



**sab**

# ANNUAL REPORT

**As at 31 December 2017**





# 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 2017 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 2017, SABF clearly confirmed its leading position. Thanks to internal factors, such as improvement of the client care processes and active involvement of employees, and external factors, such as primarily the termination of the CNB's interventions into the foreign exchange market, the Company managed to report a significant year-on-year growth both in terms of the number of concluded transactions and new clients in 2017. We exceeded the milestone of 16,000 clients and also the symbolic turnover threshold of BCZK 200. The Company reported profit before tax of MCZK 67,718.

In 2017, the Zlín-located headquarters of the Company were moved to new representative premises which will enable the Company to accelerate both its technological and personnel development. We also completed the project of client care regionalisation. As a result, each client has his regional director for the given field and his own Dealing department officer. These measures enable us to learn the needs of our clients better and in more detail, to get closer to them and to solve their requirements faster and more effectively. We also prepared a new general agreement for clients with simplified contractual documentation and improved arrangement.

2017 was also significant in terms of expansion abroad which allowed the Company and the whole group to improve its stability, its ability to serve the clients, and to create space for growth of the client base. In terms of the foreign expansion, we are proud to mention two significant milestones achieved in 2017. First, our subsidiary SAB Corporate Finance Ltd, UK acquired the payment institution licence in the UK on 1 December 2017 after the SAB group and its owner had been approved by the U.K. regulator. The other milestone which is even more important in the history of the SAB group was realised by the Company's subsidiary SAB Europe Holding Ltd. On 30 November 2017, after approval of the SAB group and its owner by the European Central Bank and MFSA, SAB Europe Holding Ltd. acquired a bank fully licenced in the Eurozone. The basic strategy of this new bank within the group is service and support provided to corporate clients of the SAB group all over Europe.

In 2017, the Company continued concentrating on its technological development. The update of 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 contribute to meeting the maximum requirements which we put on speed, efficiency, safety, simplicity and transparency.

One of our priorities in 2017 was also focus on development of the Company's employees primarily in terms of trades and dealing so that we can better understand the needs of our clients and as a result provide better-quality services.

In conclusion, we would like to thank all employees and partners who have helped to increase the prestige of SAB Finance a.s. on the Czech market and the prestige of the whole group both on the Czech market and abroad.

We would also like to thank our clients 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 for us, similarly as the growth of overall satisfaction of our clients with the provided services.

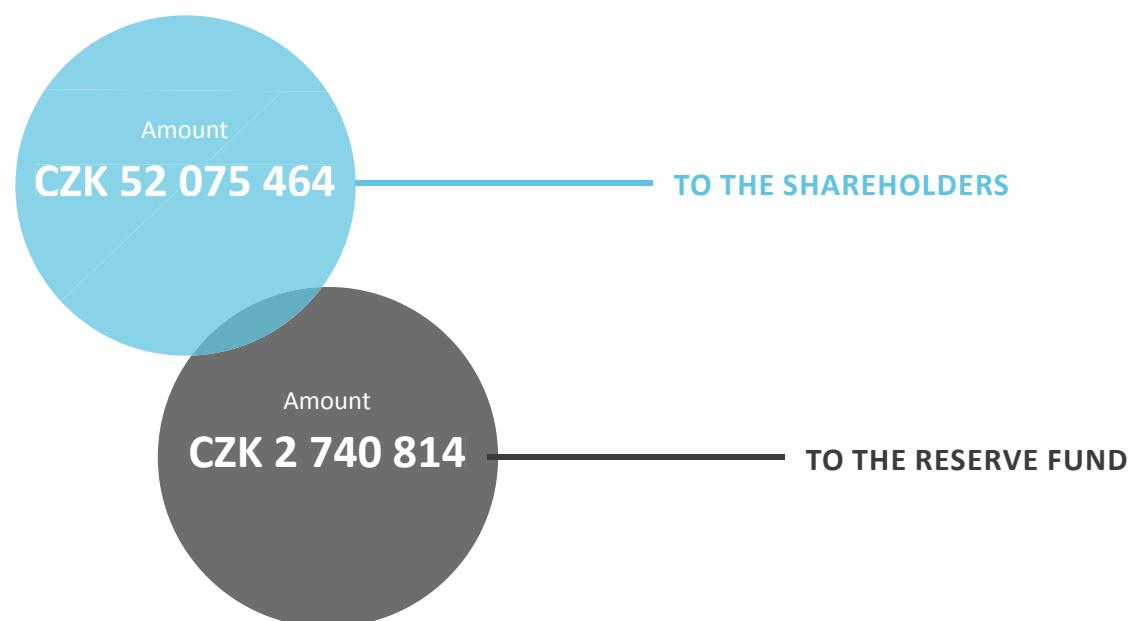
Prague, 27 April 2018

  
Ing. Dušan Benda, FCCA  
předseda představenstva  
Board of Directors



## THE PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF 2017 PROFIT

SABF's board of directors proposes to distribute the profit for 2017 as follows:



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Only the Czech version of the report is legally binding.

## **Independent Auditor's Report to the Shareholders 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 2017, 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 2017, 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. In connection with our audit of the financial statements, our responsibility is to read the

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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.

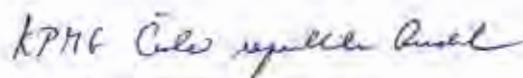
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies 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 2017, based on which this independent auditor's report has been prepared.

Prague  
27 April 2018



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



Vladimír Dvořáček  
Partner  
Registration number 2332





# REPORT ON RELATIONS

BETWEEN THE CONTROLLING AND THE  
CONTROLLED ENTITY AND ON RELATIONS  
BETWEEN THE CONTROLLED ENTITIES  
FOR THE ACCOUNTING PERIOD FROM  
**1 JANUARY 2017 TO 31 DECEMBER 2017**

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 1, 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 110 336 pieces of ordinary registered shares in nominal value of CZK 3 880 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:

- Contract for the subscription of shares of 20 October 2017
- Contract for the subscription of shares of 13 December 2017
- Loan contract of 20 April 2017
- Loan contract of 25 April 2017
- Loan contract of 27 November 2017

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’s controlling person is **Ing. Radomír Lapčík, LL.M.**, with its registered office at Prague 1, Senovážné nám. 1588/4, 110 00.

**The relations** between Ing. Radomír Lapčík as the controlling person and SAB Finance a.s. have arisen as a result of the following:

- Contract for the purchase of shares of 12 April 2017



# ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY:

## SAB Holding a.s.

with registered office in Prague 1, 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.

**No contractual relations exist** between SAB Holding a.s. and SAB Finance a.s. as at 31 December 2017.

## SAB Energy s.r.o.,

with registered office in Prague 1, 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. **The contractual relations** between SAB Energy s.r.o. and SAB Finance a.s. have arisen as a result of the loan contract of 31 March 2017.

## 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 August 2017
- IT SABFIS Outsourcing agreement dated 7 January 2017
- Payment Services Agreement dated 21 December 2011

During the 2017 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 2017 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, 30 March 2018

Ing. Petr Čumba a Ing. Martin Farský, FCCA  
Členové představenstva

Ing. Petr Čumba and Ing. Martin Farský, FCCA  
Members of the 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 2017, the company continued developing the new information system.



## FOREIGN ORGANISATIONAL UNIT

The company has no foreign organisational unit.



## ACQUISITION OF OWN SHARES

In 2017, 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 2017.

# FINANCIAL STATEMENTS





# BALANCE SHEET

## AS AT 31 DECEMBER 2017

ASSETS (in TCZK)	Note	31/12/2017	31/12/2016
1. Cash in hand and balances with central banks	C.1.	32	30
3. Receivables from banks and credit unions	C.2.	274 807	263 913
of which: a) repayable on demand		274 807	263 913
4. Receivables from customers	C.3.	1 408 768	801 082
of which: a) repayable on demand		1 050 458	747 165
b) other receivables		358 310	53 917
8. Ownership interests with controlling influence	C.4.	30 088	35 502
9. Intangible fixed assets	C.5.	3 069	2 773
10. Tangible fixed assets	C.5.	26 606	1 125
11. Other assets	C.6.	32 009	10 670
13. Prepaid expenses and accrued income	C.7.	503	667
<b>TOTAL ASSETS</b>		<b>1 775 882</b>	<b>1 115 762</b>

The notes form an inherent part of the financial statements.

LIABILITIES (in TCZK)	Note	31/12/2017	31/12/2016
1. Payables to banks and credit unions	C.8.	19 600	66 490
of which: a) repayable on demand		0	66 490
b) other payables		19 600	0
2. Payables to customers	C.9.	1 231 874	795 751
of which: a) repayable on demand		1 147 920	775 762
b) other payables		83 954	19 989
4. Other liabilities	C.11.	19 558	6 393
5. Prepaid expenses and accrued income		0	79
8. Registered capital	C.14.	428 104	194 000
of which: a) paid up registered capital		373 104	194 000
9. Share premium	C.14.	6 356	6 356
10. Reserve funds and other funds from profit	C.14.	15 574	13 936
of which: a) statutory reserve funds and risk funds		15 574	13 936
15. Profit (loss) for the accounting period		54 816	32 757
<b>TOTAL LIABILITIES</b>		<b>1 775 882</b>	<b>1 115 762</b>

The notes form an inherent part of the financial statements.

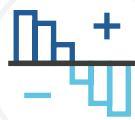


# OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET ITEMS (in TCZK)	Note	31/12/2017	31/12/2016
<b>Off-balance sheet assets</b>			
<b>Off-balance sheet liabilities</b>			
9. Commitments and guarantees	C.15.	190 000	123 510

The notes form an inherent part of the financial statements.





# INCOME STATEMENT

## FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

(in TCZK)	Note	2017	2016
1. Interest income and similar income	C.16.	2 026	4 236
of which: a) interest on debt securities		0	3 997
2. Interest expense and similar expense	C.17.	2 528	5 287
of which: b) interest on debt securities		0	2 811
4. Commission and fee income	C.18.	2 777	2 592
5. Commission and fee expense	C.19.	16 849	15 101
6. Gain or loss from financial operations	C.20.	186 263	134 259
7. Other operating income	C.22.	3 150	2 639
8. Other operating expenses	C.22.	6 607	7 179
9. Administrative expenses	C.23.	99 138	67 994
of which: a) employee expenses		64 129	49 075
aa) wages and salaries		48 611	36 764
of which: ab) social security and health insurance		14 591	11 599
b) other administrative expenses		35 009	18 920
11. Depreciation, addition and utilisation of provisions and adjustments to tangible and intangible fixed assets		1 376	6 818
16. Release of adjustments and provisions to receivables and guarantees, income from written-off receivables		0	1 431
19. Current year profit (loss) from ordinary activities before tax		67 718	42 778
23. Income tax	C.24.	12 902	10 021
24. NET PROFIT (LOSS) FOR THE PERIOD		54 816	32 757

The notes form an inherent part of the financial statements.



# CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2017

	Registered capital	Share premium	Reserve funds	Profit (loss)	Total
<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	0	0	0	32 757	32 757
Transfers to funds	0	0	1 861	-1 861	0
Profit shares	0	0	0	-35 368	-35 368
Increase in registered capital	0	0	0	0	0
<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>
<b>Balance as at 1/1/2017</b>	<b>194 000</b>	<b>6 356</b>	<b>13 936</b>	<b>32 757</b>	<b>247 049</b>
Net profit (loss) for the current period	0	0	0	54 816	54 816
Transfers to funds	0	0	1 638	-1 638	0
Profit shares	0	0	0	-31 119	-31 119
Increase in registered capital	234 104	0	0	0	234 104
<b>Balance as at 31/12/2017</b>	<b>428 104</b>	<b>6 356</b>	<b>15 574</b>	<b>54 816</b>	<b>504 850</b>

The notes form an inherent part of the financial statements.





# CASH FLOW STATEMENT

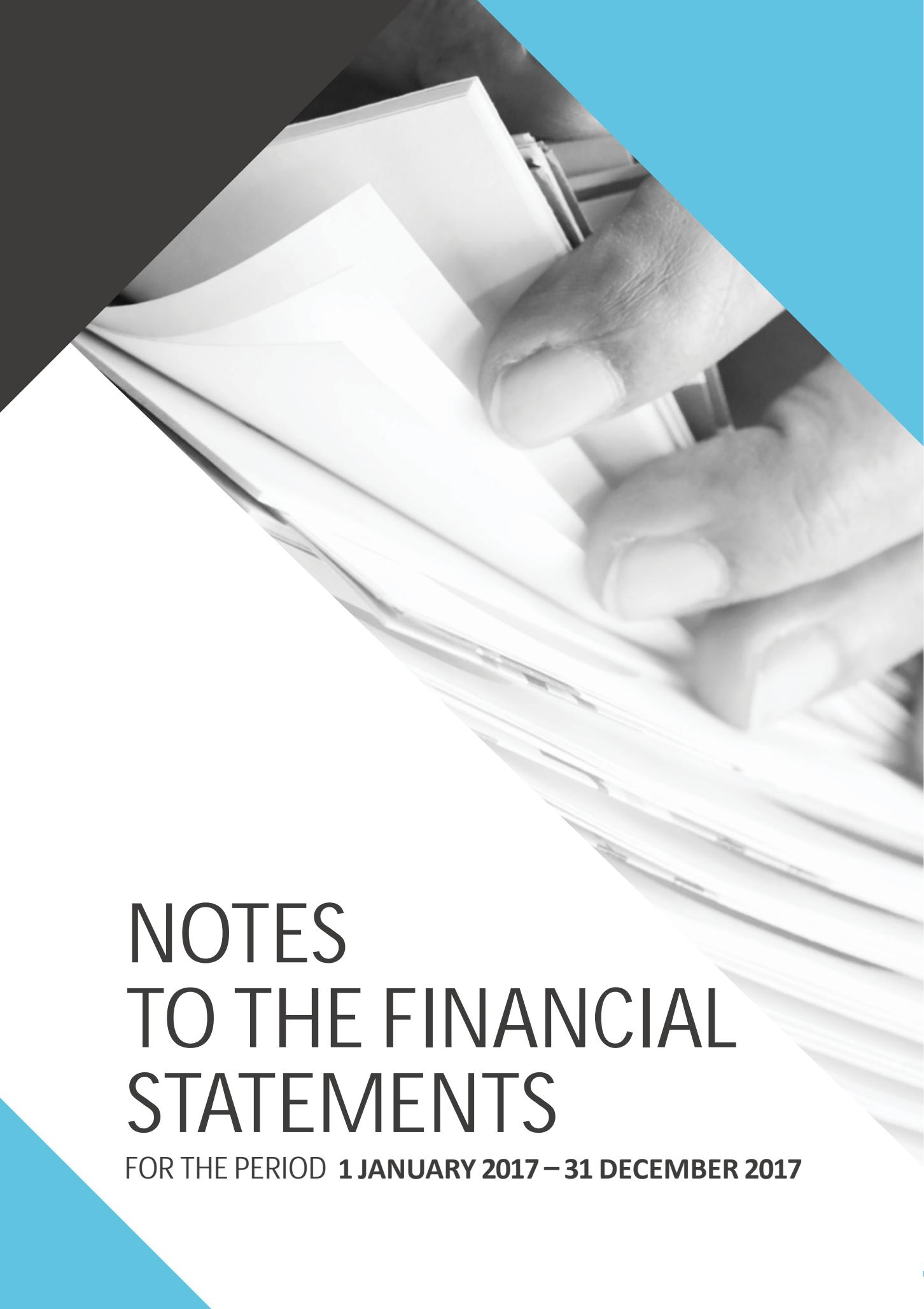
## FOR THE YEAR ENDED 31 DECEMBER 2017

(in TCZK)	2017	2016
<b>OPERATING CASH FLOW</b>		
<b>Current year profit (loss) from ordinary activities before tax</b>	<b>67 718</b>	<b>42 778</b>
<b>Non-cash transactions:</b>		
Depreciation and change in adjustments to tangible and intangible fixed assets	1 376	6 818
Change in provisions	0	-1 431
Net interest income	502	1 051
Net profit (loss) on sale of tangible and intangible assets	-1 885	-561
	<b>67 711</b>	<b>48 655</b>
<b>Changes in:</b>		
Receivables from customers	-552 686	-313 281
Other assets, prepaid expenses and accrued income	-8 046	4 917
Payables to banks and credit unions	-46 890	-18 193
Payables to customers	406 219	571 232
Other liabilities, accrued expenses and deferred income	8 215	-3 738
	<b>-125 477</b>	<b>289 592</b>
Interest received	1 378	81
Received shares in profit	0	-
Interest paid	-2 528	-5 287
Income tax paid	-10 713	-14 323
<b>NET OPERATING CASH FLOW</b>	<b>-137 340</b>	<b>270 063</b>
<b>INVESTMENT ACTIVITY</b>		
Acquisition of realisable and held-to-maturity securities	0	-6 000
Acquisition of ownership interests	0	-1 000
Acquisition of tangible and intangible fixed assets	-2 344	-2 781
Proceeds from the sale of tangible and intangible fixed assets	2 595	2 218
<b>NET CASH FLOW FROM INVESTMENT ACTIVITY</b>	<b>251</b>	<b>-7 563</b>

(in TCZK)	2017	2016
<b>FINANCIAL ACTIVITY</b>		
Proceeds from the issue of debt securities	0	0
Expenses incurred on settlement of debt securities	0	-51 211
Proceeds from the increase of share capital	179 104	0
Profit shares paid	-31 119	-35 368
<b>NET CASH FLOW FROM FINANCIAL ACTIVITY</b>	<b>147 985</b>	<b>-86 579</b>
 <b>NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS BALANCE</b>		
	<b>10 896</b>	<b>175 921</b>
 <b>CASH AND CASH EQUIVALENTS INCLUDE:</b>		
Cash in hand and balances with central banks	32	30
Receivables from banks and credit unions repayable on demand	274 807	263 913
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	<b>274 839</b>	<b>263 946</b>

The notes form an inherent part of the financial statements.





# NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD **1 JANUARY 2017 – 31 DECEMBER 2017**

<b>A. GENERAL INFORMATION</b>	
A.1. Description of the accounting unit	22
A.2. Members of the board of directors and supervisory board as at 31 December 2017	22
A.3. Changes in the Commercial Register	22
A.4. Organisational structure as at 31 December 2017	23
A.5. Entities with controlling and significant influence	23
A.6. Ownership interests with significant influence	23
A.7. Group identification	24
A.8. Average number of employees, personnel expenses	25
A.8.1. Average recalculated number of employees in the accounting period	25
A.8.2. Remuneration to persons acting as statutory bodies, members of the statutory and supervisory bodies	25
A.9. Performances made to the benefit of related parties	25
A.10. Basis for the preparation of the financial statements	25
<b>B. SIGNIFICANT ACCOUNTING POLICIES AND MEASUREMENTS</b>	
B.1. Transaction date	26
B.2. Tangible and intangible fixed assets	26
B.3. Ownership interests with controlling and significant influence	27
B.4. Securities	27
B.5. Receivables from banks and customers	29
B.6. Establishment of provisions	30
B.7. Foreign currency translations	30
B.8. Leasing	30
B.9. Taxation	30
B.10. Interest income and expenses	31
B.11. Use of estimates	31
B.12. Corrections of the errors from the previous financial periods and changes in accounting methods	31
<b>C. ADDITIONAL INFORMATION TO THE BALANCE SHEET AND INCOME STATEMENT</b>	
C.1. Cash in hand and balances with central banks	32
C.2. Receivables from banks and credit unions	32
C.3. Receivables from customers	32
C.4. Ownership interests with controlling influence	33
C.5. Fixed assets	34
C.5.1. Structure of fixed assets	34
C.5.2. Leased assets	35
C.6. Other assets	36
C.7. Prepaid expenses and accrued income	36
C.8. Payables to banks and credit unions	36
C.9. Payables to customers	36
C.10. Payables from debt securities	37
C.11. Other liabilities	37
C.12. Income tax provision	38
C.13. Deferred tax	39
C.14. Equity	39
C.14.1. Changes in equity	39
C.15. Off-balance sheet items	40
C.16. Interest income and similar income	40
C.17. Interest expense and similar expense	40
C.18. Commission and fee income	40
C.19. Commission and fee expense	40
C.20. Gain or loss from financial operations	41
C.22. Other operating expenses and income	41
C.23. Administrative expense	42
C.24. Income tax	42
C.25. Related party transactions	44
C.26. Financial instruments – risk management	45
C.27. Material subsequent events	49



## A. GENERAL INFORMATION

### A.1. DESCRIPTION OF THE ACCOUNTING UNIT

<b>COMPANY NAME:</b>	SAB Finance a.s.
<b>REGISTERED OFFICE:</b>	Prague 1 - Nové Město, Senovážné nám.1375/19 postal code 110 00
<b>LEGAL FORM:</b>	joint-stock company
<b>PRINCIPAL BUSINESS ACTIVITY:</b>	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
<b>DATE OF ESTABLISHMENT:</b>	30 July 2010
<b>IDENTIFICATION NO.:</b>	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 2017

SITUATION AS AT 31/12/2017	Name and surname	Position
Statutory body – the board of directors	Ing. Dušan Benda, FCCA	Chairman of the board of directors
Statutory body – the board of directors	Ing. Martin Farský	Member of the board of directors
Statutory body – the board of directors	Ing. Petr Čumba	Member of the board of directors
Supervisory board	Jana Ježková	Member of the supervisory board

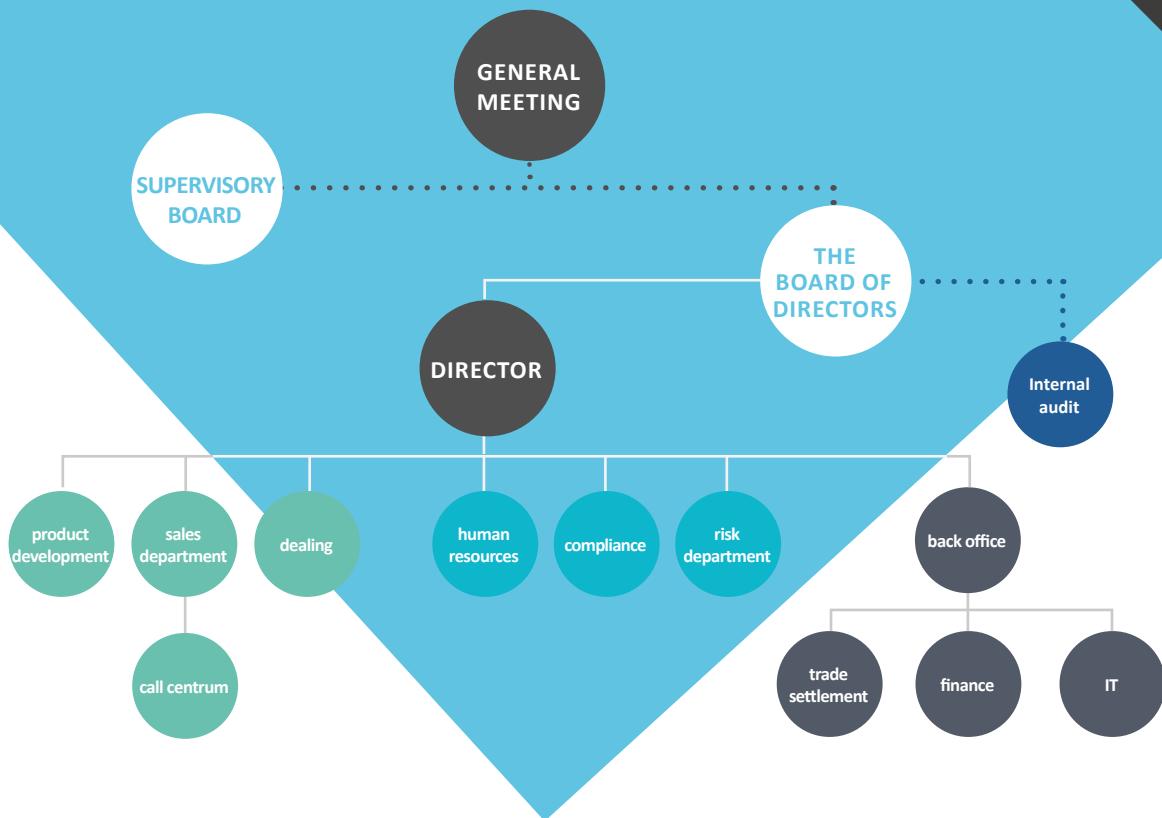
Chairman of the board of directors or two members of the board of directors acting jointly act on behalf of the Company.

### A.3. CHANGES IN THE COMMERCIAL REGISTER

In 2017, there were changes made in the Commercial Register, primarily connected with changes in the structure of the board of directors described in A.2.

## A.4. ORGANISATIONAL STRUCTURE AS AT 31 DECEMBER 2017

In 2017, there were changes made in the Commercial Register, primarily connected with changes in the structure of the board of directors described in A.2.



## 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 31/12/2017
SAB Financial Group a.s.	100%

## A.6. OWNERSHIP INTERESTS WITH SIGNIFICANT INFLUENCE

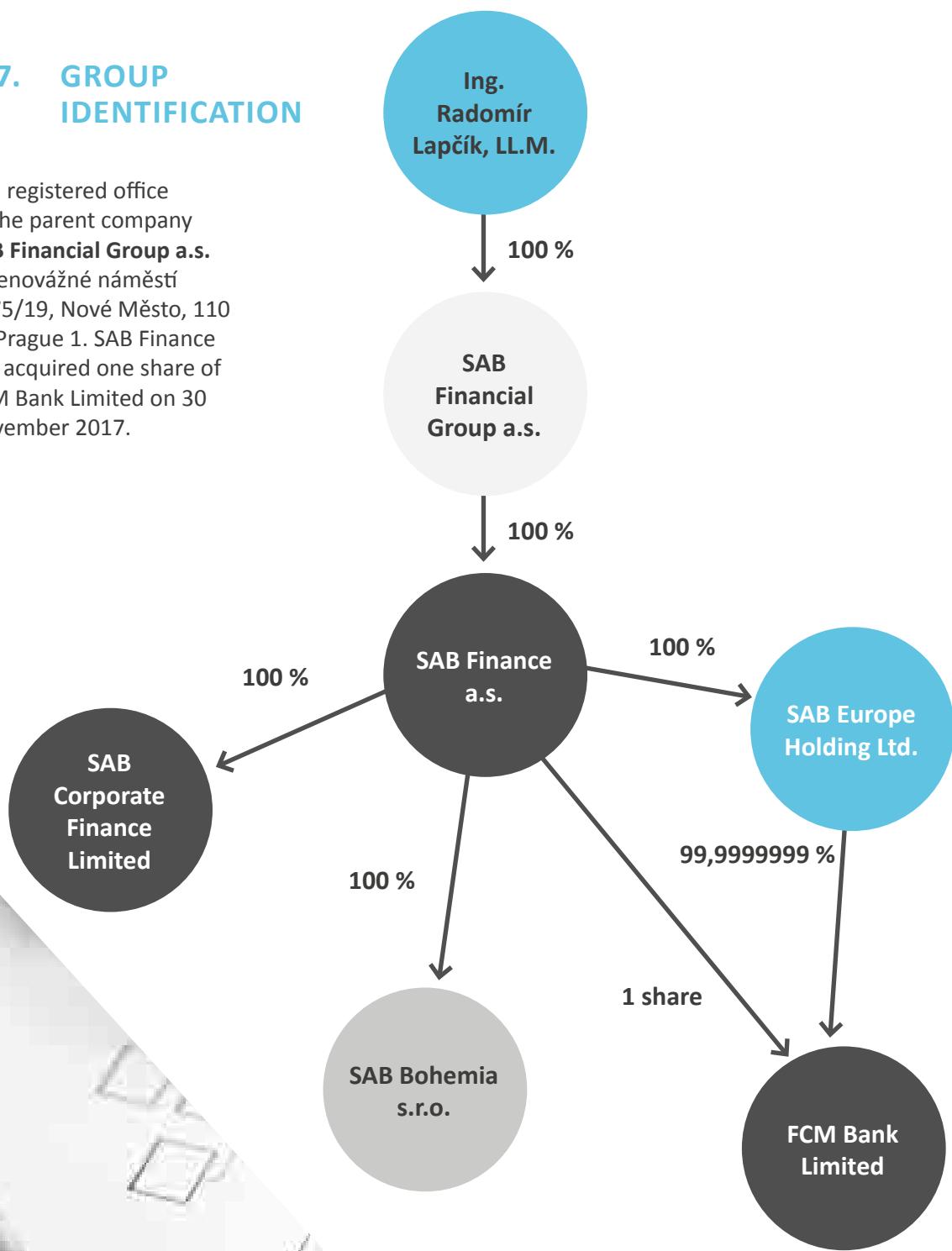
A list of business companies and cooperatives in which the accounting unit holds shares exceeding 20% share in their registered capital.

SHAREHOLDER'S NAME AND SURNAME	Share in the registered capital as at 31/12/2017
SAB Corporate Finance Ltd.	100%
SAB Europe Holding Ltd.	100%
SAB Bohemia s.r.o.	100%

On 20 January 2017, the Company established a subsidiary, SAB Corporate Finance Ltd., in Great Britain.

## 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. SAB Finance a.s. acquired one share of FCM Bank Limited on 30 November 2017.



## A.8. AVERAGE NUMBER OF EMPLOYEES, PERSONNEL EXPENSES

### A.8.1. AVERAGE RECALCULATED NUMBER OF EMPLOYEES IN THE ACCOUNTING PERIOD

INDICATOR	2017	2016
Average recalculated number of employees	52	50
of which:		
members of the board of directors	3	1
members of the supervisory board	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 2017, the Company paid fees to statutory body members for the performance of their activities in these bodies based on individual contracts to perform functions amounting to TCZK 1 319 (2016: TCZK 939) – see C.23. No remuneration was paid to the supervisory body members in 2017.

## 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 2017.

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 Financial Group a.s. with registered office at Senovážné nám. 1375/19, Prague 1. 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 and IFA with the acquisition costs for less than TCZK 2 and 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
Buildings	Straight-line	60
Fixtures and fittings, machinery and equipment	Straight-line	4-10
Software	Straight-line	3
Low value assets with value exceeding TCZK 2	Straight-line	2-6
Goodwill	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 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

	2017	2016
Cash in hand	32	30

### C.2. RECEIVABLES FROM BANKS AND CREDIT UNIONS

	2017	2016
Current accounts	274 807	263 913

Pohledávky za bankami a družstevními záložnami představují kladné zůstatky na bankovních účtech repayable on demand.

### C.3. RECEIVABLES FROM CUSTOMERS

	2017	2016
Repayable on demand	1 050 458	747 165
Other receivables:	358 310	53 917
Správa Aktiv a Bankovní Poradenství a.s.	52 947	52 947
SAB Europe Holding Ltd.	191 918	0
SAB Financial Group a.s.	62 582	0
SAB Corporate Finance Ltd.	6 527	0
SAB Energy s.r.o.	10 136	0
Other	34 200	0
<b>TOTAL</b>	<b>1 408 768</b>	<b>801 082</b>

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

Other receivables of CZK 358 310 represent receivables from provided loans including interest, receivables from the sale of bonds issued by SAB Financial Group a.s. (receivables from Správa Aktiv a Bankovní Poradenství a.s.), receivables from SAB Financial Group a.s. relating to the unpaid registered capital (paid up on 11 January 2018) and receivables from the sale of immoSAB's shares.

As at 31 December 2017, the Company did not establish any adjustment to receivables from customers. These receivables have not been pledged.

## C.4. OWNERSHIP INTERESTS WITH CONTROLLING INFLUENCE

As at 31 December 2017

Name, registered office, principal activities	Registered capital	Other component of registered capital	Share in equity (%)	Number of shares (pcs)	Acquisition cost	Carrying amount
<b>SAB Corporate Finance Ltd.</b> 30 St Mary Axe, Level 28/29, London, United Kingdom, EC3A 8BF	31 202	-2 416	100	n/a	31 202	28 786
<b>SAB Europe Holding Ltd.</b> Suite 183, The Fort, Hard Rocks Business Park, Naxxar, Malta	302	0	100	n/a	302	302
<b>SAB Bohemia s.r.o.</b> Senovážné nám. 1375/19, Praha 1, 110 00 Výroba, obchod a služby neuvedené v přílohách 1 až 3 živnostenského zákona	1 000	-5 421	100	n/a	1 000	1 000
<b>TOTAL</b>	<b>32 504</b>	<b>-7 873</b>			<b>32 504</b>	<b>30 088</b>

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 Praha 1, 110 00 Výroba, obchod a služby neuvedené v přílohách 1 až 3 živnostenského zákona	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, Praha 1, 110 00 Výroba, obchod a služby neuvedené v přílohách 1 až 3 živnostenského zákona	1 000	-5 421	100	n/a	1 000	1 000
<b>TOTAL</b>	<b>35 502</b>	<b>-2 251</b>			<b>35 502</b>	<b>35 502</b>

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

In 2017, SAB Bohemia s.r.o. managed to increase its turnover and the amount of its assets several fold, thus confirming the success of its business strategy set in 2016 when the company commenced its business activities. Owing to its dynamic growth, the company reported an accounting loss as a result of the amount of depreciation of newly acquired assets, which will be compensated in the subsequent period.



## C.5. FIXED ASSETS

### C.5.1. STRUCTURE OF FIXED ASSETS

#### A) INTANGIBLE FIXED ASSETS

ACQUISITION COST	Intangible fixed assets	Goodwill	TOTAL
As at 1/1/2016	1 093	83 524	84 617
Additions	2 214	0	2 214
Disposals	0	0	0
As at 31/12/2016	3 307	83 524	86 831
As at 1/1/2017	3 307	83 524	86 831
Additions	792	0	792
Disposals	102	0	102
As at 31/12/2017	3 997	83 524	87 521

ACCUMULATED DEPRECIATION AND ADJUSTMENTS	Intangible fixed assets	Goodwill	TOTAL
As at 1/1/2016	229	77 956	78 185
Depreciation expense and net book value of disposed assets	305	5 568	5 873
Disposals	0	0	0
As at 31/12/2016	534	83 524	84 058
As at 1/1/2017	534	83 524	84 058
Depreciation expense and net book value of disposed assets	496	0	496
Disposals	102	0	102
As at 31/12/2017	928	83 524	84 452

NET BOOK VALUE	Intangible fixed assets	Goodwill	TOTAL
As at 31/12/2016	2 773	0	2 773
As at 31/12/2017	3 069	0	3 069

In 2017, the Company to a certain extent internally produced software enhancing the effectiveness and automation of the Company's activities.

## B) TANGIBLE FIXED ASSETS

ACQUISITION COST	Land	Buildings	Machinery and equipment	Motor vehicles	Assets under construction	Other tangible fixed assets	Advances paid	TOTAL
As at 1/1/2016	0	0	2 010	3 173	0	0	0	5 183
Additions	0	0	567	0	0	0	0	567
Disposals	0	0	52	1 632	0	0	0	1 684
<b>As at 31/12/2016</b>	<b>0</b>	<b>0</b>	<b>2 525</b>	<b>1 541</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 066</b>
<b>As at 1/1/2017</b>	<b>0</b>	<b>0</b>	<b>2 525</b>	<b>1 541</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4 066</b>
Additions	0	0	1 552	0	0	0	25 000	26 552
Disposals	0	0	894	1 541	0	0	0	2 435
<b>As at 31/12/2017</b>	<b>0</b>	<b>0</b>	<b>3 183</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25 000</b>	<b>28 183</b>
ACCUMULATED DEPRECIATION AND ADJUSTMENTS	Land	Buildings	Machinery and equipment	Motor vehicles	Assets under construction	Other tangible fixed assets	Advances paid	TOTAL
As at 1/1/2016	0	0	1 254	1 616	0	0	0	2 870
Depreciation expense and net book value of disposed assets	0	0	456	1 300	0	0	0	1 756
Disposals	0	0	53	1 632	0	0	0	1 684
<b>As at 31/12/2016</b>	<b>0</b>	<b>0</b>	<b>1 657</b>	<b>1 284</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 941</b>
<b>As at 1/1/2017</b>	<b>0</b>	<b>0</b>	<b>1 657</b>	<b>1 284</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 941</b>
Depreciation expense and net book value of disposed assets	0	0	866	257	0	0	0	1 123
Disposals	0	0	946	1 541	0	0	0	2 487
<b>As at 31/12/2017</b>	<b>0</b>	<b>0</b>	<b>1 577</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 577</b>
NET BOOK VALUE	Land	Buildings	Machinery and equipment	Motor vehicles	Assets under construction	Other tangible fixed assets	Advances paid	TOTAL
As at 31/12/2016	0	0	868	257	0	0	0	1 125
<b>As at 31/12/2017</b>	<b>0</b>	<b>0</b>	<b>1 606</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25 000</b>	<b>26 606</b>

Advance payment of CZK 25,000 (2016: 0 thousand CZK) represents the prepaid part of the purchase price of the building.

### C.5.2. LEASED ASSETS

The Company leases passenger cars from SAB Bohemia s.r.o. The average of 23 vehicles was leased in this manner in 2017. The cost of this lease for 2017 was TCZK 2 361 (2016: TCZK 2 317).

## C.6. OTHER ASSETS

	2017	2016
Receivables from various debtors	155	1 106
Advances paid	31 815	7 179
Tax receivables	0	2 312
Deferred tax asset	0	0
Other assets	39	73
<b>TOTAL</b>	<b>32 009</b>	<b>10 670</b>

The major item of advances paid are security deposits for the purchase of cars of TCZK 31 582 (2016: TCZK 7 020).

## C.7. PREPAID EXPENSES AND ACCRUED INCOME

As at 31 December 2017, the Company recorded prepaid expenses of TCZK 503. 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.8. PAYABLES TO BANKS AND CREDIT UNIONS

LIABILITIES REPAYABLE ON DEMAND	Maturity	Currency	Balance as at 31/12/2017 in CZK	Due in 1 year	Balance as at 31/12/2016 in CZK
Moravský Peněžní Ústav	overdraft	EUR	0	0	0
Moravský Peněžní Ústav	overdraft	USD	0	0	66 490
Moravský Peněžní Ústav	overdraft	CZK	0	0	0
Moravský Peněžní Ústav	31/12/2018	CZK	19 600	0	0
<b>TOTAL</b>			<b>19 600</b>	<b>0</b>	<b>66 490</b>

## C.9. PAYABLES TO CUSTOMERS

	2017	2016
Repayable on demand	1 147 920	775 762
Other payables	83 954	19 989
<b>TOTAL</b>	<b>1 231 874</b>	<b>795 751</b>

The payables to non-bank entities repayable on demand comprise the payables to customers from unsettled confirmations. None of these payables is overdue.

The Company also recognises receivables from customers which comprise receivables from unsettled customer confirmations. As at 31 December 2017, the net value of repayable-on-demand receivables and payables is TCZK 97 461 (2016 – TCZK 28 596). Receivables are described in note C.3.

Other payables primarily include payables to SAB Financial Group a.s. relating to a received loan including interest.

## C.10. PAYABLES FROM DEBT SECURITIES

As at 31 December 2017, the Company records no payable from debt securities.

## C.11. OTHER LIABILITIES

LIABILITIES REPAYABLE ON DEMAND	2017	2016
Payables to employees	3 506	2 335
Social security and health insurance liabilities	1 566	1 150
Tax liabilities	4 409	559
Deferred tax liability	45	73
Estimated payables	5 982	1 573
Other liabilities	4 050	703
<b>TOTAL</b>	<b>19 558</b>	<b>6 393</b>

None of the liabilities exceeds the maturity period of 5 years. Tax liabilities primarily include a corporate income tax liability arising from a created provision.





## C.12. INCOME TAX PROVISION

In 2017, the Company established provisions totalling TCZK 13 800 (2016 – TCZK 9 800), and released provisions of TCZK 9 800 (2016 – TCZK 0).

In the financial statements, the income tax provision is reported as net. Since the tax prepayments were lower than the provision, the Company recognised tax liability of TCZK 3 087 (2016 – tax receivables TCZK 2 312) - see note C.11.

	Provision for untaken holiday	Income tax provision
<b>Balance at 1/1/2016</b>	<b>1 431</b>	<b>0</b>
Additions	0	9 800
Release	-1 431	0
Utilisation	0	0
<b>Balance at 31/12/2016</b>	<b>0</b>	<b>9 800</b>
Additions	0	13 800
Release	-1 431	-9 800
Utilisation	0	0
<b>Balance at 31/12/2017</b>	<b>0</b>	<b>13 800</b>

## C.13. DEFERRED TAX

ITEMS ON WHICH TEMPORARY DIFFERENCES ARISE (in TCZK)	2017	2016	CHANGE
Fixed assets (deferred tax liability)	-45	-73	-28
<b>NET TAX ASSET/LIABILITY (-)</b>	<b>-45</b>	<b>-73</b>	<b>-28</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%.

## C.14. EQUITY

### C.14.1. CHANGES IN EQUITY

	Registered capital	Share premium	Funds	Profit	Total
<b>Balance 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 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>
<b>Balance at 1/1/2017</b>	<b>194 000</b>	<b>6 356</b>	<b>13 936</b>	<b>32 757</b>	<b>247 049</b>
Net profit/loss for the accounting period	—	—	—	54 816	54 816
Additions to funds	—	—	1 638	-1 638	0
Payment of dividends	—	—	—	-31 119	-31 119
Increase in registered capital	234 104	—	—	—	234 104
<b>Balance at 31/12/2017</b>	<b>428 104</b>	<b>6 356</b>	<b>15 574</b>	<b>54 816</b>	<b>504 850</b>

The registered capital consists of 110 336 pieces of ordinary registered shares with nominal value of CZK 3 880.

In 2017, the Company's registered capital increased.

On 12 October 2017, the sole shareholder of SAB Finance a.s., exercising the powers of a general meeting, decided to increase the registered capital by CZK 29 100 000 (a total of 7 500 ordinary registered shares in paper form at the nominal value of CZK 3 880). This was recorded in the Commercial Register on 6 November 2017.

On 13 December 2017, the sole shareholder of SAB Finance a.s., exercising the powers of a general meeting, decided for another increase in the registered capital, this time by CZK 205 003 680 (a total of 52 836 ordinary registered shares in paper form at the nominal value of CZK 3 880). This was recorded in the Commercial Register on 5 February 2018.

On 28 June 2017, the sole shareholder of SAB Finance a.s., exercising the powers of a general meeting, decided on the distribution of profit for 2016. CZK 1 638 was transferred to the reserve fund; CZK 31 119 was transferred to the shareholder in form of dividend payments.

The board of directors of SABF proposes to distribute the 2017 profit as follows:

1. TCZK 52 075 to the shareholders; and.
2. TCZK 2 741 to the reserve fund.

## C.15. OFF-BALANCE SHEET ITEMS

As at 31 December 2017, commitments and guarantees received total TCZK 190 000 (as at 31 December 2016 – TCZK 123 510). This is an outstanding credit limit on the basis of concluded loan agreement with Moravský Peněžní Ústav – spořitelní družstvo.

## C.16. INTEREST INCOME AND SIMILAR INCOME

	2017	2016
Interest on loans provided	2 026	237
Interest on debt securities	0	3 997
Other	0	2
<b>TOTAL</b>	<b>2 026</b>	<b>4 236</b>

Income from provided loans primarily includes income from loans provided to SAB Financial Group a.s., SAB Energy s.r.o., SAB Europe Holding Ltd. and Ing. Radomír Lapčík.

## C.17. INTEREST EXPENSE AND SIMILAR EXPENSE

	2017	2016
Interest on overdraft bank accounts	2 528	2 050
Interest on loans	0	419
Interest on bonds	0	2 811
Other	0	7
<b>TOTAL</b>	<b>2 528</b>	<b>5 287</b>

## C.18. COMMISSION AND FEE INCOME

	2017	2016
Fees on transactions concluded	2 777	2 592
<b>TOTAL</b>	<b>2 777</b>	<b>2 592</b>

## C.19. COMMISSION AND FEE EXPENSE

EXPENSES (in TCZK)	2017	2016
Bank fees	16 849	15 101
<b>TOTAL</b>	<b>16 849</b>	<b>15 101</b>

Commission and fee expense comprises bank fees.

## C.20. GAIN OR LOSS FROM FINANCIAL OPERATIONS

	2017	2016
Profit (loss) from FX diff. in bank accounts	4 893	-677
Profit (loss) from trading	181 370	134 936
<b>TOTAL</b>	<b>186 263</b>	<b>134 259</b>

Profits 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	2017	2016
Proceeds from disposals of fixed assets	2 595	2 218
Insurance indemnities	114	155
Other	441	266
<b>TOTAL</b>	<b>186 263</b>	<b>2 639</b>

Proceeds from the disposals of fixed assets comprise in particular proceeds from the sale of cars as the car fleet was renewed in 2017. The Company signed new lease contracts with the SAB Bohemia s.r.o. 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 1 885 (2016 – TCZK 561).

In 2017, item "Other" comprised income of TCZK 115 (2016 – TCZK 266) from consulting services and SAB o.c.p. re-invoicing of TCZK 270 (2016 – TCZK 0).

OTHER OPERATING EXPENSES	2017	2016
Gifts	6 085	5 980
Capitalisation of intangible fixed assets	-768	-1 718
Net book value of disposed assets	710	1 657
Insurance	354	794
Other	226	466
<b>TOTAL</b>	<b>6 607</b>	<b>7 179</b>

In 2016, the Company developed diligently software to support its activities and make them more efficient.

## C.23. ADMINISTRATIVE EXPENSE

	2017	2016
<b>Wages and remuneration</b>	<b>48 611</b>	<b>36 764</b>
executives	9 805	7 543
of which: members of the board of directors	1 319	939
members of the supervisory board	0	0
<b>Social security and health insurance</b>	<b>14 591</b>	<b>11 599</b>
executives	2 783	2 158
of which: members of the board of directors	514	345
members of the supervisory board	0	0
<b>Other personnel cost</b>	<b>927</b>	<b>712</b>
<b>Other administrative expenses</b>	<b>35 009</b>	<b>18 920</b>
audit	400	478
of which: legal, consultancy and tax services	11 849	2 547
lease instalments	176	2 317
<b>TOTAL</b>	<b>99 138</b>	<b>67 994</b>

As at 31 December 2017, the Company provided no loan, advance payment or borrowing to the members of the management and controlling bodies.

## C.24. INCOME TAX

	2017	2016
Income tax for the current period	13 800	9 800
Tax for previous years	-870	0
Deferred income tax	-28	221
<b>INCOME TAX IN THE INCOME STATEMENT</b>	<b>12 902</b>	<b>10 021</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.

	2017	2016
Profit (loss) for the period before tax	67 718	42 778
Non-taxable income	0	474
Tax non-deductible expense	11 678	12 598
Tax discounts and offsets	6 738	5 137
Other items	26	1 814
Subtotal	72 632	51 579
<b>TAX DETERMINED USING 19% RATE</b>	<b>13 800</b>	<b>9 800</b>



## C.25. RELATED PARTY TRANSACTIONS

	RECEIVABLES AS AT 31/12		PAYABLES AT 31/12	
	2017	2016	2017	2016
Správa Aktiv a Bankovní Poradenství a.s.	52 947	52 957	0	28
SAB CZ s.r.o.	0	144	0	0
SAB Financial Group a.s.	62 582	786	55 320	19 800
SAB Corporate Finance Ltd.	6 527	0	28 786	0
SAB Europe Holding Ltd.	191 918	0	0	0
SAB Bohemia s.r.o.	31 591	0	988	117
SAB Energy s.r.o.	10 136	0	0	0
mediaport solutions s.r.o.	0	501	622	87
<b>TOTAL</b>	<b>355 701</b>	<b>54 388</b>	<b>85 756</b>	<b>20 032</b>

Receivables primarily include receivables from provided loans and related interest and receivables from the unpaid sale of immoSAB. Payables comprise a payable from a loan received from SAB FG a.s. and a payable arising from the unpaid registered capital of SAB Corporate Finance Ltd.

	INCOME		EXPENSE	
	2017	2016	2017	2016
Správa Aktiv a Bankovní Poradenství a.s.	582	1 664	29	28
SAB CZ s.r.o.	0	144	0	119
ImmoSAB a.s.	0	36	0	0
SAB Financial Group a.s.	342	0	1 246	0
SAB Holding a.s.	0	0	0	44
SAB Bohemia s.r.o.	0	0	2 565	366
SAB Europe Holding Ltd.	589	0	0	0
mediaport solutions s.r.o.	0	2	2 736	1 017
<b>TOTAL</b>	<b>1 513</b>	<b>1 846</b>	<b>6 576</b>	<b>1 574</b>

The above income primarily includes interest income from provided loans. The above expenses primarily include interest relating to overdrafts received in 2017, lease of passenger cars and provided IT services. SAB Bohemia s.r.o. leases passenger cars to SAB Finance a.s.

Company's income is generated mainly 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 31/12/2017 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash in hand and balances with central banks	5	0	0	3	24	0	32
Receivables from banks	95 002	13 296	9 948	5 096	146 737	4 728	274 807
Receivables from customers	674 867	90 139	5 363	1 881	581 869	1 089	1 408 768
Other ownership interests	302	0	0	28 786	1 000	0	30 088
Tangible and intangible fixed assets	0	0	0	0	29 675	0	29 675
Other assets	0	0	0	0	32 009	0	32 009
Prepaid expenses and accrued income	0	0	0	0	503	0	503
<b>TOTAL</b>	<b>770 176</b>	<b>103 435</b>	<b>15 311</b>	<b>35 766</b>	<b>845 377</b>	<b>5 817</b>	<b>1 775 882</b>

LIABILITIES AS AT 31/12/2017 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Payables to banks	614 588	107 092	15 160	34 808	457 620	2 606	1 231 874
Payables to customers	0	0	0	0	19 600	0	19 600
Other liabilities	0	0	0	0	19 558	0	19 558
Equity	0	0	0	0	504 850	0	504 850
<b>TOTAL</b>	<b>614 588</b>	<b>107 092</b>	<b>15 160</b>	<b>34 808</b>	<b>1 001 628</b>	<b>2 606</b>	<b>1 775 882</b>

NET FOREIGN CURRENCY POSITION	155 588	-3 657	151	958	-156 251	3 211	0
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ASSETS AS AT 31/12/2016 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash in hand and balances with central banks	0	0	0	0	30	0	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	0	0	0	35 200	0	35 502
Tangible and intangible fixed assets	0	0	0	0	3 898	0	3 898
Other assets	0	0	0	0	10 670	0	10 670
Prepaid expenses and accrued income	0	0	0	0	667	0	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 31/12/2017 (in TCZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Payables to banks	0	66 490	0	0	0	0	66 490
Payables to customers	304 985	51 864	16 481	4 692	411 719	6 010	795 751
Other liabilities	0	0	0	0	6 393	0	6 393
Prepaid revenues and deferred income	0	0	0	0	79	0	79
Equity	0	0	0	0	247 049	0	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>0</b>

#### 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 31/12/2017 (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	32	0	0	0	32
Receivables from banks	274 807	0	0	0	274 807
Receivables from customers	1 121 029	287 739	0	0	1 408 768
Other assets and prepaid expenses	907	31 605	0	0	32 512
<b>TOTAL</b>	<b>1 396 775</b>	<b>319 344</b>	<b>0</b>	<b>0</b>	<b>1 716 119</b>
LIABILITIES AS AT 31/12/2017 (in TCZK)	Within 3 months	From 3 months to 1 year	Within 1 year	Over 5 years	Total
Payables to banks	19 600	0	0	0	19 600
Payables to customers	1 128 488	103 386	0	0	1 231 874
Other liabilities and prepaid expenses	19 558		0	0	19 558
<b>TOTAL</b>	<b>1 167 646</b>	<b>103 386</b>	<b>0</b>	<b>0</b>	<b>1 271 032</b>
<b>GAP</b>	<b>229 129</b>	<b>215 958</b>	<b>0</b>	<b>0</b>	<b>445 087</b>
<b>CUMULATIVE GAP</b>	<b>229 129</b>	<b>445 087</b>	<b>445 087</b>	<b>445 087</b>	<b>445 087</b>

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	0	0	0	30
Receivables from banks	263 913	0	0	0	263 913
Receivables from customers	801 082	0	0	0	801 082
<b>TOTAL</b>	<b>1 065 025</b>	<b>0</b>	<b>0</b>	<b>0</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	0	0	0	66 490
Payables to customers	795 751	0	0	0	795 751
<b>TOTAL</b>	<b>862 241</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>862 241</b>
<b>GAP</b>	<b>202 784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>202 784</b>
<b>CUMULATIVE GAP</b>	<b>202 784</b>	<b>202 784</b>	<b>202 784</b>	<b>202 784</b>	<b>202 784</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.

#### g. Liquidity risk

The table below contains assets and liabilities sorted according to their remaining maturity, which is the period from the balance sheet date until the date a relevant asset or liability is contractually payable.

ASSETS AS AT 31/12/2017 (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	32	0	0	0	32
Receivables from banks	274 807	0	0	0	274 807
Receivables from customers	1 121 029	287 739	0	0	1 408 768
Other assets and prepaid expenses	907	31 605	0	0	32 512
<b>TOTAL</b>	<b>1 396 775</b>	<b>319 344</b>	<b>0</b>	<b>0</b>	<b>1 716 119</b>
LIABILITIES AS AT 31/12/2017 (in TCZK)	Within 3 months	From 3 months to 1 year	Within 1 year	Over 5 years	Total
Payables to banks	19 600	0	0	0	19 600
Payables to customers	1 128 488	103 386	0	0	1 231 874
Other liabilities and accrued expenses	19 558		0	0	19 558
<b>TOTAL</b>	<b>1 167 646</b>	<b>103 386</b>	<b>0</b>	<b>0</b>	<b>1 271 032</b>
<b>NET LIQUIDITY RISK</b>	<b>229 129</b>	<b>215 958</b>	<b>0</b>	<b>0</b>	<b>445 087</b>

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	0	0	0	30
Receivables from banks	263 913	0	0	0	263 912
Receivables from customers	801 082	0	0	0	801 082
<b>TOTAL</b>	<b>1 065 025</b>	<b>0</b>	<b>0</b>	<b>0</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	0	0	0	66 490
Debt securities liabilities	795 751	0	0	0	795 751
<b>TOTAL</b>	<b>862 241</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>862 241</b>

<b>NET LIQUIDITY RISK</b>	<b>202 784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>202 784</b>
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The above overview includes only assets and liabilities that are contractually payable; as a result, the balances differ from those presented in the Company's balance sheet.

## C.27. MATERIAL SUBSEQUENT EVENTS

On 5 February 2018, an increase in the registered capital of CZK 205 003 680 was recorded in the Commercial Register.

On 19 February 2018, the registered capital of SAB Europe Holding Ltd. (subsidiary) increased by EUR 3 000 000.

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 2017.

Dated 27 April 2018

Board of directors

Ing. Dušan Beniš, FCCA  
předseda představenstva



[www.sab.cz](http://www.sab.cz)

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