**	13,835,913

Liabilities as of 31.12.2023 (in thousands CZK)	Book value	Fair value
Liabilities to banks	628,114	628,114
Liabilities to non-banking entities	10,758,918	10,758,918
Other liabilities	370,262	370,262
Subordinated liabilities	120,005	120,005
Total	11,877,299	11,877,299

Assets as of 31.12.2022 (in thousands CZK)	Book value	Fair value
Cash and cash equivalents	1,129,107	1,129,108
Receivables from banks	221,441	221,441
Receivables from non-banking entities	5,419,461	5,367,942
Debt securities	2,245,819	2,251,207
Other assets	187,057	144,184
Total	**9,202,885**	**9,113,882**

Liabilities as at 31.12.2022 (in thous. CZK)	Book value	Fair value
Liabilities to banks	661,551	661,551
Liabilities to non-banking entities	7,719,374	7,719,374
Other liabilities	167,434	167,434
Total	**8,548,360**	**8,548,360**

Financial instruments carried at fair value on the balance sheet

31.12.2023:

In thous. CZK. as of 31.12.2023	Fair value level 1	Fair value level 2	Fair value level 3	Total fair value	Total carrying amount
Positive fair value of derivatives	3,275	267,534	102,578	373,387	373,387
Negative fair value of derivatives	0	107,156	119,416	226,572	226,572
Debt securities	529,898	0	0	529,898	529,898

31.12.2022:

In thous. CZK as of 31.12.2022	Fair value level 1	Fair value level 2	Fair value level 3	Total fair value	Total carrying amount
Positive fair value of derivatives	0	633,878	47,306	681,184	681,184
Negative fair value of derivatives	0	139,652	317,217	456,869	456,869
Debt securities	2,245,819	0	0	2,245,819	2,245,819

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 during 2023 and 2022

Reconciliation of opening and closing balances in level 3:

In thous. CZK. as of 31.12.2023	Positive fair value of derivatives	Negative fair value of derivatives	Total
Balance as of 1.1.2023	47,306	-317,217	-269,911
New trades	251,582	-122,387	129,195
Revaluation of unsettled derivatives recognised in the profit and loss account	2,473	-9,073	-6,600
Settlement of trades	-198,782	329,261	130,479
Balance as of 31.12.2023	102,578	-119,416	-16,837

In thous. CZK as of 31.12.2022	Positive fair value of derivatives	Negative fair value of derivatives	Total
Balance as of 1.1.2022	**51,373**	**-50,816**	**557**
Revaluation of unsettled derivatives recognised in the profit and loss account	24,775	-267,431	-242,656
Settlement of trades	-28,842	1,030	-27,812
Balance as of 31.12.2022	47,306	-317,217	-269,911

The Group uses the following inputs and techniques to determine the fair value estimate for major items:

Cash and cash equivalents

The carrying amount is equal to their fair value. These financial assets are classified within Level 1 in the fair value hierarchy.

Receivables from banks

The carrying amount of these receivables approximates their fair value due to their short maturity. These financial assets are classified within Level 2 in the fair value hierarchy.

Receivables from non-banking entities

Estimates of the fair value of loans are based on discounted future expected cash flows using the interest rate applicable to loans with similar credit risk, interest rate risk and maturity. The carrying amount of these receivables approximates their fair value due to their short maturity.

These financial assets are classified within Level 2 in the fair value hierarchy.

Liabilities to banks

The carrying amount approximates fair value due to the short maturity of the liabilities. These financial liabilities are classified as Level 2 in the fair value hierarchy.

Liabilities to non-banking entities

Amounts due from non-banking entities payable on demand mainly represent amounts due to customers from unsettled spot trades. Due to the short maturity of these liabilities, their carrying amount corresponds to their fair value.

These financial liabilities are classified as Level 2 in the fair value hierarchy.

Positive fair value of derivatives/negative fair value of derivatives

The Group measures financial derivatives at fair value. The fair value of financial derivatives is determined as the present value of the expected cash flows arising from these transactions. Parameters observed in the active market such as exchange rates, interest rates for given maturities based on the yield curve, etc. are used to determine the present value.

The Group also enters into derivative transactions that can be settled in tranches over time. The fair value of these derivatives is determined as the sum of the option and forward components. The valuation of the forward component is based on the classic forward contract valuation. To calculate the option component, a random path simulation of the FX price is performed for each day from the valuation date until the maturity date of the derivative. The sum of the fair value of the two components forms the total fair value of the derivative and this value is shown on the balance sheet. Positive fair values in "Positive fair value of derivatives". Negative fair values in "Negative fair value of derivatives".

These financial assets are classified within Level 2 and Level 3 in the fair value hierarchy.

For other assets and liabilities, the carrying amount equals their fair value.

C.29. Significant events after the date of the consolidated financial statements

After the date of the financial statements, the second tranche of the subscription of the Company's shares took place, in which one bearer share in book-entry form was subscribed for and the Company's share capital was increased by CZK 388.00.

On 19 March 2024, the Company increased the share capital of its subsidiary SAB Financial Investment a.s. from the existing share capital by the amount of CZK 500,000 thousand. The increase in the share capital was carried out by subscription of 50 new registered ordinary shares in certificated form with a nominal value of CZK 10,000 thousand.

On 9 April 2024, a change in the composition of the Supervisory Board took place, when the current Chairman Ing. Radomír Lapčík, LL.M. resigned and Ing. Tomáš Kudela.

No other material events requiring disclosure in the consolidated financial statements occurred after the date of the financial statements.

C.30. Declaration by persons with managerial authority

We declare on our honour that to the best of our knowledge and belief these consolidated financial statements give a true and fair view of the financial position, business activities, together with a description of the principal risks and performance of the SAB Finance a.s. Group as of 31 December 2023 and for the year ended 31 December 2023.

In Prague, dated 19th April 2024

Mgr. Petra Bilerová

Chairman of the Board of Directors

Ing. Dana Hübnerová

Member of the Board of Directors

Grant Thornton

SAB Finance a.s.

REPORT

ON THE AUDIT
OF FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2023

CONTENTS

- **Annual Financial Report**
- **Consolidated Financial Statements of the Group**
- **Individual Financial Statements of the Company**

This report constitutes the auditor's report, which relates solely and exclusively to the official annual financial report prepared in XHTML format. This is a translation of the original Czech Auditor’s Report on the accompanying financial statements. Therefore, in the event of any inconsistency between the English and the Czech version, the Czech version shall prevail.

INDEPENDENT AUDITOR'S REPORT

This report is intended for the Company's shareholders

SAB Finance a.s.

Registered Address: Na příkopě 969/33, Staré Město, 110 00 Praha 1
Company Identification Number (IČ): 247 17 444

Auditor's Opinion

We have audited the accompanying consolidated financial statements of SAB Finance a.s. (hereinafter also the "Company") and their subsidiaries (hereinafter the "Group") prepared in accordance with International Reporting Standards as adopted by the European Union with the balance sheet amount of 10 979 603 thsd. CZK and consolidated profit after tax in the amount of 225 260 thsd. CZK. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. Information about the Company and the Group is given in point A.1. and A.2. of the notes to these consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, by Regulation of the European Parliament and the Council (EU) no. 537/2014 and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under these laws and regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

It is an audit of consolidated financial statements for the first accounting period. Comparable data in the Group's consolidated financial statements have not been audited.

Key Audit Matters

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

a. Calculation of profit and loss from spot transactions

For the year ending 31 December 2023, the amount of profits from spot transactions for SAB Finance a.s. reached CZK 490 230 thousand (390 437 thsd CZK for the year ended 31 December 2022).

Additional detailed data are provided in the following points of the notes to the consolidated financial statements: point B.1. (Accounting transaction day), point C.22. (Net profit from trade transactions).

Key audit matters	**How the audit matter was handled**
One of the activities of the Group through its parent company is to enter into transactions, whereby a financial asset is bought and sold at an agreed exchange rate. The most frequent type of transactions entered into by the Company are cases of purchase and sale of financial assets with a usual delivery date – so-called spot operations. The Company enters into a significant number of spot transactions with various combinations of currency pairs in the course of the accounting period. Data on spot transactions are entered by the Company's employees into the operating system of the Company. The Company has chosen the trade date method of accounting for the above transactions. The purchase and sale of a financial asset is recognised in the balance sheet on the trade date already, and a liability or receivable related to the settlement of the financial asset is recognised at the same time. A foreign currency receivable or payable from a spot transaction is subsequently revalued at the current exchange rate until the settlement date. The accounting treatment of the above-mentioned spot transactions is a complex process involving the accounting for a large number of individual transactions	In cooperation with IT specialists, the following audit procedures were performed, among others: Based on knowledge, experience and market standards, accounting methods and processes relating to the accuracy of spot revenue calculations were critically assessed. The design, implementation and operational effectiveness of IT controls and manual controls related to the verification of the accuracy of input data entered into the operating system, the accuracy of the calculation of profits and losses from spot transactions in the operating system, and the transfer of data between the operating and accounting systems were tested. A recalculation of spot gains and losses was performed on a sample of closed transactions in 2023 and these results were compared to the Company's booked values. The sufficiency and adequacy of the disclosed information on gains and losses on spot transactions in the financial statements were assessed in accordance with legislative requirements.

generating small-scale profit or loss. This fact makes the existence and accuracy of recognised gains and losses an inherent risk of the Company's business. Based on the above factors, we believe that this area represents a major risk of a significant discrepancy. This risk required our increased attention during the audit. For this reason, we have identified this matter as a key audit matter.	

b. Valuation of the Forward+ product

As at 31 December 2023, the positive fair value of unsettled transactions with Forward+ was 102 578 thsd CZK (as at 31 December 2022: 47 306 thsd CZK) and the negative fair value of unsettled transaction with Forward+ was -119 416 thsd CZK (as at 31 December 2022: -317 217 thsd CZK).

Additional detailed data are provided in the following points of the notes to the consolidated financial statements: point B.8., point C.5. (Derivatives), point C.26 (Classification of financial assets and financial liabilities) and point C.28. (Fair value).

Key audit matters	**How the audit matter was handled**
As part of its trading activities, the Group, through its parent company, offers the Forward+ product, which is a currency forward trade that allows the counterparty to settle a currency trade incrementally and partially over a predefined period of time. As of 31 December 2023, the Company had a significant amount of unsettled transactions in various currency pairs with the Forward+ product and accounted for their fair value. For accounting recognition purposes, the Company uses a proprietary valuation model to determine fair value, which consists of both forward and option components. The model simulates a sufficient number of scenarios of possible trade settlement developments. Key inputs and key assumptions used in the valuation model include the expected yield curve, the discount rate and the expected settlement date of the trade. It follows from the above that the model outputs include significant complexity, managerial judgement used and estimation uncertainty.	In cooperation with specialists in the field of valuation of financial instruments, the following audit procedures were performed, among others: Based on knowledge, experience and market standards, the processes, accounting methods, assumptions, inputs and valuation techniques related to the determination of the fair value of outstanding Forward+ trades were critically reviewed. The relevance and reliability of the inputs and judgements used in the calculation of the fair value of outstanding Forward+ trades were verified. The appropriateness of the valuation model was assessed and an independent estimate of fair value was determined for a sample of outstanding Forward+ trades. For the forward component of fair value, the market yield curve, discount rate and normal distribution assumption for the trade settlement date were used. For the option component, a random spot price movement assumption was used to simulate the development of settled trades.

Based on the above factors, we believe that this area represents a major risk of a significant discrepancy. This risk required our increased attention during the audit. For this reason, we have identified this matter as a key audit matter.	The sufficiency and adequacy of the disclosed information on trading gains and losses in the financial statements were assessed in accordance with legislative requirements.

c. Adjustments to losses from credits and advances provided to clients

Adjustments to credit receivables and advances provided to clients amounted to 15 896 thsd CZK for the year ended 31 December 2023 (for the year ended 31 December 2022: 11 481 thsd CZK).

Additional detailed data are provided in the following points of the notes to the consolidated financial statements: point B.3. (7) (Impairment) and point C.3. (Receivables from non-banking entities).

Key audit matters	**How the audit matter was handled**
The Group provides credits to non-banking entities through its subsidiary company FCM Bank (hereinafter referred to as the "Bank"). Credit loss allowances in respect of loans and advances to customers represent management's best estimate of expected credit losses ('ECLs') within the loan portfolio at the balance sheet date. The development of the models designed to estimate ECLs on the Bank's loans to customers, measured at amortized cost in accordance with the requirements of IFRS 9, requires a considerable level of judgement since the determination of ECLs is subject to a high degree of estimation uncertainty. All loans and advances to customers are considered individually significant. As as result, credit loss allowances relating to all non-defaulted loans and advances to customers are determined at instrument level through the use of an ECL model. Through its ECL model, the Bank calculates ECLs by multiplying three main components: probability of default (PD), loss given default (LGD) and exposure at default (EAD) i. Probability of default ("PD"): the likelihood of a borrower defaulting on its financial obligation	The audit was focused on the key drivers of the estimation of ECLs. Since modelling assumptions and parameters are based on peer data, we independently assessed the appropriateness of management's judgements in respect of the calibration of PDs. We also assessed the reasonableness of the PDs under multiple scenarios and the LGDs generated by the model. The appropriateness of the modelling methodology and the key parameters used within the ECL calculations were discussed extensively with management. Discussions with management and the audit committee also included staging classification of individual borrowers and assumptions in the determination of ECLs for impaired loan. Our audit procedures in respect of credit loss allowances attributable to loans and advances to customers of the Bank included: • Ensuring that the granting of facilities was performed in accordance with the approval criteria of the Bank; testing of

either over the next 12 months or over the remaining lifetime of the obligation. ii. Loss given default (“LGD”): the expected losses taking into account, among other attributes, the mitigating effect of collateral value (if any) at the time it is expected to be realized and the time value of money. iii. Exposure at default (“EAD”): the expected exposure in the event of a default (including any expected drawdowns of committed facilities). Within the ECL model for non-defaulted (Stages 1 and 2) exposures, in the absence of sufficient internal historical default data, the Bank’s starting point PDs are derived by reference to published peer data for similar portfolios which might result in limitations in appropriately estimating ECLs. For exposures secured by immovable properties, LGDs are driven by the loan-to-value ratio of the individual facilities taking into account other assumptions including market value haircut (which includes costs to sell), time to sell and the impact of discounting the collateral from the date of realization back to the date of default. The maximum period considered when measuring ECLs is the maximum contractual period over which the Bank is exposed to credit risk. Under IFRS 9, the Bank is also required to formulate and incorporate multiple forward-looking economic conditions, reflecting management’s view of potential future economic variables and environments, into the ECL estimates. The complexity attributable to this factor requires management to apply significant judgements within the ECL estimates to meet the measurement requirements of IFRS 9. Data used in the impairment calculation is manually compiled. The ECL model is based on a general-purpose application which requires extensive manual handling of data. This increases risk around the accuracy and completeness of data used to determine assumptions and to operate the ECL model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.	controls implemented by management over the monitoring of arrears, and of controls ensuring the necessary follow up actions on past due loans are satisfactorily resolved. We tested the design and operating effectiveness of these controls and determined that we could rely on these controls for the purposes of our audit. Testing of a sample of exposures to independently review the borrower’s financial performance and ability to meet loan repayments and assess the appropriateness of the stage classification assigned by management. ● Assessing the reasonableness of the starting point PD derived by reference to peer data as well as the modelling methodology applied to determine life-time PDs. ● Testing the completeness and accuracy of the critical data utilised within the models for the year-end ECL calculations, including agreeing the terms of the exposures to supporting documentation. ● Reviewing, on a sample basis, property collateral valuations utilised to determine LGDs applied by the Bank within ECL calculations. ● Challenging the application of certain parameters considered in the LGD estimations such as the time to realise the collateral and costs associated with such process. ● Assessing whether the severity in respect of modelled scenarios was appropriate in view of the surrounding economic conditions. ● Testing independently the model calculations. ● Reviewing the credit files of defaulted loans to understand the latest developments at the level of the borrower and the basis of measuring the ECL provisions and considering whether key

Judgement is also required to determine when an increase in credit risk or a default has occurred and as a result, allocate the appropriate stage classification. Staging is determined based on a combination of criteria including days past due criteria, the regular monitoring of the performance of borrowers against forecasts, as well as strategic developments affecting the borrowers' future payment capabilities. For defaulted (Stage 3) exposures, discounted cash flow models are utilized to estimate ECL. Judgment is required to estimate future cash flows under multiple scenarios, which are highly dependent on assumptions in respect of realizing the collateral. Since the estimation of ECLs is subjective in nature and inherently judgmental, the Bank's application of the IFRS 9 impairment requirements is deemed to be an area of focus. The audit was focused on credit loss allowances due to the subjective nature of specific data inputs into the calculation and the subjective judgements involved in both timing of recognition of impairment and the estimation of the size of any such impairment.	judgements were appropriate given the borrowers' circumstances. ● Determining different scenarios in respect of defaulted exposures and their respective probability weights independently, and formed our view (based on detailed loan and customer information in the credit file) on the recoverability of the selected defaulted exposures. Based on the evidence obtained, we found the model assumptions, data used within the models and model calculations to be reasonable. In the case of some ECL allowances, we formed a different view from that of management, but in our view the differences were within a reasonable range of outcomes.

d. Shares – significant influence on Trinity Bank a.s.

The Group held a 10.15% share in Trinity Bank a.s.'s capital stock and a 14.12% share in voting rights for the year ended 31 December 2023 (for the year ended 31 December 2022: a 10.15% share in capital stock and a 10.21% share in voting rights).

Additional detailed data are provided in the following points of the notes to the consolidated financial statements: point C.7. (Shares – significant influence).

Key audit matters	**How the audit matter was handled**
The shares of Trinity Bank a.s. were held by the Group in a portfolio revalued at fair value last year. Due to the increase in voting rights and the evaluation of other influences, the shares have been reclassified to the group Interests – significant influence. The interest in Trinity Bank a.s. has been consolidated using the equity method due to the above.	The first step was to assess the chosen equity method, which was supported by reasoning showing that the companies were linked mainly in terms of personnel and within the wider group (additional shareholding in the parent company).

The Group has determined the value of its shareholding in Trinity Bank a.s. based on the ratio of equity to the number of issued unit shares.	Further, in order to verify the value of the equity interest, it was necessary to demonstrate the amount of equity for the purpose of valuing the interest in Trinity Bank Inc. The equity was evidenced by the audited annual report issued prior to the date of our opinion. Finally, the audit of the equity accounted interest verified its recognition in the statement of financial position and the equity accounted share of profit or loss in the statement of comprehensive income. The review also included the exclusion of prior period adjustments related to retained earnings and a review of the exclusion of the dividend paid from Trinity Bank Inc. in 2023. We consider the procedures performed regarding the participation in Trinity Bank a.s. to be sufficient.

e. Non-controlling interests

For the year ended 31 December 2023, non-controlling interests represented a significant item in the statement of financial position and were valued at CZK 808.97 million. For the year ending 31 December 2022: CZK 6.7 1 mil.).

Further disclosures are set out in the following notes to the consolidated financial statements: paragraph C.18. (Non-controlling interests)

Key audit matters	**How the audit matter was handled**
In 2023, there were significant changes in non-controlling interests due to the sale of part of the interest in SAB Europe Holding. As of 31 December 2023, SAB Finance held a 50.34% stake in this company and the non-controlling interest amounted to 49.66%. FCM bank was 94.14% owned by SAB Europe Holding as of 31 December 2023 and the percentage of non-controlling interests was 5.86% (as of 31 December 2022: 0.74 %). The sale of the stake in SAB Europe Holding diluted the non-controlling interest in FCM bank, which had a further impact on the amount of non-controlling interests.	As part of the review of non-controlling interests, the group auditor verified the input information affecting non-controlling interests and performed a separate recalculation of the amount of the non-controlling interest. Due to the materiality of the item, the recalculation was performed using the direct consolidation method and, for our assurance, the indirect consolidation method. In both cases, the same result was achieved. In addition, the audit verified the correct presentation of both the Statement of Financial Position and the Statement of Comprehensive Income.

	We consider the above verification of non-controlling interests to be sufficient.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the consolidated financial statements and auditor's report thereon. The Company's Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge about the accounting entity and the Group obtained during the audit or otherwise appears to be significantly (materially) misstated. In addition, we assess whether the other information was prepared, in all material aspects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of significance (materiality), i.e. whether any non-compliance with these requirements could influence judgements made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements and the consolidated financial statements is, in all significant (material) aspects, consistent with the financial statements and the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company and the Group obtained during the audit, on whether the other information contains any significant (material) misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any significant (material) misstatement of fact.

Responsibilities of the Company's Board of Directors (hereinafter also the "Company's statutory body") and Supervisory Board for the Consolidated Financial Statements

The Company's statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of the consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Company's statutory body is responsible for assessing the Group's ability to continue as a going concern, describing in the notes to the financial statements, as applicable, matters related to going concern and using the going concern assumption in preparing the consolidated financial statements, unless the

Company’s statutory body either intends to liquidate the Company or to cease operations, or has no other realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company’s financial reporting process. The Audit Committee is responsible for overseeing the preparation of financial statements and consolidated financial statements.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of any significant (material) misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above-mentioned regulations will always detect any potential significant (material) misstatement in the consolidated financial statements.

Misstatements can arise from fraud or error and are considered significant (material) if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. Our duty was also to:

- Identify and assess the risks of significant (material) misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responding to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a significant (material) misstatement resulting from fraud is higher than the risk of not detecting a significant (material) misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain and understanding of Group’s internal control system relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company’s statutory body in the notes to the consolidated financial statements.
- Evaluate whether the Company’s statutory body’s use of the going concern assumption in preparing the consolidated financial statements was appropriate and, based on the obtained evidence, whether there is a significant (material) uncertainty related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that there is a significant (material) uncertainty, we are required to point out in our auditor’s report any information concerning this fact in the notes to the consolidated financial statements or, if such information is inadequate, to modify our opinion. Our conclusions regarding the Group’s ability to continue as a going concern are based on the evidence obtained up to the date of our auditor’s report. However, future events or conditions may result in the Group’s loss of its ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and suitable information about financial information concerning the Group's accounting entities or business activities in order to express our opinion on the consolidated financial statements. We are responsible for the management, oversight and execution of the Group's audit. It is our exclusive responsibility to provide our opinion.

It is our duty to communicate with the Company's statutory body, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and our significant audit findings, including any significant deficiencies identified in the internal controls.

It is also our duty to provide the Audit Committee with a statement that we have complied with the relevant ethical requirements relating to independence and to inform it about any relationships and other matters that could reasonably be expected to affect our independence as well as about any potential related measures.

Furthermore, it is our duty to select, based on the matters communicated to the Company's statutory body, the Supervisory Board and the Audit Committee, those matters that are most significant for the audit of the consolidated financial statements for the current year and that therefore constitute key audit matters, and to describe those matters in our report. This duty does not apply where law prohibits the disclosure of such matters or where, in a very exceptional case, we believe that we should not report on the matters in our report because it can be reasonably expected that any potential negative impact of such disclosure could outweigh the public interest benefit.

Information about Other Legal Requirements

Information required by Regulation (EU) no. 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of Regulation (EU) no 537/2014 of the European Parliament and of the Council, we include in our independent auditor's report the following information required in addition to International Auditing Standards:

Appointment of the auditor and the audit time period

The Company's General Meeting appointed us as the Group's auditor on 13 November 2023. We are the Group's auditor continuously for two years.

Compliance with additional report to the Audit Committee

We confirm that our opinion on the consolidated financial statements in this report is in compliance with our additional report to the Company's Audit Committee, which we issued on 27 March 2023 in compliance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of non-audit services

We declare that we did not provide any prohibited services referred to in Article 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Other than the statutory audit, we did not provide the Company and the entities controlled by the Company with any other services undisclosed in the Company's annual financial report.

Report on compliance with the ESEF Regulation

We have performed an engagement that provided reasonable assurance and was to verify the compliance of the financial statements included in the annual financial report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation"), as they relate to the financial statements.

Responsibility of the Board of Directors ("the Company's statutory body")

The Company's statutory body is responsible for the preparation of the financial statements in accordance with the ESEF Regulation. The Company's statutory body is responsible for, inter alia:

- Designing, implementing and maintaining an internal control system relevant to the application of the requirements of the ESEF Regulation;
- Preparing all financial statements included in the annual financial report in the applicable XHTML format; and
- Selecting and using XBRL tags as required by the ESEF Regulation.

Responsibility of the auditor

Our responsibility is to express an opinion, based on obtained evidence, on whether the financial statements included in the annual financial report comply, in all significant (material) aspects, with the requirements of the ESEF Regulation. We have performed this engagement providing reasonable assurance in accordance with International Standard on Assurance Engagements ISAE 3000 (Revised) - "Assurance Engagements that are not Audits or Reviews of Historical Financial Information" ("ISAE 3000").

The nature, timing and extent of the selected procedures depend on the auditor's judgement. Reasonable assurance is a high degree of assurance, but is not a guarantee that a verification performed in accordance with the aforesaid standard will in all cases detect any potential existing significant (material) non-compliance with the ESEF Regulation.

Using the selected procedures, we performed the following activities:

- We familiarized ourselves with the requirements of the ESEF Regulation;
- we familiarized ourselves with the Company's internal controls relevant to the application of the requirements of the ESEF Regulation;
- We identified and assessed the risks of a significant (material) non-compliance with the requirements of the ESEF Regulation due to fraud or error; and as a result
- Proposed and performed procedures to address the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The goal of our procedures was to assess whether

- The financial statements included in the annual financial report were prepared in a valid XHTML format;

- The information in the consolidated financial statements, where required by the ESEF Regulation, were tagged and all tagging complies with these requirements:
  - XBRL markup language was used;
  - The elements of the basic taxonomy specified in the ESEF Regulation with the closest accounting relevance were used, unless an element of an extension taxonomy was created in accordance with Annex IV of the ESEF Regulation;
  - The tagging is in accordance with the common tagging rules of the ESEF Regulation.

We believe that the obtained evidence provides a sufficient and appropriate basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2023 included in the annual financial report comply, in all significant (material) aspects, with the requirements of the ESEF Regulation.

In Prague, on 19 April 2024

Grant Thornton Audit

Grant Thornton Audit s.r.o.

Pujmanové 1753/10a, 140 00 Prague 4 - Nusle

License no. 603

Grant Thornton Audit s.r.o.
oprávnění č. 603

Mgr. Jitka Pešičková
Auditor, License no. 2106

This report constitutes the auditor's report, which relates solely and exclusively to the official annual financial report prepared in XHTML format.
This is a translation of the original Czech Auditor's Report on the accompanying financial statements. Therefore, in the event of any inconsistency between the English and the Czech version, the Czech version shall prevail.

INDIVIDUAL FINANCIAL STATEMENTS
SAB Finance a.s.
As of 31.12.2023

INDIVIDUAL STATEMENT OF FINANCIAL POSITION

ASSETS (in thous. CZK)	Note	31.12.2023	31.12.2022
Cash and cash equivalents	D.1.	747,124	289,426
Receivables from banks	D.2.	173,075	168,805
Receivables from non-banking entities	D.3.	420,739	581,512
Positive fair value of derivatives	D.5.	370,112	681,184
Tax receivables, of which	D.11.	4,602	0
- *tax payable*		*4,602*	*0*
Other assets	D.7.	121,714	67,873
Equity holdings	D.4.	965,114	965,114
Intangible fixed assets	D.6.	33,392	33,935
Tangible fixed assets	D.6.	6,680	7,984
Total assets		2,842,552	2,795,833

LIABILITIES (in thous. CZK)	Note	31.12.2023	31.12.2022
Liabilities			
Liabilities to banks	D.8.	247,349	242,236
Liabilities to non-banks	D.9.	566,622	826,487
Negative fair value of derivatives	D.5.	226,187	456,869
Tax liabilities, of which	D.11.	21	19,753
- *tax payable*		*0*	*19,705*
- *deferred tax*		*21*	*48*
Other liabilities	D.10.	29,703	25,434
Provisions	D.12.	2,050	2,050
Total liabilities		1,072,317	1,572,829
Equity			
Share capital	D.13.	1,183,019	1,000,000
Issue premium	D.13.	323,337	6,356
Capital funds	D.13.	0	0
Undistributed profit or unreimbursed loss from previous periods		0	0
Profit or loss for the accounting period		264,264	216,648
Total equity		1,770,620	1,223,004
Total liabilities		2,842,552	2,795,833

The notes form part of these individual financial statements.

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1. JANUARY 2023 TO 31. DECEMBER 2023

(in thous. CZK)		Note	2023	2022
Net profit from trading operations		**D.18.**	**401,364**	**528,449**
Interest income calculated using the effective interest rate method		**D.16.**	**18,323**	**2,406**
Interest and similar costs		**D.16.**	**-21,818**	**-22,579**
Net interest expense			**-3,495**	**-20,173**
Income from fees and commissions		**D.17.**	**1,429**	**1,747**
Cost of fees and commissions		**D.17.**	**-40,226**	**-29,226**
Net expense from fees			**-38,797**	**-27,479**
Income from shares and shares		**D.4.**	**104,041**	**0**
Other operating income		**D.19.**	**1,012**	**21**
Other operating costs		**D.19.**	**-1,209**	**-842**
Administrative costs		**D.20.**	**-147,501**	**-201,383**
in that:	(a) staff costs		-101,262	-149,714
	(b) other administrative costs		-46,239	-51,669
Depreciation, creation and use of provisions and valuation allowances for tangible and intangible fixed assets		**D.6.**	**-10,574**	**-10,281**
Net impairment of financial assets			**-300**	**-63**
Profit before tax			**304,541**	**268,248**
Income tax		**D.11.**	**-40,277**	**-51,600**
Profit after tax			**264,264**	**216,648**
Other Comprehensive Result			**0**	**0**
Total comprehensive income for the period			**264,264**	**216,648**
Earnings per share/diluted earnings per share (in CZK)		**D.14.**	**86.67**	**84.06**

The notes form part of these individual financial statements.

INDIVIDUAL CASH FLOW STATEMENT

FOR THE YEAR ENDING 31. 12. 2023

thous. CZK	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**304,541**	**268,248**
Adjustment:			
Depreciation, amortisation and change in valuation allowances on tangible and intangible fixed assets	D.6.	10,574	10,281
Change in provisions		0	2,050
Dissolution and creation of provisions	D.1./D.7.	301	83
Net change in financial instruments recognised in profit or loss	D.18.	80,390	-127,323
Net interest expense	D.16.	3,495	20,173
Gain/loss on sale of tangible and intangible fixed assets	D.19.	-52	-19
Other modifications		4,254	1,995
		403,503	**175,488**
Changes in:			
Receivables from non-banking entities	D.3.	207,773	-67,433
Receivables from banks	D.2.	-4,465	-19,645
Other assets	D.7.	-101,967	-6,781
Liabilities to non-banks	D.9.	-259,865	264,705
Other liabilities	D.10.	5,986	-1,207
		250,965	**345,127**
Interest received	D.16.	18,323	2,406
Dividends received		48,020	0
Interest paid	D.16.	-21,434	-28,783
Income tax paid	D.11.	-64,611	-49,254
Net cash flow related to operating activities		**231,263**	**269,496**
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure related to the acquisition of tangible and intangible fixed assets	D.6.	-9,172	-13,234
Income from the sale of tangible and intangible fixed assets	D.6.	52	19
Net cash flow related to investing activities		**-9,120**	**-13,215**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	D.13.	-216,648	-209,371
Lease liability payments		-2,101	-2,652
Provision of loans	D.3.	-47,000	0
Drawing on bank loans	D.8.	236,800	246,600
Repayment of bank loans	D.8.	-235,496	-226,872
Issues of shares	D.13.	500,000	0
Net cash flow related to financing activities		**235,555**	**-192,295**
Net increase or decrease in cash and cash equivalents		**457,698**	**63,986**

Cash and cash equivalents as of 1 January		**289,426**	**225,440**
Cash and cash equivalents as of 31 December		**747,124**	**289,426**

Cash and cash equivalents include:			
Cash on hand	D.1.	44	60
Current accounts	D.1.	747,080	289,366
Cash and cash equivalents as of 31 December		**747,124**	**289,426**

The notes form part of these individual financial statements.

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31.12.2023

	Share capital	Issue premium	Capital funds	Retained earnings	Funds from profit	Profit	Total
Balance as of 1.1.2022	**1,000,000**	**6,356**	**47,477**	**395**	**0**	**161,499**	**1,215,727**
Transfers to funds	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	41,499	0	-41,499	0
Payment of dividends	0	0	-47,477	-41,894	0	-120,000	-209,371
Profit for the accounting period	0	0	0	0	0	216,648	216,648
Other operating result	0	0	0	0	0	0	0
Balance as of 31.12.2022	**1,000,000**	**6,356**	**0**	**0**	**0**	**216,648**	**1,223,004**
Balance as of 1.1.2023	**1,000,000**	**6,356**	**0**	**0**	**0**	**216,648**	**1,223,004**
Transfers to funds	0	0	0	0	0	0	0
Transfer to retained earnings	0	0	0	74,896	0	-74,896	0
Payment of dividends	0	0	0	-74,896	0	-141,752	-216,648
Profit for the accounting period	0	0	0	0	0	264,264	264,264
Full economic result	0	0	0	0	0	0	0
Issues of shares	183,019	316,981	0	0	0	0	500,000
Balance as of 31.12.2023	**1,183,019**	**323,337**	**0**	**0**	**0**	**264,264**	**1,770,620**

The notes form part of these individual financial statements.

ANNEX TO THE INDIVIDUAL FINANCIAL STATEMENTS

for the period

1. 1. 2023 - 31. 12. 2023

Table of Contents

A. GENERAL DATA

A.1. Description of the accounting unit

name: SAB Finance a.s.

Registered office: Prague 1 - Nové Město, Senovážné nám.1375/19, Postal Code 110 00

legal form: joint stock company

decisive subject of activity: performance of activities of a payment institution within the scope of the authorisation granted by the Czech National Bank pursuant to Act No 284/2009 Sb., on payment transactions

date of establishment of the business. date of incorporation of the company: 30 July 2010

ID: 247 17 444

(hereinafter referred to as "SABF" or "the Company" or "the entity")

Since 27 April 2011, the Company has been carrying out the activities of a payment institution within the scope of the authorisation granted by the Czech National Bank pursuant to Act No. 284/2009 Sb., on payment transactions. It was entered in the Commercial Register on 15 February 2013.

Since 2 April 2014, the company's other activity has been the rental of real estate, apartments, and non-residential premises.

Since 2 April 2014, the corporation has been subject to the law as a whole in accordance with Section 777(5) of Act No. 90/2012 Sb., on Companies and Cooperatives.

As of 28 January 2021, the company's shares are traded on the Standard Market of the Prague Stock Exchange.

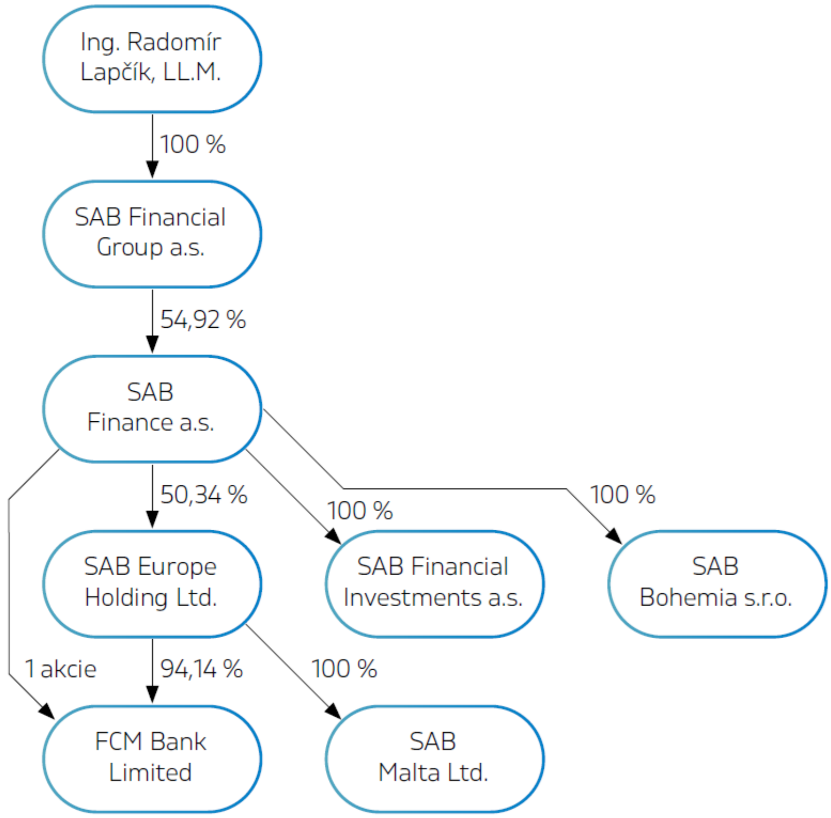
A.1.1. Persons with significant or decisive influence

List of shareholders holding more than 20 per cent of the share capital of the entity

Name and surname of the partner	Equity interest in share capital as at 31. 12. 2023	Equity interest in share capital as at 31. 12. 2022
SAB Financial Group a.s.	54.92 %	71.80 %

A.2. Group identification

The registered office of the parent company SAB Financial Group a.s. is Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1.



B. Basis for preparing individual financial statements

The separate financial statements have been prepared on the basis of accounting prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union under Regulation (EC) No 1606/2002 on the application of International Accounting Standards.

The separate financial statements are prepared on the basis that the Company will continue in business on a going concern basis and that nothing has occurred that would restrict or prevent it from continuing in that business for the foreseeable future.

Individual financial statements are prepared on the historical cost basis except for items measured at fair value, which are financial assets and liabilities at fair value through profit or loss.

The balance sheet date of the individual financial statements is 31 December 2023. The current accounting period is from 1.1.2023 to 31.12.2023. The previous accounting period is from 1.1.2022 to 31.12.2022.

The Company's individual financial statements are prepared in the functional currency, which is the Czech koruna (CZK). All figures are in thousands of CZK (thous.

CZK), unless otherwise stated.

These individual financial statements are unconsolidated.

B.1. New and revised standards and interpretations adopted by the EU as of 12 January 2024 that are effective for annual periods beginning after 1 January 2023

Standard/interpretation *[IAS 8.31(a), 8.31(c)]*	**The substance of the forthcoming change in accounting policy** [IAS 8.31(b)]	**Example of wording related to the potential impact on the financial statements** *[IAS 8.30(b); 31(d), (e)].*
Amendments to IFRS 16 Leases: Lease liability on sale and leaseback (Effective for annual periods beginning on or after 1 January 2024, applied retrospectively. Early application permitted)	The amendments to IFRS 16 Leases have an impact on how a seller-lessee accounts for variable lease payments in sale and leaseback transactions. The amendment introduces a new accounting model for variable payments and will require vendor-lessees to reassess and, where appropriate, re-recognise sale and leaseback transactions entered into from 2019. The amendment confirms: • On initial recognition, a seller-lessee shall include variable lease payments when measuring the lease liability resulting from a sale and leaseback transaction;	The Company plans to apply the amendment beginning 1 January 2024. The Company expects the amendment to have an immaterial impact on its financial statements upon initial application.

	after initial recognition, the seller-lessee applies the general requirements in the subsequent accounting for the lease liability by not recognising a gain or loss related to the right-of-use that it retains. The seller-lessee may adopt different approaches to meet the new requirements for subsequent valuation. The amendment does not change the accounting for leases other than those arising in sale and leaseback transactions.	
Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current (Effective for annual periods beginning on or after 1 January 2024 [1]Early application is permitted)	See description below	See description below
Amendments to IAS 1 Preparation and Disclosure of Financial Statements: Long-term liabilities with covenants (Effective for annual periods beginning on or after January 1, 2024, and applied retroactively. Earlier application is permitted. Special transition requirements apply to entities that have elected to early apply amendments already issued but not yet effective for 2020.)	Under the current requirements of IAS 1, entities classify a liability as current unless they have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. The amendments issued in 2020 removed the requirement for the right to be unconditional and instead require that the right to defer settlement exists at the end of the reporting period and has substance (the classification of the liability is not affected by management's intentions or expectations as to whether the company will exercise its right to defer settlement or elect to settle earlier). The amendments issued in 2022 further clarify that if the right to defer settlement is conditional on the entity's compliance with the terms (covenants) specified in the loan arrangement, only those covenants that the entity is required to comply with at or before the end of the reporting period affect the classification of the liability as current or non-current. Covenants that an entity is required to observe after the end of the reporting period do not affect the classification of the liability at that date. However, the amendment requires entities to disclose information about these future covenants to enable users to assess the risk	The Company plans to apply the amendment as of 1 January 2024. The Company expects the amendment to have an immaterial impact on its financial statements upon initial application.

[1] On 31 October 2022, the IASB issued an amendment that delays the effective date to 1 January 2024.

	that the liabilities will mature within 12 months after the end of the financial year. The amendment also clarifies how an entity classifies a liability that can be settled in equity (i.e. convertible debt).	

B.2. New and amended standards and interpretations effective for annual periods beginning after 1 January 2023 but not yet endorsed by the EU as of 12 January 2024

Standard/interpretation	**The substance of the forthcoming change in accounting policy**	**Possible impact on financial statements**
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. (Effective date postponed indefinitely. Application in IFRS financial statements is possible. The European Commission has decided to postpone endorsement indefinitely, it is unlikely to be endorsed by the EU in the foreseeable future)	The amendments clarify that, in the case of a transaction involving an associate or joint venture, the extent to which a gain or loss is recognised depends on whether the assets sold or contributed constitute a business, by: • a full profit or loss is recognised if the transaction between the investor and its associate or joint venture involves the transfer of an asset or assets that constitute a business (whether or not located in a subsidiary), while • a partial profit or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if those assets are located in a subsidiary.	The Company plans to apply the amendments beginning 1 January 2024. The Company expects the amendments to have an immaterial impact on its financial statements upon initial application.
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure: Supplier Financing Arrangements (Effective for annual periods beginning on or after January 1, 2024. Disclosure of comparative information for all reporting periods prior to the annual period in which the entity first applies those amendments and information as at the beginning of that period is not required. An entity shall also not be required to disclose information otherwise required by the amendments for any interim reporting period within the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.)	The amendment introduces additional disclosure requirements where a company is required to provide information about its vendor financing arrangements to enable users (investors) to assess the impact of these arrangements on the company's liabilities and cash flows and its exposure to liquidity risk. The amendment applies to supply chain financing arrangements (also referred to as supply chain financing, liability financing or reverse factoring) that have all of the following characteristics: • the financing provider (also referred to as a factor) pays	The Company plans to apply the amendment as of 1 January 2024. The Company expects the amendment to have an immaterial impact on its financial statements upon initial application.

Standard/interpretation	The substance of the forthcoming change in accounting policy	Possible impact on financial statements
	amounts owed by the company to its suppliers; • the company agrees to make payment in accordance with the terms of the arrangement on the same date as the suppliers are paid or on a later date; • the company is granted extended payment terms, or the suppliers benefit from early payment terms compared to the due date of the relevant invoice. However, the amendment does not apply to receivables or inventory financing arrangements.	
Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of convertibility Applies to annual periods beginning on or after 1 January 2025. Earlier application is permitted.	Under IAS 21 The Effects of Changes in Foreign Exchange Rates, an entity uses the spot exchange rate when translating a foreign currency transaction. In some jurisdictions, the spot rate is not available because the currency cannot be exchanged for another currency. IAS 21 has been amended for clarification: • when the currency is exchangeable for another currency; and • how the company estimates the spot rate when the currency is not convertible. The amendments also include additional disclosure requirements to help users assess the impact on the financial statements of using an estimated exchange rate.	The company plans to apply the changes from 1 January 2025. The Company does not expect the amendments to have a material impact on its financial statements upon initial application.

B.3. Decision-making and powers of the General Meeting

The General Meeting, as the Company's supreme body, is quorate if shareholders holding shares with a nominal value exceeding 30% of the share capital are present. Voting at the General Meeting shall be by show of hands. An electronic voting machine or other similar method may be used to record votes. If all shareholders agree, a general meeting may be held without meeting the requirements set out in the law for convening a general meeting. Per rollam decision-making pursuant to Sections 418 to 420 of the Business Corporations Act is not permitted.

The competence of the General Meeting includes, in particular, deciding on changes to the Articles of Association, unless the change is due to an increase in the share capital authorized by the Board of Directors or a change that has occurred on the basis of other legal facts, giving instructions to the Board of Directors and approving the principles of the Board of Directors' activities, unless they are contrary to legal regulations. In particular, the General Meeting may prohibit a member of the Board of Directors from certain legal actions if it is in the interest of the company. Furthermore, the competence of the General Meeting includes deciding on the lease of the company's plant or a part thereof forming a separate organisational unit, appointing and dismissing the liquidator, approving the performance and performance agreement pursuant to Section 61 of the Companies Act, electing and dismissing members of the Supervisory Board, electing and dismissing members of the Audit Committee and approving performance agreements of members of the Audit Committee, approving the remuneration policy and the remuneration report pursuant to the Capital Market Undertakings Act, approving a significant transaction pursuant to Section 121s et seq. of the Capital Market Business Act and, where applicable, decisions on other matters entrusted to it by the Articles of Association or relevant legislation, in particular the Companies Act

C. INFORMATION ON THE ACCOUNTING METHODS AND VALUATION TECHNIQUES USED

C.1. Date of the accounting event

Depending on the type of transaction, the time of realisation of the accounting event is mainly the date of payment or receipt of currency, the date of purchase or sale of foreign exchange, the date of payment (debit from the customer's account), the date of instruction to the correspondent to make payment, the date of crediting of funds according to the report received from the bank's correspondent, the date of negotiation and the date of settlement of the foreign exchange transaction.

The trade day accounting method was chosen for accounting cases of purchases and sales of financial assets with a normal delivery date (spot transactions). The purchase or sale of a financial asset is already recognised in the balance sheet on the trade date and a liability or receivable is recognised at the same time in respect of the settlement of the financial asset.

The company derecognises a financial asset or part of a financial asset from the balance sheet when it loses control of the contractual rights to that financial asset or part of that financial asset. The company loses this control if it exercises rights to the benefits defined in the contract if these rights lapse or if these rights are waived.

C.2. Tangible and intangible fixed assets

Tangible and intangible fixed assets ("TFA" and "IFA") are recorded at cost. Depreciation is calculated on the basis of the cost and the estimated useful life of the relevant asset. TFA and IFA with a purchase price of up to CZK 2,000 is not recognized in the balance sheet and is expensed in the year of acquisition.

Depreciation methods and periods by asset group

Assets	Method	Number of years
Buildings	linear	60
Inventory, apparatus, equipment	linear	4-10
Software	linear	3-5

Land, fixed assets in progress, works of art and collections are not depreciated. Leased assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life.

The estimated useful lives are reviewed annually and revised if necessary. Any change in the amortisation period is recognised as a change in estimate in the current year's profit or loss.

Costs incurred after the asset is brought into use, such as repair and maintenance costs, are expensed in the period in which they are incurred.

(a) Tangible fixed assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses over the estimated useful life of the asset.

Cost includes the cost of acquiring the asset, any costs directly attributable to transporting the asset to its destination and to bringing the asset to the condition necessary for it to be used to the extent intended by management, and an initial estimate of the cost of dismantling and removing the asset.

Subsequent to initial recognition as an asset, the Company recognises property, plant and equipment at cost less accumulated depreciation and any accumulated impairment losses.

(b) Intangible fixed assets

Software acquired by the Company is valued at cost less any impairment losses.

The cost of internally generated software is recognised as an asset when the Company can demonstrate its intention and ability to complete the development of the software and use it to generate future economic benefits and the cost of completing the development can be reliably measured.

Self-developed software is recorded at cost less accumulated amortisation and impairment.

The software is amortised over its useful life, which does not normally exceed 3-5 years.

Subsequent expenditure on software is capitalised only if it increases the future economic benefit arising from the related asset. All other expenses are expensed as incurred.

(c) Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets and assesses whether there is any indication that they are impaired. If such indications exist, the recoverable amount is estimated.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are charged to profit or loss.

An impairment loss may be derecognised to the extent that the new measurement does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Leasing from the lessee's perspective

The Company applies International Accounting Standard IFRS 16 Leases. An agreement is treated as a lease if it transfers the right to control the use of an identified asset for a specified period of time in return for consideration.

In particular, IFRS 16 introduces changes to lessee accounting and reporting. An entity in the role of lessee shall recognise a right-of-use asset for the leased asset and a related lease liability on the balance sheet except when:
- the lease period is not more than 12 months
- or the underlying asset has a low-cost basis.

Right-of-use asset

A right-of-use asset is initially measured at cost, which includes:
- the initial measurement of the lease liability,
- lease payments made on or before the commencement date, net of any lease incentives received,
- initial direct costs,
- the estimated cost to the lessee of dismantling and removing the leased asset.

The right-of-use asset is recognised in the balance sheet under 'Property, plant and equipment' and is depreciated on a straight-line basis over the shorter of the economic life of the underlying asset or the end of the lease. The related depreciation is recognised in the individual income statement under 'Depreciation, amortisation and use of provisions and allowances for tangible and intangible fixed assets'.

Lease liability

The lease liability is initially measured at the present value of the lease payments outstanding at the date of initial recognition. The lease payments are discounted at the interest rate that the lessee would have had to pay if it had borrowed the funds to purchase the underlying asset, taking into account the terms and conditions attached to the lease (i.e. lease/loan term, loan amount, etc.).

Subsequently, the lease liability is remeasured if there is a change in future lease payments (e.g. due to a change in valuation, whether and when the lease is extended or terminated early, etc.). If the lease liability is remeasured in this way, the valuation of the right-of-use asset is also adjusted. If the right-of-use asset is zero, the revaluation of the lease liability is accounted for through the individual income statement.

The lease liability is recognised in the balance sheet under 'Other liabilities'.

Interest expense arising from the lease liability is recognised in the individual income statement under 'Interest expense and similar charges' and is recognised using the effective interest rate.

C.3. Participating interests with decisive influence

Participating interests with decisive influence

A subsidiary (controlling interest) is an entity controlled by another entity.

Control of an investee means that the investor controls the investee if it is exposed to, or entitled to, variable returns by virtue of its involvement with the investee and can influence those returns through its power over the investee.

Therefore, an investor controls an investee only if all of the following apply:

- it has power over the investee,
- by virtue of its involvement in the investee, it is exposed to, or has the right to, variable returns,
- it is able to use its power over the investee to influence the amount of its returns.

Valuation

Interests with significant influence are measured at cost less any impairment losses on temporary impairment of those interests, individually for each interest.

The creation, dissolution and use of the related provisions are recognised in the individual income statement under the headings 'Dissolution of provisions for participating interests with decisive and significant influence' and 'Losses on disposal of participating interests with decisive and significant influence, creation and use of provisions for participating interests with decisive and significant influence'.

C.4. Financial assets and financial liabilities (financial instruments)

1. Recognition and initial recognition

The SABF initially recognises selected financial assets and financial liabilities (e.g. amounts due from customers, amounts owed to customers, debt securities, shares) when they are incurred. All other financial instruments (including spot purchases and sales of financial assets) are accounted for on the trade date, which is the date on which the entity becomes the owner of the financial instrument in accordance with the contractual provisions.

2. Classification

On initial recognition, the financial asset is classified as at valuation:

- the accrued value (AC),
- fair value through other comprehensive income (FVOCI),
- fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost (AC) if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- the asset is held within a business model that seeks to hold financial assets to earn contractual cash flows,

- the contractual terms of the financial asset specify a specific date for cash flows consisting solely of principal and interest payments on the outstanding principal amount (the "SPPI test").

A financial asset is measured at fair value through equity (FVOCI) only if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- the asset is held within a business model whose objective is achieved through both the collection of contractual cash flows and the sale of financial assets,

- the contractual terms of the financial asset specify a specific date for cash flows consisting solely of principal and interest payments on the outstanding principal amount (the "SPPI test").

All other financial assets are measured at fair value through profit or loss (FVTPL).

Reclassification

Subsequent to initial recognition, financial assets are not reclassified unless the entity changes its business model for managing financial assets in the current financial year.

Financial liabilities

An entity classifies its financial liabilities, other than financial guarantees and commitments given, as measured:

- the accrued value, or

- fair value through profit or loss (FVTPL).

3. Derecognition

Financial assets

An entity derecognises a financial asset when

- the contractual rights to the cash flows from the financial asset are extinguished; or

- it transfers the rights to receive cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between

- the carrying amount of the asset (or the portion of the carrying amount allocated to the portion of the asset derecognised) and

- by the sum of (i) the consideration received (including any asset acquired less the value of any new liability assumed) and the cumulative gain or loss recognised

in equity recognised in the individual income statement.

Financial liabilities

An entity derecognises a financial liability when its contractual obligations are discharged, cancelled, or extinguished.

4. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, an entity shall assess whether the cash flows of the modified financial asset are materially different.

If the cash flows are significantly different, then the contractual right to the cash flows from the original financial asset is considered extinguished. In that case, the original financial asset is derecognised, and the new financial asset is recognised and carried at fair value.

If the cash flows from the modified asset measured at amortised cost are not materially different, the modification does not result in derecognition of the financial asset. In that case, the entity shall recalculate the gross carrying amount of the financial asset and recognise the amount arising from the gross carrying amount adjustment as a gain or loss on modification in the consolidated income statement. If such a modification is made because of the borrower's financial difficulties, the gain or loss is recognised together with the creation, release, or application of the valuation allowance in the consolidated income statement. Otherwise, the gain or loss is recognised together with interest income in the consolidated income statement.

Financial liabilities

An entity derecognises a financial liability when the terms of the financial liability are modified, and the cash flows of the modified liability are materially different. In that case, the new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the extinguished financial liability and the new financial liability with the modified terms is recognised in the consolidated income statement

5. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to assume a liability in an orderly transaction between market participants at the measurement date in the principal (or most advantageous) market to which the entity has access at that date. The fair value of the liability reflects the risk of default. The risk of default includes, but is not necessarily limited to, the entity's own credit risk.

An entity measures the fair value of an instrument using a quoted price in an active market for the instrument, if available. An active market is a market in which transactions for assets or liabilities take place frequently enough and in sufficient volume to ensure a regular flow of price information.

If a quoted price in an active market is not available, an entity shall use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The selected valuation technique incorporates all of the factors that market participants would include in valuing the transaction.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price (i.e. the fair value of the consideration given or received).

If an entity determines that the fair value at initial recognition differs from the transaction price and the fair value is neither supported by a quoted price in an active market for an identical asset or liability nor based on a valuation technique, for which unobservable inputs are considered insignificant in relation to the measurement, then the financial instrument is initially measured at fair value and, subsequently, the difference between the fair value at inception and the transaction price is systematically deferred in the consolidated income statement over the life of the instrument. However, this accrual is at most for the period until the measurement is fully supported by observable market data or the transaction is completed.

If an asset or liability that is measured at fair value has a bid price and an ask price, then the entity values

- assets and long positions at the bid price
- and liabilities and short positions at the ask price.

The fair value of a financial liability that includes a demand feature (e.g. a demand deposit) is not less than the amount repayable on demand discounted from the first date on which it can be called.

6. Fair value hierarchy

An entity determines fair values using the following fair value hierarchy that reflects the significance of the inputs used in the measurement.

Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity has access to at the valuation date.

Level 2: Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This level includes instruments valued using:

- quoted prices for similar instruments in active markets;
- quoted prices for identical or similar instruments in markets that are considered less than active;
- or other valuation methods in which all significant inputs are directly or indirectly observable from market data.

Level 3: Level 3 inputs are unobservable input variables. This level includes all instruments for which the valuation methods include inputs that are unobservable, and the unobservable inputs have a significant impact on the valuation of the instrument. This level includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments

An entity considers transfers between levels of the fair value hierarchy made at the end of the financial year in which the change occurs. See further D.25 Fair value.

7. Impairment

Determination of expected credit losses (ECL)

ECLs are probability-weighted estimates of credit losses and are determined as follows:

- financial assets that are not credit-impaired: as the present value of any cash shortfall (i.e. the difference between the contractual cash flows to the entity and the cash flows that the entity expects to receive;
- financial assets that are credit-impaired: as the difference between the gross carrying amount of the financial asset and the present value of estimated future cash flows;
- undrawn credit commitments: the present value of the difference between the contractual cash flows to the entity when the credit commitment is drawn, and the cash flows the entity expects to receive;
- financial guarantees: the difference between the expected payments required to satisfy the holder of the financial guarantee and the payments the entity expects to receive.

The entity recognises an allowance for expected credit losses (ECL) for the following financial instruments not at fair value through profit or loss (FVTPL):

- Cash and cash equivalents;
- Receivables from banks;
- Receivables from non-banking entities;
- Other receivables.

Credit-impaired financial assets

At each balance sheet date, the entity assesses whether financial assets measured at amortised cost and debt financial assets measured at fair value through equity (FVOCI) are credit impaired. A financial asset is credit-impaired if one or more events have occurred that have an adverse effect on the estimated future cash flows of the financial asset.

Evidence of credit impairment of a financial asset includes the following observable facts;

- significant financial problems of the borrower or issuer;

- breach of contract, e.g. default of the debtor or failure to meet the due date;

- if it becomes likely that the debtor will enter bankruptcy, insolvency, or another financial reorganisation; or;

- the disappearance of an active market for a security due to financial difficulties.

8. Effective interest rate

Interest income and expense are recognised in the consolidated income statement under 'Interest income and similar income' and 'Interest expense and similar expense' respectively using the effective interest rate method.

The effective interest rate is the interest rate that discounts expected future cash flows received or sent over the expected life of the financial instrument to:

- the gross carrying amount of the financial asset;
- the accrued value of the financial liability.

In calculating the effective interest rate for financial instruments (other than credit-impaired financial assets), an entity estimates future cash flows by considering the contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, the effective interest rate adjusted for credit risk is calculated based on estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs, fees and interest paid or received between the parties to the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

9. Accrued value and gross carrying amount

The "accrued value" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and plus or minus the cumulative amortisation of any premium or discount using the effective interest rate (i.e. the difference between the initial value and the value at maturity) and, for financial assets, adjusted for any valuation allowance.

The "gross carrying amount" of a financial asset is the accrued value of the financial asset before adjustment for any valuation allowance.

Calculation of interest income and interest expense

In calculating interest income and interest expense, the effective interest rate is applied to:

- the gross carrying amount of the asset (unless the asset is credit impaired); or
- the accrued value of the liability.

For financial assets that become credit impaired after initial recognition, interest income is calculated using the effective interest rate applied to the accrued value of the financial asset. If the asset is no longer credit impaired, the effective interest rate is applied back to the gross carrying amount.

For financial assets that were credit impaired at initial recognition, interest income is calculated using the effective interest rate adjusted for credit risk applied to the financial asset's accrued value. For these financial assets, the calculation of interest income no longer changes to the application of the effective interest rate to the gross carrying amount, even if the credit risk of the asset subsequently improves.

Presentation

Interest income or interest expense recognised in the consolidated income statement under "Interest income and similar income" or "Interest expense and similar expense" includes the following:

- interest on financial assets and financial liabilities measured at amortised cost, calculated using the effective interest rate;

Interest income and interest expense on trading assets and liabilities and on other financial assets and financial liabilities measured at FVTPL are recognised together with changes in the fair value of the financial assets and financial liabilities in the 'Gain or loss on financial transactions' line in the consolidated income statement.

Presentation of ECL provisions in the balance sheet

ECL valuation allowances are presented as follows:

• Financial assets measured at amortised cost: the valuation allowance is deducted from the gross carrying amount of the assets.

The ECL allowances charged to expense are recognised in the consolidated income statement under “Net impairment of financial assets.” Any subsequent use of valuation allowances is also recognised under this heading.

The release of the ECL impairment allowance for non-requirement is recognised in the consolidated income statement under “Net impairment of financial assets”.

Depreciation

Loans and debt securities are written off (either partially or fully) when there is no realistic and achievable possibility of recovery. This generally occurs when an entity determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount owed that is subject to write- off. However, written-off financial assets may still be subject to recovery to comply with the entity's procedures for recovering amounts due.

Write-offs of receivables are included in 'Net impairment of financial assets' in the consolidated income statement. In the case of a write-off of a receivable for which a full allowance has been made, the allowance in the same line item in the consolidated income statement is reduced by the same amount. Gains on previously written-off loans are included in the consolidated income statement under "Net impairment of financial assets".

C.5. Provisions

A provision represents a probable benefit with an uncertain timing and amount.

A provision is made when the following criteria are met:

- there is an obligation (legal or factual) to perform that is the result of past events,
- it is probable or certain that performance will occur and require an outflow of resources representing an economic benefit, where 'probable' means a probability of more than 50 %,
- a reasonably reliable estimate of performance can be made.

Tax liability

As the corporate income tax return has not yet been filed at the date of the consolidated financial statements, the tax liability represents the positive difference between the calculated tax payable and the advances paid.

C.6. Foreign currency conversion

The consolidated financial statements are presented in Czech crowns, which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the Company operates.

Transactions denominated in a foreign currency are accounted for in the domestic currency translated at the exchange rate announced by the Czech National Bank at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated into the domestic currency at the exchange rate announced by the CNB at the balance sheet date. The resulting gain or loss on the translation of assets and liabilities denominated in foreign currencies is recognised in the consolidated income statement as “Gain or loss on financial operations”.

C.7. Taxation

Tax payable

The tax base for income tax is calculated from the profit for the current period by adding back non-tax-deductible expenses and deducting income not subject to income tax, further adjusted for tax credits and possible credits.

Deferred tax

Deferred tax is based on any temporary differences between the carrying amount and the tax bases of assets and liabilities using the expected tax rate for the next period. A deferred tax asset is accounted for only when there is no doubt that it will reverse in subsequent accounting periods.

C.8. Use of estimates

The preparation of consolidated financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities recognised at the balance sheet date, the disclosures about contingent assets and liabilities and the reported amounts of expenses and income for the period.

Management has determined these estimates and assumptions based on all relevant information available to it.
These estimates and accounting judgements are based on information available at the date of the consolidated financial statements and relate primarily to the determination of:

- fair values in the consolidated statement of financial position of financial instruments not quoted in active markets that are classified as financial assets or financial liabilities at fair value through profit or loss;
- impairment amounts of financial assets.

C.9. Derivatives

A derivative is a financial instrument that meets the following conditions:

- its fair value changes depending on changes in an interest rate, security price, commodity price, exchange rate, price index, credit rating or index, or another variable (the underlying asset),
- it requires little or no initial investment compared to other types of contracts, which rely on a similar response to changes in market conditions,
- it will be settled in the future, with a longer negotiation-to-settlement period than a spot transaction.

The fair value of financial derivatives is determined as the present value of the expected cash flows arising from these transactions. Parameters observed in the active market such as exchange rates, interest rates for given maturities based on the yield curve, etc. are used to determine the present value.

The Company also enters into forward transactions that can be settled in tranches over time. The fair value of these derivatives is determined as the sum of the option and forward components. The valuation of the forward component is based on the classic forward contract valuation. To calculate the option component, a random path simulation of the FX price is performed for each day from the valuation date until the maturity date of the derivative. The sum of the fair value of the two components is the total fair value of the derivative.

C.10. Corrections of prior period errors and changes in accounting policies

No corrections of prior period errors were made in the financial years ending 31 December 2023 and 31 December 2022.

D. SUPPLEMENTARY INFORMATION TO THE BALANCE SHEET AND INDIVIDUAL PROFIT AND LOSS ACCOUNT

D.1. Cash and cash equivalents

In thous. CZK	31 December 2023	31 December 2022
Cash on hand	44	60
Current accounts	747,441	289,532
Allowances	-361	-166
Total	**747,124**	**289,426**

Cash and cash equivalents as of 31.12.2023 include deposited client funds for the purpose of concluding spot transactions in the amount of 57 291 thous. CZK (2022: 55 258 thous. CZK), which the Company has limited ability to dispose of.

As part of the ECL calculation, all cash and cash equivalents have been categorised within Tier 1 as of 31 December 2023 and 31 December 2022. As of 31 December .2023, and 31December 2022, the allowance was calculated based on 12 months of expected credit losses.

D.2. Receivables from banks

In thous. CZK	31 December 2023	31 December 2022
Posted collateral	173,075	168,805
Total	**173,075**	**168,805**

Receivables from banks represent deposited funds on bank accounts in the amount of 173 075 thous. CZK (2022: 168,805 thous. CZK), which serve as collateral to hedge the risk of non-settlement of forward transactions.

All cash and cash equivalents and receivables from banks as of 31 December 2023 and 31 December 2022 are measured at accrued value in accordance with IFRS 9. Receivables from banks represent exclusively receivables from stable financial institutions. From a credit risk perspective, the Company considers all its receivables from banks as of 31.12.2023 and 31.12.2022 to be of high quality. As part of the ECL calculation, all receivables from banks have been categorised as of 31.12.2023 and 31.12.2022 under Tier 1. As of 31.12.2023 and 31.12.2022, allowances were calculated based on 12 months of expected credit losses. Due to the immateriality of the calculated expected credit loss, the Company has not accounted for ECL.

31.12.2023:

In thous. CZK.	Tier 1 12-month expected credit losses	Tier 2 Expected credit losses over the duration for financial assets that are not credit impaired	Tier 3 Cash and cash equivalents and amounts due from banks measured at accrued value	Total
Cash and cash equivalents and amounts due from banks measured at accrued value				
Credit rating min. Baa1	920,516*	-	-	920,516
Allowance	-361	-	-	-361
Cash and cash equivalents and amounts due from banks, net	**920,155**	-	-	**920,155**

*This amount does not include cash in the amount of 44 thous. CZK

31.12.2022:

In thous. CZK.	Tier 1 12-month expected credit losses	Tier 2 Expected credit losses over the duration for financial assets that are not credit impaired	Tier 3 Cash and cash equivalents and amounts due from banks measured at accrued value	Total
Cash and cash equivalents and amounts due from banks measured at accrued value				
Credit rating min. Baa1	458,337*	-	-	458,337
Allowance	-166	-	-	-166
Cash and cash equivalents and amounts due from banks, net	**458,171**	-	-	**458,171**

*This amount does not include cash in the amount of 60 thous. CZK

D.3. Receivables for non-banking entities

In thous. CZK	31 December 2023	31 December 2022
Receivables from non-banking entities	**373,325**	**581,512**
Of which: Receivables from unsettled foreign exchange transactions	373,325	581,512
Other receivables	47,414	0
Total	**420,739**	**581,512**

Receivables from non-banking entities represent receivables from customers arising from unsettled foreign exchange transactions.

Other receivables represent receivables from loans to the parent company.

Amounts due from non-banks payable on demand mainly represent amounts due to customers from unsettled foreign exchange transactions. All these liabilities are due to maturity.

The Company does not make an allowance for receivables due on demand, which represent receivables from customers from unsettled foreign exchange transactions, because settlement of foreign currency transactions always occurs after the customer has credited the Company's accounts, so the Company is not exposed to credit risk.

D.4. Participating interests with decisive influence

As of 31 December 2023

Name, registered office and main object of business	Share capital*	Equity*	Share of SC (%)	Number of shares owned by the Company (pcs)	Share of voting rights (%)	Purchase price	Book value
SAB Europe Holding Ltd. Suite 183, The Fort, Hard Rocks Business Park, Naxxar, Malta	360,582	1,170,317	50.34	14,682,330	50.34	650,114	650,114
SAB Bohemia s.r.o. Senovážné nám. 1375/19 Prague 1, 110 00	1,000	11,095	100	n/a	100	1,000	1,000
SAB Financial Investments a.s. Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1	166,000	331,423	100	22	100	314,000	314,000
Total	**527,582**	**1,512,835**				**965,114**	**965,114**

*Unaudited balances, in case of foreign currency revalued at the exchange rate as at 31.12.

SAB EUROPE HOLDING Ltd. decided to distribute a dividend of CZK 48,020 thousand (2022: CZK 0 thousand) to SAB Finance a.s. in 2023.
SAB Financial Investments a.s. has decided to distribute a dividend of CZK 56,021 thousand (2022: CZK 0 thousand) to SAB Finance a.s. in 2023.   CZK) in favour of SAB Finance a.s.

As of 31 December 2022

Name, registered office and main object of business	Share capital*	Equity*	Share of SC (%)	Number of shares (pcs)	Share of voting rights (%)	Purchase price	Book value
SAB Europe Holding Ltd. Suite 183, The Fort, Hard Rocks Business Park, Naxxar, Malta	187,091	405,608	100	14,682,330	100	650,114	650,114
SAB Bohemia s.r.o. Senovážné nám. 1375/19 Prague 1, 110 00	1,000	5,319	100	n/a	100	1,000	1,000
SAB Financial Investments a.s. Senovážné náměstí 1375/19, Nové Město, 110 00 Prague 1	166,000	149,781	100	22	100	314,000	314,000
Total	**354,091**	**560,708**				**965,114**	**965,114**

*Unaudited balances, in case of foreign currency revalued at the exchange rate as at 31.12.

D.5. Derivatives

As of 31.12.2023

in thous. CZK	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Positive value of currency forwards	18,428,722	-	370,112	-
Of which: product Forward+	7,128,233	-	102,578	-
Negative value of currency forwards	-	18,263,788	-	226,187
Of which: product Forward+	-	7,198,998	-	119,416
Total derivatives for trading	**18,428,722**	**18,263,788**	**370,112**	**226,187**

As of 31.12.2022

in thous. CZK	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Positive value of currency forwards	23,404,264	-	681,184	-
Of which: product Forward+	8,888,309	-	47,306	-
Negative value of currency forwards	-	23,151,976	-	456,869
Of which: product Forward+	-	9,315,751	-	317,271
Total derivatives for trading	**23,404,264**	**23,151,976**	**681,184**	**456,869**

D.6. Fixed assets

D.6.1. Structure of fixed assets

A) Intangible fixed assets

In thous. CZK	Intangible fixed assets	Intangible fixed assets in progress	Total
Purchase price			
As of 1.1.2022	**44,841**	**1,895**	**46,736**
Increases	8,329	0	8,329
Decreases	0	1,476	1,476
As of 31.12.2022	**53,170**	**419**	**53,589**
As of 1.1.2023	**53,170**	**419**	**53,589**
Increases	6,834	0	6,834
Decreases	0	419	419
As of 31.12.2023	**60,004**	**0**	**60,004**

Corrections and provisions in thous. CZK	Intangible fixed assets	Intangible fixed assets in progress	Total
As of 1.1.2022	**12,761**	**0**	**12,761**
Depreciation and impairment of disposed assets	6,893	0	6,893
Decreases	0	0	0
As of 31.12.2022	**19,654**	**0**	**19,654**
As of 1.1.2023	**19,654**	**0**	**19,654**
Depreciation and impairment of disposed assets	6,958	0	6,958
Decreases		0	0
As of 31.12.2023	**26,612**	**0**	**26,612**

Residual value in thous. CZK	Intangible fixed assets	Intangible fixed assets in progress	Total
As of 31.12.2022	**33,516**	**419**	**33,935**
As of 31.12.2023	**33,392**	**0**	**33,392**

During 2023 and 2022, the company partially developed software by its own activities and in cooperation with media port solutions s.r.o. to help streamline and automate the company's operations.

The decreases in Intangible fixed assets in progress represent the inclusion of assets in use.

B) Tangible fixed assets

In thous. CZK	Instruments and equipment	Tangible fixed assets in progress	Total
Purchase price			
As of 1.1.2022	**6,722**	0	**6,722**
Increases	1,581	0	1,581
Decreases	703	**0**	703
As of 31.12.2022	**7,600**	**0**	**7,600**
As of 1.1.2023	**7,600**	**0**	**7,600**
Increases	588	39	627
Decreases	642	0	-642
As of 31.12.2023	**7,546**	**39**	**7,585**

Corrections and provisions in thous. CZK	Instruments and equipment	Tangible fixed assets in progress	Total
As of 1.1.2022	**4,213**	**0**	**4,213**
Depreciation and impairment of disposed assets	1,335	0	1,335
Decreases	700	0	700
As of 31.12.2022	**4,848**	**0**	**4,848**
As of 1.1.2023	**4,848**	**0**	**4,848**
Depreciation and impairment of disposed assets	1,540	0	1,540
Decreases	640	0	640
As of 31.12.2023	**5,748**	**0**	**5,748**

Residual value of tangible fixed assets in thous. CZK	Instruments and equipment	Tangible fixed assets in progress	Total
As of 31.12.2022	**2,752**	**0**	**2,752**
As of 31.12.2023	**1,798**	**39**	**1,837**

D.6.2. Tangible fixed assets acquired under lease

In thous. CZK	Buildings and land	Total
Purchase price		
As of 1.1.2022	**9,223**	**9,223**
Increases	3,323	3,323
Decreases	434	434
As of 31.12.2022	**12,112**	**12,112**
As of 31.1.2023	12,112	12,112
Increases	1,711	1,711
Decreases	0	0
As of 31.12.2023	**13,823**	**13,823**

Corrections and provisions in thous. CZK		
As of 1.1.2022	**5,074**	**5,074**
Depreciation and impairment of disposed assets	2,053	2,053
Decreases	247	247
As of 31.12.2022	**6,880**	**6,880**
As of 1.1.2023	**6,880**	**6,880**
Depreciation and impairment of disposed assets	2,100	2,100
Decreases	0	0
As of 31.12.2023	**8,980**	**8,980**

Residual value of tangible fixed assets acquired under lease in thous. CZK		
As of 31. 12.2022	**5,232**	**5,232**
As of 31. 12.2023	**4,843**	**4,843**

An entity leases land and buildings for its head office and registered office. These leases are normally for an indefinite term with a notice period of one year, with an estimated lease term of 4 years. The estimated term is based on the judgement of the Company's senior management and is based on the medium-term horizon for which the Company prepares its financial plan. Renegotiation of lease payments occurs in the event of a change in the size of the leased area.

Residual value of tangible fixed assets total in thous. CZK	
As of 31. 12.2022	**7,984**
As of 31. 12.2023	**6,680**

D.7. Other assets

In thous. CZK	31 December 2023	31 December 2022
Claims on various debtors	79,240	2,848
Advances made	41,565	63,409
Other assets	531	419
Accrued expenses and income	1,021	1,734
Allowances	-643	-537
Total	**121,714**	**67,873**

The largest line items of advances are deposits for the purchase of vehicles in the amount of CZK 28,599 thousand (2022: CZK 28,599 thousand), advances for IT services in the amount of CZK 12,890 thousand (2022: CZK 13,690 thousand). Receivables from various debtors mainly represent a receivable from a subsidiary for dividend distribution in the amount of CZK 56,021 thousand (31 December 2022: CZK 0) and assigned receivables from the parent company in the amount of CZK 20,000 thousand (31 December 2022: CZK 0).

All other assets at 31.12.2023 are measured at accrued value according to IFRS 9. As part of the ECL calculation, all other assets have been categorised under Tier 1 as of 31.12.2023 and 31.12.2022. As of 31 December .2023, and 31December 2022, the allowance was calculated based on 12 months of expected credit losses.

31.12.2023:

In thous. CZK.	Tier 1 12-month expected credit losses	Tier 2 Expected credit losses over the duration for financial assets that are not credit impaired	Tier 3 Cash and cash equivalents and amounts due from banks measured at accrued value	Total
Other assets	64,682	-	-	**64,682**
Allowance	-643	-	-	**-643**
Other assets, net	**64,039**	0	0	**64,039**

The allowance for other assets is mainly made up of deposits provided for the purchase of vehicles, assigned receivables and advances for IT services.

Items of other assets for which the Company does not calculate an allowance are mainly represented by a receivable in respect of dividend distribution from a subsidiary.

31.12.2022:

In thous. CZK.	Tier 1 12-month expected credit losses	Tier 2 Expected credit losses over the duration for financial assets that are not credit impaired	Tier 3 Cash and cash equivalents and amounts due from banks measured at accrued value	Total
Other assets	66,357	-	-	**66,357**
Allowance	-537	-	-	**-537**
Other assets, net	**65,820**	**-**	**-**	**65,820**

The allowance for other assets is mainly made up of deposits provided for the purchase of vehicles, assigned receivables and advances for IT services,

D.8. Liabilities to banks

	Maturity	Currency	Balance 31. 12. 2023 in thous. CZK	Balance 31. 12. 2022 in thous. CZK
Repayable on request		EUR/CZK	99	1,086
Loans received	31 May 2024	EUR	247,250	241,150
Total			**247,349**	**242,236**

The loans received represent a loan from a bank granted on 20 May 2022 with a principal amount of EUR 10 million (2022: EUR 10 million) at a floating interest rate.

Reconciliation of opening and closing balances due to banks

In thous. CZK	2023	2022
Balance as of 1 January	**242,236**	**228,712**
Accrued interest	10,938	7,671
Drawdown	236,800	246,600
Redemption	-247,738	-240,847
Exchange rate difference	5,113	100
Balance as of 31 December	**247,349**	**242,236**

D.9. Liabilities to non-banking entities

In thous. CZK	31 December 2023	31 December 2022
Repayable on request	430,437	635,183
Of which: Liabilities from unsettled foreign exchange transactions	385,856	597,578
Other liabilities	136,185	191,304
Total	**566,622**	**826,487**

Amounts due from non-banks payable on demand mainly represent amounts due to customers from unsettled foreign exchange transactions. All these liabilities are due to maturity.

Other liabilities as of 31 December 2023 consist mainly of collateral received under forward transactions in the amount of CZK 136,185 thousand (31 December 2022: CZK 191,169 thousand).

D.10. Other liabilities

In thous. CZK	31 December 2023	31 December 2022
Liabilities for employees	5,896	6,475
Social security and health insurance liabilities	2,947	2,101
Doubtful accounts passive	10,422	3,849
Lease liabilities	4,843	5,233
Other	5,595	7,776
Total	**29,703**	**25,434**

In the financial years 2023 and 2022, no liability exceeded a maturity of more than 5 years.
Accounts payable as of 31 December 2023 mainly represent the accruals for annual fees and consultancy fees (2022: accruals for annual fees and consultancy fees).

Lease payables as of 31 December 2023 amounting to DKK 4,843 thousand (2022: DKK 5,233 thousand) represent lease liabilities under IFRS 16. The undiscounted value of these lease liabilities as of 31 December 2023 amounted to CZK 7,080 thousand (2022: CZK 7,666 thousand).

D.11. Income tax

The main components of income tax include

In thous. CZK	31 December 2023	31 December 2022
Tax payable - current year, recognised in profit or loss	40,600	52,300
Income tax from previous tax years	-296	-730
Deferred tax	-27	30
Total	**40,277**	**51,600**

The items explaining the difference between the Company's theoretical and effective tax rates are as follows:

thous. CZK	31 December 2023	31 December 2022
Profit or loss for the accounting period before tax	304,541	268,248
Tax calculated based on the DPPO rate (19%)	57,863	50,967
Tax effect:		
Non-tax costs	11,052	5,218
Non-tax revenue	104,041	0
Other	3,309	1,396
Income tax for the current period	40,600	52,300
Correction of previous years' tax	-296	-730
Movements in deferred tax	-27	30
Total income tax expense	**40,277**	**51,600**
Effective tax rate	**13.2 %**	**19.2 %**

Provision for income tax

The Company has created a tax provision of CZK 40,600 thousand as of 31 December 2023 (CZK 52,300 thousand as of 31 December 2022) and has dissolved the total tax provision of CZK 52,015 thousand (CZK 38,371 thousand in 2022).

The provision for income tax is shown net in the individual financial statements. As the tax advances paid amounting to CZK 45,193 thousand (2022: CZK 32,595 thousand) were higher than the provision itself, the Company recognises a receivable of CZK 4,602 thousand (2022: liability of CZK 19,705 thousand) in respect thereof. At the same time, the Company was assessed an additional income tax payment of CZK 19,420 thousand. CZK.

In thous. CZK	Provision for income tax
Balance as of 1. 1. 2022	**39,101**
Creation during the year	51,570
Dissolution	-38,371
Balance as of 31. 12. 2022	**52,300**
Creation during the year	40,315
Dissolution	-52,015
Balance as of 31. 12. 2023	**40,600**

Deferred tax

Items giving rise to temporary differences (in thous. CZK)	31 December 2023	31 December 2022	01 January 2022	Change
Non-current assets (deferred tax liability)	21	48	18	-27
Total deferred tax asset/liability	**21**	**48**	**18**	**-27**

Deferred income tax is calculated on all temporary differences using the tax rate applicable to the period in which the tax liability or asset will be utilised, i.e. 21% (31 December 2022: 19%).public offering as of 31 December 2023 is 471,698 shares.

D.12. Provisions

Provisions represent a provision for untaken leave in the amount of CZK 2,050 thousand (2022: CZK 2,050 thousand).

D.13. Equity

The Company's share capital consists of 3,049,018 (2022: 2,577,320) ordinary shares per bearer in certificated form with a nominal value of CZK 388 (2022: CZK 388). In 2023, 471,699 registered shares in SAB Finance a.s. were issued in book-entry form with a nominal value of CZK 388 per share. Subsequently, in 2023, the so-called SPO (Secondary Public Offering) took place in two tranches, each of which had two rounds in which the shares could be subscribed. 471,698 shares were subscribed in the first tranche and 1 share was offered for subscription in the second tranche, which took place between 4 January 2024 and 19 February 2024.

The total volume of offered shares of SAB Finance a.s. placed and sold under the public offer as of 31.12.2022 is 726,644 shares. As of 30 September 2022, the public offering of the Company's shares was terminated. The total volume of issued shares subscribed for in the public offering as of 31 December 2023 is 471,698 shares.

Data on securities

Type	Ordinary shares
Form	To owner
Form	Booked
Number of units as of 31.12.2023	3,049,018
Number of units owned by persons with management authority	160
Volume of offered shares of SAB Finance a.s. placed and sold in the public offer as of 31.12.2022*	726,844
Volume of offered shares of SAB Finance a.s. issued and sold in the second public offering as of 31.12.2023	471,698
ISIN	CZ0009009940
Nominal value	388
Taxation of shares	Income from securities is taxed in accordance with Act No. 586/1992 Sb., on Income Taxes, as amended
Taxpayer withheld from the proceeds of the security	Issuer
Methods of transferring a security	Through the CDCP
Limitations on transferability	There are no restrictions on the transferability of shares
Restrictions on voting rights	The Company is not aware of any restrictions on the voting rights of the shares issued by the Company.
Dividend strategy	8.2% p.a. of the market price of the shares on admission to trading
Dividend payment	Semi-annually

*This is not an issue of new shares, but a public offering of existing shares. Therefore, there was no increase in the value of the Company's share capital in the public offering as of 31 December 2022.

Profit sharing

The Board of Directors of SAB Finance a.s. proposes to distribute the profit after tax for the year 2023 in the amount of CZK 264,264,072 as follows:

1) An amount of CZK 183,520,454 for the benefit of shareholders.re.
2) An amount of CZK 80,743,618 to the retained earnings account.

On 13 November 2023, the General Meeting of SAB Finance a.s. decided to distribute the company's own resources in the total amount of CZK 74,896 thousand in favour of the shareholders. The interim dividend per share (after the subscription of the first tranche of the new issue in 2023) amounted to CZK 24.56 before tax. Shares at the time of the public offering, i.e. CZK 1,060 per sha

On 26.4. 2023, the General Meeting of SAB Finance a.s. decided on the proposed distribution of profit for the year 2022. It was decided to distribute CZK 141,752 thousand to the shareholders and CZK 74,896 thousand was transferred to the retained earnings account.

On 16 September 2022, the General Meeting of SAB Finance a.s. decided to distribute the company's own resources in the total amount of CZK 89,371 thousand in favour of the shareholders. The interim dividend per share amounted to CZK 34.68 before tax.

On 25. 4. 2022, the General Meeting of SAB Finance a.s. decided on the proposed distribution of profit for the year 2021. An amount of CZK 120,000 thousand was decided in favour of the shareholders and CZK 41,499 thousand was transferred to the retained earnings account.

The company's long-standing and implemented dividend policy was to pay out to shareholders all profits after deductions to statutory funds. The planned dividend strategy is to pay a dividend twice a year, corresponding to at least 8.2% per annum of the price of the Shares at the time of the public offering, i.e. CZK 1,060 per share.

D.14. Earnings per share

Basic earnings per share

Earnings per share have been calculated by dividing the profit attributable to equity holders by the weighted number of shares in issue.

thous. CZK	2023	2022
Profit or loss after tax	264,264	216,648
Number of issued shares	3,049,018	2,577,320
Earnings per share	86.67	84.06

D.15. Pledges and guarantees received

As of 31 December 2023, the Company records commitments and guarantees received in the amount of CZK 500,000 thousand (as of 31 December 2022 in the amount of CZK 500,000 thousand). This is the undrawn credit framework based on a loan agreement with TRINITY BANK a.s. Interest income calculated using the effective interest rate method.

D.16. Net interest income/deposit

in thous. CZK	2023	2022
Interest income calculated using the effective interest rate method	18,323	2,406
Total	**18,323**	**2,406**

in thous. CZK	2023	2022
Interest on bank overdrafts	12	145
Interest on loans	12,230	17,812
From the lease	384	411
Interest on collateral	9,192	4,211
Total	**21,818**	**22,579**

Interest on loans mainly represents interest expense on loans received from FCM Bank Limited and SAB Financial Group a.s.

All interest has been calculated using the effective interest rate method and, in the case of interest expense on finance leases, the implicit lease rate.

D.17. Revenue and commission and fee expenses

in thous. CZK	2023	2022
Income fees from closed trades	1,429	1,747
Total	**1,429**	**1,747**

in thous. CZK	2023	2022
Cost of bank charges	32,537	29,226
Other	7,689	0
Total	**40,226**	**29,226**

Fees and commissions expense includes the cost of bank fees for overdraft facilities with TRINITY BANK a.s. The overdraft facility was CZK 500 million as of 31 December 2023 and has not been drawn (2022: CZK 500 million). The Company can draw on this framework in three currencies - CZK, EUR and USD depending on the current liquidity needs in the respective currency. The overdraft facility is concluded for an indefinite period with a three-month notice period. In addition, the item fee and commission expenses includes fees for current accounts with other banks.

The item Other represents the commission for arranging the issue of the Company's shares.

D.18. Net profit from trading operations

in thous. CZK	2023	2022
Foreign exchange profit/loss	-8,506	10,689
Profit/loss on trading	490,260	390,437
Revaluation of financial derivatives	-80,390	127,323
Total	**401,364**	**528,449**

Gains on financial transactions were split between a portion representing the exchange difference on the revaluation of balance sheet balances and a trading gain representing the exchange differences between the rate agreed at settlement and the CNB rate, and the revaluation of derivative transactions.

D.19. Other operating expenses and income

Other operating income

in thous. CZK	2023	2022
Proceeds from the sale of fixed assets	52	19
Other income	960	2
Total	**1,012**	**21**

Revenues from the sale of fixed assets represent mainly revenues from the sale of discarded assets (mainly IT equipment).

Other operating costs

in thous. CZK	2023	2022
Donations	571	145
Insurance	566	668
Other costs	72	29
Total	**1,209**	**842**

D.20. Administrative costs

in thous. CZK	2023	2022
Wages and remuneration	**75,612**	**115,454**
Social security and health insurance	**24,320**	**30,712**
Other staff costs	**1,330**	**3,548**
Other administrative costs	**46,239**	**51,669**
of which: audit, legal and tax consultancy costs	9,582	17,926
of which*: statutory audit of individual financial statements	1,536	1,700
other verification contracts	70	67
tax consultancy	206	157
regulatory advice	750	417
Total	**147,501**	**201,383**

* Services provided to the company by KPMG Česká republika Audit, s.r.o. and KPMG Česká republika, s.r.o. are inclusive of VAT.

As of December 31, 2023, and December 31, 2022, the Company has not made any loan, advance, pledge or borrowing to members of the management and controlling bodies.

Average number of employees during the financial year

Indicator	2023	2022
Average number of employees	64	64
Of which: members of the Board of Directors*	3	3
members of the Supervisory Board	2	2

*As of 31.12.2023, only two positions on the three-member Board of Directors have been filled

Remuneration to persons who are statutory representatives, members of statutory and supervisory bodies

The entity paid remuneration to members of the statutory body in 2023 for their service on those bodies under the Service Contract in the amount of CZK 511 thousand (2022: CZK 530 thousand) - see note C.20.

The Company did not pay any remuneration to the members of the Supervisory Board in 2023 or 2022.

Executives are defined as those at the senior management level (B-1 and B-2 levels).

Wages and remuneration	75,612	115,454
of which: senior staff	17,571	29,399
members of the Board of Directors	511	530
members of the Supervisory Board	0	0

Persons with management authority

Principles of remuneration

In the remuneration of employees and employees with management authority, the company is governed by generally binding legislation, in particular Act No. 262/2006 Sb., the Labour Code and Act No. 90/2012 Sb., the Business Corporations Act. In addition to the above, remuneration is regulated by internal regulations. In particular, the remuneration principles aim to ensure transparency, predictability, compliance with legal requirements and fair treatment of all employees.

The basic remuneration for the performance of their duties is payable to the members of the statutory body on the basis of a Performance Contract concluded with the Company. Members of the Board of Directors are remunerated for the performance of their duties in accordance with the applicable provisions of the Companies Act and the Labour Code. The above remuneration is a fixed monthly remuneration.

At the same time, the service contract obliges the Company to reimburse the member for all reasonable expenses actually incurred in the performance of the duties arising from the performance of his/her duties. The extent of reimbursement and other conditions shall be governed by internal rules and the relevant legislation governing staff compensation. This includes travel expenses, travel insurance, etc.

For the purpose of performing its duties, the Company shall provide, at its own expense, to a member of the Board of Directors who is not also an employee of the Company and who does not already have such resources at his disposal by virtue of his position, such working equipment as he deems necessary for the performance of his duties. These means of performing the function include, for example, a company car, laptop, mobile phone, SIM card, data tariffs, etc.

Lastly, the company undertakes to reimburse the board member for the costs of educational and other activities related to the performance of the board member's duties and the business management of the company. The costs incurred are aimed at enhancing the professional knowledge and skills of these managers.

No monetary or non-monetary benefits shall be due to a member of the statutory body upon termination of his/her office. The only exception is the case where a member of the Board of Directors is also an employee of the company and is therefore entitled to remuneration on the basis of this employment relationship.

The Company has no other persons with management authority outside the members of the Board of Directors.

The Supervisory Board of the Company does not have an agreed remuneration arising from the performance of its duties.

No material contracts were entered into during the financial years 2023 and 2022, other than contracts entered into in the ordinary course of business to which the Company is a party.

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D.21. Revenue and expenses by operating segment

	Czech Republic		European Union except the Czech Republic		Other	
thous. CZK	2023	2022	2023	2022	2023	2022
Interest income and similar income	18,323	2,406	0	0	0	0
Interest and similar costs	11,289	14,497	10,529	7,671	0	0
Net profit from trading operations	384,060	505,972	17,298	22,411	7	66
Depreciation and amortisation	10,574	10,281	0	0	0	0
Tax expense or income	40,277	51,600	0	0	0	0

The company operates in one segment. No other segments are separately monitored by the Company. The above breakdown is based on the geographic footprint of the Company's clients.

D.22. Related party transactions

thous. CZK	31 December 2023	31 December 2022
Cash and cash equivalents	575,497	146,328
Receivables from non-banking entities	47,414	0
Other assets	119,708	43,687
Liabilities to banks	247,250	241,270
Other liabilities	1,348	4,149

Cash and other cash equivalents are mainly current account balances and Other assets are advances made.

Liabilities are mainly liabilities from borrowings and bank loans.

At the end of 2023, the Company had a receivable of CZK 47,414 thousand from its parent company in respect of a loan and related accrued interest.

thous. CZK	31 December 2023	31 December 2022
Net profit from trading operations	4,286	150
Interest income and similar income	7,803	408
Interest and similar costs	11,109	17,274
Income from shares and shares	104,041	0
Income from fees and commissions	288	0
Cost of fees and commissions	35,073	18,402
Other operating costs	0	57
Administrative costs	17,959	23,393

These costs relate mainly to car rentals, IT services and interest on loans taken out and bank charges.

The following transactions were made between the Company and its parent company SAB Financial Group a.s. in 2023 and 2022:

thous. CZK	31 December 2023	31 December 2022
Interest income and similar income	566	396
Interest and similar costs	579	8,146
Administrative costs	0	785

The expense between the Company and SAB Financial Group Inc. represents interest expense generated by short-term loans made by SAB Financial Group Inc. to the Company during 2023. Revenue represents interest income from short-term loans granted by the Company to SAB Financial Group a.s. The Company used these short-term borrowings to meet its short-term liquidity needs.

Performance for the benefit of persons close to the company

The entity does not grant loans, credit, or other collateral in monetary or non-monetary form to persons who are statutory bodies or members of statutory or other management or supervisory bodies.

D.23. Classification of financial assets and financial liabilities

The following table provides a reconciliation between balance sheet items and the valuation categories of financial instruments.

31 December 2023

31 December 2023 in thous. CZK	Note	FVTPL	Accrued value	Total
Cash and cash equivalents	D.1.	0	747,124	747,124
Receivables from banks	D.2.	0	173,075	173,075
Positive fair value of currency forwards	D.5.	370,112	0	370,112
Receivables from non-banking entities	D.3.	0	420,739	420,739
Other assets	D.7.	0	121,714	121,714
Total financial assets		**370,112**	**1,462,653**	**1,832,764**

31 December 2023 in thous. CZK	Note	FVTPL	Accrued value	Total
Liabilities to banks	D.8.	0	247,349	247,349
Liabilities to non-banks	D.9.	0	566,622	566,622
Negative fair value of currency forwards	D.5.	226,187	0	226,187
Other liabilities	D.10.	0	29,703	29,702
Total financial assets		**226,187**	**843,674**	**1,069,860**

31 December 2022

31 December 2022 in thous. CZK	Note	FVTPL	Accrued value	Total
Cash and cash equivalents	D.1.	0	289,426	289,426
Receivables from banks	D.2.	0	168,805	168.805
Positive fair value of currency forwards	D.5.	681,184	0	681,184
Receivables from non-banking entities	D.3.	0	581,512	581,512
Other assets	D.7.	0	67,873	67,873
Total financial assets		**681,184**	**1,107,616**	**1,620,164**

31 December 2022 in thous. CZK	Note	FVTPL	Accrued value	Total
Liabilities to banks	D.9.	0	242,236	242,236
Liabilities to non-banks	D.9.	0	826,487	826,487
Negative fair value of currency forwards	D.5.	456,869	0	456,869
Other liabilities	D.11.	0	25,434	25,434
Total financial assets		**456,869**	**1,097,157**	**1,554,026**

D.24. Financial instruments - risk management

An overview of the main risks that may accompany the company's business activities and results of operations and how they are managed:

a) Credit risk

The credit risk of the company is defined as the failure to repay the funds provided to clients in the agreed amount and time. The Company does not take credit risk as part of its core business, as settlement of foreign currency transactions always occurs after the client has credited funds to the Company's accounts.

The Company is exposed to credit risk on account of receivables from banks, receivables from non-banks and other assets.

Determination of expected credit losses (ECL)

For the purpose of determining expected credit losses (ECL), the Company has categorised the items Receivables from banks, Receivables from non-banks and Other assets into receivables based on quantitative and qualitative criteria:

- without default and without a significant increase in credit risk (so-called "stage 1"),

- with a significant increase in credit risk from the initial recognition (so-called "stage 2"),

- in failure (so-called "stage 3").

Calculation of expected credit losses (ECL):

The Company determines expected credit losses (ECL) according to the following formula:

$$ECL = PD * EAD * LGD$$

The key inputs and assumptions for the ECL calculation are the following parameters:

i) probability of default (PD)

Cash and cash equivalents, amounts due from banks:

The PD for each exposure was determined by reference to the external credit rating of the counterparty based on Moody's data. In the event that the counterparty does not have an assigned external credit rating, the external rating is calculated on the basis of the parent company's rating, reduced by one rating step. In the event that neither the parent company has an assigned external credit rating, the average rating of the remaining banks was used, reduced by two rating grades.

Amounts due from non-banks and Other assets:

An external credit rating based on quantitative and qualitative criteria has been assigned to each exposure of receivables from non-banks and other assets based on Moody's data.

PD values used

Rating equivalent	PD
Aaa-Aa	0-0.04 %
A	0.04-0.06 %
Baa	0.10-0.21 %
Ba	0.39-1.19 %
B	1.78-4.24 %
Caa	3.93-17.33 %
Ca-C	30.04 %

ii) Exposure at default (EAD) value

The gross book value of the exposure at the date of calculation of the ECL was considered as the EAD.

Loss given default (LGD)

Loss given default was determined on the basis of regulatory LGD values and the Czech National Bank statistics published in the Financial Stability Report.

Classification of receivables into individual impairment stages

The ECL calculation for receivables by impairment stage is as follows:

- impairment stage 1 - equal to 12 months credit loss

- impairment stage 2 and 3 - equal to the lifetime credit loss

Assets in impairment stage 1:

- Financial assets less than 30 days past due;

- Financial assets for which there are no other qualitative and quantitative factors indicating that they are not assets with low counterparty credit risk;

Assets in impairment stage 2:

- Financial assets 30 days or more past due, but not more than 90 days past due;

- Financial assets for which the counterparty's credit rating on Moody's scale has been downgraded by two or more stages since initial recognition (significant increase in credit risk since initial recognition);

Assets in impairment stage 3:

- Financial assets 90 days or more past due;

- Financial assets designated as purchased or incurred credit impaired financial assets (POCI);

- Financial assets whose counterparty has a credit rating of Moody's Caa1 or worse.

Cash and cash equivalents and receivables from banks as of 31.12.2023 are measured at accrued value in accordance with IFRS 9.

In thous.	Tier 1 12-month expected credit losses	Tier 2 Expected credit losses over the duration for financial assets that are not credit impaired	Tier 3 Cash and cash equivalents and amounts due from banks measured at accrued value	Total
Balance as of 1.1.2022	**216**	**-**	-	**216**
Revaluation and changes in models and risk parameters	-50	-	-	-50
Balance as of 31.12.2022	**166**	-	-	**166**
Revaluation and changes in models and risk parameters	195	-	-	195
Balance as of 31.12.2023	**361**	-	-	**361**

Receivables from non-banking entities and other assets as of 31 December 2023 are measured at accrued value in accordance with IFRS 9.

b) Market risk

Market risk is defined as the potential gain or loss from movements in asset prices in global markets. Market risk is managed by prudent and efficient management of open foreign exchange and interest rate positions and by setting internal limits on the maximum amount of total open foreign exchange and interest rate positions.

c) Operational risk

Operational risk is defined as the risk of loss due to inadequacy or failure of internal processes, human factors or systems or the risk of loss to the company due to external events. The basis for operational risk management in the company was created primarily by the conceptualisation of the organisational structure. The human factor risk is managed by strictly defining the duties of the individual bodies and employees of the company and the organisational rules. Information systems risk is secured by creating access profiles to information systems and establishing control mechanisms. The risk of inappropriate or faulty internal processes is limited by the control mechanisms in place.

The objective of the operational risk management process is to ensure that, based on observation and evaluation of past events, measures are taken to eliminate or remove individual elements of operational risk. The Company monitors operational risk in all areas of operations where losses may be incurred due to this risk. Operational risk management includes preventing the laundering of proceeds of crime and ensuring the security of the company's information technology.

(d) Currency risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, represent the Company's exposure to foreign currency risks.

Further, the management and monitoring of currency risk is carried out on a daily basis using the VaR method, which is based on an estimate of the maximum change in the exchange rate over a given time period with a certain probability.

Assets as of 31.12.2023 (in thous. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash and cash equivalents	73,677	58,588	30,121	14,976	561,434	8,329	747,125
Receivables from banks	173,075	0	0	0	0	0	173,075
Receivables from non-banking entities	210,488	88,819	9,823	5	110,061	1,545	420,741
Participating interests with decisive influence	650,114	0	0	0	315,000	0	965,114
Other	0	0	0	0	536,500	0	536,500
Total balance sheet	**1,107,354**	**147,407**	**39,944**	**14,981**	**1,522,995**	**9,874**	**2,842,555**

Liability as of 31.12.2023 (in thous. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Liabilities to banks	247,349	0	0	0	0	0	247,349
Liabilities to non-banks	82,603	51,642	20,983	560	406,132	4,702	566,622
Other	23	0	0	0	1,764,294	0	1,764,317
Total balance sheet	**329,975**	**51,642**	**20,983**	**560**	**2,170,426**	**4,702**	**2,578,288**
Long positions in off-balance sheet instruments	7,419,515	467,092	698,121	5,689	9,288,159	550,145	18,428,722
Short positions of off-balance sheet instruments	7,563,937	562,836	716,811	19,344	9,346,249	554,610	18,763,788
Net foreign exchange position	**632,957**	**21**	**271**	**766**	**-705,521**	**707**	

Assets as of 31.12.2022 (in thous. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash and cash equivalents	143,928	19,184	41,863	5,194	65,812	13,445	289,426
Receivables from banks	168,805	0	0	0	0	0	168,805
Receivables from non-banking entities	397,332	20,480	2,757	3,295	152,923	4,725	581,512
Participating interests with decisive influence	650,114	0	0	0	315,000	0	965,114
Other	258	0	0	0	790,718	0	790,976
Total balance sheet	1,360,437	39,664	44,620	8,489	1,324,453	18,170	2,795,833

Liability as of 31.12.2022 (in thous. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Liabilities to banks	242,139	0	0	0	97	0	242,236
Liabilities to non-banks	224,883	115,287	11,009	7,639	459,634	8,035	826,487
Other	32	0	0	0	1,727,078	0	1,727,110
Total balance sheet	467,054	115,287	11,009	7,639	2,186,809	8,035	2,795,833
Long positions in off-balance sheet instruments	10,014,499	865,318	83,871	0	12,169,884	270,692	23,404,264
Short positions of off-balance sheet instruments	10,220,680	789,477	115,824	0	12,245,962	280,033	23,651,976
Net foreign exchange position	**687,202**	**218**	**1,658**	**850**	**-938,434**	**794**	

The net foreign exchange position within EUR/CZK arises primarily from investments in subsidiaries, which is revalued in CZK at the date of acquisition of the investment. The Company is not currently hedging this open position.

The following table provides a sensitivity analysis of the EUR assets and liabilities whose value depends on the exchange rate:

31 December 2023

thous. CZK	Exchange rate rise of 10%	Exchange rate depreciation of 10%
Impact on the individual profit and loss account	62,634	-62,634
Impact on equity	0	0
Total balance sheet	62,634	-62,634

31 December 2022

thous. CZK	Exchange rate rise of 10%	Exchange rate depreciation of 10%
Impact on the individual profit and loss account	68,720	-68,720
Impact on equity	0	0
Total balance sheet	68,720	-68,720

d) Interest rate risk

The Company is exposed to interest rate risk due to the fact that interest-bearing assets and liabilities have different maturities or interest rate reset/adjustment periods and also the volumes in those periods.

Assets as at 31.12.2023 (in thous. CZK)	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Cash and cash equivalents	747,124	0	0	0	747,124
Receivables from banks	0	173,075	0	0	173,075
Receivables from non-banking entities	373,325	47,414	0	0	420,739
Total	**1,120,449**	**220,489**	**0**	**0**	**1,340,938**
Derivative assets					
Positive fair value of currency derivatives	118,196	194,678	57,238	0	370,112

Liabilities as of 31.12.2023 (in thous. CZK)	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Liabilities to banks	99	247,250	0	0	247,349
Liabilities to non-banks	430,437	136,185	0	0	566,622
Other liabilities	24,860	0	0	4,843	29,703
Total	**455,396**	**383,435**	**0**	**4,843**	**843,674**
Derivative liabilities					
Negative fair value of currency derivatives	73,791	114,877	37,519	0	226,187
Gap	**709,458**	**-83,145**	**19,719**	**-4,843**	**641,189**
Cumulative gap	**709,458**	**626,313**	**646,032**	**641,189**	**641,189**

Assets as of 31.12.2022 (in thous. CZK)	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Cash and cash equivalents	289,592	0	0	0	289,592
Receivables from banks	0	168,805	0	0	168,805
Receivables from non-banking entities	581,512	0	0	0	581,512
Total	**871,104**	**168,805**	**0**	**0**	**1,039,909**
Derivative assets					
Positive fair value of currency derivatives	177,159	308,473	195,552	0	681,184

Liabilities as of 31.12.2022 (in thous. CZK)	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Liabilities to banks	1,086	241,150	0	0	242,236
Liabilities to non-banks	635,183	191,304	0	0	826,487
Other liabilities	25,433	0	0	0	25,433
Total	**661,702**	**432,454**	**0**	**0**	**1,094,156**
Derivative liabilities					
Negative fair value of currency derivatives	123,653	217,368	115,848	0	456,869
Gap	**262,908**	**-172,544**	**79,704**	**0**	**170,068**
Cumulative gap	**262,908**	**90,364**	**170,068**	**170,068**	**170,068**

The above summary includes only interest sensitive assets and liabilities and therefore may not be identical to the amounts presented in the Company's balance sheet.

The Company is exposed to interest rate risk at several levels:

Cost of foreign capital

The company uses bank loans to fund short-term liquidity. The cost of these loans is directly related to the current interest rates for the currencies in which they are granted and an increase in these rates has a negative impact on the Company's profit and loss.

Interest differential

The Company has limited exposure to interest rate risk arising from the Forward+ product. This product, derived from the standard FWD product, allows clients the flexibility to settle these trades within a pre-agreed period. However, this type of FWD is not offered to all clients and accounts for less than half of all FWD deals. However, the probability of a loss is low, also given that this product is mainly used by exporters to hedge foreign currency sales. This fact creates an interest rate position for the company, which is positively affected by the difference between interest rates in the Czech Republic and the euro area (the so-called interest rate differential). Both the CNB and the ECB are assuring the markets that this situation will continue for at least another 12 months.

The Forward+ product is classified within Level 3 of the fair value hierarchy. The fair value of these derivatives is determined as the sum of the option and forward components. The forward component of derivatives is determined as the present value of the expected cash flows arising from these transactions. Parameters observed in the active market such as foreign exchange rates, interest rates for given maturities based on the yield curve, etc. are used to determine the present value. To calculate the option component, a random path simulation of the FX rate is performed for each day from the valuation date to the maturity date of the derivative.

e) Liquidity risk

Liquidity is defined in the case of the Company as the ability of the Company to meet its customers' obligations in due and timely manner in respect of currency conversions and related payment transactions.

The Company has established mechanisms to segregate client funds from the Company's operating funds.

Closed foreign exchange trades are settled by the company only after the company receives financial cover for the trade from the client. This mechanism prevents liquidity risk.

The table below shows the assets and liabilities by residual maturity. The residual maturity is the period from the date of the individual financial statements to the contractual maturity date of the asset or liability.

Non-derivative assets as of 31.12.2023 (in thous. CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Cash and cash equivalents	747,124	747,124	747,124	0	0	0
Receivables from banks	173,075	177,274	0	177,274	0	0
Receivables from non-banking entities	420,739	423,655	373,325	50,330	0	0
Other assets	126,317	126,960	58,821	48,139	20,000	0
Total	**1,467,255**	**1,475,013**	**1,179,270**	**275,743**	**20,000**	**0**
Derivative assets						
Positive fair value of currency derivatives	370,112	399,592	141,562	197,104	60,926	0
Total	**1,837,367**	**1,874,605**	**1,320,832**	**472,847**	**80,926**	**0**

Non-derivative liabilities as of 31.12.2023 (in thous. CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Liabilities to banks	247,349	252,285	0	252,285	0	0
Liabilities to non-banks	566,622	571,260	430,437	140,823	0	0
Other liabilities	29,702	31,599	24,859	0	0	6,740
Total	**843,673**	**855,144**	**455,296**	**393,108**	**0**	**6,740**
Derivative liabilities						
Negative fair value of currency derivatives	226,187	228,528	72,963	115,718	39,847	0
Total	**1,069,860**	**1,083,672**	**528,259**	**508,826**	**39,847**	**6,740**
Net liquidity risk	**767,507**	**790,933**	**792,573**	**-35,981**	**41,079**	**-6,740**

31 December 2022

Non-derivative assets as of 31.12.2022 (in thous. CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Cash and cash equivalents	289,426	289,592	289,592	0	0	0
Receivables from banks	168,805	171,198	0	171,198	0	0
Receivables from non-banking entities	581,512	581,512	581,512	0	0	0
Other assets	67,873	68,411	5,003	63,408	0	0
Total	**1,107,616**	**1,110,713**	**876,107**	**234,606**	**0**	**0**
Derivative assets						
Positive fair value of currency derivatives	681,184	716,111	182,844	322,818	210,449	0
Total	**1,788,800**	**1,826,824**	**1,058,951**	**557,424**	**210,449**	**0**

Non-derivative liabilities as of 31.12.2022 (in thous. CZK)	Book value	Non-discounted cash flows	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years
Liabilities to banks	242,236	247,987	1,086	246,901	0	0
Liabilities to non-banks	826,487	832,366	635,318	197,048	0	0
Other liabilities	25,434	25,433	25,433	0	0	0
Total	**1,094,157**	**1,105,786**	**661,837**	**443,949**	**0**	**0**
Derivative liabilities						
Negative fair value of currency derivatives	456,869	460,653	124,240	218,626	117,787	0
Total	**1,551,026**	**1,566,439**	**786,077**	**662,575**	**117,787**	**0**
Net liquidity risk	**237,774**	**260,385**	**272,874**	**-105,151**	**92,662**	**0**

The above summary includes only assets and liabilities that have contractual maturity and is therefore not identical to the values presented in the Company's balance sheet.

f) Counterparty default risk

Counterparty default risk is defined as the possibility of loss or gain from the failure of clients with whom a contractual relationship has been entered into to meet their obligations. The Company is exposed to counterparty default risk in its business, particularly in FWD trades. This risk is higher for trades negotiated without collateral. The conclusion of such a FWD deal is conditional on an internal creditworthiness assessment of the new client, which is based on an analysis of financial and non-financial indicators and a regular creditworthiness assessment of existing clients. For clients who are not assessed as eligible to trade without collateral, there is a requirement to post collateral in the form of funds transferred to the company's account. The sufficiency of this collateral is continuously monitored with respect to potential losses on open positions and, if necessary, the client is required to increase the collateral to a sufficient level.

D.25. Fair value

Valuation methods

Valuation methods include:

- net present value and discounted cash flow models,
- comparison with similar instruments for which observable prices exist,
- and other valuation models.

Prerequisites and inputs

Assumptions and inputs used in the valuation methods include:

- risk-free interest rates,
- exchange rates,
- reference interest rates,
- swap rates,
- counterparty credit risk.

Objective of the valuation method

The objective of the valuation method is to determine a fair value that reflects the price that would be received to sell an asset or paid to assume a liability in an orderly transaction between market participants at the measurement date.

Processes and controls

The entity has established a set of controls for fair value measurement. The controls include the following:

- verification of observable inputs and prices;

- re-running model-based calculations;
- review and approval of processes for new valuation models and changes to them;

Financial instruments not carried at fair value on the balance sheet

The following table shows the carrying amounts and fair values of financial assets and financial liabilities that are not recognised at fair value in the entity's balance sheet:

Assets as at 31.12.2023 (in thous. CZK)	Book value	Fair value
Cash and cash equivalents	747,124	747,124
Receivables from banks	173,075	173,075
Receivables from non-banking entities	420,739	420,739
Other assets	126,316	126,316
Total	**1,467,254**	**1,467,254**

Liabilities as of 31.12.2023 (in thous. CZK)	Book value	Fair value
Liabilities to banks	247,349	247,349
Liabilities to non-banks	566,622	566,622
Other liabilities	29,702	29,702
Total	**843,673**	**843,673**

Assets as of 31.12.2022 (in thous. CZK)	Book value	Fair value
Cash and cash equivalents	289,426	289,426
Receivables from banks	168,805	168,805
Receivables from non-banking entities	581,512	518,512
Other assets	25,001	25,001
Total	**1,064,744**	**1,064,744**

Liabilities as of 31.12.2022 (in thous. CZK)	Book value	Fair value
Liabilities to banks	242,236	242,236
Liabilities to non-banks	826,487	826,487
Other liabilities	25,434	25,434
Total	**1,094,157**	**1,094,157**

Financial instruments carried at fair value on the balance sheet

31.12.2023:

In thous. CZK. as of 31.12.2023	Fair value level 1	Fair value level 2	Fair value level 3	Total fair value	Total carrying amount
Positive fair value of derivatives	0	267,534	102,578	370,112	370,112
Negative fair value of derivatives	0	106,771	119,416	226,187	226,187

31.12.2022:

In thous. CZK. as of 31.12.2022	Fair value level 1	Fair value level 2	Fair value level 3	Total fair value	Total carrying amount
Positive fair value of derivatives	0	633,878	47,306	681,184	681,184
Negative fair value of derivatives	0	139,652	317,217	456,869	456,869

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 during 2023 and 2022

Reconciliation of opening and closing balances in level 3:

In thous. CZK. as of 31.12.2023	Positive fair value of derivatives	Negative fair value of derivatives	Total
Balance as of 1.1.2023	**47,306**	**-317,217**	**-269,911**
Newly closed trades	251,582	-122,387	129,195
Revaluation of unsettled derivatives recognised in the individual income statement	2,473	-9,073	-6,601
Settlement of trades	-198,782	329,261	130,479
Balance as of 31.12.2023	**102,578**	**-119,416**	**-16,838**

In thous. CZK. as of 31.12.2022	Positive fair value of derivatives	Negative fair value of derivatives	Total
Balance as of 1.1.2022	**51,373**	**-50,816**	**557**
Newly closed trades	46,013	-236,753	-190,741
Revaluation of unsettled derivatives recognised in the individual income statement	-26,549	-79,159	-105,705
Settlement of trades	-23,533	49,436	25,903
Balance as of 31.12.2022	**47,306**	**-317,217**	**-269,911**

An entity uses the following inputs and techniques to determine the fair value estimate for major items:

Cash and cash equivalents

The carrying amount is equal to their fair value. These financial assets are classified within Level 1 in the fair value hierarchy.

Receivables from banks

The carrying amount of these receivables approximates their fair value due to their short maturity. These financial assets are classified within Level 2 in the fair value hierarchy.

Receivables from non-banking entities

Estimates of the fair value of loans are based on discounted future expected cash flows using the interest rate applicable to loans with similar credit risk, interest rate risk and maturity. The carrying amount of these receivables approximates their fair value due to their short maturity.

These financial assets are classified within Level 2 in the fair value hierarchy.

Liabilities to banks

The carrying amount approximates fair value due to the short maturity of the liabilities. These financial liabilities are classified as Level 2 in the fair value hierarchy.

Liabilities to non-banks

Amounts due from non-banks payable on demand mainly represent amounts due to customers from unsettled spot trades. Due to the short maturity of these liabilities, their carrying amount corresponds to their fair value.

These financial liabilities are classified as Level 2 in the fair value hierarchy.

Positive fair value of derivatives/negative fair value of derivatives

The Company measures financial derivatives at fair value. The fair value of financial derivatives is determined as the present value of the expected cash flows arising from these transactions. Parameters observed in the active market such as exchange rates, interest rates for given maturities based on the yield curve, etc. are used to determine the present value.

The Company also enters into derivative transactions that can be settled in tranches over time. The fair value of these derivatives is determined as the sum of the option and forward components. The valuation of the forward component is based on the classic forward contract valuation. To calculate the option component, a random path simulation of the FX price is performed for each day from the valuation date until the maturity date of the derivative. The sum of the fair value of the two components forms the total fair value of the derivative and this value is shown on the balance sheet. Positive fair values in "Positive fair value of derivatives". Negative fair values in "Negative fair value of derivatives".

These financial assets are classified within Level 2 and Level 3 in the fair value hierarchy.

For other assets and liabilities, the carrying amount equals their fair value.

D.26. Significant events after the date of the individual financial statements

After the date of the financial statements, the second tranche of the subscription of the Company's shares took place, in which one bearer share in book-entry form was subscribed for and the Company's share capital was increased by CZK 388.00.

D.27. Declaration by persons with management authority

We hereby declare on our honour that to the best of our knowledge these individual financial statements give a true and fair view of the financial position, business activities and results of operations of SAB Finance a.s. as of 31 December 2023 and for the year ended 31 December 2023.

In Prague, dated 6 March 2024

Mgr. Petra Bilerová

Chairwoman of the Board of Directors

Ing. Dana Hübnerová

Member of the Board of Directors

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Prague 8
Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report

to the Shareholders of SAB Finance a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying separate financial statements of SAB Finance a.s. ("the Company"), prepared in accordance with IFRS Accounting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2023, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended, and notes to the separate financial statements, comprising material accounting policies and other explanatory information. Information about the Company is set out in Note A.1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2023, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Gains and losses from spot operations

For the year ended 31 December 2023, gains and losses from spot operations amounted to CZK 490 230 thousand (year ended 31 December 2022: CZK 390 437 thousand).

Refer to note C.1 Transaction date and D.18 Gains and losses from spot operations in the notes to the financial statement for further information.

The key audit matter

The Company's principal activity is conclusion of transactions, consisting in purchase and sale of financial assets (foreign currency) at agreed foreign exchange rates. The most common transaction types are spot trades, i.e. purchase and sale of currency assets on a specified spot date.

In any given year, the Company concludes a significant number of such spot transactions, with different combinations of currencies (currency pairs), each trade requiring manual input of underlying trade data into the accounting system. The Company initially accounts for the concluded deals at the trade date to be subsequently remeasured with actual foreign exchange rate until the settlement date.

In addition, complex systems (trade journals) are used to process and record high volume of individually low-value transactions. Due to that fact, the existence, accuracy and completeness of recognized trade-related gains and losses is an inherent industry risk.

Due to the above complexities, coupled with the magnitude of the amounts involved, the area was associated with a significant risk of material misstatement, which required our increased attention in the audit. As such, we determined it to be a key audit matter.

How the matter was addressed in our audit

Assisted, where relevant, by our own information technology specialists, we performed, among others, the procedures outlined below:

We critically assessed the Company's accounting policies and processes related to the recognition of gains and losses from spot transactions.

We tested the design, implementation and operating effectiveness of selected IT-based and manual controls over trade input data entered into the operating system, accuracy of the calculation of gains and losses on spot transactions, and transfer of data between the operating and accounting system.

For a sample of spot transactions, we obtained counterparty confirmations of trade terms (trade date, settlement date, currency pair, foreign exchange rate, nominal amounts) and traced them to the corresponding data in the Company's operating system (trade journal).

Using the above trade journal data, we independently recalculated gain and losses from a sample of spot operations and subsequent foreign exchange differences in the reporting period and compared our outcome with that of the Company.

We evaluated related disclosures in the financial statements for accuracy, completeness and compliance with the relevant requirements of the financial reporting standards.

Valuation of Forward + contracts

As at 31 December 2023, assets related to Forward + contracts amounted to CZK 102 578 thousand (as at 31 December 2022: CZK 47 306 thousand) and liabilities related to Forward + contracts amounted to CZK -119 416 thousand (as at December 2022: CZK -317 217 thousand).

Refer to note C.1 Transaction date and D.5 Derivatives.

The key audit matter

The Company's product offering includes the "Forward +" contracts, representing forward exchange contracts that enable the counterparty to gradually and partially settle the foreign exchange transaction within a predefined period of time. As at 31 December 2023, the Company had a substantial number of unsettled Forward + transactions, in various currency pairs and accounted for at fair value.

In accounting for the Forward + transactions, the Company uses its in-house model to determine fair value, including that for both the forward and option portion of the transaction, applying a simulation of a number of scenarios of the possible transaction settlement. The key model assumptions and data include those for yield curves, discount rates and the expected date of transaction settlement. Accordingly, the fair value measurement involves significant complexity, management judgment and estimation uncertainty.

Due to the above factors, we determined this area to be associated with a significant risk of material misstatement, which required our increased attention in the audit. As such, we considered it to be a key audit matter.

How the matter was addressed in our audit

Assisted, where relevant, by our own financial instruments specialists, we performed, among others, the procedures outlined below:

We critically assessed, against the relevant requirements of the financial reporting standards, the Company's processes, accounting policies, and valuation methods (models) related to determining the fair value of the unsettled transactions with the Forward + product.

We tested the design and implementation of selected controls within the valuation process, including those in respect of management's review and approval of the key parameters, data and assumptions in the valuation model, as well as the model outcome.

We assessed the appropriateness of the Company's valuation model and, for the entire population of Forward+ transaction unsettled at the reporting date, we developed our own fair value estimate for the forward portion of the transaction, using independently derived market yield curve, discount rates and uniform distribution related to the settlement date. For the option portion, we simulated settlement of deals using assumption of random motion for spot foreign exchange rate.

We evaluated related disclosures in the financial statements for accuracy, completeness and compliance with the relevant requirements of the financial reporting standards.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of

accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 13 November 2023 and our uninterrupted engagement has lasted for 13 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 29 February 2024 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the financial statements or annual report.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of SAB Finance a.s. as at 31 December 2023, based on which this independent auditor's report has been prepared.

Prague
6 March 2024

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Jindřich Vašina
Partner
Registration number 2059