

Report on the  
operations  
of SGB-Bank S.A.

in **2017**



 **Bank SA**

entrepreneurship and ingenuity  
effective cooperations



Thanks to  
**SGB**  
**Cooperative**  
**Banks**

efficient information flow  
responsible decisions

dedication  
and efforts

passion and talent



fruitful cooperation  
best solutions

social  
involvement

local action



## Basic information about the Bank

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Thanks to  
**effective  
cooperations**

### Name, registered office, KRS, REGON, NIP (tax ID)

SGB-Bank Spółka Akcyjna operates as a joint-stock company, pursuant to the provisions of law, in particular Act on the Operation of Cooperative Banks, Their Associations and Associating Banks, Banking Law and Code of Commercial Partnerships and Companies. The scope of the Bank's business specified in the Articles of Association is to serve as the associating bank for cooperative banks which signed an association agreement with the Bank, provide comprehensive banking services for consumers, corporate entities and non-corporate entities, including business entities and local government bodies, and pursue other forms of cooperation with cooperative banks – shareholders, as well as undertake initiatives for the development of cooperative banking. The table below presents the basic identification data of SGB-Bank S.A.

Table 1. Registration data

Company	SGB-Bank Spółka Akcyjna
Registered office	Poznań
Address	ul. Szarych Szeregów nr 23a city: Poznań, postal code: 60-462 post office: Poznań, country: Polska
KRS (Court Reg. no.)	0000058205
REGON Statistical ID)	004848247
NIP (tax ID)	7770005362

### Composition of the Management Board and Supervisory Board

#### Management Board

In 2017 changes occurred in the composition of the Management Board of SGB-Bank S.A. From 1 January 2017 to 16 February 2017 the composition of the Management Board of SGB-Bank S.A. was as follows:

- Ryszard Lorek, President of the Management Board,
- Karolina Jankowiak, Vice-President of the Management Board,

- Ziemowit Stempin, Vice-President of the Management Board.

On 16 February 2017, the Supervisory Board of SGB-Bank S.A. accepted Mr Ryszard Lorek's resignation from the position of President of the Management Board and at the same time delegated Mr Sebastian Nietyksza, Secretary of the Supervisory Board, to temporarily perform the functions of a Member of the Management Board of SGB-Bank S.A.

Therefore, in the period from 16 February 2017 to 8 March 2017, the composition of the Management Board of SGB-Bank S.A. was as follows:

- Karolina Jankowiak, Vice-President of the Management Board, supervising the work of the Management Board,
- Ziemowit Stempin, Vice-President of the Management Board,
- Sebastian Nietyksza, Member of the Supervisory Board delegated to the Bank's Management Board.

On 8 March 2017, the Supervisory Board of SGB-Bank S.A. appointed Mr Paweł Pyzik as Vice-President of the Management Board and appointed Mr Paweł Pyzik as acting President of the Management Board of SGB-Bank S.A. until the date of obtaining the decision of the Polish Financial Supervision Authority on granting consent for Mr Paweł Pyzik to perform the function of President of the Management Board of SGB-Bank S.A. From 9 March 2017 to 31 December 2017 the composition of the Management Board of SGB Bank S.A. was as follows:

- Paweł Pyzik, Vice-President of the Management Board, acting President of the Management Board,
- Karolina Jankowiak, Vice-President of the Management Board,
- Ziemowit Stempin, Vice-President of the Management Board.

The Bank's Management Board held 72 meetings, adopted 601 resolutions and passed 729 opinions. The Management Board adopted resolutions on issues including:



- credit approvals, including credit approvals for associated Cooperative Banks,
- organisational changes,
- adoption of the Bank's financial plan, plan for acquiring and retaining stable external funds, and the Bank's capital plan,
- definition of detailed conditions for private subscription of SGB-Bank S.A. shares, issue of Bank Securities of SGB-Bank S.A.,
- consent to the acquisition or subscription by SGB-Bank S.A. of bonds and investment certificates,
- introducing new internal regulations,
- adaptation of the existing regulations to changes in the applicable law and organizational changes in the Bank
- recommendation of candidates from SGB-Bank S.A. to its subsidiaries' authorities.

The Management Board also made decisions regarding granting consent to associated Cooperative Banks to extend the area of their operations and performing the activities referred to in the Banking Law requiring the consent of the associating bank, and issued opinions on candidates for the position of the President of the Management Board of the Cooperative Bank.

Moreover, at the meetings the Management Board:

- received information on the implementation of the SGB-Bank S.A. Strategy and the Strategy of the Cooperative Banking Group,
- received information related to the computerisation of the Association and made decisions concerning SGB system,
- discussed issues related to the collocation of the SGB-Bank S.A. backup centre,
- took decisions concerning support for the initiatives submitted to promote the Association and sponsorship activities,
- analysed managerial information concerning treasury, credits granted, classification of credit exposures and financial result,
- analysed detailed information on credit exposures and analysed warning signs identified in the monitoring of entities with the highest involvement of the Bank,
- received information on economic and financial situation of the Bank and the Association and

the scoring results of the associated Cooperative Banks,

- assessed the level of the banking, credit and operational risk
- introduced changes to the model of operation of the branches of SGB-Bank S.A.,
- made decisions on changing the internal organizational structures of organizational units and their employee structure,
- made decisions on personnel matters requiring the decision of the entire Management Board,
- received reports on the activities of committees and teams,
- received information on the status of implementation of projects from the Bank's Project Portfolio, information on the level of utilisation of SGB-Bank S.A. exposure limits in capital commitments and reports on the compliance risk,
- accepted reports on the internal audit activities of IPS-SGB, reports on the execution of schedules of work related to the implementation of inspection recommendations issued by the PFSA or IPS-SGB and reports on the findings and conclusions of the external audits carried out,
- received information and passed opinions on substantive matters which required current or directional decisions of the Management Board.

On 09 February 2018, the Supervisory Board of SGB-Bank S.A. accepted Mr Paweł Pyzik's resignation from the position of the President of the Management Board and delegated Ms Leokadia Danuta Tołwińska – the Deputy Chairman of the Supervisory Board of SGB-Bank S.A. – to temporarily perform the functions of the Member of the Management Board of SGB-Bank S.A. Therefore, from 09 February 2018 the composition of the Management Board of SGB-Bank S.A. has been as follows:

- Karolina Jankowiak, Vice-President of the Management Board, acting President of the Management Board,
- Ziemowit Stempin, Vice-President of the Management Board,
- Leokadia Danuta Tołwińska, Member of the Supervisory Board delegated to the Bank's Management Board.

## Supervisory Board

From 1 January to 31 December 2017, the Supervisory Board of SGB-Bank S.A. was composed of the following persons:

**Table 2.** Composition of the Supervisory Board of the 10th term of office

<b>Supervisory Board Chairman</b>	<b>Sławomir Flissikowski</b>	
Deputy Chairman	Leokadia Danuta Tołwińska	
Supervisory Board Secretary	Sebastian Nietyksza	
Supervisory Board Members	Jerzy Bibro Krzysztof Sadurski Waldemar Zieliński	Zofia Kałek-Bazyluk Katarzyna Zimniak Ryszard Żuraw

In 2017, the Supervisory Board held 9 meetings and 1 meeting jointly with the Council of the SGB Association, adopting 81 resolutions and 148 opinions.

**Table 3.** Members of the Audit Committee:

Chairman of the Committee	Zofia Kałek-Bazyluk
Vice-Chairman	Waldemar Zieliński
Member of the Committee	Krzysztof Sadurski
Permanent Participant of the Committee - Compliance Officer	Wiesław Bazaniak



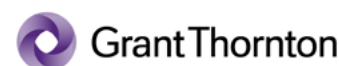
## Financial statements

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actions**

## 1. Opinion of Independent Auditor



### Opinion of Independent Auditor on the examination of the annual financial statements

To the Shareholders of SGB-Bank Spółka Akcyjna

#### Audit report of annual financial statements

We have audited the accompanying financial statements of SGB-Bank Spółka Akcyjna (Bank), with its registered office in Poznań at ul. Szarych Szeregów 23a, which comprise the introduction to the financial statements, the balance sheet as at 31 December 2017 and off-balance items, the profit and loss account, the statement of changes in equity, the cash flow statement for the period from 1 January 2017 to 31 December 2017, and the supplementary information and explanations.

#### *Management's and Supervisory Board's Responsibility for the Financial Statements*

The Management of the Bank is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view in accordance with the Accounting Act dated 29 September 1994 (consolidated text in: Official Journal from 2018, item 395 as amended) ("the Accounting Act") and related bylaws, other applicable regulations, and the Statute of the Bank. The Management of the Bank is also responsible for such internal control as the Management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act, the Management of the Bank and members of the Supervisory Board are required to ensure that the annual financial statements are in compliance with the requirements set forth in the Accounting Act.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with:

- Act on Certified Auditors, Audit Companies and Public Supervision (Official Journal of 2017, item 1089) ("the Act on Auditors"),
- National Standards on Auditing in the meaning of International Standards on Auditing as adopted by the resolution no. 2783/52/2015 dated 10 February 2015 of the National Council of Certified Auditors as amended, in connection with resolution no. 2041/37a/2018 dated 5 March 2018, and



- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.05.2014, p. 77 and OJ L 170, 11.06.2014, p. 66) ("Regulation 537/2014).

The purpose of audit is to obtain reasonable assurance whether the annual financial statements as a whole is prepared on the basis of properly kept accounting books, and whether they contain significant misstatement due to fraud or error, and to issue a report of independent certified auditor containing our opinion. Reasonable assurance is defined as a high level assurance, but there is no guarantee that an audit conducted according to the aforementioned standards can always reveal significant misstatements. Misstatements are due to fraud or error that are considered significant, if there is a rational expectation that they could have an independent or joint impact on business decisions of users taken on the basis of the annual financial statements. The risk of failure to disclose a significant misstatement due to fraud is higher than in the case of a misstatement due to error, since fraud can involve collusion, forgery, intended omissions, misleading or circumventing internal control, and can concern any field of law and regulation, not only the areas with direct impact on the annual financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the Bank's annual financial statements 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the annual financial statements.

The scope of audit excludes any assurance concerning the future profitability of the Bank and the effectiveness of conducting the Bank's affairs by the Management at present and in future.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The opinion is coherent with the additional report for the Audit Committee issued on the date of this audit report.

### *Independence*

During the audit the key certified auditor and the audit company remained independent from the Bank compliant with the provisions of the Act on Auditors, Regulation 537/2014, and the professional ethics rules adopted by resolutions of the National Council of Certified Auditors.

To the best of our knowledge and belief, we hereby declare we did not provide services not being an audit that are prohibited by art. 136 of the Act on Auditors and art. 5 clause 1 of Regulation 537/2014.

### *Selection of the audit company*

We were selected to audit the annual financial statements of the Bank by virtue of the Bank's Supervisory Board on 19 September 2017. We have been continuously auditing financial statements of the Bank since the operating year ended 31 December 2016, i.e. for the two subsequent operating periods. We were appointed to audit the financial statements of the aforementioned operating periods on a separate basis.

### *The most significant risks*

In the course of audit we identified the most significant risks of material misstatements, including due to fraud, and developed a relevant reaction to those risks. Where we deemed it proper to understand an identified risk and audit procedures performed by the auditor, we included the most important comments on such risks.

The risk of material misstatement	The reaction of the auditor to identified risks and the most important comments on the risks, if applicable
<b>Valuation of receivables</b>	
<p>In the financial statements as at 31 December 2017 the Bank disclosed receivables from the financial, non-financial and budget sector in the total amount of PLN 5,526 M, i.e. 28% of total assets of the Bank as at the balance sheet date. The size and quality of the Bank's portfolio of receivables reflect the scale and effectiveness of lending, and have a significant impact on the assessment of the financial statements as a whole. Receivables generate risk as early as upon granting a loan. Limiting the risk that the receivables disclosed in the balance sheet are non-existent requires proper designing and functioning of the loan granting process. Receivables are also exposed to the risk of impairment. The assessment of prerequisites of individual assets impairment and quantification of the impairment risk scale is expressed in specific provisions for exposure risks, created by the Bank's Management according to the accounting policy established on the basis of relevant regulations on bank operations. Improper assessment and quantification of impairment risk, and inappropriate management of the risk related to the existence of receivables may</p>	<p>Within the framework of audit, and for the purpose of addressing the risk of overevaluating receivables disclosed in the Bank's financial statements, we performed the following activities:</p> <ul style="list-style-type: none"> <li>- identifying, understanding and describing the loan granting process established by the Bank,</li> <li>- identifying the key controls established by the Bank for the loan granting process and verifying the effectiveness of the controls by carrying out compliance tests,</li> <li>- assessing the accounting policy in terms of creating specific provisions and receivables impairment write-offs, including policy compliance with the binding legal regulations and adequacy with the current structure of the Bank's receivables portfolio.</li> </ul> <p>Additionally, we conducted the following procedures with reference to sample exposure cases:</p> <ul style="list-style-type: none"> <li>- confirmation of the existence of receivables balances,</li> <li>- verification of including individual credit risk exposures to risk categories established in relevant provisions for the needs of creating specific provisions</li> </ul>

<p>lead to overevaluating receivables in the Bank's financial statements.</p> <p>The main assumptions on the evaluation of receivables, including the issue of creating specific provisions and revaluation write-offs, and the scale of provisions and write-offs as at the end of 2017 and the previous year are presented by the Management in item 4) of note 11 of the Introduction to Financial Statements, and notes 8-10 of Additional information and explanations, respectively.</p>	<p>and revaluation write-offs, including in particular the correctness of repayment timeliness and the economic and financial standing of debtors,</p> <ul style="list-style-type: none"> <li>- analysis of methodology adopted to establish the level of specific provisions and write-offs, and their recalculation,</li> <li>- assessment of the appropriateness of reducing specific provisions and write-offs due to the established securities,</li> <li>- verification of the evaluation quality in terms of securities constituting the basis of reducing specific provisions and write-offs.</li> </ul> <p>On the basis of the whole portfolio of receivables, we additionally conducted the following procedures:</p> <ul style="list-style-type: none"> <li>- assessment of the appropriateness and completeness of calculating interest on receivables,</li> <li>- analysis of the level of receivables compared to revenue disclosed in the Bank's financial statements in relation to these receivables in 2017 on the background of the previous year.</li> </ul>
<p style="text-align: center;"><b>Valuation of debt securities</b></p>	
<p>The carrying amount of debt securities disclosed in the financial statements as at 31 December 2017 amounted to PLN 12 368 M and constituted 64% of total assets of the Bank.</p> <p>Assurance of the appropriateness of debt securities evaluation and of a proper presentation of evaluation results in the financial statements requires the Bank's Management to classify individual assets to a proper category to financial assets on the date of purchase, and to apply evaluation method adequate to the classification. The issues that require special attention may be the lack of quotation on the active market for financial assets measured at fair value, and impairment for financial assets measured at adjusted purchase price with account for effective interest rate. Most of debt securities held by the Bank are instruments listed on active markets, and securities issued by banks, government and territorial self-government institutions constitute as much as 97% of these assets.</p>	<p>In the course of audit we assessed the accounting policy in the following scope:</p> <ul style="list-style-type: none"> <li>- classification of individual debt securities to the category of financial assets,</li> <li>- selection of evaluation methods within the framework of individual categories of financial assets.</li> </ul> <p>Additionally, based on selected sample debt securities, we conducted the following procedures:</p> <ul style="list-style-type: none"> <li>- assessment of the appropriateness of applying the accounting policy of the Bank in the scope of debt securities,</li> <li>- verification of the fair value measurement appropriateness based on the debt securities quotations on active markets,</li> <li>- verification of the appropriateness of selecting the evaluation method and assumptions of the measurement of debt securities fair value, where no active markets exist,</li> </ul>

<p>A safe structure of debt securities portfolio can reduce related risk. However, the value of this balance sheet item results in the significance of the risk of overevaluating debt securities for the assessment of financial statements as a whole.</p> <p>In items 3)-9) of note 11 Introduction to the Financial Statements, the Management described the evaluation method of individual financial assets categories, and in note 13 Additional Information and Explanations - the structure of portfolio and reasons for changes in 2017 in comparison with the previous year.</p>	<ul style="list-style-type: none"> <li>- verification of the evaluation appropriateness in the adjusted purchase price with account for effective interest rate,</li> <li>- verification of recognizing the effects of evaluation of debt securities in profit or loss due to interest or as revaluation capital.</li> </ul>
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### *Opinion*

In our opinion, the enclosed annual financial statements:

- reliably and clearly presents the assets of property and financial standing of the Bank as at 31 December 2017 as well as its financial result for the financial year from 01 January 2017 to 31 December 2017 in accordance with the applicable regulations of the Accounting Act and the adopted principles of accounting (policy),
- was prepared on the basis of properly maintained books of accounts, in compliance with the provisions of the chapter 2 of the Accounting Act,
- comply with regard to form and content with the law and statute of the Bank.

### **Report on other legal requirements and regulations**

#### *Opinion on the report on operations*

Our opinion on the annual financial statement does not include the report on operations.

In accordance with the Accounting Act and other binding legal regulations, the body liable for drawing up the report on operations is the Management Board of the Bank. Moreover, the Management Board and Members of the Supervisory Board of the Bank are obliged to ensure that the financial statement meets the requirements provided for in the Accounting Act.

It was our duty, in accordance with the requirements of the Act on Auditors, to issue an opinion whether the report on operations, except for the chapter/point "Declaration on non-financial information" had been drawn up in accordance with the provisions of law and whether it was compliant with the information included in the annual financial statement. Furthermore, it was our duty to make a declaration whether, in the light of our knowledge on the Bank and its environment, which we had acquired during the audit of the financial statement, we had found any material misstatements and to explain any such material misstatement. Additionally, under art. 111a of the Banking Act of 29 August 1997 (consolidated text in: Official Journal of 2017, item 1876 as amended) ("the Banking Act"), it was our duty to examine information specified in art. 111a clause 2 of the Banking Act.

In our opinion, the report on operations is drafted compliant with applicable regulations, i.e. art. 49 of the Accounting Act and art. 111a clauses 1 and 2 of the Banking Act, and complies with information included in the enclosed annual financial statements. Additionally, we declare that in light of our knowledge on the Bank and its environment, which we had acquired during the audit of the annual financial statements, we had found no material misstatements in the report on operations.

*Information on drawing up a declaration on non-financial information*

According to the requirements of the Act on Auditors we inform that the Bank has drafted a declaration on non-financial information mentioned in art. 49b clause 1 of the Accounting Act as a separate part of the report on operations.

We have carried out no attestation works concerning the declaration on non-financial information, and we cannot offer any assurance in this respect.

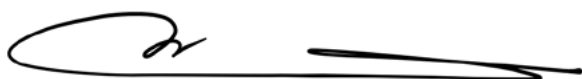
*Information on respecting the prudential regulations*

The Bank Management is responsible for ensuring compliance of the Bank's operations with prudential regulations specified in separate provisions, and in particular for a proper determination of capital ratios.

Giving an opinion on respecting prudential regulations by the Bank was not the purpose of audit; therefore, we provide no opinion on this matter. Within the framework of auditing the financial statements of the Bank, we carried out procedures aiming at the identification of violating by the Bank of prudential regulations laid down in separate provisions, in particular in terms of the appropriateness of capital ratios established by the Bank in section 1 of Additional Information and Explanations to the enclosed financial statements, which could have significant impact on these statements.

As a result of auditing the enclosed financial statements we inform that in the period from 1 January 2017 to 31 December 2017 we found no infringements by the Bank of the binding prudential regulations laid down in separate provisions, in particular in terms of the appropriateness of capital ratios established by the Bank as at 31 December 2017, which could have significant impact on the audited financial statements.

Elżbieta Grześkowiak



Certified Auditor no. 5014

Key Certified Auditor acting on behalf of

Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k.,  
Poznań, ul. Abpa Antoniego Baraniaka 88 E, audit company no. 4055

Poznań, 30 April 2018.

## 2. Balance sheet of the Bank

	Assets	31.12.2017	31.12.2016
<b>I</b>	<b>Cash and balances with the Central Bank</b>	<b>891 233 181,55</b>	<b>1 059 750 733,86</b>
	1. Current account	784 866 548,45	950 695 289,44
	2. Statutory reserve	0,00	0,00
	3. Other funds	106 366 633,10	109 055 444,42
<b>II</b>	<b>Debt securities eligible for rediscounting with the Central Bank</b>	<b>0,00</b>	<b>0,00</b>
<b>III</b>	<b>Receivables from the financial sector</b>	<b>805 459 072,46</b>	<b>747 192 902,20</b>
	1. W rachunku bieżącym	364 894 460,67	243 750 324,66
	2. Terminowe	440 564 611,79	503 442 577,54
<b>IV</b>	<b>Receivables from the non-financial sector</b>	<b>4 116 788 603,36</b>	<b>4 092 261 653,27</b>
	1. Current account	298 722 431,84	285 822 790,91
	2. Term account	3 818 066 171,52	3 806 438 862,36
<b>V</b>	<b>Receivables from the public sector</b>	<b>604 061 714,11</b>	<b>656 632 063,47</b>
	1. Current account	40,70	0,00
	2. Term account	604 061 673,41	656 632 063,47
<b>VI</b>	<b>Receivables under repurchase agreements</b>	<b>1 127 548,73</b>	<b>1 258 152,83</b>
<b>VII</b>	<b>Debt securities</b>	<b>12 368 124 672,57</b>	<b>10 191 253 245,59</b>
	1. Issued by banks	4 210 798 463,81	4 370 276 312,79
	2. Issued by central and local budgets	7 749 384 152,90	5 412 737 058,41
	3. Other	407 942 055,86	408 239 874,39
<b>VIII</b>	<b>Shares in subsidiaries</b>	<b>10 777 526,15</b>	<b>10 777 526,15</b>
	1. In financial institutions	1 421 526,15	1 421 526,15
	2. In other entities	9 356 000,00	9 356 000,00
<b>IX</b>	<b>Shares in jointly controlled entities</b>	<b>3 325 000,00</b>	<b>3 325 000,00</b>
	1. In financial institutions	3 325 000,00	3 325 000,00
	2. In other entities	0,00	0,00
<b>X</b>	<b>Shares in affiliates</b>	<b>0,00</b>	<b>0,00</b>
	1. In financial institutions	0,00	0,00
	2. In other entities	0,00	0,00
<b>XI</b>	<b>Shares in other entities</b>	<b>31 356 048,97</b>	<b>25 440 183,90</b>
	1. In financial institutions	31 254 918,97	25 339 053,90
	2. In other entities	101 130,00	101 130,00
<b>XII</b>	<b>Other securities and other financial assets</b>	<b>383 369 395,27</b>	<b>369 520 586,54</b>



<b>XIII</b>	<b>Intangible assets</b>	<b>36 487 561,94</b>	<b>31 276 769,97</b>
	1. Goodwill	0,00	0,00
	2. Other intangible assets	24 372 188,37	25 922 395,76
	3. Expenses for intangible assets	12 115 373,57	5 354 374,21
<b>XIV</b>	<b>Tangible fixed assets</b>	<b>89 444 115,01</b>	<b>98 326 526,72</b>
	1. Real property	78 052 941,77	84 427 088,99
	2. Other tangible fixed assets	9 950 648,27	12 383 841,80
	3. Fixed assets under construction	1 440 524,97	1 515 595,93
<b>XV</b>	<b>Other assets</b>	<b>37 542 229,16</b>	<b>37 458 657,80</b>
	1. Assets taken over held for sale	0,00	2 567 962,60
	2. Other	37 542 229,16	34 890 695,20
<b>XVI</b>	<b>Prepayments</b>	<b>86 853 681,08</b>	<b>59 655 131,70</b>
	1. Deferred tax assets	84 935 627,00	57 701 255,00
	2. Other prepayments	1 918 054,08	1 953 876,70
<b>XVII</b>	<b>Own shares</b>	<b>0,00</b>	<b>0,00</b>
	<b>TOTAL ASSETS</b>	<b>19 465 950 350,36</b>	<b>17 384 129 134,00</b>

Liabilities	31.12.2017	31.12.2016
<b>I Liabilities to the Central Bank</b>	<b>0,00</b>	<b>0,00</b>
<b>II Liabilities to the financial sector</b>	<b>17 537 579 238,63</b>	<b>15 214 770 894,53</b>
1. Current account	3 707 121 099,90	3 382 850 267,99
2. Term account	13 830 458 138,73	11 831 920 626,54
<b>III Liabilities to the non-financial sector</b>	<b>787 461 791,61</b>	<b>986 524 484,41</b>
1. Savings accounts, including:	723 747 130,40	791 856 144,35
a) current accounts	641 879 650,40	701 998 805,10
b) term accounts	81 867 480,00	89 857 339,25
2. Other, including:	63 714 661,21	194 668 340,06
a) current accounts	58 204 037,77	105 659 996,00
b) term accounts	5 510 623,44	89 008 344,06
<b>IV Liabilities to the public sector</b>	<b>21 038 783,58</b>	<b>61 327 469,45</b>
1. Current account	10 662 451,27	13 753 961,10
2. Term account	10 376 332,31	47 573 508,35
<b>V Liabilities under repurchase agreements</b>	<b>0,00</b>	<b>0,00</b>
<b>VI Debt securities issued</b>	<b>24 233 458,36</b>	<b>26 878 052,88</b>
<b>VII Other liabilities due to financial instruments</b>	<b>38 196,84</b>	<b>27 391,22</b>
<b>VIII Special-purpose funds and other liabilities</b>	<b>29 563 679,23</b>	<b>44 031 103,41</b>
1. Special-purpose funds	32 925,16	32 372,69
2. Other liabilities	29 530 754,07	43 998 730,72
<b>IX Accruals, deferred and reserved income</b>	<b>5 700 113,60</b>	<b>144 901 388,39</b>
1. Accruals	689 818,06	677 207,45
2. Negative goodwill	1 629 459,04	4 073 647,60
3. Other deferred and reserved income	3 380 836,50	140 150 533,34
<b>X Provisions</b>	<b>76 344 024,44</b>	<b>51 346 153,91</b>
1. Deferred tax liability	63 542 136,00	36 858 822,00
2. Other provisions	12 801 888,44	14 487 331,91
<b>XI Subordinated liabilities</b>	<b>188 549 298,34</b>	<b>144 471 919,57</b>
<b>XII Share capital</b>	<b>303 846 600,00</b>	<b>248 207 300,00</b>
<b>XIII Statutory reserve</b>	<b>240 029 461,79</b>	<b>225 613 905,79</b>
<b>XIV Revaluation reserve</b>	<b>64 204 706,77</b>	<b>37 538 252,57</b>

<b>XV</b>	<b>Other reserves</b>	<b>184 075 261,87</b>	<b>169 659 705,00</b>
	1. General banking risk reserve	72 845 763,25	72 845 763,25
	2. Other	111 229 498,62	96 813 941,75
<b>XVI</b>	<b>Previous years profit (loss)</b>	<b>0,00</b>	<b>0,00</b>
	1. Profit	0,00	0,00
	2. Loss	0,00	0,00
<b>XVII</b>	<b>Net profit (loss)</b>	<b>3 285 735,30</b>	<b>28 831 112,87</b>
	<b>TOTAL LIABILITIES</b>	<b>19 465 950 350,36</b>	<b>17 384 129 134,00</b>
	<b>SOLVENCY RATIO</b>	<b>14,62%</b>	<b>13,40%</b>

## 3. Profit and loss account

		from 01.01.2017 to 31.12.2017	from 01.01.2016 to 31.12.2016
<b>I</b>	<b>Interest income</b>	<b>496 020 854,62</b>	<b>416 979 576,94</b>
	1. From the financial sector	12 836 876,75	15 830 086,55
	2. From the non-financial sector	181 489 729,52	143 348 624,90
	3. From the public sector	24 354 520,72	27 578 827,17
	4. Fixed income securities	277 339 727,63	230 222 038,32
<b>II</b>	<b>Interest expense</b>	<b>273 828 180,97</b>	<b>232 814 600,75</b>
	1. From the financial sector	238 355 505,88	195 441 021,33
	2. From the non-financial sector	8 434 384,38	9 526 809,23
	3. From the public sector	527 696,81	783 732,23
	4. Securities		
	<i>cost of issue of own securities</i>	6 852 398,98	7 394 386,42
	<i>cost of bonuses</i>	19 658 194,92	19 668 651,54
<b>III</b>	<b>Net interest income (I-II)</b>	<b>222 192 673,65</b>	<b>184 164 976,19</b>
<b>IV</b>	<b>Commission income</b>	<b>47 041 763,21</b>	<b>49 620 207,48</b>
<b>V</b>	<b>Commission expense</b>	<b>7 802 434,57</b>	<b>8 726 073,76</b>
<b>VI</b>	<b>Net commission income (IV-V)</b>	<b>39 239 328,64</b>	<b>40 894 133,72</b>
<b>VII</b>	<b>Income from shares, other securities and other variable-yield financial instruments</b>	<b>914 418,94</b>	<b>2 627 847,49</b>
	1. From subsidiaries	160 685,91	1 855 782,29
	2. From jointly controlled entities	0,00	0,00
	3. From affiliates	0,00	0,00
	4. From other entities	753 733,03	772 065,20
<b>VIII</b>	<b>Net trading income</b>	<b>7 263 017,03</b>	<b>43 203 706,73</b>
	1. Securities and other financial instruments	7 263 017,03	43 203 706,73
	2. Other	0,00	0,00
<b>IX</b>	<b>Foreign exchange result</b>	<b>15 138 354,14</b>	<b>18 774 459,96</b>
<b>X</b>	<b>Banking activity result (III+VI+VII+/-VIII+IX)</b>	<b>284 747 792,40</b>	<b>289 665 124,09</b>
<b>XI</b>	<b>Other operating income</b>	<b>29 385 347,86</b>	<b>19 628 902,68</b>
<b>XII</b>	<b>Other operating expenses</b>	<b>16 539 812,94</b>	<b>6 898 248,95</b>
<b>XIII</b>	<b>General administrative expenses</b>	<b>161 303 884,40</b>	<b>149 565 387,16</b>
	1. Salaries	47 112 442,26	44 111 446,22
	2. Social security contributions and other benefits	12 598 086,66	11 583 658,92
	3. Other	101 593 355,48	93 870 282,02

<b>XIV</b>	<b>Depreciation and amortization of tangible fixed assets and intangible assets</b>	<b>17 367 691,36</b>	<b>18 102 355,39</b>
<b>XV</b>	<b>Provisions and impairment losses</b>	<b>252 279 108,16</b>	<b>405 479 272,14</b>
	1. Specific and general banking risk provisions	247 025 864,94	391 875 722,14
	2. Revaluation of financial assets	5 253 243,22	13 603 550,00
<b>XVI</b>	<b>Reversal of provisions and revaluation</b>	<b>141 743 780,12</b>	<b>320 084 985,74</b>
	1. Reversal of specific and general banking risk provisions	141 743 780,12	319 405 625,74
	2. Revaluation of financial assets	0,00	679 360,00
<b>XVII</b>	<b>Net provisions, impairment and revaluation (XV-XVI)</b>	<b>110 535 328,04</b>	<b>85 394 286,40</b>
<b>XVIII</b>	<b>Operating result (X+XI-XII-XIII-XIV+/-XVII)</b>	<b>8 386 423,52</b>	<b>49 333 748,87</b>
<b>XIX</b>	<b>Extraordinary gains/losses</b>	<b>0,00</b>	<b>0,00</b>
	1. Extraordinary gains	0,00	0,00
	2. Extraordinary losses	0,00	0,00
<b>XX</b>	<b>Gross profit (loss)</b>	<b>8 386 423,52</b>	<b>49 333 748,87</b>
<b>XXI</b>	<b>Income tax</b>	<b>5 100 688,22</b>	<b>20 502 636,00</b>
<b>XXII</b>	<b>Other compulsory charges decreasing the profit (increasing the loss)</b>	<b>0,00</b>	<b>0,00</b>
<b>XXIII</b>	<b>Net profit (loss)</b>	<b>3 285 735,30</b>	<b>28 831 112,87</b>

## 4. Statement of changes in equity

	31.12.2017	31.12.2016
<b>I Opening balance of equity</b>	<b>709 850 277,00</b>	<b>665 894 473,00</b>
(-) adjustments for fundamental errors		
<b>I.a. Opening balance of equity, as adjusted</b>	<b>709 850 277,00</b>	<b>665 894 473,00</b>
1. Opening balance of share capital	248 207 300,00	248 207 300,00
1.1. Changes in share capital	55 639 300,00	0,00
a) increase	55 639 300,00	0,00
issue of shares	55 639 300,00	0,00
b) decrease	0,00	0,00
redemption of shares	0,00	0,00
1.2. Closing balance of share capital	303 846 600,00	248 207 300,00
2. Opening balance of statutory reserve	0,00	0,00
2.1. Changes in statutory reserve	0,00	0,00
a) increase	0,00	0,00
b) decrease	0,00	0,00
2.2. Closing balance of statutory reserve	0,00	0,00
3. Opening balance of own shares	0,00	0,00
a) increase	0,00	0,00
b) decrease	0,00	0,00
3.1. Closing balance of own shares	0,00	0,00
4. Opening balance of statutory reserve	225 613 906,00	217 042 018,00
4.1. Changes in statutory reserve	14 415 556,00	8 571 888,00
a) increase	14 415 556,00	8 571 888,00
share premium	0,00	0,00
profit distribution (above the statutory minimum)	0,00	0,00
profit distribution (in accordance with the Articles of Association)	14 415 556,00	8 571 888,00
b) decrease	0,00	0,00
loss coverage	0,00	0,00
4.2. Closing balance of statutory reserve	240 029 462,00	225 613 906,00
5. Opening balance of revaluation reserve	37 538 252,00	16 061 010,00
5.1. Changes in revaluation reserve	26 666 455,00	21 477 242,00
a) increase - valuation of assets available for sale	26 666 455,00	21 477 242,00
b) decrease - valuation of assets available for sale	0,00	0,00
disposal or decommissioning of fixed assets	0,00	0,00



5.2. Closing balance of revaluation reserve	64 204 707,00	37 538 252,00
6. Opening balance of general banking risk reserve	72 845 763,00	64 273 875,00
Changes in general banking risk reserve	0,00	8 571 888,00
a) increase	0,00	8 571 888,00
profit appropriation	0,00	8 571 888,00
b) decrease	0,00	0,00
6.2. Closing balance of general banking risk reserve	72 845 763,00	72 845 763,00
7. Opening balance of other reserves	96 813 941,00	128 642 113,00
7.1. Changes in other reserves	14 415 557,00	-31 828 172,00
a) increase	14 415 557,00	8 571 888,00
profit distribution	14 415 557,00	8 571 888,00
b) decrease	0,00	40 400 060,00
loss coverage	0,00	40 400 060,00
7.2. Closing balance of other reserves	111 229 500,00	96 813 941,00
8. Opening balance of retained earnings (losses)	0,00	-40 252 690,00
8.1. Opening balance of retained earnings	0,00	0,00
(-) adjustments for fundamental errors	0,00	0,00
8.2. Opening balance of retained earnings, as adjusted	0,00	0,00
8.3. Change in retained earnings	0,00	0,00
a) increase	0,00	0,00
distribution of retained earnings	0,00	0,00
due to takeover	0,00	0,00
b) decrease	0,00	0,00
statutory reserve	0,00	0,00
other reserves	0,00	0,00
general risk reserve	0,00	0,00
dividend	0,00	0,00
8.4. Closing balance of retained earnings	0,00	0,00
8.5. Opening balance of retained losses	0,00	0,00
(-) adjustments for fundamental errors	0,00	0,00
8.6. Opening balance of retained losses, as adjusted	0,00	40 252 690,00
8.7. Change in retained losses	0,00	0,00
a) increase	0,00	0,00
due to takeover	0,00	0,00

	b) decrease	0,00	40 252 690,00
	loss coverage	0,00	40 252 690,00
	8.8. Closing balance of retained losses	0,00	40 252 690,00
	8.9. Closing balance of retained earnings (losses)	0,00	0,00
	9. Net profit (loss)	3 285 735,00	28 831 113,00
	a) net profit	3 285 735,00	28 831 113,00
	b) net loss	0,00	0,00
<b>II</b>	<b>Closing balance of equity</b>	<b>795 441 768,00</b>	<b>709 850 275,00</b>
<b>III</b>	<b>Equity after proposed profit distribution</b>	<b>795 441 768,00</b>	<b>709 850 275,00</b>
	(dividend)	0,00	0,00

## 5. Off-balance items

		31.12.2017	31.12.2016
<b>I</b>	<b>Liabilities granted</b>	<b>803 693 430,53</b>	<b>1 026 099 948,87</b>
	<b>1. Liabilities granted to financial entities</b>	<b>324 034 669,04</b>	<b>635 338 724,43</b>
	a) liabilities concerning financing	323 624 627,04	630 671 069,82
	b) guarantee liabilities	410 042,00	4 667 654,61
	<b>2. Liabilities granted to non-financial entities</b>	<b>471 352 655,85</b>	<b>384 486 218,31</b>
	a) liabilities concerning financing	429 337 889,75	359 238 309,41
	b) guarantee liabilities	42 014 766,10	25 247 908,90
	<b>3. Liabilities granted to the budget</b>	<b>8 306 105,64</b>	<b>6 275 006,13</b>
<b>II</b>	<b>Liabilities received</b>	<b>19 940 153,11</b>	<b>23 971 999,15</b>
	<b>1. Liabilities received from financial entities</b>	<b>19 940 153,11</b>	<b>23 971 999,15</b>
	a) liabilities concerning financing	0,00	0,00
	b) guarantee liabilities	19 940 153,11	23 971 999,15
	<b>2. Liabilities received from non-financial entities</b>	<b>0,00</b>	<b>0,00</b>
	a) liabilities concerning financing	0,00	0,00
	b) guarantee liabilities	0,00	0,00
	<b>3. Liabilities received from the budget</b>	<b>0,00</b>	<b>0,00</b>
<b>III</b>	<b>Foreign exchange transactions</b>	<b>78 631 537,62</b>	<b>24 282 465,20</b>
<b>IV</b>	<b>Trading in securities</b>	<b>21 184 432,60</b>	<b>35 130 000,00</b>
<b>V</b>	<b>Liabilities due to transactions in financial instruments</b>	<b>0,00</b>	<b>0,00</b>
<b>VI</b>	<b>Other liabilities</b>	<b>0,00</b>	<b>0,00</b>

