



ANNUAL REPORT

31 December 2018



FOREWORD

BY THE BOARD OF DIRECTORS

Dear shareholders, clients, and business partners,

the board of SAB Finance a.s. (hereinafter “SABF” or the “company”) hereby submits to you our Annual Report for the year 2018.

The year 2018 was noteworthy for its large numbers. SABF took full advantage of market potential, fulfilled an ambitious business plan, and achieved profits after tax of CZK 71,163,569, which is the best result in the history of its activities on the market. The company achieved total turnover of CZK 290 bn. (CZK 289,907,456,016) and as of the end of 2018 was providing its services to 17,000 clients.

In addition to these business results, the company systematically focused on further improvement of its internal processes. Given its ownership of shares in two banks (one in the Czech Republic and the other in the Eurozone) and its close collaboration with other banks, the objective in this area is to achieve the highest possible level of banking standards. Such standards that far and beyond exceed the scope of legal requirements stipulated for payment institutions.

The leadership of SABF also focused in 2018 on upskilling staff, qualitative product innovation, and strengthening client relationships. In this year SABF decided to expand its product portfolio and introduced a new product to market – the currency forward, which provides clients with long-term hedging against exchange rate fluctuations for their cash flows in foreign currencies.

Since its inception, SABF has built its success on having the best client relationships. Surveys from the beginning of the year carried out in partnership with the agency MARKET VISION s.r.o. indicated 97% customer satisfaction with the services of the key customer department Dealing and Trade. Continuous improvement of the quality of our provided services and client support toward greater success continues to be SABF’s indisputable priority.

Finally I would like to thank all of our colleagues for the great benefit they bring. Without them 2018 could surely never have been our most successful thus far.

I would also like to thank our clients for their good faith and cooperation, which we deeply appreciate. Our effort is to contribute to their success, and we look forward to future years in which we can continue to do so.

In Prague on 24 June 2019

Board of Directors



THE BOARD OF DIRECTORS PROPOSAL FOR THE DISTRIBUTION OF 2018 PROFIT

SABF's Board of Directors proposes
to distribute the profit for 2018 of
CZK 71,163,569 as follows:



CZK 67,605,391

TO THE SHAREHOLDERS

CZK 3,558,178

**TO THE
RESERVE FUND**

KPMG Česká republika Audit, s.r.o.

Pobřežní 1a
186 00 Prague 8
Czech Republic
+420 222 123 111
www.kpmg.cz



This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of SAB Finance a.s.

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 2018, and 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 2018, 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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Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra

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

Ing. Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of SAB Finance a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
24 June 2019

Signed by

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


Signed by
Ing. Jindřich Vašina
Partner
Registration number 2059





REPORT ON RELATIONS

BETWEEN THE CONTROLLING
AND THE CONTROLLED ENTITY
AND ON RELATIONS BETWEEN
CONTROLLED ENTITIES FOR THE
ACCOUNTING PERIOD FROM **1 JANUARY
2018 TO 31 DECEMBER 2018**

The report on relations between the related parties has been prepared by the board of directors of SAB Finance a.s. in compliance with Section 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 Prague 1, Senovážné nám. 1375/19, Postal Code 110 00, Company ID No. 036 71 518.

As the controlling party, SAB Financial Group a.s. (hereinafter also as the “controlling party”), owns 167,296 units of ordinary registered shares at a nominal value of CZK 3,880 which represents a share of the voting rights in SAB Finance a.s. at the total amount of 100%.

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

- Contract for the subscription of shares of 20 October 2017
- Contract for the subscription of shares of 13 December 2017
- Contract for the subscription of shares of 5 September 2018.
- Contract for the subscription of shares of 16 April 2018
- Contract for the subscription of shares of 18 December 2018
- Loan contract of 7 November 2018.

Agreements and contracts were executed under usual conditions and not of the parties referenced above incurred any market advantage by virtue of this agreement.

The influence of the controlling party is exercised through decisions by the general meeting in matters defined by applicable articles and law; the actual business activities of SAB Finance a.s. are independent of the controlling party.

The parent company’s controlling party is **Ing. Radomír Lapčík, LL.M.**, with registered office at Prague 1, Senovážné nám. 1588/4, Postal Code 110 00.

No mutual relationships exist between Ing. Radomír Lapčík and SAB Finance a.s.



ENTITIES CONTROLLED BY THE SAME CONTROLLING PERSON:

SAB Holding a.s.,

with registered office Prague 1, Senovážné nám. 1375/19, Postal Code 110 00, Company ID No. 036 68 118.

SAB Financial Group a.s. owns 170 units of common registered shares with a nominal value of CZK 100,000, representing a 100% share of voting rights in SAB Holding a.s.

No mutual relationships exist between SAB Holding a.s. and SAB Finance a.s. for the period in question.

mediaport solutions s.r.o.,

with registered office Zlín, třída Tomáše Bati 2132, Postal Code 760 01; Company ID No. 291 92 790.

mediaport solutions s.r.o. is owned by SAB Holding a.s., which is owned by SAB Financial Group a.s. Mutual relations between mediaport solutions s.r.o. and SAB Finance a.s. were established on the following basis:

- Outsourcing agreement dated 1 August 2017.
- IT SABFIS Outsourcing agreement dated 7 January 2017.
- Payment Services Agreement dated 21 December 2011.
- Agreement on the Provision of Software and IT Services dated 14 June 2018.

SAB Energy s.r.o. (until September 2018),

with registered office Prague 1, Senovážné nám. 1375/19, Postal Code 110 00, Company ID No. 043 47 072.

SAB Energy s.r.o. was owned by SAB Holding a.s., which is owned by SAB Financial Group a.s. There was no contractual relationship between SAB Energy s.r.o. and SAB Finance a.s. as of the date of transfer of the corporate shares. During the course of September, the commercial share in SAB Energy s.r.o. was transferred from SAB Holding a.s. to a third party.

In the 2018 accounting period there were no legal actions or any measures taken in the interest or on the account of the controlling party. SAB Finance a.s. did not incur any injury in association with the existence of the controlling party in the 2018 accounting period, and for this reason no collateral was required for payment of incomes nor were any contracts executed in relation to this payment.

In Prague on 29 March 2019

Ing. Dušan Benda, FCCA
Chair of the Board

OTHER DISCLOSURES IN THE ANNUAL REPORT



ENVIRONMENTAL PROTECTION AND LABOR RELATIONS

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



RESEARCH AND DEVELOPMENT

The company did not report any research and development activities in the accounting period.



FOREIGN ORGANIZATIONAL UNIT

The company has no foreign organizational unit.



ACQUISITION OF OWN SHARES

The company did not acquire any of its own shares in 2018.



SUBSEQUENT EVENTS

Apart from 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 2018.

FINANCIAL STATEMENTS





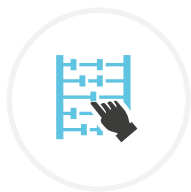
BALANCE SHEET AS OF 31 DECEMBER 2018

ASSETS (in th. CZK)	Item	31/12/2018	31/12/2017
1. Cash in hand and deposits with central banks	C.1.	50	32
3. Receivables from banks and credit unions	C.2.	338,879	274,807
of which: a) due on demand		338,879	274,807
4. Receivables from non-bank subjects	C.3.	932,728	1,408,768
of which: a) due on demand		696,015	1,050,458
a) other receivables		236,713	358,310
8. Ownership interests with controlling influence	C.4.	376,126	30,088
9. Long-term intangible assets	C.5.	10,456	3,069
10. Fixed assets	C.5.	26,851	26,606
11. Other assets	C.6.	41,822	32,009
13. Prepayments and accrued income	C.7.	1,063	503
TOTAL ASSETS		1,727,975	1,775,882

The notes form an integral part of these financial statements.

LIABILITIES (in th. CZK)	Item	31/12/2018	31/12/2017
1. Payables to banks and credit unions	C.8.	61,919	19,600
of which: a) due on demand		0	0
b) other liabilities		61,919	19,600
2. Payables to non-bank subjects	C.9.	903,869	1,231,874
of which: a) due on demand		888,388	1,147,920
b) other liabilities		15,481	83,954
4. Other liabilities	C.11.	12,740	16,471
5. Accruals and deferred income		93	0
7. Reserves	C.12.	6,516	3,087
of which: b) for tax		6,516	3,087
8. Registered capital	C.14.	649,108	428,104
of which: a) paid-in registered capital		649,108	373,104
9. Share premium	C.14.	6,356	6,356
10. Reserve funds and other funds from profits	C.14.	16,210	15,574
of which: a) mandatory reserve funds and risk funds		16,210	15,574
15. Profit or loss during the accounting period		71,164	54,816
TOTAL LIABILITIES		1,727,975	1,775,882

The notes form an integral part of these financial statements.



OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET ITEMS (in th. CZK)	Item	31/12/2018	31/12/2017
Off-balance sheet assets			
Off-balance sheet liabilities			
9. Assurances and guarantees received	C.15.	50,000	190,000

The notes form an integral part of these financial statements.



PROFIT AND LOSS STATEMENT

FOR THE PERIOD FROM 1/1/ 2018 TO 31/12/2018

(in th. CZK)		Item	2018	2017
1.	Interest revenues and similar income	C.16.	8,021	2,026
2.	Interest expense and similar expense	C.17.	3,546	2,528
4.	Commission and fee income	C.18.	2,766	2,777
5.	Commission and fee expense	C.19.	16,690	16,849
6.	Profit or loss from financial operations	C.20.	233,276	186,263
7.	Other operating income	C.21.	55	3,150
8.	Other operating expenses	C.21.	9,990	6,607
9.	Administrative expenses	C.22.	124,422	99,138
	of which: a) employee expenses		87,161	64,129
	of aa) wages and salaries		66,512	48,611
	which: ab) social and health insurance		19,596	14,591
	b) other administrative expenses		37,261	35,009
11.	Depreciation, creation and use of provisions and loss allowances for long-term tangible and intangible assets		1,822	1,376
12.	Release of provisions and loss allowances for receivables and guarantees, income from previously written-off receivables		373	0
13.	Depreciation, creation and use of provisions and loss allowances for receivables and guarantees		61	0
19.	Profit or loss during the accounting period from ordinary activities before tax		87,960	67,718
23.	Income tax	C.23.	16,796	12,902
24.	PROFIT OR LOSS DURING THE ACCOUNTING PERIOD AFTER TAX		71,164	54,816

The notes form an integral part of these financial statements.



CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Registered capital	Share premium	Reserve funds	Profit (loss)	Total
Balance as of 1/1/2017	194,000	6,356	13,936	32,757	247,049
Net profit/loss during the accounting period	0	0	0	54,816	54,816
Transfers to funds	0	0	1,638	-1,638	0
Payment of dividends	0	0	0	-31,119	-31,119
Increases in registered capital	234,104	0	0	0	234,104
Balance as of 31/12/2017	428,104	6,356	15,574	54,816	504,850
Initial recognition of IFRS9	0	0	-2,105	0	-2,105
Balance as of 1/1/2018	428,104	6,356	13,469	54,816	502,745
Net profit/loss during the accounting period	0	0		71,164	71,164
Transfers to funds	0	0	2,741	-2,741	0
Payment of dividends	0	0		-52,075	-52,075
Increases in registered capital	221,004	0			221,004
Balance as of 31/12/2018	649,108	6,356	16,210	71,164	742,838

The notes form an integral part of these financial statements.



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(in th. CZK)	2018	2017
OPERATING CASH FLOW		
Profit or loss during the accounting period from ordinary and extraordinary activities before tax	87,960	67,718
Non-cash transactions:		
Depreciation and change in adjustments to tangible and intangible fixed assets	1,822	1,376
Addition and release of loss allowances	-312	-
Net interest income	-4,475	502
Net profit (loss) on sale of long-term tangible and intangible assets	-14	-1,885
	84,981	67,711
Changes in:		
Receivables from non-bank subjects	412,712	-552,686
Other assets, prepaid expenses, and accrued income	-10,372	-8,046
Payables to banks and credit unions	42,319	-46,890
Payables to non-bank subjects	-262,865	406,219
Other liabilities, accrued expenses and deferred income	-827	8,215
	265,948	-125,477
Interest received	1,818	1,378
Interest paid	-3,546	-2,528
Income tax paid	-13,402	-10,713
NET OPERATING CASH FLOW	250,818	-137,340

INVESTMENT ACTIVITY		
Acquisition of ownership interests	- 346,038	0
Acquisition of tangible and intangible long-term assets	-9,673	-2,344
Proceeds from the sale of tangible and intangible long-term assets	53	2,595
NET CASH FLOW FROM INVESTMENT ACTIVITY	-355,658	251

(in th. CZK)	2018	2017
FINANCIAL ACTIVITY		
Income from increases to registered capital	221,004	179,104
Profit shares paid	-52,075	-31,119
NET CASH FLOW FROM FINANCIAL ACTIVITY	168,930	147,985

NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS BALANCE	64,090	10,896
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Cash and cash equivalents as of 1 January	274,839	263,943
Cash and cash equivalents as of 31 December	338,929	274,839

CASH AND CASH EQUIVALENTS INCLUDE:

Cash in hand and deposits with central banks	50	32
Receivables from banks and credit unions due on demand	338,879	274,807
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	338,929	274,839

The notes form an integral part of these financial statements.





NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD

1 JANUARY 2018 – 31 DECEMBER 2018

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A. GENERAL INFORMATION

A.1. DESCRIPTION OF THE ACCOUNTING ENTITY

NAME:	SAB Finance a.s.
REGISTERED OFFICE:	Prague 1 – Nové Město, Senovážné nám.1375/19, Postal Code 110
LEGAL FORM:	Joint-stock company
PRINCIPAL BUSINESS ACTIVITY:	activities of a payment institution within the scope of the license granted by the Czech National Bank in accordance with Act No. 284/2009 Coll., on Payment Systems
DATE OF COMPANY'S ESTABLISHMENT:	30 July 2010
ID NO.:	247 17 444
(hereinafter "SAB" or "the Company" or "the accounting entity")	

Since 27 April 2011, the Company has been performing the activities of a payment institution within the scope of the license granted by the Czech National Bank in accordance with Act No. 284/2009 Coll., on Payment Systems. 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, residential, and commercial space.

Since 2 April 2014, the Company has complied with Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, in its entirety by proceeding in accordance with Section 777 para. 5 of the Act.

A.2. MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AS AT 31 DECEMBER 2018

STATUS AS OF 12/31/2018	First and last name	Function
Statutory body– board of directors	Ing. Petr Čumba	Chair of the Board
Statutory body– board of directors	Ing. Martin Farský	Member of board of directors
Supervisory Board	Jana Ježková	Member of supervisory committee

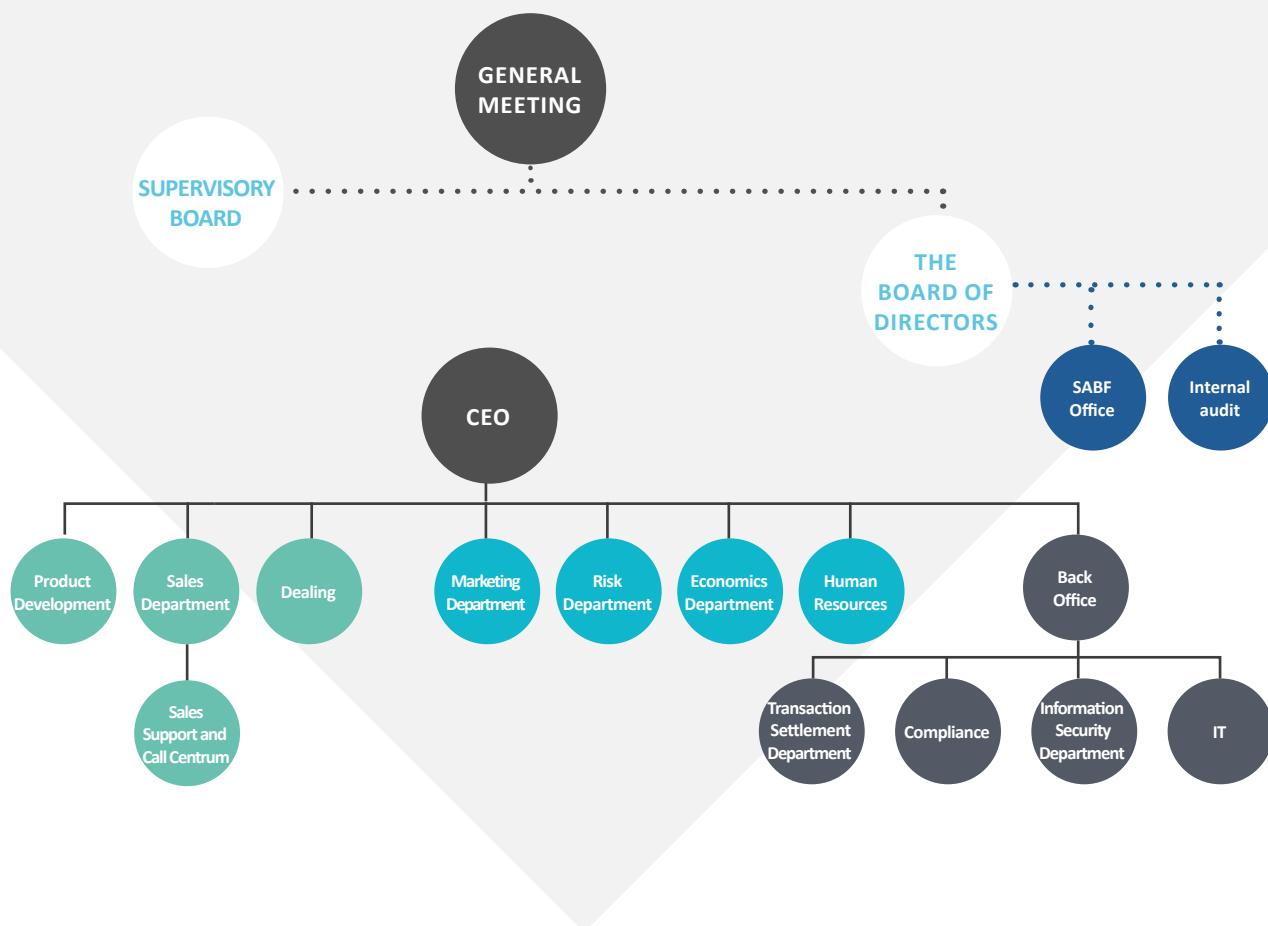
The chair of the board of directors or two members of the board of directors acting jointly may act on behalf of the Company.

As of 29 December 2018, the function of chairman of the board was vacated by Ing. Dušan Benda, FCCA. On 22 March 2018, Ing. Dušan Benda, FCCA, was once again appointed to the board, and subsequently became chairman of the board. The position of board chair was occupied from 30 December 2018 to 21 March 2019 by Ing. Petr Čumba.

A.3. CHANGES TO THE COMMERCIAL REGISTER

There were changes made in the Commercial Register in 2018, primarily connected with changes in the structure of the board of directors described in A.2.

A.4. ORGANIZATIONAL STRUCTURE AS OF 31 DECEMBER 2018



A.5. ENTITIES WITH CONTROLLING AND SIGNIFICANT INFLUENCE

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

SHAREHOLDER'S FIRST AND LAST NAME	Share of registered capital as of 31 December 2018
SAB Financial Group a.s.	100%

A.6. OWNERSHIP INTERESTS WITH SIGNIFICANT INFLUENCE

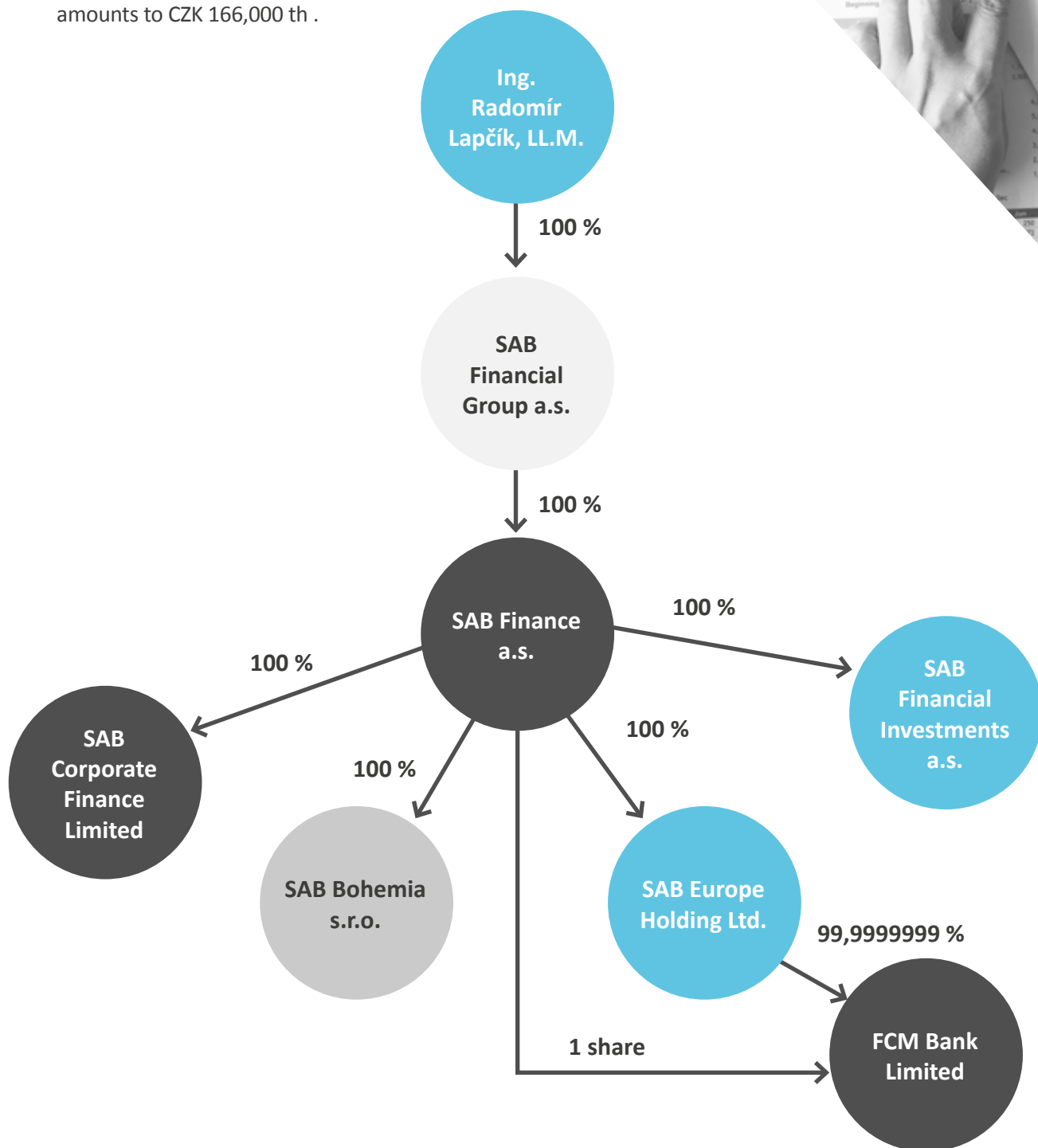
A list of business companies and cooperatives in which the accounting unit holds shares exceeding 20% share in their registered capital.

SHAREHOLDER'S FIRST AND LAST NAME	Share of registered capital as of 31 December 2017
SAB Corporate Finance Ltd.	100%
SAB Europe Holding Ltd.	100%
SAB Bohemia s.r.o.	100%
SAB Financial Investments a.s.	100%

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.

On 4 April 2018 the subsidiary company SAB Financial Investments a.s. was established. The registered capital of SAB Financial Investments a.s. as of 31 December 2018 amounts to CZK 166,000 th .



A.8. AVERAGE NUMBER OF EMPLOYEES, PERSONNEL EXPENSES

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

INDICATOR	2018	2017
Average converted number of employees	60	52
of which: members of the board of directors	3	3
members of the supervisory board	1	1

Personnel expenses for staff including the personnel expenses for executive staff are listed in section C.23. Administrative expenses

A.8.2. REMUNERATION TO PERSONS ACTING AS STATUTORY BODIES, MEMBERS OF THE STATUTORY AND SUPERVISORY BODIES

In 2018, the accounting entity paid fees to members of statutory bodies for the performance of their activities in these bodies on the basis of individual contracts for the performance of their functions in the amount of CZK 1,743 th. (2017: CZK 1,319 th.) – see note C.23.

No remuneration was paid to the supervisory body members in 2017 or 2018.

A.9. PAYMENTS MADE TO THE BENEFIT OF RELATED PARTIES

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

A.10. BASES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Company's bookkeeping has been administered and the financial statements prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree 501/2002 Coll., which implements certain provisions of Act No. 563/1991 Coll., on Accounting, for accounting entities who are financial institutions whose books are managed using the double-entry bookkeeping system as amended, and the Czech financial standards for financial institutions, as amended.

Decree No. 501/2002 Coll., in the wording effective 1 January 2018, stipulates in Section 4a para. 1 that for the purpose of reporting financial instruments, their valuation, and stating information about them in the notes to the financial statements, the accounting entity should proceed in accordance with the international accounting standards governed by directly applicable regulations of the European Union on the implementation of international accounting standards (hereinafter "International Financial Reporting Standards" or "IFRS"). The balances and note tables associated with financial instruments as of 31 December 2017 have not been adjusted in relation to the implementation of IFRS for financial instruments, and are therefore not comparable.

The financial statements are based on the assumption that the accounting entity is a going concern and will not be in any way restricted in or prevented from continuing in those activities in the foreseeable future.

The financial statements have been prepared 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 financial statements have been prepared under the historical cost convention. The accounting system respects the prudential approach, assuming the going concern principle.

All amounts in these financial statements are shown in thousands of Czech crowns (CZK). These financial statements are non-consolidated and have been prepared as of 31 December 2018.

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. For accounting transactions involving the purchase and sale of financial assets with the usual supply date (spot transactions) the trade day accounting method was used. The purchase or sale of a financial asset is reported in the balance sheet on the trade day, as is the liability or receivable associated with the payment for a financial asset.

The accounting entity derecognizes a financial asset or part thereof from the balance sheet if it loses control over its contractual rights to that asset or part thereof. The accounting entity loses that control if it applies rights to benefits defined by a contract, if those rights are revoked or if it waives those rights.

B.2. FIXED TANGIBLE AND INTANGIBLE ASSETS

Tangible and intangible fixed assets (hereinafter as "TFA" and "IFA") are stated at acquisition costs. Amortization 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 CZK 2 th. is not recognized in the balance sheet but charged to the expenses in the year of acquisition.

Depreciation methods and periods according to asset grouping

ASSET	Method	Number of years
Buildings	straight-line	60
Inventory, instruments and equipment	straight-line	4–10
Software	straight-line	3
Small assets worth over 2 th. CZK	straight-line	2–6

Land, unfinished fixed assets, works of art and 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 recognized 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 utilization of related adjustments is recognized in the profit and loss 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 utilization 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 as stipulated by a contract or articles, regardless 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. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (FINANCIAL INSTRUMENTS) – METHODS APPLICABLE FROM 1 JANUARY 2018

1. INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

SAB initially recognizes selected financial assets and financial liabilities (e.g. receivables from clients, payables to clients) at the moment they are created. All other financial instruments (including spot purchases and the sale of securities) are recognized at the date the trade is agreed, which is the date when the accounting entity becomes a party to the contractual provisions of the relevant financial instrument..

2. CLASSIFICATION OF FINANCIAL ASSETS

On initial recognition a financial asset is measured under the following classification categories:

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

Financial assets are measured at amortized cost (AC) if they meet the following conditions and does not also qualify for measurement at fair value through profit or loss (FVTPL):

- the asset is held within a business model in which assets are managed to achieve a particular
- objective by collecting contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding (the “SPPI test”).

Financial assets are measured at fair value through other comprehensive income (FVOCI) only if they meet both of the following conditions and do not also qualify for measurement at fair value through profit or loss (FVTPL):

- the asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding (the “SPPI test”).

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

RECLASSIFICATION

Financial assets are not reclassified after initial recognition unless the accounting entity changes its business model for managing financial assets.

FINANCIAL LIABILITIES

The accounting entity classifies its financial liabilities other than assurances and guarantees provided, measured as follows:

- amortized cost, or
- fair value through profit or loss (FVTPL).

3. DERECOGNITION

FINANCIAL ASSETS

The accounting entity derecognizes financial assets if

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

On derecognition of a financial asset, the difference between:

- the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and
- the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in equity

is reported on the profit and loss statement.

FINANCIAL LIABILITIES

The entity derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire.

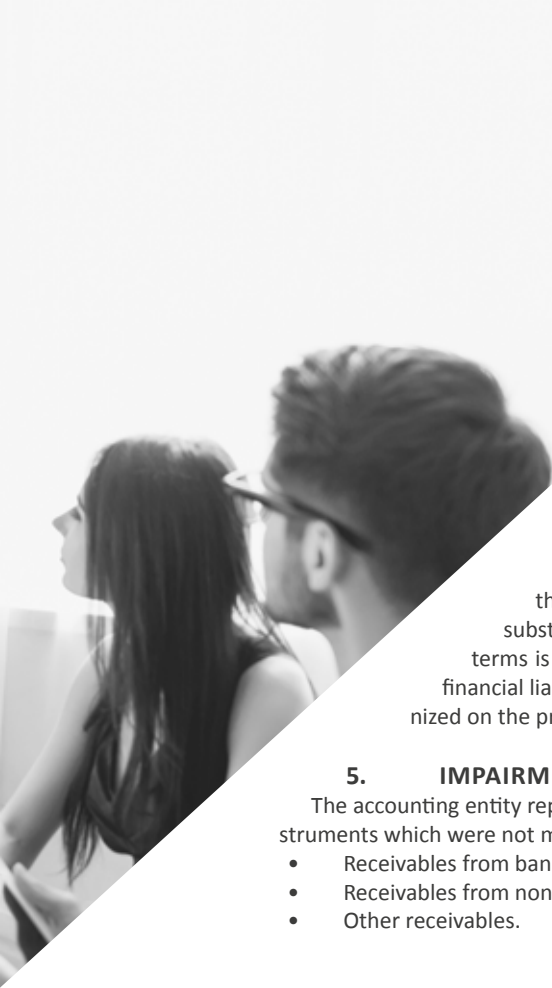
4. MODIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS

If the terms of a financial asset are modified, the entity evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the entity recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss on the profit and loss statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented on the profit and loss statement together with addition, release, or utilization of loss allowances on the profit and



loss statement. In other cases the gain or loss is presented on the profit and loss statement together with interest income.

FINANCIAL LIABILITIES

The accounting entity derecognizes a financial liability if the conditions of the financial liability are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized on the profit and loss statement.

5. IMPAIRMENT

The accounting entity reports expected credit loss (ECL) for the following financial instruments which were not measured at fair value through profit or loss (FVPTL):

- Receivables from banks and credit unions;
- Receivables from non-bank subjects.
- Other receivables.

DETERMINING EXPECTED CREDIT LOSS

For more details see point C.25.a).

CREDIT-IMPAIRED FINANCIAL ASSETS

For each reporting date the accounting entity will assess whether financial assets measured at amortized cost and financial debt securities measured at fair value through other comprehensive income (FVOCI) are credit-impaired. A financial asset is credit-impaired if one or more events have occurred that have an unfavorable impact on estimated future cash flows from financial assets.

Evidence that credit impairment of a financial asset has occurred includes the following observable circumstances:

- significant financial problems on the part of the debtor or issuer;
- breach of contract, e.g. default or past-due payment by the creditor;
- if it becomes likely that the debtor will enter bankruptcy, dissolution, or financial restructuring, or;
- closure of the active market for the security due to financial difficulties.

PRESENTATION OF ECL ON BALANCE SHEET

ECL are presented in the following manner:

Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

Loss allowances and provisions established by debiting expenses are recognized in "Write-offs, addition, and utilization of loss allowances and provisions for receivables and guarantees." This item also includes any subsequent use of loss allowances.

The release of loss allowances for ECL no longer considered necessary is included in the profit and loss statement under "Release of loss allowances and provisions for receivables and guarantees, income from written-off receivables".

WRITE-OFF

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

B.6. RECEIVABLES FOR BANKS AND CUSTOMERS – METHODS APPLICABLE UNTIL 31 DECEMBER 2017

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

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

ACCOUNTING ADJUSTMENTS

SAB makes adjustments to questionable receivables on the basis of its own analysis of the payment abilities of its customers and the structure of the receivables.

TAX ADJUSTMENTS

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

WRITE-OFF

The write-off of unrecoverable receivables is recorded under "Write-offs, additions and use of adjustments and provisions to receivables and guarantees" in the profit and loss statement. If a fully adjusted receivable is written off, the adjustment relating to the same item of the profit and loss 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.7. CREATION OF PROVISIONS

A provision represents a probable cash outflow of uncertain timing or amount.

A provision is created provided that the following criteria are met:

- there exists a (legal or constructive) obligation as the result of past events,
- 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.

PROVISION FOR INCOME TAXES

As of the date of the financial statements, the corporate tax return had not yet been filed, thus provisions for income taxes represent the positive difference between the calculated tax payable and the deposits paid. Any negative difference is reported as part of the Other assets category.



B.8. CONVERSION OF FOREIGN CURRENCY

Transactions in foreign currency are accounted for in the domestic currency converted at the exchange rate declared by the Czech National Bank applicable as of the transaction date. Assets and liabilities in foreign currency are converted to the domestic currency at the exchange rate announced by the Czech National Bank applicable as of the balance sheet date.

The resulting profit or loss from the conversion of assets and liabilities in foreign currency, not including ownership interests, is reported in the profit and loss statement as "Profit or loss from financial operations".

B.9. 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.10. TAXATION

TAX PAYABLE

The income tax base is calculated from the profit or loss of the current period by adding non-deductible costs and deducting revenues that are not subject to income tax, as well as by adjusting for tax rebates and any credit.

DEFERRED TAX

Deferred tax is based on all temporary differences between the book value and the tax value of assets and liabilities using the expected tax rates applicable for the following period. A deferred tax receivable is only accounted for if there is no doubt over its further application in subsequent accounting periods.

B.11. INTEREST INCOME AND EXPENSES

The interest income and expenses are recognized in the profit & loss statement for the period to which they relate.

B.12. 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 recognized 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.13. CHANGES IN ACCOUNTING METHODS

IFRS9

As of 1 January 2018, as part of the revision of the Decree, international accounting standards related to the recognition, measurement, and disclosure of financial instruments, particularly IFRS 9 – Financial Instruments, were implemented to the Czech accounting framework.

The most significant impact of these changes for the Company is the application since 1 January 2018 of IFRS 9 Financial Instruments with regard to the calculation of credit losses (i.e. loss allowances). As a result of the application of IFRS 9, the Company changed from the model of incurred losses to the model of expected losses.

New accounting methods for financial instruments applicable from 1 January 2018 are described in point B4 of these notes. The influence of the given change on registered capital as of 1 January 2018 is listed below.

INITIAL APPLICATION OF IFRS9

Measurement categories

The following table indicates the original measurement categories of financial assets and financial liabilities pursuant to Decree 501/2002 Coll. applicable before 31 December 2017 and the new measurement categories pursuant to IFRS 9 as of 1 January 2018:

in th. CZK	Original classification pursuant to Decree 501/2002 Coll. applicable before 31 December 2017	New classifications pursuant to IFRS9	Original carrying amount 31 December 2017	New carrying amount pursuant to IFRS 9 1 January 2018
Cash in hand and deposits with central banks	Amortized cost	Amortized cost	32	32
Receivables from banks and credit unions	Amortized cost	Amortized cost	274,807	274,562
Receivables from non-bank subjects – spot transactions	Amortized cost	Amortized cost	1,050,459	1,050,459
Receivables from non-bank subjects – other receivables	Amortized cost	Amortized cost	358,310	356,750
Other assets	Amortized cost	Amortized cost	32,009	31,709
TOTAL FINANCIAL ASSETS			1,715,616	1,713,511
Payables to banks and credit unions	Amortized cost	Amortized cost	19,600	19,600
Payables to non-bank subjects – spot transactions	Amortized cost	Amortized cost	1,147,920	1,147,920
Payables to non-bank subjects – other liabilities	Amortized cost	Amortized cost	83,953	83,953
Other liabilities and provisions	Amortized cost	Amortized cost	19,558	19,558
TOTAL FINANCIAL LIABILITIES			1,271,032	1,271,032

RECONCILIATION OF CARRYING AMOUNTS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

in th. CZK	Original carrying amount 31 December 2017	Remeasurement	Reclassification	New carrying amount pursuant to IFRS 9 as of 1 January 2018
Receivables from banks and credit unions	274,807	245	–	274,562
Receivables from non-bank subjects – other receivables	358,310	1,560	–	356,750
Other assets	32,009	300	–	31,709
TOTAL	665,126	2,105	–	663,021

The carrying amounts of the remaining financial assets and financial liabilities did not change.

NET IMPACT OF TRANSITION TO IFRS 9 ON EQUITY:

The following table shows the net impact of transition to IFRS 9 on equity:

in th. CZK	Impact of application of IFRS 9 as of 1 January 2018
EQUITY AS OF 31 DECEMBER 2017	504,850
Impact of accounting expected credit loss pursuant to IFRS 9	–2 105
EQUITY AS OF 1 JANUARY 2018	502,745

RECONCILIATION OF ADJUSTMENT ENTRIES:

The following table reconciles the final values of adjustments for financial assets pursuant to Decree 501/2002 applicable before 31 December 2017 to the initial value of expected credit loss (ECL) pursuant to IFRS 9 as of 1 January 2018:

in th. CZK	Original carrying amount 31 December 2017	Remeasurement	New carrying amount pursuant to IFRS 9 1 January 2018
Receivables from banks and credit unions	–	245	245
Receivables from non-bank subjects – other receivables	–	1,560	1,560
Other assets	–	300	300

B.14. CORRECTIONS OF ERRORS FROM PREVIOUS FINANCIAL PERIODS AND CHANGES IN ACCOUNTING METHODS

Corrections to prior period expenses or income are recognized 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 recognized under “Retained profits (or accumulated losses)” in the Company’s balance sheet.

No corrections to errors from previous periods were made in the accounting period ending 31 December 2018.



C. ADDITIONAL INFORMATION FOR THE BALANCE SHEET AND PROFIT AND LOSS STATEMENT

C.1. CASH IN HAND AND DEPOSITS WITH CENTRAL BANKS

	2018	2017
Cash in hand	50	32

C.2. RECEIVABLES FROM BANKS AND CREDIT UNIONS

	2018	2017
Current accounts	339,185	274,807
Adjustments (ECL pursuant to IFRS 9)	–306	–
TOTAL	338,879	274,807

Receivables from banks and credit unions reflect positive balances in bank accounts payable upon request.

Receivables from banks and credit unions as of 31 December 2018 include funds provided to clients for the purpose of executing spot trades in the amount of 192,497 th. (2017: CZK 100,438 th.), with which the Company has limited handling rights.

All receivables from banks as of 31 December 2018 are valued at amortized cost pursuant to IFRS 9.

in th. CZK	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the term for financial assets that are not credit impaired	Level 3 Expected credit loss for the term for financial assets that are credit-impaired	TOTAL
Receivables from banks measured at amortized cost				
Credit rating min. Baa1	339,185	–	–	339,185
Adjustments	–306	–	–	–306
Net receivables from banks	338,879	–	–	338,879

C.3. RECEIVABLES FROM NON-BANK SUBJECTS

	2018	2017
Payable on request	696,015	1,050,458
Other receivables:	236,713	358,310
Správa Aktiv a Bankovní Poradenství a.s.	34,000	52,947
SAB Europe Holding Ltd.	199,626	191,918
SAB Financial Group a.s.	0	62,582
SAB Corporate Finance Ltd.	4,312	6,527
SAB Energy s.r.o.	0	10,136
Other	0	34,200
Loss allowances (ECL pursuant to IFRS 9)	-1,225	0
TOTAL	932,728	1,408,768

Receivables from clients payable upon demand represent receivables from clients for unsettled forex trades.

Other receivables in the amount of CZK 237,938 th. (31 December 2017: CZK 358,310 th.) represent receivables from credit provided including interest, receivables under the sale of bonds issued by SAB Financial Group a.s. (receivable for Správa Aktiv a Bankovní Poradenství a.s.)

in th. CZK	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the term for financial assets that are not credit impaired	Level 3 Expected credit loss for the term for financial assets that are credit-impaired	TOTAL
Receivables from non-bank subjects				
Other receivables	237,938	–	–	237,938
Adjustments	-1 225	–	–	-1,225
Net receivables from banks	236,713	–	–	236,713

For receivables due on demand, which represent receivables from clients from unsettled foreign exchange trades, the company does not add a loss allowance as the settling of trades with foreign currency always takes place upon registration of the funds from the client to the account managed by the company; the company thus is not subject to credit risk.

C.4. OWNERSHIP INTERESTS WITH CONTROLLING INFLUENCE

as of 31 December 2018

Name, registered office, and main scope of business	Registered capital*	Other component of registered capital*	Share in equity (%)	Number of shares (pcs)	Acquisition cost	Carrying amount
SAB Corporate Finance Ltd. 30 St Mary Axe, Level 28/29, London, United Kingdom, EC3A 8BF	31,202	-21,903	100	n/a	31,202	28,762
SAB Europe Holding Ltd. Suite 183, The Fort, Hard Rocks Business Park, Naxxar, Malta	178,637	3,543	100	n/a	178,637	180,364
SAB Bohemia s.r.o. Senovážné nám. 1375/19, Praha 1, 110 00	1,000	-9,805	100	n/a	1,000	1,000
SAB Financial Investments a.s. Senovážné náměstí 1375/19, Nové Město, 110 00 Praha 1	166,000	-84	100	n/a	166,000	166,000
TOTAL	376,839	-28,249			376,839	376,126

*Unaudited balance

as of 31 December 2017

Name, registered office, and main scope of business	Registered capital*	Other component of registered capital*	Share in equity (%)	Number of shares (pcs)	Acquisition cost	Carrying amount
SAB Corporate Finance Ltd. 30 St Mary Axe, Level 28/29, London, United Kingdom, EC3A 8BF	31,202	-2,416	100	n/a	31,202	28,786
SAB Europe Holding Ltd. Suite 183, The Fort, Hard Rocks Business Park, Naxxar, Malta	302	0	100	n/a	302	302
SAB Bohemia s.r.o. Senovážné nám. 1375/19, Praha 1, 110 00	1,000	-5,421	100	n/a	1,000	1,000
TOTAL	32,504	-7,833			32,504	30,088

*Unaudited balance

In 2018, SAB Bohemia s.r.o. continued to increase its turnover and the amount of its assets. 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. In 2018 sales prices of used automobiles significantly exceeded the residual carrying amount, which validated the success of the business concept the company established in 2016. For this reason, the company did not record any adjustments for this ownership interest.

On 1 December 2017, SAB Corporate Finance was granted the license of a payment institution from the British regulator, the Financial Conduct Authority. The year 2018 was distinctive for the building of the team and the establishment of processes essential for the functioning of the company. Its first trades also took place. In the first year of the company's operations, costs exceeded income for the above reasons. The cumulative losses from the first years of company operation will be compensated in subsequent years; for this reason the Company did not record any adjustment to this ownership interest.

C.5. LONG-TERM ASSETS

C.5.1. STRUCTURE OF LONG-TERM ASSETS

A) LONG-TERM INTANGIBLE ASSETS

ACQUISITION COST	Long-term intangible assets	Goodwill	TOTAL
As of 1 January 2017	3,307	83,524	86,831
Gains	792	0	792
Losses	102	0	102
As of 12/31/2017	3,997	83,524	87,521
As of 1/1/2018	3,997	83,524	87,521
Gains	8,520	0	8,520
Losses	180	0	180
Discard	0	0	0
As of 12/31/2018	12,337	83,524	95,861

ACCUMULATED DEPRECIATION AND ADJUSTMENT ENTRIES	Long-term intangible assets	Goodwill	TOTAL
As of 1 January 2017	534	83,524	84 058
Depreciation and accruals of discarded assets	496	0	496
Losses	102	0	102
As of 12/31/2017	928	83,524	84,452
As of 1/1/2018	928		84,452
Depreciation and accruals of discarded assets	953	0	953
Losses	–	0	0
Discard	0	0	0
As of 12/31/2018	1,881	83,524	85, 405

NET BOOK VALUE	Long-term intangible assets	Goodwill	TOTAL
As of 12/31/2017	3 069	0	3 069
As of 12/31/2018	10 456	0	10 456

During the course of 2018 the company partially created software through its own activities that aids in the streamlining and automation of company activities.

On 30 April 2011, SAB Finance goodwill incurred goodwill in the amount of CZK 83 524 th. through the sale of part of the company Správa Aktiv a Bankovní poradenství a.s. Goodwill is amortized using the straight-line method for a period of 60 months. As of 31 December 2018 and 31 December 2017 all goodwill has been fully written off.

B) LONG TERM TANGIBLE ASSETS

ACQUISITION COST	Machinery and equipment	Motor vehicles	Advances paid	TOTAL
As of 1 January 2017	2,525	1,541	0	4,066
Gains	1,552	0	25,000	26,552
Losses	894	1,541	0	2,435
As of 12/31/2017	3,183	0	25,000	28,183
As of 1/1/2018	3,183	0	25,000	28,183
Gains	1,153	0	0	1,153
Losses	482	0	0	482
As of 12/31/2018	3,854	0	25,000	28,854

ACCUMULATED DEPRECIATION AND ADJUSTMENT ENTRIES	Machinery and equipment	Motor vehicles	Advances paid	TOTAL
As of 1 January 2017	1,657	1,284	0	2,941
Depreciation and accruals of discarded assets	866	257	0	1,123
Losses	946	1,541	0	2,487
As of 12/31/2017	1,577	0	0	1,577
As of 1/1/2018	1,577	0	0	1,577
Depreciation and accruals of discarded assets	908	0	0	908
Losses	482	0	0	482
As of 12/31/2018	2,003	0	0	2,003

NET BOOK VALUE	Machinery and equipment	Motor vehicles	Advances paid	TOTAL
As of 12/31/2017	1,606	0	25,000	26,606
As of 12/31/2018	1,851	0	25,000	26,851

Advances in the amount of CZK 25,000 th. (2017: CZK 25,000 th.) represent the prepaid amount of the purchase price of a building in Prague. The company does not anticipate using the building for operating purposes.

C.5.2. LEASES ASSETS

The Company leases passenger cars from SAB Bohemia s.r.o. The cost of this lease for the reported period was CZK 4,456 th. (2017: CZK 2,454 th. CZK) were created to those receivables.

Future costs for leased assets were determined according to valid contracts on the basis of estimable usable life.

FUTURE COSTS (in th. CZK)	Up to 1 year	1-5 years	More than 5 years
Passenger vehicles	6,033	0	0

C.6. OTHER ASSETS

	2018	2017
Receivables owed by various debtors	680	155
Advances provided	41,085	31,815
Other assets	319	39
Loss allowances (ECL pursuant to IFRS 9)	–262	
TOTAL	41,822	32,009

The major item of advances paid are security deposits for the purchase of cars of CZK 30 612 th. (2017: CZK 31,582 th.), and advances for IT services of CZK 10,382 th. (2017: CZK 124 th.) were created to those receivables.

All other receivables as of 31 December 2018 are measured at amortized cost pursuant to IFRS 9.

in th. CZK	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the term for financial assets that are not credit impaired	Level 3 Expected credit loss for the term for financial assets that are credit-impaired	TOTAL
Other assets				
Other assets	42,084	–	–	42,084
Adjustments	–262	–	–	–262
Net receivables from banks	41,822	–	–	41,822

C.7. PREPAYMENTS AND ACCRUED INCOME

As of 31 December 2018, the company reported costs from upcoming periods in the amount of CZK 1,063 th. (2017: CZK 503 th.). Costs from upcoming periods are composed predominantly of accruals and deferrals of consulting and advisory services.

No assets of the Company were used as collateral for the obligations of the Company.

C.8. PAYABLES TO BANKS AND CREDIT UNIONS

LIABILITIES DUE ON DEMAND	Payment	Currency	Balance 31 December 2018 in CZK	Due within one year	Balance 31. 12. 2017 in CZK
Moravský Peněžní Ústav – savings and loan association*	12/31/2023	CZK	16,900	0	19,600
FCM Bank Limited	7/25/2019	EUR	45,019	45,019	0
TOTAL			61,919	45,019	19,600

*On 19 February 2019 name changed to TRINITY BANK a.s.

C.9. PAYABLES TO CUSTOMERS

	2018	2017
Payable on request	888,388	1,147,920
Other liabilities	15,481	83,954
TOTAL	903,869	1,231,874

Payables to clients payable upon demand represent payables to clients for unsettled spot trades. None of these payables is overdue.

The bank also reports receivables from non-bank subjects representing receivables from clients from unsettled spot trades. The net value of payables and receivables due on demand as of 31 December 2018 is a payable in the amount of CZK 192,538 th. (2017: CZK 97,461 th.). Receivables are described in part C.3.

The other payables line item represents in particular a payable to the SAB Financial Group a.s. from a loan received in the amount of CZK 15,256 th., including interest. The loan carries an interest rate of 1.8% p.a. and comes due 30 November 2019.

C.10. PAYABLES FROM DEBT SECURITIES

As of 31 December 2018 and 31 December 2017, the Company records no payables from debt securities.

C.11. OTHER LIABILITIES

	2018	2017
Payables to employees	4,590	3,506
Liabilities from social security and health insurance	2,336	1,566
Tax liabilities	1,284	1,322
Deferred tax liability	8	45
Estimated accounts payable	686	5,982
Other liabilities	3,836	4,050
TOTAL	12,740	16,471

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



C.12. INCOME TAX PROVISIONS

In 2018, the Company established provisions totaling CZK 17,532 th. (In 2017 totaling CZK 13,800 th.), and released the total tax provision in the amount of CZK 13,800 th. (In 2017 totaling CZK 9,800 th.).

In the financial statements, the income tax provision is reported as net. Since the tax prepayments were lower than the provision, the Company recognized a tax provision in the amount of CZK 6,516 th. (2017: CZK 3,087 th.).

	Provision for income taxes
Balance as of 1/1/2017	9,800
Additions during the year	13,800
Release	−9,800
Utilization during the year	0
Balance as of 31/12/2017	13,800
Additions during the year	17,532
Release	−13,800
Utilization during the year	0
Balance as of 31/12/2018	17,532

C.13. DEFERRED TAX

ITEMS WITH TEMPORARY DIFFERENCES (in th. CZK)	2018	2017	Change
Long-term assets (deferred tax liability)	−8	−45	37
TOTAL DEFERRED TAX PAYABLE/RECEIVABLE	−8	−45	37

Deferred income tax is calculated from all the temporary differences using the tax rate applicable for the period in which the tax payable or receivable will be applied, i.e. 19%.

C.14. EQUITY

C.14.1. SUMMARY OF CHANGES IN EQUITY

	Registered capital	Share premium	Profit funds	Profit	Total
Balance as of 1 January 2017	194,000	6,356	13,936	32,757	247,049
Net profit/loss during the accounting period	-	-	-	54,816	54,816
Transfers to funds	-	-	1,638	-1,638	0
Payment of dividends	-	-	-	-31,119	-31,119
Increases in registered capital	234,104	-	-	-	234,104
Balance as of 12/31/2017	428,104	6,356	15,574	54,816	504,850
Initial recognition of IFRS9 as of 1/1/2018	0	0	-2,105	0	-2,105
Balance as of 1 January 2018	428,104	6,356	13,469	54,816	502,745
Net profit/loss during the accounting period		0		71,164	71,164
Transfers to funds		0	2,741	-2,741	0
Payment of dividends		0		-52,075	-52,075
Increases in registered capital	221,004	0			221,004
Balance as of 12/31/2018	649,108	6,356	16,210	71,164	742,838

The registered capital of the company consists of 167,296 units (2017: 110,336 units) of registered common stock in documentary form with nominal value of CZK 3,880 (2017: 3,880). During 2018 the registered capital of the company was increased three times as follows:

Decision to increase registered capital	Amount of registered capital increase	Number of newly issued shares	Registered with the Commercial Register
13 April 2018	CZK 129,980,000	33,500 units of registered common stock in certificate form with nominal value of CZK 3,880	11 May 2018
5 September 2018	CZK 53,000,800	13,660 units of registered common stock in certificate form with nominal value of CZK 3,880	21 September 2018
17 December 2018	CZK 38,024,000	9,800 units of registered common stock in certificate form with nominal value of CZK 3,880	8 January 2019
TOTAL	CZK 221,004,800	56,960 units of registered common stock in certificate form with nominal value of CZK 3,880	

On 29 June 2018, the sole shareholder of SAB Finance a.s., exercising the powers of a general meeting, decided on the distribution of profit for 2017. CZK 2,741 th. was transferred to the reserve fund; CZK 52,075 th. was transferred to the shareholder in the form of dividend payments.

SABF's board of directors proposes to distribute the profit for 2018 of CZK 71,163,569 as follows:

1. CZK 67,605,391 to the shareholders.
2. CZK 3,558,178 to the reserve fund.

C.15. OFF-BALANCE SHEET ITEMS

As of 31 December 2018 the company reports assurances and guarantees provided in the amount of CZK 50,000 th. (as of 31 December 2017 totaling CZK 190,000 th.). This represents an available line of credit beyond the executed loan agreement with the company Moravský Peněžní Ústav – savings and loan association.

C.16. INTEREST REVENUES AND SIMILAR INCOME

	2018	2017
Interest on loans provided	8,021	2,026
TOTAL	8,021	2,026

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 Správa Aktiv a Bankovní Poradenství a.s.

C.17. INTEREST EXPENSE AND SIMILAR EXPENSE

	2018	2017
Interest on overdraft bank accounts	287	1,493
Interest on loans	3,259	1,035
TOTAL	3,546	2,528

Interest on loans represents in particular interest costs for loans received from Moravský Peněžní Ústav – savings and loan association (Trinity Bank) and FCM Bank Limited and interest costs for client deposits intended for settling forex trades.

C.18. COMMISSION AND FEE INCOME

	2018	2017
Fees on transactions executed	2,766	2,777
TOTAL	2,766	2,777

C.19. COMMISSION AND FEE EXPENSE

EXPENSES (in th. CZK)	2018	2017
Bank fees	16,690	16,849
TOTAL	16,690	16,849

Commission and fee expense consists of bank fees for overdraft accounts with Moravský Peněžní Ústav – savings and loan association and fees for current accounts at other banks.

C.20. PROFIT OR LOSS FROM FINANCIAL OPERATIONS

	2018	2017
Profit (loss) from revaluation of balance sheet accounts	1,727	4,893
Profit (loss) from business	231,549	181,370
TOTAL	233,276	186,263

Profits from financial operations were divided into an amount representing the exchange rate differences from revaluation of the balances of balance accounts and profits from business that represent exchange rate differences between the exchange rate arranged at the time of settling the trade and the Czech National Bank exchange rate.

C.21. OTHER OPERATING EXPENSES A VÝNOSY

OTHER OPERATING INCOME	2018	2017
Revenues from sale of long-term assets	53	2,595
Insurance premiums	0	114
Other revenues	2	441
TOTAL	55	3,150

Revenues from the sale of fixed assets predominantly consist of revenues from the sale of disposed assets (especially IT technology).

OTHER OPERATING EXPENSES	2018	2017
Gifts	9,763	6,085
Activation of long-term intangible assets	-265	-768
Residual value of sold assets	39	710
Insurance	314	354
Other costs	139	226
TOTAL	9,990	6,607

C.22. ADMINISTRATIVE EXPENSES

	2018	2017
Wages and remuneration for employees	66,512	48,611
of which: managers	14,112	9,805
board members	1,743	1,319
supervisory committee members	0	0
Social security and health insurance	19,596	14,591
of which: managers	3,916	2,783
board members	675	514
supervisory committee members	0	0
Other employee expenses	1,053	927
Other administrative expenses	37,261	35,009
of which: audit	597	400
costs for legal, consulting, and tax services	483	11,849
lease installments	0	176
TOTAL	124,422	99,138

As of 31 December 2018, the Company provided no loan, advance payment, or credit to members of management and controlling bodies. Growth in wage expenses is caused by the growth of average number of employees.

C.23. INCOME TAX

	2018	2017
Income tax payable for current accounting period	17,532	13,800
Adjustments to tax of previous years	−699	−870
Income tax deferred	−37	−28
INCOME TAX REPORTED ON THE PROFIT AND LOSS STATEMENT	16,796	12,902

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.



C.24. RELATED PARTY TRANSACTIONS

	RECEIVABLES AS OF 31 12.		PAYABLES AS OF 31 12.	
	2018	2017	2018	2017
Správa Aktiv a Bankovní Poradenství a.s.	33,905	52,947	–	–
SAB Corporate Finance Ltd.	4,260	6,527	–	28,786
SAB Financial Group a.s.	–	62,582	15,279	55,320
SAB Bohemia s.r.o.	30,372	31,591	946	988
SAB Energy s.r.o.	–	10,136	–	–
Mediaport solutions s.r.o.	2,148	–	44	662
FCM Bank	5,747	–	46,668	–
SAB Europe Holding	198,548	191,918	–	–
TOTAL	274,980	355,701	17,918	85,756

Receivables primarily include receivables from provided loans and related interest. Payables represent liabilities from loans received.

	INCOME		EXPENSE	
	2018	2017	2018	2017
Správa Aktiv a Bankovní Poradenství a.s.	1,475	582	2	29
SAB CZ s.r.o.	0	0	0	0
SAB Corporate Finance Ltd.	0	0	0	0
SAB Financial Group a.s.	198	342	112	1,246
SAB Bohemia s.r.o.	0	0	4,502	2,565
SAB Energy s.r.o.	60	0	0	0
Mediaport solutions s.r.o.	0	0	6,806	2,736
FCM Bank	569	0	863	0
SAB Europe Holding	6,202	589	8	0
TOTAL	8,504	1,513	12,293	6,576

The above income primarily includes interest income from provided loans. The above expenses primarily include interest relating to overdrafts received in 2018, lease of passenger vehicles, and IT services provided. SAB Bohemia s.r.o. leases passenger cars to SAB Finance a.s.

The company's income is generated primarily on the Czech market.

C.25. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

a. Credit risk

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.

The Company is exposed to credit risk in respect of receivables from banks and credit unions, receivables from non-bank subjects, and other assets.

DETERMINING EXPECTED CREDIT LOSS (ECL)

For the purposes of determining expected credit loss (ECL), the Company divided the fields Receivables from banks and credit unions and Receivables from non-bank subjects and Other assets based on quantitative and qualitative criteria to receivables:

- no default and credit risk has not increased significantly since initial recognition ("Stage 1"),
- significant credit risk increase since initial recognition ("Stage 2"),
- in default ("Stage 3").

CALCULATING EXPECTED CREDIT LOSS (ECL)

The expected credit loss (ECL) of the Company is determined using the following formula:

$$\text{ECL} = \text{PD} * \text{EAD} * \text{LGD}$$

The key inputs and prerequisites for calculating ECL are as follows:

I. probability of default (PD)

RECEIVABLES FROM BANKS AND CREDIT UNIONS:

The PD for each exposure was established in relation to external credit rating of the counterparty based on data from Moody's. In the event that the counterparty does not have an external credit rating assigned, an external rating is calculated on the basis of the rating of the parent company reduced by one rating level. In the event that the parent company also does not have an assigned external credit rating, an average rating of the remaining banks is used, reduced by two rating levels.

RECEIVABLES FROM NON-BANK SUBJECTS AND OTHER ASSETS

Each exposure from receivables from non-bank subjects and Other receivables were assigned an external credit rating on the basis of Moody's data according to quantitative and qualitative criteria.

II. Exposure at default (EAD)

The gross carrying amount of the exposure as of the date of calculating ECL was used as the EAD.

III. Loss given default (LGD)

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

CLASSIFYING RECEIVABLES INTO INDIVIDUAL LEVELS OF IMPAIRMENT

The calculation of ECL for receivables according to individual categories of impairment is as follows:

- impairment Stage 1 – in the amount of 12-month ECL
- impairment Stages 2 and 3 – in the amount of lifetime ECL

Assets in Stage 1:

- Financial assets less than 30 days past due;
- Financial assets for which no qualitative or quantitative factors exist that would indicate that these are not assets with low counterparty credit risk;

Assets in Stage 2:

- Financial assets 30 or more days past due, however no more than 90 days past due;
- Financial assets that have experienced a decrease in counterparty credit rating according to the Moody's scale by two or more levels from initial recognition (significant increase in credit risk from initial recognition);

Assets in Stage 3:

- Financial assets 90 or more days past due;
- Financial assets designated on initial recognition as purchased or originated credit-impaired financial assets (POCI);
- Financial assets whose counterparty has a credit rating on the Moody's scale of Caa1 or worse.

in th. CZK	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the term for financial assets that are not credit impaired	Level 3 Expected credit loss for the term for financial assets that are credit-impaired	TOTAL
Balance as of 1 January 2018	245	–	–	245
Remeasurement and changes to models and risk parameters	61	–	–	61
Balance as of 12/31/2018	306	–	–	306

Receivables from non-bank subjects and other assets as of 31 December 2018 are measured at amortized cost pursuant to IFRS 9.

in th. CZK	Level 1 12-month expected credit loss	Level 2 Expected credit loss for the term for financial assets that are not credit impaired	Level 3 Expected credit loss for the term for financial assets that are credit-impaired	TOTAL
Balance as of 1 January 2018	1,860	–	–	1,860
Remeasurement and changes to models and risk parameters	–373	–	–	–373
Balance as of 12/31/2018	1,487	–	–	1,487

b. Market risk

The market risk is managed by prudential and efficient administration of open foreign currency positions and by defining 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 fulfill 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. Executed foreign currency transactions are settled after obtaining the financial coverage from the client. This mechanism prevents exposure to liquidity risk.

d. Operating risk

Operating risk is defined as the risk of incurring a loss due to inadequacy or failure of internal processes, the human factor or systems, or the risk of incurring a loss due to external factors. The base for managing operating risk was created in the Company primarily as a conceptual framework of the organization structure. 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. Information system-related risk is managed by means of profiles for accessing information systems and the implementation of control mechanisms. Risk attributable to inappropriate or incorrect formulation of internal processes is reduced by implemented control mechanisms.

The goal of processes for managing operating risk is to implement measures, based on observation and assessment of past events, that eliminate or remove the individual operating risk elements. The Company monitors operating risk in all aspects of its activities where losses can occur because of this risk. Management of operating risk 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 off-balance sheet exposures, represent the Company's exposure to currency risks.

The management and monitoring of currency risk is performed daily using the Value-at-Risk method, which is based on a high-probability estimate of the maximum exchange rate change over a given period.

ASSETS AS OF 12/31/2018 (in th. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash in hand and deposits with central banks	12	–	–	5	33	–	50
Receivables from banks	76,033	17,890	8,335	5,571	226,652	4,398	338,879
Receivables from non-bank subjects	451,692	79,371	8,872	819	389,197	2,777	932,728
Other shares	180,364	–	–	28,762	167,000	–	376,126
Fixed tangible and intangible assets	–	–	–	–	37,307	–	37,307
Other assets	–	–	–	–	41,822	–	41,822
Prepayments and accrued income	–	–	–	–	1,063	–	1,063
TOTAL	708,101	97,261	17,207	35,157	863,074	7,175	1,727,975

LIABILITIES AS OF 12/31/2018 (in th. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Liabilities owed to clients	310,269	102,038	17,670	7,250	459,744	6,898	903,869
Payables to banks	45,019	–	–	–	16,900	–	61,919
Reserves	–	–	–	–	6,516	–	6,516
Other liabilities	–	–	–	–	12,740	–	12,740
Accruals and deferred income	–	–	–	–	93	–	93
Equity	–	–	–	–	742,838	–	742,838
TOTAL	355,287	102,038	17,670	7,250	1,238,831	6,898	1,727,975

NET FOREIGN EXCHANGE POSITION*	352,814	–4,777	–463	27,907	–375,757	277	–
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ASSETS AS OF 12/31/2017 (in th. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Cash in hand and deposits 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 non-bank subjects	674,867	90,139	5,363	1,881	581,869	1,089	1,408,768
Other shares	302	0	0	28,786	1,000	0	30,088
Fixed tangible and intangible assets	0	0	0	0	29,675	0	29,675
Other assets	0	0	0	0	32,009	0	32,009
Prepayments and accrued income	0	0	0	0	503	0	503
TOTAL	770,176	103,435	15,311	35,766	845,377	5,817	1,775,882

LIABILITIES AS OF 12/31/2017 (in th. CZK)	EUR	USD	PLN	GBP	CZK	Other	Total
Liabilities owed to clients	614,588	107,092	15,160	34,808	457,620	2,606	1,231,874
Payables to banks	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
TOTAL	614,588	107,092	15,160	34,808	1,001,628	2,606	1,775,882

NET FOREIGN EXCHANGE POSITION*	155,588	-3,657	151	958	-156,251	3,211	0
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The next foreign exchange position for EUR/CZK is derived primarily from open foreign exchange trades and receivables from related parties. The company does not currently perform any hedging of this open position.

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 OF 12/31/2018 (in th. CZK)	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years	Total
Cash in hand and deposits with CB	50	0	0	0	50
Receivables from banks	338,879	0	0	0	338,879
Receivables from non-bank subjects	696,015	236,713	0	0	932,728
Other assets and prepaid expenses	1,062	41,822	0	0	42,884
TOTAL	1,035,956	278,535	0	0	1,314,491

LIABILITIES AS OF 12/31/2018 (in th. CZK)	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years	Total
Payables to banks	16,900	45,019	0	0	61,919
Payables to non-bank subjects	888,388	15,481	0	0	903,869
Other liabilities and accrued expenses	12,740	0	0	0	12,740
TOTAL	918,028	60,500	0	0	978,528
GAP	117,928	218,035	0	0	335,963
CUMULATIVE GAP	117,928	335,963	335,963	335,963	335,963

ASSETS AS OF 12/31/2017 (in th. CZK)	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years	Total
Cash in hand and deposits with CB	32	0	0	0	32
Receivables from banks	274,807	0	0	0	274,807
Receivables from non-bank subjects	1,121,029	287,739	0	0	1,408,768
Other assets and prepaid expenses	907	31,605	0	0	32,512
TOTAL	1,396,775	319,344	0	0	1,716,119

LIABILITIES AS OF 12/31/2017 (in th. CZK)	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years	Total
Payables to banks	19,600	0	0	0	19,600
Payables to non-bank subjects	1,128,488	103,386	0	0	1,231,874
Other liabilities and accrued expenses	19,558	0	0	0	19,558
TOTAL	1,167,646	103,386	0	0	1,271,032

GAP	229,129	215,958	0	0	445,087
CUMULATIVE GAP	229,129	445,087	445,087	445,087	445,087

The above summary includes only interest-sensitive assets and liabilities and the figures are therefore not the same as those presented in the balance sheet.

g. Liquidity risk

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

ASSETS AS OF 12/31/2018 (in th. CZK)	Carrying amount	Undisc. Cash flows	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years
Cash in hand and deposits with CB	50	50	50	0	0	0
Receivables from banks	338,879	338,879	338,879	0	0	0
Receivables from non-bank subjects	932,728	939,316	696,015	243,301	0	0
Other assets and accrued expenses	42,884	42,884	1,062	41,822	0	0
TOTAL	1,314,541	1,321,129	1,036,006	285,123	0	0

LIABILITIES AS OF 12/31/2018 (in th. CZK)	Carrying amount	Undisc. Cash flows	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years
Payables to banks	61,919	64,413	715	48,660	15,038	0
Payables to non-bank subjects	903,869	904,121	888,388	15,733	0	0
Other liabilities and accrued expenses	12,740	12,740	12,740	0	0	0
TOTAL	978,528	981,274	901,843	64,393	15,038	0
NET LIQUIDITY RISK	336,013	339,855	134,163	220,730	-15,038	0

ASSETS AS OF 12/31/2017 (in th. CZK)	Carrying amount	Undisc. Cash flows	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years
Cash in hand and deposits with CB	32	32	32	0	0	0
Receivables from banks	274,807	274,807	274,807	0	0	0
Receivables from non-bank subjects	1,408,768	1,415,101	1,121,029	294,072	0	0
Other assets and prepaid expenses	32,512	32,512	907	31,605	0	0
TOTAL	1,716,119	1,722,452	1,396,775	325,677	0	0

LIABILITIES AS OF 12/31/2017 (in th. CZK)	Carrying amount	Undisc. Cash flows	Within 3 months	From 3 months to 1 year	Within 1 year	More than 5 years
Payables to banks	19,600	20,756	715	2,144	17,897	0
Payables to non-bank subjects	1,231,874	1,233,783	1,128,488	105,295	0	0
Other liabilities and accrued expenses	19,558	19,558	19,558	0	0	0
TOTAL	1,271,032	1,274,097	1,148,761	107,439	17,897	0

NET LIQUIDITY RISK	445,087	448,355	248,014	218,238	-17,897	0
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The above 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.26. FAIR VALUE

VALUATION METHODS

Valuation methods include:

- net current value and models based on discounted cash flows,
- comparison to similar instruments for which comparable prices exist,
- other valuation models.

INPUTS AND TECHNIQUES

Inputs and techniques used in valuation methods include:

- risk-free interest rates,
- exchange rates,
- reference interest rates,
- swap rates,
- counterparty credit risk.

GOAL OF VALUATION METHOD

The goal of the valuation method is to determine a fair value that reflects the price obtained from sale of the asset or paid upon receipt of the asset as part of a proper transaction between market participants as of the date of valuation.

REVIEWS AND INSPECTIONS

The accounting entity has set up a system of controls for measuring fair value. The given controls include the following:

- evaluating comparable inputs and prices;
- recalculating on the basis of models;
- checking and approving processes for new valuation models and changes thereof;

FINANCIAL INSTRUMENTS NOT REPORTED AT FAIR VALUE ON THE BALANCE SHEET

The following table reports the carrying amounts and fair values of financial assets and financial liabilities not recognized at fair value on the balance sheet:

ASSETS AS OF 12/31/2018 (in th. CZK)	Carrying amount	Fair value
Cash in hand and deposits with CB	50	50
Receivables from banks	338,879	338,879
Receivables from non-bank subjects	932,728	932,728
Other assets and prepaid expenses	42,884	42,884
TOTAL	1,314,541	1,314,541

LIABILITIES AS OF 12/31/2018 (in th. CZK)	Carrying amount	Fair value
Payables to banks	61,919	61,919
Payables to non-bank subjects	903,869	903,869
Other liabilities and accrued expenses	12,740	12,740
TOTAL	978,528	978,528

The accounting entity uses the following inputs and techniques to estimate fair value:

CASH IN HAND AND DEPOSITS WITH CB

Carrying amount equal to fair value. These financial assets are categorized at Level 1 in the fair value hierarchy.

RECEIVABLES FROM BANKS

Due to the short maturity of these receivables, the carrying amount approximates their real value. These financial assets are ranked at level 1 in the hierarchy of fair values.

RECEIVABLES FROM NON-BANK SUBJECTS

The estimated fair value of credits is based on discounted expected cash flows, using an interest rate valid for credits connected with similar credit risk, interest rate risk, and similar maturity.

These financial assets are categorized at Level 3 in the hierarchy of fair values.

PAYABLES TO NON-BANK SUBJECTS

Payables to clients payable upon demand primarily represent payables to clients for unsettled spot trades.

Due to the short maturity of these payables, the carrying amount approximates their real value.

These financial liabilities are categorized at Level 3 in the hierarchy of fair values.

C.27. SIGNIFICANT EVENTS OCCURRING AFTER THE DATE OF THE FINANCIAL STATEMENTS

On 3 March 2019, Jana Ježková resigned from the supervisory board. On 4 March, Ing. Radomír Lapčík, LL.M. was appointed to the supervisory board.

On 22 March 2018, Ing. Dušan Benda, FCCA, was appointed to the board of directors, and subsequently became chairman of the board.

Apart from the above events, the management of the accounting entity is not aware of any facts occurring after the balance sheet date that would require any modification to the financial statements.

24 June 2019

Board of Directors



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