



Annual report  
as at 31 December 2016



## Foreword by the Board of Directors

Dear shareholders, customers and business partners,

The board of directors of SAB Finance a.s. ("SABF" or "the company") hereby presents the annual report for the 2016 accounting period.

Since 1999, the year in which the SABF's legal predecessor was founded, SABF has achieved the leading position in spot transactions on the Czech foreign exchange market. In 2015, SABF confirmed the leading position. Despite the impact of the CNB's interventions into the foreign exchange market aiming at maintaining the exchange rate at approximately 27 CZK/EUR, the company managed to achieve profit of CZK 32.76 million. In 2016, the company completed a major technological advancement. Besides trading, a substantial volume of capacities has been directed towards the development of information systems and internal development, which, despite the related year-on-year net profit setback, represents a major investment into the future.

The profit was chiefly generated on non-cash foreign exchange transactions. In 2016, SABF again reported a two-digit increase of new customers, a year-on-year increase in the transactions concluded and the trading volume, which has significantly exceeded CZK 100 billion for several years in row now.

In 2016, SABF employees continuously strengthened the customer relations with the aim of providing for their needs and ensuring impeccable and professional service. The team of foreign exchange trade managers and other departments were additionally staffed. Being able to offer the most advantageous exchange rates on the market, instant deal settlement, and foreign payment receipt and sending free of charge, we could repeatedly offer our customers far more favourable terms and conditions for the transactions carried out through SABF, also thanks to more favourable terms negotiated with the cooperating banks.

In 2016, the outputs of several projects have been implemented and launched. This includes the new information system SABFIS, works on which had been carried out for several years. The new information system, the continuing modernisation of the overall customer service infrastructure, the launch of new products and services and the automation of a number of process elements have been designed to ensure that the respective outputs fulfil the highest requirements on speed, efficiency, safety, simplicity and transparency. It can be concluded that the successful implementation of a majority of the projects has ensured a major quality enhancement for the company.

In conclusion, we would like to thank all employees and partners who have helped to continuously increase the prestige of SAB Finance a.s. on the Czech market and ensure that the name of the company is perceived as a guarantee of high quality services

We would also like to thank our customers for their continual reliance on our services. We strongly believe in maintaining and deepening the mutually beneficial cooperation. Increasing the quality of provided services remains a key priority and one of the ambitious goals set for the coming years.

Prague, 18 April 2017  
Board of Directors

## The proposal of the board of directors for the distribution of 2016 profit

SABF's board of directors proposes to distribute the profit for 2015 of CZK for 2016 as follows:

- 1) CZK 31 119 177 to the shareholders;
- 2) CZK 1 637 851 to the reserve fund.

Prague, 18 April 2017  
Board of Directors



## Other disclosures in the annual report

### Environmental protection and labour relations

Since company's activities do not have any impact on the environment, the company does not perform any environmental protection activities. As regards labour relations, the company complies with the relevant generally binding regulations.

### Research and development

In 2016, the company developed the new information system for the financial sector.

### Foreign organisational unit

The company has no foreign organisational unit.

### Acquisition of own shares

In 2016, the company acquired no own shares.

### Subsequent events

Besides the events described in the notes to the financial statements, the management is not aware of any other major subsequent events that would have an impact on the annual report as at 31 December 2016.



## Report on relations between the controlling and the controlled entity and on relations between the controlled entities for the accounting period from 1 January 2016 to 31 December 2016

The report on relations between the related parties has been prepared by the board of directors of SAB Finance a.s. in compliance with s. 82 of Act no. 90/2012 Coll., on commercial companies and cooperatives (Business Corporations Act), as amended.

### CONTROLLING ENTITIES:

**SAB Financial Group a.s.**, with registered office in Prague I, Senovážné nám. 1375/19, postal code 110 00, Identification No. (IČ) 036 71 518.

As the controlling party, SAB Financial Group a.s., (hereinafter also as the "controlling party"), owns 1 900 pieces of ordinary registered shares in nominal value of CZK 100 000 and 4 000 pieces of ordinary registered shares in nominal value of CZK 1,000 which implies a share of the voting rights in SAB Finance a.s. at the total level of 100%.

Mutual relations between the controlling party and SAB Finance a.s. were established on the basis:

- Agreement on debt assignment and receivable offset dated 19 December 2016
- Contract on securities assignment dated 9 May 2016.

The agreement and the contract were concluded in accordance with the arm's length principle. None of the contractual parties incurred any market advantage in relation to the agreements.

The influence of the controlling party is being exercised through the general meeting's decisions if it relates to the matters determined by the applicable articles and law; the business activities of SAB Finance a.s. themselves are independent on the controlling party.

The parent company of the controlling entity is Správa Aktiv a Bankovní Poradenství a.s., with registered office in Prague I, Senovážné nám. 1375/19, postal code, Identification No. (IČ) 255 51 655.

The mutual relations between Správa Aktiv a Bankovní Poradenství a.s. and SAB Finance a.s. are governed by:

- Contract on securities assignment dated 10 August 2016.

### ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY:

**SAB Holding a.s.**, with registered office in Prague I, Senovážné nám. 1588/4, postal code 110 00, Identification No. (IČ) 036 68 118.

SAB Financial Group a.s. owns 170 pieces of the ordinary registered shares in nominal value of CZK 100 000 which, as such, implies 100% of the voting rights in SAB Holding a.s.

Mutual obligations exist between SAB Holding a.s. and SAB Finance a.s. governed by the Payment Services Agreement dated 30 June 2016.

The contract was concluded in accordance with the arm's length principle. None of the contractual parties incurred any market advantage in relation to the contract.

**SAB Energy s.r.o.**, with registered office in Prague I, Senovážné nám. 1588/4, postal code 110 00, Identification No. (IČ) 043 47 072.

SAB Energy s.r.o. is controlled by SAB Holding a.s., which is controlled by SAB Financial Group a.s. No mutual contractual obligations exist between SAB Energy s.r.o. and SAB Finance a.s.

**Mediaport solutions s.r.o.**, with registered office in Zlín, třída Tomáše Bati 2132, postal code 760 01; Identification No. (IČ) 291 92 790. mediaport solutions s.r.o. is controlled by SAB Holding a.s., which is controlled by SAB Financial Group a.s. Mutual relations between mediaport solutions s.r.o. and SAB Finance a.s. are governed by the following agreements:

- Outsourcing agreement dated 1 April 2012
- Payment Services Agreement dated 21 December 2011

During the 2016 accounting period, no legal acts were made or measures taken by SAB Finance a.s. which would be in the interest or at the instigation of the controlling party or initiated by it. During the 2016 accounting period, SAB Finance a.s. did not suffer any loss in connection with the existence of the controlling party, and this is why neither any measures have been taken to secure the payment of incomes, nor any agreement concluded regarding such a payment.

Prague, 18 April 2017  
Ing. Petr Čumba and Ing. Martin Farský, FCCA  
Members of the board of directors





SAB Finance a.s.  
Senovážné náměstí 1375/19  
110 00 Praha 1 – Nové Město  
Company ID: 247 17 444

## Report of the supervisory board to the annual report 2016

The supervisory board has reviewed the documents prepared for the year 2016: financial statements, the report of the board of directors, the proposal of the board of directors for the distribution of profit and the report on relations between related parties of SAB Finance a.s. ("the Company").

The auditor's report on the financial statements prepared by KPMG Česká republika Audit, s.r.o. confirmed that the financial statements give a true and fair view of the assets, liabilities and overall financial position of the Company as at 31 December 2016, and of its revenues, expenses and financial performance for the year then ended, in accordance with Czech accounting legislation. We have found the result of the audit satisfactory, and have no objections thereto.

The supervisory board hereby expresses its satisfaction with the cooperation extended by the board of directors, and states that it had all necessary conditions to carry out its tasks as stipulated by law.

The supervisory board hereby declares that it has not found any material deficiencies in the submitted documents, and that it approves the financial statements, the report of the board of directors, the proposal of the board of directors for the distribution of profit and the report on relations between related parties.

Prague, 18 April 2017

Jana Ježková  
Member of the Supervisory Board





**KPMG Česká republika Audit, s.r.o.**

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+420 222 123 111  
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This document is an signed 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  
Shareholder of SAB Finance a.s.**

***Opinion***

We have audited the accompanying financial statements of SAB Finance a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2016, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note A.1. to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as 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.

***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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený  
Městským soudem v Praze  
oddíl C, vložka 24185

IČO 49619187  
DIČ CZ699001996  
ID datové schránky: 8h3gtra



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 and Supervisory Board for the Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation 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 the oversight of 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.

***Statutory Auditor Responsible for the Engagement***

Vladimír Dvořáček is the statutory auditor responsible for the audit of the financial statements of SAB Finance a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague  
18 April 2017

KPMG Česká republika Audit, s.r.o.  
Registration number 71

Vladimír Dvořáček  
Partner  
Registration number 2332

## FINANCIAL STATEMENTS



## BALANCE SHEET

### as at 31 December 2016

	ASSETS (in TCZK)	Note	31. 12. 2016	31. 12. 2015
1	Cash in hand and balances with central banks	C. 1.	30	8
3	Receivables from banks and credit unions	C. 2.	263 913	88 014
	of which: a) repayable on demand		263 913	88 014
4	Receivables from customers	C. 3.	801 082	487 801
	of which: a) repayable on demand		747 165	188 131
	b) other receivables		53 917	299 670
8	Ownership interests with controlling influence	C. 5.	35 502	34 232
9	Intangible fixed assets	C.6.I.	2 773	6 432
	of which: a) goodwill		–	5 568
10	Tangible fixed assets	C.6.I.	1 125	2 313
11	Other assets	C.7.	10 670	1 455
13	Prepaid expenses and accrued income	C.8.	667	476
	<b>Total assets</b>		<b>1 115 762</b>	<b>620 731</b>

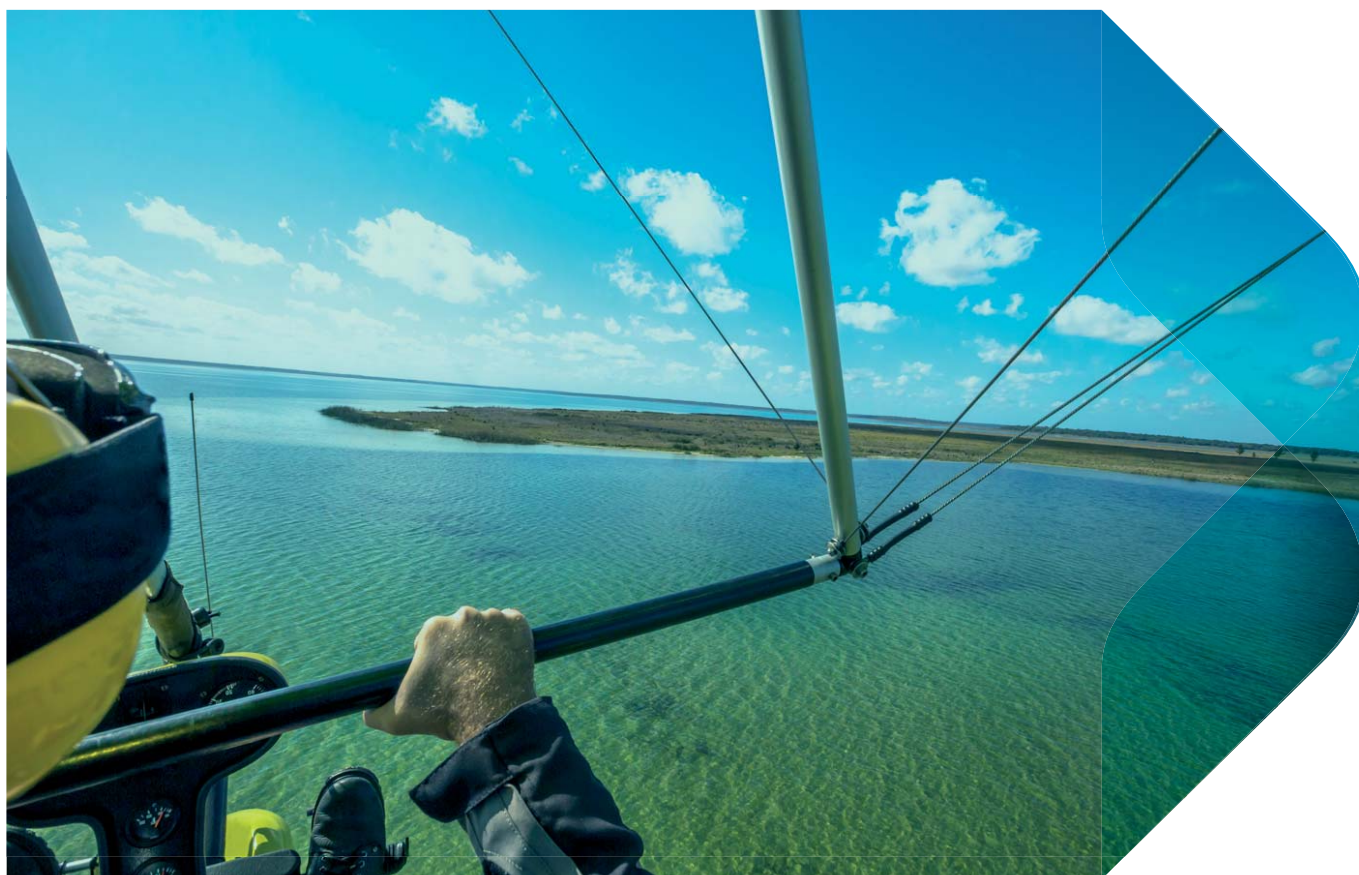
	LIABILITIES (in TCZK)	Note	31. 12. 2016	31. 12. 2015
1	Payables to banks and credit unions	C.9.	66 490	84 683
	of which: a) repayable on demand		66 490	84 683
2	Payables to customers	C.10.	795 751	203 547
	of which: a) repayable on demand		775 762	193 547
	b) other payables		19 981	10 000
3	Payables from debt securities	C.11.	–	71 200
	of which: a) issued debt securities		–	71 200
4	Other liabilities	C.12.	6 393	10 141
5	Prepaid expenses and accrued income		79	69
6	Provisions	C.13.	–	1 431
	of which: a) for pensions and other liabilities		–	1 431
8	Registered capital	C.15.	194 000	194 000
	of which: a) paid up registered capital		194 000	194 000
9	Share premium	C.15.	6 356	6 356
10	Reserve funds and other funds from profit	C.15.	13 936	12 075
	of which: a) statutory reserve funds and risk funds		13 936	12 075
15	Profit (loss) for the accounting period		32 757	37 229
	<b>Total liabilities</b>		<b>1 115 762</b>	<b>620 731</b>

The notes form an inherent part of the financial statements..

## OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET ITEMS (in TCZK)		Note	31. 12. 2016	31. 12. 2015
Off-balance sheet assets				
Off-balance sheet liabilities				
9	Commitments and guarantees	C.16.	123 510	85 318

The notes form an inherent part of the financial statements.



## INCOME STATEMENT

### for the period from 1 January 2016 to 31 December 2016

(In TCZK)	Note	2016	2015
1 Interest income and similar income	C.17.	4 236	15 620
of which: a) interest on debt securities		3 997	828
2 Interest expense and similar expense	C.18.	5 287	7 909
of which: b) interest on debt securities		2 811	3 709
4 Commission and fee income	C.19.	2 592	2 371
5 Commission and fee expense	C.20.	15 101	15 762
6 Gain or loss from financial operations	C.21.	134 259	145 848
7 Other operating income	C.22.	2 639	178 603
8 Other operating expenses	C.22.	7 179	182 328
9 Administrative expenses	C.23.	67 994	68 808
of which: a) employee expenses		49 074	51 017
of which: aa) wages and salaries		36 764	38 714
ab) social security and health insurance		11 599	11 414
b) other administrative expenses		18 920	17 791
11 Depreciation, addition and utilisation of provisions and adjustments to tangible and intangible fixed assets		6 818	17 942
16 Release of adjustments and provisions to receivables and guarantees, income from written-off receivables		1 431	–
17 Additions and use of other provisions		–	- 86
19 Current year profit (loss) from ordinary activities before tax		42 778	49 779
23 Income tax	C.24.	10 021	12 550
<b>24 Net profit (loss) for the period</b>		<b>32 757</b>	<b>37 229</b>

## CHANGES IN EQUITY

### for the year ended 31 December 2016

In TCZK	Registered capital	Share premium	Reserve funds	Profit (loss)	Total
<b>Balance as at 1/1/2015</b>	<b>194 000</b>	<b>6 356</b>	<b>10 354</b>	<b>34 411</b>	<b>245 121</b>
Net profit (loss) for the current period	–	–	–	37 229	<b>37 229</b>
Profit shares	–	–	–	-32 690	<b>-32 690</b>
Transfers to funds	–	–	1 721	-1 721	–
<b>Balance as at 31/12/2015</b>	<b>194 000</b>	<b>6 356</b>	<b>12 075</b>	<b>37 229</b>	<b>249 660</b>
<b>Balance as at 1/1/2016</b>	<b>194 000</b>	<b>6 356</b>	<b>12 075</b>	<b>37 229</b>	<b>249 660</b>
Net profit (loss) for the current period	–	–	–	32 757	<b>32 757</b>
Profit shares	–	–	–	-35 368	<b>-35 368</b>
Transfers to funds	–	–	1 861	-1 861	–
<b>Balance as at 31/12/2016</b>	<b>194 000</b>	<b>6 356</b>	<b>13 936</b>	<b>32 757</b>	<b>247 049</b>

The notes form an inherent part of the financial statements.

## CASH FLOW STATEMENT for the year ended 31 December 2016

In TCZK	Note	2016	2015
<b>OPERATING CASH FLOW</b>			
<b>Current year profit (loss) from ordinary activities before tax</b>		<b>42 778</b>	<b>49 779</b>
<b>Non-cash transactions:</b>			
Depreciation and change in adjustments to tangible and intangible fixed assets		6 818	17 942
Change in provisions		-1 431	-86
Net interest income		1 051	-6 883
Net profit (loss) on sale of tangible and intangible assets		-561	27
		<b>48 655</b>	<b>60 779</b>
<b>Changes in:</b>			
Receivables from customers		-313 281	578
Other assets, prepaid expenses and accrued income		4 917	-463
Payables to banks and credit unions		-18 193	51 287
Payables to customers		571 232	-57 011
Other liabilities, accrued expenses and deferred income		-3 738	17 430
		<b>289 592</b>	<b>72 600</b>
Interest received		81	14 792
Received shares in profit		-	828
Interest paid		-5 287	-7 909
Income tax paid		-14 323	-13 593
<b>Net operating cash flow</b>		<b>270 063</b>	<b>66 717</b>
<b>INVESTMENT ACTIVITY</b>			
Acquisition of realisable and held-to-maturity securities		-6 000	-
Acquisition of ownership interests		-1 000	-
Acquisition of tangible and intangible fixed assets		-2 781	-961
Proceeds from the sale of tangible and intangible fixed assets		2 218	179
<b>Net cash flow from investment activity</b>		<b>-7 563</b>	<b>-782</b>
<b>FINANCIAL ACTIVITY</b>			
Proceeds from the issue of debt securities		-	32 200
Expenses incurred on settlement of debt securities		-51 211	-32 200
Profit shares paid		-35 368	-32 690
<b>Net cash flow from financial activity</b>		<b>-86 579</b>	<b>-32 690</b>
<b>Net increase or decrease in cash and cash equivalents balance</b>		<b>175 921</b>	<b>33 245</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>88 022</b>	<b>54 777</b>
<b>Cash and cash equivalents as at 31 December</b>		<b>263 946</b>	<b>88 022</b>
<b>Cash and cash equivalents include:</b>			
Cash in hand and balances with central banks		30	8
Receivables from banks and credit unions repayable on demand		263 913	88 014
<b>Cash and cash equivalents as at 31 December</b>		<b>263 943</b>	<b>88 022</b>

The notes form an inherent part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the period 1 January 2016 – 31 December 2016



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## A. GENERAL INFORMATION

### A.1. Description of the accounting unit

Company name:	SAB Finance a.s.
Registered office:	Prague I - Nové Město, Senovážné nám.1375/19, postal code 110 00
Legal form:	joint-stock company
Principal business activity:	activities of a payment institution in the extent of the licence granted by the Czech National Bank in accordance with Act no. 284/2009 Sb., Coll., on the Payment System
Date of company's establishment:	30 July 2010
Identification no.:	247 17 444

(hereinafter as "SAB" or "the Company" or "the accounting unit")

Since 27 April 2011, the Company has been performing the activities of a payment institution within the scope of the licence granted by the Czech National Bank in accordance with Act no. 284/2009 Coll., on the Payment System. This was recorded in the Commercial Register on 15 February 2013.

As of 2 April 2014, another activity of the Company is the lease of real estate, flats and non-residential services.

Since 2 April 2014, the Company has complied with Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as a whole in accordance with section 777 (5) of the Act.

### A.2. Members of the board of directors and supervisory board as at 31 December 2016

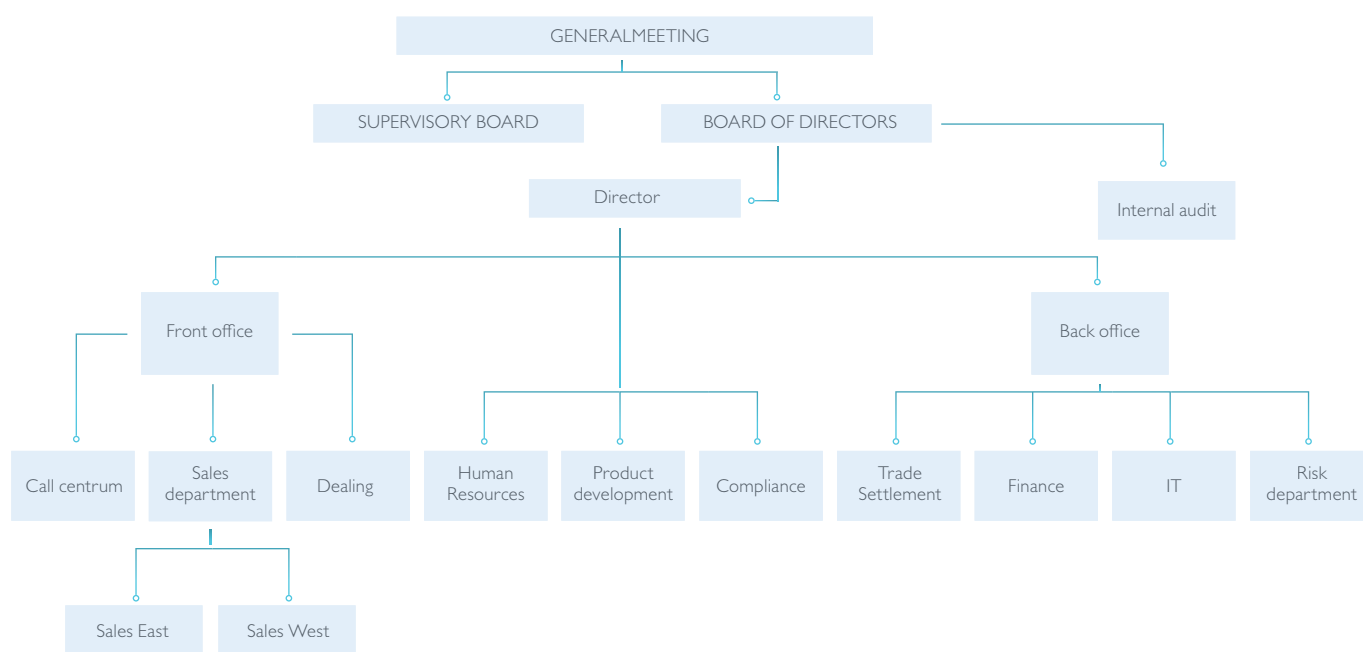
Situation as at 31/12/2016	Name and surname	Position
Statutory body – the board of directors	Ing. Petr Čumba	Member of the board of directors
Supervisory board	Jana Ježková	Member of the supervisory board

The sole member of the board of directors acts on behalf of the Company.

### A.3. Changes in the Commercial Register

In 2016, no other changes than the changes in companies with significant influence described in section A.5 were recorded in the Commercial Register.

#### A.4. Organisational structure as at 31 December 2016



#### A.5. Entities with controlling and significant influence

**A list of shareholders whose share in the registered capital exceeds 20%.**

Shareholder's name and surname	Share in the registered capital as at 31/12/2016
<b>SAB Financial Group a.s.</b>	100%

On 12 July 2016, the shareholder of the Company changed - SAB Financial Group a.s. replaced Správa Aktiv a Bankovní Poradenství a.s.

#### A.6. Ownership interests with significant influence

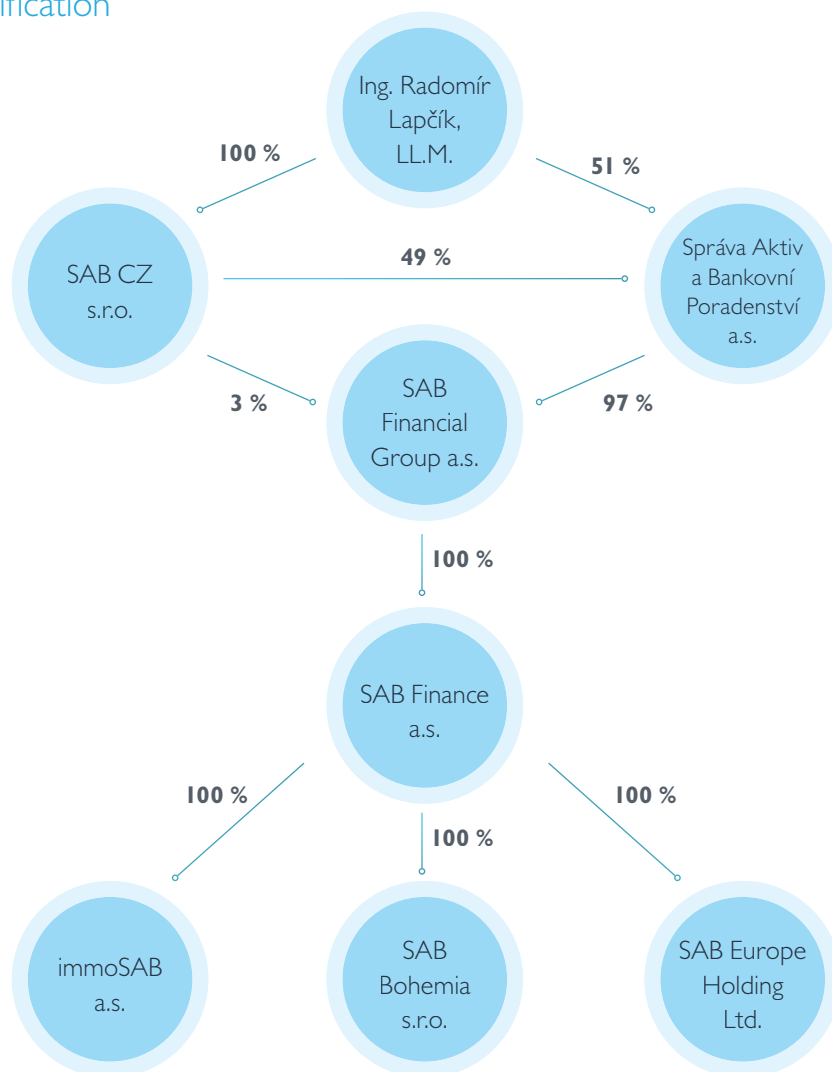
**A list of business companies and cooperatives in which the accounting unit holds shares exceeding 20% share in their registered capital.**

Shareholder's name and surname	Share in the registered capital as at 31/12/2016
<b>immoSAB a.s.</b>	100%
<b>SAB Europe Holding Ltd.</b>	100%
<b>SAB Bohemia s.r.o.</b>	100%

On 2 June 2016, the Company established a subsidiary - SAB Bohemia s.r.o.

On 12 April 2017, immoSAB a.s. was sold for balance-sheet value

## A.7. 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.

## A.8. Average number of employees, personnel expenses

### A.8.1. Average recalculated number of employees in the accounting period

Indicator	31. 12. 2016	31. 12. 2015
<b>Average recalculated number of employees</b>	50	46
<b>of which: members of the board of directors</b>	1	1
<b>members of the supervisory board</b>	1	1

See note C.23. Administration expenses for the personnel for the personnel expenses including the personnel expenses on the executives.

### A.8.2. Remuneration to persons acting as statutory bodies, members of the statutory and supervisory bodies

In 2016 and 2015, the accounting unit did not pay any remuneration to the members of the statutory body and the supervisory board for their activity therein. The members of the statutory body received TCZK 939 (2015 - TCZK I 400) – see note C.23.

## A.9. Performances made to the benefit of related parties

The accounting unit does not provide any loans, credits or other means of security, regardless of whether pecuniary or non-pecuniary, to any parties, which are statutory body, members of statutory and other managing and supervisory bodies, including the former parties to and members of these bodies.

## A.10. Basis for the preparation of the financial statements

The Company's bookkeeping has been kept and the financial statements have been prepared in accordance with the Act No. 563/1991 Coll., on Accounting, as amended, Decree 501/2002 Coll., through which some provisions of Act No. 563/1991 Coll., on Accounting, for the accounting units being the financial institutions that keep the books in a double-entry mode, as amended, and the Czech financial standards for financial institutions, as amended.

The financial statements are based on the assumption that the entity will continue as a going concern and that there is no circumstance that would restrict or prevent the entity's ability to continue as a going concern in the foreseeable future.

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting and the transactions and other events are recognized when they occur and are recorded in the period to which they relate. The accounting system respects the prudent approach, assuming the going concern principle.

All amounts in these financial statements are shown in thousands of Czech crowns (TCZK).

These financial statements are non-consolidated and prepared as at 31 December 2016.

The consolidated financial statements of the narrowest group of accounting units to which the Company as a consolidated accounting unit belongs have been prepared by SAB CZ s.r.o. with registered office at Senovážné nám. 4/1588, Prague I. These consolidated financial statements are available at the registered office of the consolidating entity.

The consolidated financial statements of the widest group of accounting units to which the Company as a consolidated accounting unit belongs have been prepared by SAB CZ s.r.o. with registered office at Senovážné nám. 4/1588, Prague I. These consolidated financial statements are available at the registered office of the consolidating entity.

## B. SIGNIFICANT ACCOUNTING POLICIES AND MEASUREMENTS

### B.1. Transaction date

Depending on the transaction type, the transaction date is generally defined as the date of payment or cash collection, the date of purchase or sale of foreign currency, the date of executing a payment or collection from a customer's account, the date of ordering a correspondent to execute a payment, the date on which funds are credited, as stated in a report received from the correspondent, the trade and settlement date for foreign currency transactions.

A trade day accounting method has been selected for the accounting transactions involving the purchase or sale of financial assets with a usual date of delivery (spot transactions). A financial asset purchase or sale is recognized in the balance sheet as at the transaction date already, along with a liability or receivable ensued in connection with payment for this financial asset.

The Company derecognises a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Company loses this control if it exercises the rights to the benefits defined in a contract, or if such rights expire or are waived by the Company.

### B.2. Tangible and intangible fixed assets

Tangible and intangible fixed assets (hereinafter as "TFA" and "IFA") are stated at acquisition costs. Amortisation and depreciation are determined on the basis of the acquisition costs and expected useful life of the asset. A TFA with the acquisition costs for less than TCZK 2 and IFA with less than TCZK 60 is not recognised in the balance sheet but charged to the expenses in the year of acquisition.

#### Depreciation is provided using the following methods and over the periods stated

Asset	Method	Depreciation period
<b>Buildings</b>	Straight-line	60
<b>Fixtures and fittings, machinery and equipment</b>	Straight-line	4–10
<b>Software</b>	Straight-line	3
<b>Low value assets with value exceeding TCZK 2</b>	Straight-line	2–6
<b>Goodwill</b>	Straight-line	5

Goodwill arises on the acquisition of assets and is defined as the positive difference between the acquisition cost and the interest in the fair value of identifiable assets and liabilities acquired as at the date of acquisition. Goodwill is amortised over its useful life.

Land, fixed assets under construction, works of arts and art collections are not depreciated. Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term or their estimated useful life.

Expected useful life is annually assessed and/or reviewed. Changes in depreciation periods, if any, are recognised in the statements as change in the estimate of the current year's result.

The expenses incurred after the asset has been put into use, such as the repair and maintenance expenses, are recorded in the period in which they have been incurred.

### B.3. Ownership interests with controlling and significant influence

Ownership interests with controlling or significant influence are measured at cost net of adjustments relating to the temporary decrease in the value of the ownership interests on an individual basis.

The establishment, release and utilisation of related adjustments is recognised in the income statement under "Release of adjustments to ownership interests with controlling or significant influence" and "Losses on transfer of ownership interests with controlling or significant influence, establishment and utilisation of adjustments to ownership interests with controlling or significant influence".

Ownership interests with controlling and significant influence are ownership interests in an entity in which SAB is the majority shareholder, i.e. SAB has a controlling influence over the management and full control over its activities. This influence arises from the share in the controlled entity's registered capital or from the contract or articles, irrespective of the percentage of the ownership share.

Ownership interests with significant influence are ownership interests in an entity in which SAB has at least 20% share in the entity's registered capital. In this case, SAB has a significant influence over the entity's management. This influence arises from the share in the registered capital or from the contract or articles, irrespective of the percentage of the ownership share.

### B.4. Securities

#### Initial recognition

Upon initial recognition, securities are measured at cost, which includes direct transaction costs.

#### Subsequent measurement

For the purposes of subsequent measurement, securities that are recognised in assets and that are not defined as ownership interests with controlling or significant influence are classified into the following categories:

- securities at fair value;
- available-for-sale securities;
- held-to-maturity securities;
- debt securities not intended for trading

Securities that are recognised in liabilities are classified into:

- securities at fair value ("liabilities from short sales");
- issued securities.

#### Securities measured at fair value

Securities in this portfolio must meet one of the below mention conditions:

1. securities held for trading;
2. upon initial recognition, the security is designated as security measured at fair value.

Securities measures at fair value are recognised at fair value.

Profit (loss) on the measurement is recognised in the income statement as "Profit (loss) on financial transactions". As regards debt securities, the accounting unit firstly recognises interest income under "Interest income and similar income". Subsequently, the items are remeasured at fair value and included in "Profit (loss) on financial transactions".

#### Available-for-sale securities

An available-for-sale security is a security which is a financial asset and which the Company has decided to classify as an available-for-sale security and which has not been classified as a security at fair value, a security held to maturity, or a security not intended for trading.

Available-for-sale securities are measured at fair value and gains/losses from this revaluation are recognised in equity under "Revaluation gains (losses)". When a security is sold, the respective revaluation difference is recognised in profit or loss under "Profit (loss) on financial transactions".

If a loss arising from a change in the fair value of an available-for-sale security is recognised in equity and there is objective evidence that the security is impaired, the loss is released from equity and charged to expenses.

If the fair value cannot be determined objectively, fair value is determined as the acquisition cost assessed as at the balancing date and in case of impairment, a provision is established.

#### **Securities held to maturity**

Securities held in the portfolio can only comprise debt securities which the accounting unit clearly intends and is able to hold to maturity.

Securities held to maturity are recognised at amortised cost which includes interest income. Interest income is recognised as "Interest income and similar income".

Adjustments are established to debt securities held to maturity. Adjustments to these securities are established in the amount which only reflects the change in issuer's risk position and not the changes in risk-free interest rates, according to individual securities.

#### **Debt securities not intended for trading**

Debt securities not intended for trading are not securities held for trading but are recognised as such. Debt securities not intended for trading are recognised in "Receivables from banks and credit unions" or "Receivables from customers".

#### **Liabilities from short sale**

A liability from short sale is a liability representing debt arising on the sale of a security accepted in a repo transaction or which was borrowed by the accounting unit. This liability from short sale is measured at fair value and recognised as "Payables from debt securities". The liability from short sale of equity securities is recognised as "Other liabilities".

Securities accepted as a part of reverse or repo transaction which are subject to short sale are derecognised from the sub-ledgers.

Any change in fair value is recognised in the income statement as "Profit (loss) on financial transactions".

#### **Issued securities**

Own issued debt securities are recognised at amortised cost under "Payables from debt securities". Upon initial recognition, own debt securities are measured at cost, which includes direct transaction costs.

## **B.5. Receivables from banks and customers**

Receivables that are not acquired from third parties are measured at nominal value and reduced by an impairment loss.

Purchased receivables are measured at cost as at the transaction date. Subsequently, they are reduced by any impairment loss.

#### **Accounting adjustments**

SAB establishes adjustments for doubtful receivables based on an analysis to the credit status of the customer and the structure of receivables.

#### **Tax adjustments**

The tax-deductible portion of total adjustments established in the accounting period for credit losses is calculated in accordance with Section 5 ("Banking reserves and adjustments") and Section 8 ("Adjustments to receivables from debtors") of Act No. 593/1992 Coll., on Reserves, as amended. Adjustments are recorded in sub-ledger accounts for the purpose of determining the tax liability.

#### **Write-offs**

The write-off of unrecoverable receivables is recorded under "Write-offs, additions and use of adjustments and provisions to receivables and guarantees" in the income statement. If a fully adjusted receivable is written off, the adjustment relating to the same item of the income statement is reduced by an identical amount. Income from loans previously written off is included in the income statement under "Release of adjustments and provisions for receivables and guarantees, income from written-off receivables".

## B.6. Establishment of provisions

A provision represents a probable cash outflow of uncertain timing or amount. A provision is recognised as an expense amounting to the best estimate of the outflow of resources required to settle a present debt where:

- a present obligation (legal or constructive) exists as a result of a past event,
- it is probable or certain that an outflow of economic benefits will be required to settle the obligation  
("probable" means a probability exceeding 50%), and
- the amount of the obligation can be estimated reliably.

## B.7. Foreign currency translations

Transactions denominated in foreign currencies are recorded in the local currency at the Czech National Bank official rate prevailing on the transaction date. Assets and liabilities denominated in foreign currencies are translated into the local currency at the Czech National Bank official rate prevailing as at the balance sheet date.

The net foreign exchange gain/loss arising from the translation of foreign currency assets and liabilities, except for investments denominated in foreign currencies, is recognised in the income statement as "Gain or loss from financial operations".

## B.8. Leasing

Lease payments are expense on a straight-line basis over the lease term. Where an asset is purchased at the end of the lease, it is recorded at its purchase price.

## B.9. Taxation

### **Current tax**

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

### **Deferred tax**

Deferred tax is provided on all temporary differences between the carrying and tax value of assets and liabilities multiplied by the income tax rate expected to be valid for the next period. A deferred tax asset is recognised only if there are no doubts that it will be utilised in future accounting periods.

## B.10. Interest income and expenses

The interest income and expenses are recognised in the profit & loss statement for the period to which they relate. The interest on credits and deposits are deferred and accrued on daily basis.

## B.11. Use of estimates

In preparing the non-consolidated financial statements in accordance with the Czech accounting regulations, the Company's management uses estimates and makes assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses recognised in the financial statements as at the reporting date, contingent assets and liabilities, and expenses for the reporting period.

The management made the estimates and assumptions based on all relevant available information.

## B.12. Corrections of the errors from the previous financial periods and changes in accounting methods

Corrections to prior period expenses or income are recognised as current period expenses or income, with the exception of corrections of material errors relating to prior periods.

Corrections of material errors in the recognition of prior period income or expenses and changes in accounting policies are recognised under "Retained profits (or accumulated losses)" in the Company's balance sheet.

## C. ADDITIONAL INFORMATION TO THE BALANCE SHEET AND INCOME STATEMENT

### C.1. Cash in hand and balances with central banks

	31. 12. 2016	31. 12. 2015
<b>Cash in hand</b>	30	8

### C.2. Receivables from banks and credit unions

	31. 12. 2016	31. 12. 2015
<b>Current accounts</b>	263 913	88 014

Receivables from banks and credit unions represent positive balances on the bank accounts, repayable on demand.

### C.3. Receivables from customers

	31. 12. 2016	31. 12. 2015
<b>Repayable on demand</b>	<b>747 165</b>	<b>188 131</b>
<b>Other receivables:</b>	<b>53 917</b>	<b>299 670</b>
immoSAB a.s.	–	4 400
Správa Aktiv a Bankovní Poradenství a.s.	53 917	11 017
SAB Financial Group a.s.	–	8 250
Bonds issued by SAB Financial Group a.s.	–	276 000
Other	–	3
<b>Total</b>	<b>801 082</b>	<b>487 801</b>

Receivables from customers repayable on demand comprise receivables from customers arisen on unsettled foreign exchange transactions.

At the same time, the Company recognises receivables from customers consisting of receivables from unsettled customer confirmations. The net value of receivables and payables repayable on demand as at 31 December 2016 a net payable of TCZK 28 596 (2015: payable of TCZK 5 416).

Other receivables of TCZK 53 917 (2015: TCZK 11 017) comprise the receivable from Správa Aktiv a Bankovní Poradenství a.s. arisen on the sale of bonds issued by SAB Financial Group a.s. (2015: other receivables comprised receivables arisen on the loan provided to Správa Aktiv a Bankovní Poradenství a.s.).

In 2015, other receivables comprise in particular the receivable on the sale of the bonds issued by SAB Financial Group a.s.

All receivables recognised as other receivables in 2015 were settled in 2016.

As at 31 December 2016, the Company did not establish any adjustment to receivables from customers (as at 31 December 2015 – TCZK 0). These receivables have not been pledged.

### C.4. Shares, units and other ownership interests

With the exception of the basic member contribution, the entire interest in Moravský Peněžní Ústav was sold on 28 July 2015. The sale of the interest in Moravský Peněžní Ústav was settled in 2016. At present, the Company holds no available-for-sale securities, units and other unlisted securities.

## C.5. Ownership interests with controlling influence

### As at 31 December 2016

Name, registered office, principal activities	Registered capital	Other component of registered capital	Share in equity (%)	Number of shares (pcs)	Acquisition cost	Carrying amount
<b>immoSAB a.s.</b> Senovážné nám. 1588/4 Prague 1, 110 00 Production, trade and services not specified in appendices 1 to 3 of the Trade Licensing Act	34 200	-873	100	342	34 200	34 200
<b>SAB Europe Holding Ltd.</b> Suite 183, The Fort, Hard Rocks Business Park, Naxxar, Malta	302	-163	100	n/a	302	302
<b>SAB Bohemia s.r.o.</b> Senovážné nám. 1375/19 Prague 1, 110 00 Production, trade and services not specified in appendices 1 to 3 of the Trade Licensing Act	1 000	-1 215	100	n/a	1 000	1 000
<b>Total</b>	<b>35 502</b>	<b>-2 251</b>	<b>–</b>	<b>–</b>	<b>35 502</b>	<b>35 502</b>

### As at 31 December 2015

Name, registered office, principal activities	Registered capital	Other component of registered capital	Share in equity (%)	Number of shares (pcs)	Acquisition cost	Carrying amount
<b>immoSAB a.s.</b> Senovážné nám. 1588/4 Prague 1, 110 00 Production, trade and services not specified in appendices 1 to 3 of the Trade Licensing Act	34 200	-4 341	100	342	34 200	34 200
<b>SAB Europe Holding Ltd.</b> Suite 183, TheFort, Hard Rocks Business Park, Naxxar, Malta	32	-72	100	n/a	32	32
<b>Total</b>	<b>34 232</b>	<b>-4 413</b>	<b>–</b>	<b>–</b>	<b>34 232</b>	<b>34 232</b>

On 26 December 2016, the Company increase the registered capital of SAB Europe Holding Ltd.

On 12 April 2017, immoSAB a.s. was sold for balance-sheet value.

In 2016, SAB Bohemia s.r.o. reported loss which is caused by the business concept in the first year of operations. The loss is expected to be offset by higher revenues in the second year of company's operations.

## C.6. Fixed assets

## C.6.1. Structure of fixed assets

## A) Intangible fixed assets

	Intangible fixed assets	Goodwill	Total
<b>Acquisition cost</b>			
<b>As at 1/1/2015</b>	<b>883</b>	<b>83 524</b>	<b>84 407</b>
Additions	210	—	210
Disposals	—	—	—
<b>As at 31/12/2015</b>	<b>1 093</b>	<b>83 524</b>	<b>84 617</b>
<b>As at 1/1/2016</b>	<b>1 093</b>	<b>83 524</b>	<b>84 617</b>
Additions	2 214	—	2 214
Disposals	—	—	—
<b>As at 31/12/2016</b>	<b>3 307</b>	<b>83 524</b>	<b>86 831</b>

	Intangible fixed assets	Goodwill	Total
<b>Accumulated depreciation and adjustments</b>			
<b>As at 1/1/2015</b>	<b>117</b>	<b>61 251</b>	<b>61 368</b>
Depreciation expense and net book value of disposed assets	112	16 705	16 817
Disposals	—	—	—
<b>As at 31/12/2015</b>	<b>229</b>	<b>77 956</b>	<b>78 185</b>
<b>As at 1/1/2016</b>	<b>229</b>	<b>77 956</b>	<b>78 185</b>
Depreciation expense and net book value of disposed assets	305	5 568	5 873
Disposals	—	—	—
<b>As at 31/12/2016</b>	<b>534</b>	<b>83 524</b>	<b>84 058</b>

	Intangible fixed assets	Goodwill	Total
<b>Net book value</b>			
<b>As at 31/12/2015</b>	<b>864</b>	<b>5 568</b>	<b>6 432</b>
<b>As at 31/12/2016</b>	<b>2 773</b>	<b>—</b>	<b>2 773</b>

In 2016, the Company purchase accounting software and developed own software enhancing the efficiency and automation of Company's activities.

## B) Tangible fixed assets

	Land	Buildings	Machinery and equipment	Motor vehicles	Assets under construction	Other tangible fixed assets	Advances paid	Total
<b>Acquisition cost</b>								
<b>As at 1/1/2015</b>	–	–	<b>2 577</b>	<b>3 173</b>	–	–	–	<b>5 750</b>
Additions	–	–	751	–	–	–	–	751
Disposals	–	–	1 318	–	–	–	–	1 318
<b>As at 31/12/2015</b>	–	–	<b>2 010</b>	<b>3 173</b>	–	–	–	<b>5 183</b>
<b>As at 1/1/2016</b>	–	–	<b>2 010</b>	<b>3 173</b>	–	–	–	<b>5 183</b>
Additions	–	–	567	–	–	–	–	567
Disposals	–	–	52	1 632	–	–	–	1 684
<b>As at 31/12/2016</b>	–	–	<b>2 525</b>	<b>1 541</b>	–	–	–	<b>4 066</b>

<b>Accumulated depreciation and adjustments</b>	Land	Buildings	Machinery and equipment	Motor vehicles	Assets under construction	Other tangible fixed assets	Advances paid	Total
<b>As at 1/1/2015</b>	–	–	<b>1 770</b>	<b>1 087</b>	–	–	–	<b>2 857</b>
Depreciation expense and net book value of disposed assets	–	–	596	529	–	–	–	1 125
Disposals	–	–	1 112	–	–	–	–	1 112
<b>As at 31/12/2015</b>	–	–	<b>1 254</b>	<b>1 616</b>	–	–	–	<b>2 870</b>
<b>As at 1/1/2016</b>	–	–	<b>1 254</b>	<b>1 616</b>	–	–	–	<b>2 870</b>
Depreciation expense and net book value of disposed assets	–	–	455	1 300	–	–	–	1 755
Disposals	–	–	52	1 632	–	–	–	1 684
<b>As at 31/12/2016</b>	–	–	<b>1 657</b>	<b>1 284</b>	–	–	–	<b>2 941</b>

<b>Net book value</b>	Land	Buildings	Machinery and equipment	Motor vehicles	Assets under construction	Other tangible fixed assets	Advances paid	Total
<b>As at 31/12/2015</b>	–	–	<b>756</b>	<b>1 557</b>	–	–	–	<b>2 313</b>
<b>As at 31/12/2016</b>	–	–	<b>868</b>	<b>257</b>	–	–	–	<b>1 125</b>

### C.6.2. Leased assets

The Company uses assets under financial lease contracts. As at 31 December 2016, the Company had on average 14 motor vehicles under the finance lease (as at 31 December 2015, the Company had 13 motor vehicles under the finance lease). Lease expense for 2016 amounted to TCZK 2 317 (as at 31 December 2015 - TCZK 2 482).

## C.7. Other assets

	2016	2015
Receivables from various debtors	1 106	976
Advances paid	7 179	219
Tax receivables	2 312	–
Deferred tax asset	–	148
Other assets	73	112
<b>Total</b>	<b>10 670</b>	<b>1 455</b>

As at 31 December 2016, advances paid comprise in particular advances for the purchase of leased vehicles of TCZK 7 020 (2015: TCZK 0).

Tax receivables comprise in particular income tax advances paid of TCZK 12 112 (2015: TCZK 10 232). In the financial statements, net tax receivables are reported against the income tax provision of TCZK 9 800 (2015: TCZK 12 496).

## C.8. Prepaid expenses and accrued income

As at 31 December 2016, the Company recorded prepaid expenses of TCZK 667 (as at 31 December 2015 – TCZK 476). Prepaid expenses comprise in particular prepayments for consultancy and advisory services.

No assets of the Company have been pledged to secure Company's liabilities.

## C.9. Payables to banks and credit unions

Liabilities repayable on demand	Maturity	Currency	Balance as at 31/12/2016 in CZK	Due in 1 year	Balance as at 31/12/2015 in CZK
Moravský Peněžní Ústav	overdraft	EUR	–	–	48 915
Moravský Peněžní Ústav	overdraft	USD	66 490	66 490	35 767
Moravský Peněžní Ústav	overdraft	CZK	–	–	–
Deutsche Bank Prague		CNY	–	–	1
<b>Total</b>	–	–	<b>66 490</b>	<b>66 490</b>	<b>84 683</b>

## C.10. Payables to customers

	2016	2015
Repayable on demand	775 762	193 547
Other payables	19 989	10 000
<b>Total</b>	<b>795 751</b>	<b>203 547</b>

The payables to non-bank entities repayable on demand comprise the payables to customers from unsettled confirmations. None of these payables is overdue (as at 31 December 2015 - TCZK 0).

The Company also recognises receivables from customers which comprise receivables from unsettled customer confirmations. As at 31 December 2016, the net value of repayable-on-demand receivables and payables is TCZK 28 596 (2015: payable of TCZK 5 416). Receivables are described in note C.3.

Other payables comprise the payable to SAB Financial Group a.s. which assumed Company's liabilities.

## C.11. Payables from debt securities

As at 31 December 2016, the Company records no payable from debt securities. In 2015, the Company reported payables from debt securities of TCZK 71 200. These payables were repaid in 2016. The liability was assigned to SAB Financial group a.s. – see note C.10.

## C.12. Other liabilities

	2016	2015
Payables to employees	2 335	2 313
Social security and health insurance liabilities	1 150	1 038
Tax liabilities	559	2 883
Deferred tax liability	73	–
Estimated payables	1 573	772
ČSOB Leasing – lease contracts	–	270
Liabilities from membership share acquisitions and from bank fees	–	1 583
Other liabilities	703	1 282
<b>Total</b>	<b>6 393</b>	<b>10 141</b>

None of the liabilities exceeds the maturity period of 5 years.

## C.13. Provisions

In 2016, the Company established provisions totalling TCZK 9 800 (2015 – TCZK 1 431), and released provisions of CZK 1 431 million (2015 – CZK 4 879 million). Further, the provision for untaken holiday was released and income tax provision established in 2016.

In the financial statements, the income tax provision is reported as net. Since the tax prepayments exceeded the provision, the Company recognised tax receivable of TCZK 2 312 – see note C.7.

	Provision for untaken holiday	Income tax provision
<b>Balance at 1/1/2015</b>	<b>1 518</b>	<b>3 361</b>
Additions	1 431	–
Release	-1 518	-3 361
Utilisation	–	–
<b>Balance at 31/12/2015</b>	<b>1 431</b>	<b>–</b>
Additions	–	9 800
Release	-1 431	–
Utilisation	–	–
<b>Balance at 31/12/2016</b>	<b>–</b>	<b>9 800</b>

## C.14. Deferred tax

Items on which temporary differences arise (in TCZK)	2016	2015
Fixed assets (deferred tax liability)	-73	-124
Provision for untaken holiday (deferred tax asset)	–	272
<b>Net tax asset/liability (-)</b>	<b>-73</b>	<b>148</b>

The deferred income tax is determined as all the temporary differences with the tax rate applied as applicable for the period in which the tax liability or receivable will be applied, i.e. 19% (19% as at 31 December 2015).

## C.15. Equity

### C.15.1. Changes in equity

	Registered capital	Share premium	Funds	Profit	Total
<b>Balance at 1/1/2015</b>	<b>194 000</b>	<b>6 356</b>	<b>10 354</b>	<b>34 411</b>	<b>245 121</b>
Net profit/loss for the accounting period	–	–	–	37 229	37 229
Additions to funds	–	–	1 721	-1 721	–
Payment of dividends	–	–	–	-32 690	-32 690
Increase in registered capital	–	–	–	–	–
<b>Balance at 31/12/2015</b>	<b>194 000</b>	<b>6 356</b>	<b>12 075</b>	<b>37 229</b>	<b>249 660</b>
Net profit/loss for the accounting period	–	–	–	32 757	32 757
Additions to funds	–	–	1 861	-1 861	–
Payment of dividends	–	–	–	-35 368	-35 368
Increase in registered capital	–	–	–	–	–
<b>Balance at 31/12/2016</b>	<b>194 000</b>	<b>6 356</b>	<b>13 936</b>	<b>32 757</b>	<b>247 049</b>

The registered capital consists of 4 000 pieces of ordinary registered shares with nominal value of CZK 1 000 and additional 1 900 ordinary registered shares valued at CZK 100 000. In 2015 and 2016, no changes were made to the Company's registered capital.

On 15 June 2016, the sole shareholder of SAB Finance a.s., executing the powers of the general meeting, decided on the distribution of the Company's profit for 2015. TCZK 1 861 was transferred to the reserve fund, and TCZK 35 368 was paid out to the shareholder as dividends.

The board of directors of SABF proposes to distribute the 2016 profit as follows:

- 1) TCZK 31 119 to the shareholders; and.
- 2) TCZK 1 638 to the reserve fund.

## C.16 Off-balance sheet items

As at 31 December 2016, commitments and guarantees received total TCZK 123 510 (as at 31 December 2015 – TCZK 85 318). This is an outstanding credit limit on the basis of concluded loan agreement with Moravský Peněžní Ústav – spořitelní družstvo.

## C.17. Interest income and similar income

	2016	2015
Interest on loans provided	237	11 055
Interest on debt securities	3 997	828
Other	2	3 737
<b>Total</b>	<b>4 236</b>	<b>15 619</b>

Interest from debt securities comprise in particular revenue from bonds issued by SAB Financial Group a.s.

## C.18. Interest expense and similar expense

	2016	2015
Interest on overdraft bank accounts	2 050	3 042
Interest on loans	419	1 139
Interest on bonds	2 811	3 709
Other	7	19
<b>Total</b>	<b>5 287</b>	<b>7 909</b>

## C.19. Commission and fee income

	2016	2015
Fees on transactions concluded	2 592	2 371
<b>Total</b>	<b>2 592</b>	<b>2 371</b>

## C.20. Commission and fee expense

Expense (in TCZK)	2016	2015
Bank fees	15 101	15 762
<b>Total</b>	<b>15 101</b>	<b>15 762</b>

Commission and fee expense comprises bank fees.

## C.21. Gain or loss from financial operations

	2016	2015
Profit (loss) from FX diff. in bank accounts	-677	4 678
Profit (loss) from trading	134 936	141 170
<b>Total</b>	<b>134 259</b>	<b>145 848</b>

Liabilities from financial operations were subdivided into foreign exchange difference on revaluation of current account balances and profit from trading which is Company's principal activity.

## C.22. Other operating expenses and income

### Other operating income

	2016	2015
Proceeds from disposals of fixed assets	2 218	179
Insurance indemnities	155	769
Other	266	177 656
<b>Total</b>	<b>2 639</b>	<b>178 603</b>

Proceeds from the disposals of fixed assets comprise in particular proceeds from the sale of cars as the car fleet was renewed in 2016. The Company signed new lease contracts. Old vehicles acquired by the Company upon the expiration of the lease contracts, were sold. Company's net profit from disposals of assets amounts to TCZK 561 (2015: a loss of TCZK 27).

In 2015, "Other" operating income comprised income from the assignment of receivables of TCZK 177 572. The receivables assigned comprised intra-group receivables.

**Other operating expenses**

	2016	2015
Gifts	5 980	4 012
Capitalisation of intangible fixed assets	-1 718	—
Net book value of disposed assets	1 657	206
Insurance	794	518
Other	466	177 592
<b>Total</b>	<b>7 179</b>	<b>182 328</b>

In 2016, the Company developed diligently software to support its activities and make them more efficient. The capitalisation of intangible fixed assets comprises the value of internal sources contributing to the development.

In 2015, "Other" operating expenses comprised TCZK 177 572 on the assignment of receivables. The receivables assigned comprised intra-group receivables.

**C.23. Administrative expense**

	2016	2015
<b>Wages and remuneration</b>	<b>36 764</b>	<b>38 714</b>
of which: executives	7 543	5 293
members of the board of directors	939	1 400
members of the supervisory board	—	—
<b>Social security and health insurance</b>	<b>11 599</b>	<b>11 414</b>
of which: executives	2 158	1 686
members of the board of directors	345	505
members of the supervisory board	—	—
<b>Other personnel cost</b>	<b>712</b>	<b>889</b>
<b>Other administrative expenses</b>	<b>18 920</b>	<b>17 791</b>
of which: audit	478	350
legal, consultancy and tax services	2 547	1 797
lease instalments	2 317	2 475
<b>Total</b>	<b>67 994</b>	<b>68 808</b>

As at 31 December 2016, the Company provided no loan, advance payment or borrowing to the members of the management and controlling bodies (as at 31 December 2015, the Company provided no loan, advance payment or borrowing to the members of the management and controlling bodies).

## C.24. Income tax

	2016	2015
Income tax for the current period	9 800	12 497
Deferred income tax	221	53
<b>Income tax in the income statement</b>	<b>10 021</b>	<b>12 550</b>

The income tax has been determined as the accounting profit less tax deductible and tax non-deductible expenses and income and by offsetting the corporate income tax deduction. In 2016, a tax rate of 19% was used to calculate deferred tax (2015: 19%). Deferred tax is provided on the differences between the carrying amounts of assets for the financial reporting purposes and the amounts used for taxation purposes.

	2016	2015
Profit (loss) for the period before tax	42 778	49 779
Non-taxable income	474	1 068
Tax non-deductible expense	12 598	22 355
Tax discounts and offsets	5 137	5 294
Other items	1 814	–
Subtotal	51 579	65 772
<b>Tax determined using 19% rate</b>	<b>9 800</b>	<b>12 497</b>

## C.25. Related party transactions

	Receivables as at 31/12		Payables at 31/12	
	2016	2015	2016	2015
<b>Správa Aktiv a Bankovní Poradenství a.s.</b>	52 957	11 017	28	–
<b>SAB CZ s.r.o.</b>	144	–	–	–
<b>immoSAB a.s.</b>	–	4 400	–	–
<b>SAB Capital a.s.</b>	–	–	–	–
<b>SAB Financial Group a.s.</b>	786	284 250	19 800	–
<b>SAB Holding a.s.</b>	–	–	–	1 583
<b>SAB Bohemia s.r.o.</b>	–	–	117	–
<b>SAB Europe Holding, Ltd</b>	–	–	–	–
<b>mediaport solutions s.r.o.</b>	501	500	87	87
<b>Total</b>	<b>54 388</b>	<b>24 168</b>	<b>20 032</b>	<b>1 680</b>

The receivables comprise in particular the receivables from the sale of bonds of SAB Financial Group a.s. reported in the balance sheet as Receivables from customers – other receivables.

The liabilities comprise the payables to SAB Financial Group a.s., which took over Company's liability.

	Income		Expense	
	2016	2015	2016	2015
<b>Správa Aktiv a Bankovní Poradenství a.s.</b>	1 664	10 016	28	–
<b>SAB CZ s.r.o.</b>	144	244	119	–
<b>immoSAB a.s.</b>	36	690	–	–
<b>SAB Capital a.s.</b>	–	80	–	–
<b>SAB Financial Group a.s.</b>	–	26	–	22
<b>SAB Holding a.s.</b>	–	–	44	83
<b>SAB Bohemia s.r.o.</b>	–	–	366	–
<b>SAB Europe Holding, Ltd</b>	–	–	–	–
<b>mediaport solutions s.r.o.</b>	2	2	1 017	1 131
<b>Total</b>	<b>1 846</b>	<b>11 058</b>	<b>1 574</b>	<b>1 236</b>

The income comprises interest income on provided loans and payment services provided. The expenses related to the interest on loans received in 2016. SAB Bohemia s.r.o. provides SAB Finance a.s. with operating lease for passenger cars.

Company's income is generated on the Czech market.

## C.26. Financial instruments – risk management

### a) Credit risk

The Company is exposed to credit risk in respect of receivables from banks and credit unions.

The Company is not exposed to any credit risk in respect of its principal activities because the foreign currency transactions are not completed unless the money from the customer has been credited to Company's bank accounts.

### b) Market risk

The market risk is managed by the prudent and efficient administration of the open foreign currency positions and by determining the internal limits for the maximum amounts of the total open currency exchange position.

### c) Liquidity risk

The Company's liquidity is defined as the ability to duly and in time fulfil customer obligations arisen on foreign exchange conversions and related payment transactions.

The Company has mechanisms in place to separate the clients' financial means from the Company's operating funds.

Closed foreign currency transactions are settled after obtaining the financial coverage from the client. This mechanism prevents the formation of the liquidity risk.

### d) Operating risk

The operating risk is defined as a risk of a loss due to an inadequacy or failure of the internal processes, human factor or systems, or a risk of Company's loss by action of an event. The base for operating risk management was set up in the Company mainly by a conceptual framework of the organisation structure. The human factor risk is managed by means of an exact definition of the obligations of the Company's individual bodies and employees and the code of organizational rules. The information system-related risk is managed by means of access profiles into the information systems and the implementation of the control mechanisms. The risk attributable to inappropriate or wrong setting of the internal processes is reduced by the implemented control mechanisms.

The operating risk management processes are to provide, on the basis of observation and assessment of the past events, for such measures that eliminate or remove the individual operating risk elements. The Company monitors the operating risk in all the aspects of its activities where the losses are pending because of this risk. The operating risk management also includes the prevention of money laundering and ensuring the security of Company's IT systems.

## e) Currency risk

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

The management and monitoring of currency risk is performed daily by means of the Value-at-Risk method which is based on a high-probability estimate of the maximum exchange rate change for a reviewed period.

Assets as at 31/12/2016 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash in hand and balances with central banks	—	—	—	—	30	—	30
Receivables from banks	21 408	446	8 063	5 967	223 770	4 259	263 913
Receivables from customers	349 971	93 838	8 164	1 089	344 789	3 231	801 082
Other ownership interests	302	—	—	—	35 200	—	35 502
Tangible and intangible fixed assets	—	—	—	—	3 898	—	3 898
Other assets	—	—	—	—	10 670	—	10 670
Prepaid expenses and accrued income	—	—	—	—	667	—	667
<b>Total</b>	<b>371 681</b>	<b>94 284</b>	<b>16 227</b>	<b>7 056</b>	<b>619 024</b>	<b>7 490</b>	<b>1 115 762</b>

Liabilities as at 31/12/2016 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Payables to banks	—	66 490	—	—	—	—	66 490
Payables to customers	304 985	51 864	16 481	4 692	411 719	6 010	795 751
Other liabilities	—	—	—	—	6 393	—	6 393
Accruals	—	—	—	—	79	—	79
Equity	—	—	—	—	247 049	—	247 049
<b>Total</b>	<b>304 985</b>	<b>118 354</b>	<b>16 481</b>	<b>4 692</b>	<b>665 240</b>	<b>6 010</b>	<b>1 115 762</b>

<b>Net foreign currency position</b>	<b>66 696</b>	<b>-24 070</b>	<b>-254</b>	<b>2 364</b>	<b>-46 216</b>	<b>1 480</b>	<b>—</b>
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Assets as at 31/12/2015 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash in hand and balances with central banks	—	—	—	—	8	—	8
Receivables from banks	2 255	318	2 895	5 057	75 127	2 362	88 014
Receivables from customers	119 786	37 367	1 586	4 787	323 024	1 251	487 801
Other ownership interests	—	—	—	—	34 232	—	34 232
Tangible and intangible fixed assets	—	—	—	—	8 745	—	8 745
Other assets	—	—	—	—	1 455	—	1 455
Prepaid expenses and accrued income	—	—	—	—	476	—	476
<b>Total</b>	<b>122 041</b>	<b>37 685</b>	<b>4 481</b>	<b>9 844</b>	<b>443 067</b>	<b>3 613</b>	<b>620 731</b>

Liabilities as at 31/12/2015 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Payables to banks	48 915	35 767	—	—	—	1	84 683
Payables to customers	54 126	16 282	5 615	6 109	118 899	2 516	203 547
Payables from debt securities	—	—	—	—	71 200	—	71 200
Other liabilities	—	—	—	—	10 141	—	10 141
Accruals	—	—	—	—	69	—	69
Provisions	—	—	—	—	1 431	—	1 431
Equity	—	—	—	—	249 660	—	249 660
<b>Total</b>	<b>103 041</b>	<b>52 049</b>	<b>5 615</b>	<b>6 109</b>	<b>451 400</b>	<b>2 517</b>	<b>620 731</b>

<b>Net foreign currency position</b>	<b>19 000</b>	<b>-14 364</b>	<b>-1 134</b>	<b>3 735</b>	<b>-8 333</b>	<b>1 096</b>	<b>—</b>
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**f) Interest rate risk**

The Company is exposed to interest rate risk as its interest-bearing assets and liabilities have different maturity dates, interest rate adjustment periods and volumes during these periods.

Assets as at 31/12/2016 (in TCZK)	Within 3 months	From 3 months to 1 year	Within 1 year	Over 5 years	Total
Cash in hand and balances with central banks	30	–	–	–	30
Receivables from banks	263 913	–	–	–	263 912
Receivables from customers	801 082	–	–	–	801 082
<b>Total</b>	<b>1 065 025</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 065 025</b>

Liabilities as at 31/12/2016 (in TCZK)	Within 3 months	From 3 months to 1 year	Within 1 year	Over 5 years	Total
Payables to banks	66 490	–	–	–	66 490
Payables to customers	795 751	–	–	–	795 751
<b>Total</b>	<b>833 281</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>862 241</b>

<b>Gap</b>	<b>231 744</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>231 744</b>
<b>Cumulative gap</b>	<b>231 744</b>	<b>231 744</b>	<b>231 744</b>	<b>231 744</b>	<b>231 744</b>

Assets as at 31/12/2015 (in TCZK)	Within 3 months	From 3 months to 1 year	Within 1 year	Over 5 years	Total
Cash in hand and balances with central banks	8	–	–	–	8
Receivables from banks	88 014	–	–	–	88 014
Receivables from customers	202 878	4 523	–	280 400	487 801
Debt securities	–	–	–	–	–
Other interest sensitive assets	–	–	–	–	–
<b>Total</b>	<b>290 900</b>	<b>4 523</b>	<b>–</b>	<b>280 400</b>	<b>575 823</b>

Liabilities as at 31/12/2015 (in TCZK)	Within 3 months	From 3 months to 1 year	Within 1 year	Over 5 years	Total
Payables to banks	84 683	–	–	–	84 683
Payables to customers	193 547	10 000	–	–	203 547
Payables from debt securities	–	71 200	–	–	71 200
<b>Total</b>	<b>278 230</b>	<b>81 200</b>	<b>–</b>	<b>–</b>	<b>359 430</b>

<b>Gap</b>	<b>12 670</b>	<b>-76 677</b>	<b>–</b>	<b>280 400</b>	<b>216 393</b>
<b>Cumulative gap</b>	<b>12 670</b>	<b>-64 007</b>	<b>-64 007</b>	<b>216 393</b>	<b>216 393</b>

The above table only provides an overview of interest rate sensitive assets and liabilities, and is therefore not identical to the balances presented in the Company's balance sheet.

## C.27. Material subsequent events

On 20 January 2017, the Company established a subsidiary - SAB Corporate Finance Limited, with registered office in London, registered capital of 1 million GBP. SAB Finance has a 100% share in the subsidiary. The registered capital of the company has not yet been paid up and the company has not performed any activity yet.

On 28 February 2017, Ing. Martin Farský was appointed a new member of the board of directors. Subsequently, he was elected chairman of the board. Ing. Petr Čumba remains the member of the board of directors. Thus, the number of board of directors' members increased from one to two. The scope of the authorisation of the board of directors to act on behalf of the Company remains the same – any member of the board of directors may act on behalf of the Company independently.

On 12 April 2017, immoSAB a.s. was sold for balance-sheet value.

Besides the above described, the Company management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2016.

Dated 18 April 2017

Ing. Petr Čumba and Ing. Martin Farský, FCCA  
Board of directors

