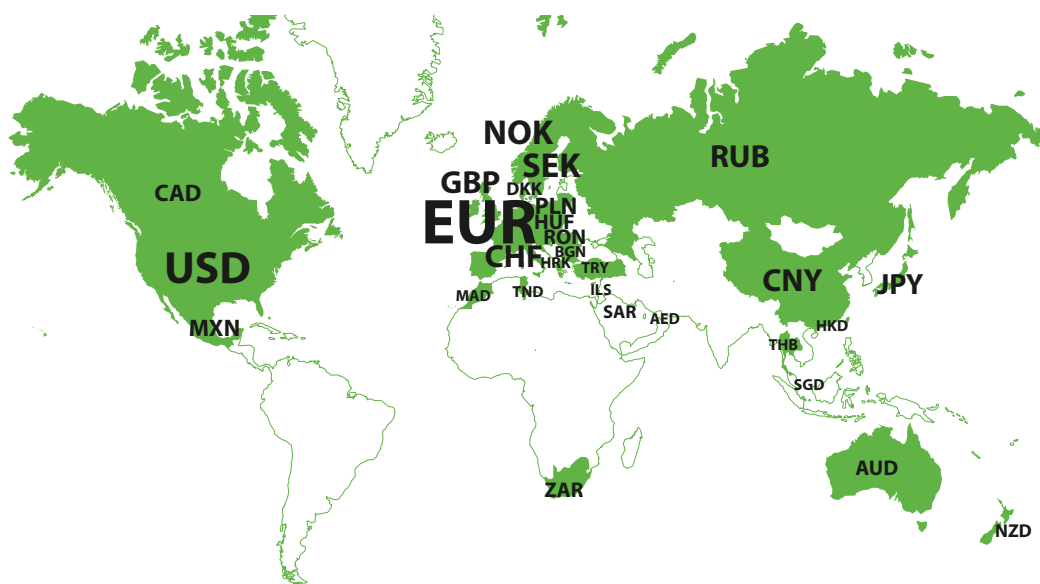




S citem pro finance

Economic Report | 2016



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Dear Shareholders, Business Partners and Colleagues,

For several years now already I have been regularly commenting on Citfin's previous year and its financial results. Allow me to make a small change this time and to leave the comments on the economic results to my long-time colleague and newly appointed Member of the Board of Directors Ing. Dagmar Kubíková, MBA, Business Director of Citfin. Likewise, I will leave the comments on last year's events on the financial markets to my colleague, Ing. Tomáš Volf, Manager of the Dealing Department.

Before you embark on reading their posts, let me to share with you the joy of our last year's success. Last year the Citfin - Finanční trhy, a.s. Company celebrated its twentieth anniversary in the financial market, and at the same time it also won the prestigious Czech Stability Award, which was presented by the Bisnode Company in cooperation with the CZECH TOP 100 Association. The results of the evaluations of the individual companies are announced every year amongst the CZECH TOP 100 rankings in the "Most Stable Company of the Year" category. The certificate awards points based on the credibility of our company and also provides independent views of both its financial and its non-financial standing. For the year 2016 Citfin - Finanční trhy, a.s. was ranked in the top level of the EXCELLENT class, in which it attained an AA scoring rating. This category exclusively comprises stable companies with a high probability of the reliable fulfilment of their trade obligations and their return on investment, i.e. companies with a low credit risk and a minimal risk of bankruptcy.

In its activities Citfin, in addition to the financial health described above, is required to observe the same prudent rules as banks are. The aim of the regulatory measures is to reduce risks in the banking business in order not to jeopardise the returns on depositors' deposits nor to destabilise the financial institution. Although we at Citfin do not provide loans to our clients, nor accept any deposits nor offer deposit products, the same legal rules apply to us as to the banks. And like the banks, Citin is also supervised by the Czech National Bank. The latter, at the turn of last year, carried out an audit of two of the Citfin Group's companies. The CNB is the financial market's supervisory body and, by its very nature, in regard to non-bank entities it ensures their compliance with the capital market's business rules, specifically in the area of the prudent provision of investment services and adherence to investment firms' rules of conduct. Citfin has always paid careful attention to all the legal rules, and this was also confirmed by the conclusions of both of the two audits that were carried out. In addition to the CNB's conclusions Citfin's business prudence and the security of its client assets are also highlighted by the above-average level of its capital adequacy between financial institutions, including banks. At Citfin this means at the level of 28 per cent, which represents more than twice the legal minimum.

I greatly appreciate last year's achievements. That is why at this point I would like to thank all our clients for their long-term confidence in us and their positive feedback in regard to our products and our services. I greatly appreciate this and I know that for all of the Citfin staff client satisfaction represents a great motivation for their future work and for ensuring improvement during the coming years. We at Citfin have already been living for twenty years and sharing our world through our clients, the quality of our services and the products that we offer them. Everything that we do reflects both our corporate culture and our values. Although we have to constantly subject ourselves to the legislative dictates of the market Citfin's potential is enormous and our determination to succeed is even greater. We have an unwavering desire to improve our business and your business world and to enlarge both of them. All of this together with a sense for finance.

I am convinced that difficult challenges are easier to meet as a functioning team. Therefore, not just last year, but also for the entire period of Citfin's 20-years existence, I would like to offer my great appreciation to all of our employees. I am fully aware of their undeniable contributions, especially the high quality and the friendship that they invest in the company.



Martina Arnold Rubín
CEO of Citfin



In 2016 Citfin's performance indicators were influenced by the long-term stability of the Czech crown exchange rate and by the financial market waiting for the potential termination of the Czech National Bank's interventions. Despite the good condition of the Czech economy Citfin, when it reached CZK 157.3 billion, recorded a year-on-year decline in its total turnover of exchange trades of 12 %. We see the reason for this as pertaining specifically to the stability of the currency above the level of 27.00 EUR/CZK, which reduced the interest of clients in regard to securing their future exchange trades. In November, with regard to the anticipated termination of the Czech National Bank's intervention regime, we conducted an extensive marketing campaign to support the sale of forwards, which additionally confirmed the fact that those clients with an exchange rate fixation wait and move it in the first quarter of 2017.

Citfin generally still remains successful however and last year its value increased. This is certainly evidenced by the re-achieved planned economic results. The client portfolio has grown to more than 13,600 clients and the number of foreign payment transactions has increased by another 12 %. The balance sheet total amounted to CZK 2.2 billion, while in terms of the profit margin we exceeded our plan by 8 % and in 2016 Citfin's capital adequacy continued to be at around the safe level of 28 %.

Our biggest product news from last year is Exchange - Online, which has given clients the opportunity to trade independently through BankServis Internet Banking in six major world currencies with an individually offered exchange rate without the need for a telephone contact of our Dealing

Department. Another nice surprise for clients was the lower limit required for concluding a currency Order. For buying or selling foreign currency Citfin currently accepts binding orders from \$ 10,000 or € 10,000 at the requisite exchange rate. Last but not least, I would like to mention the opening of Citfin's accounts with Fio banka, a.s., which provides the faster settlement of payment transactions for clients within this bank.

In the middle of 2016, we conducted a Barometer survey targeted to existing clients, which achieved a high standard in terms of the returns of answers. The aim of the Barometer was to discover the level of our clients' satisfaction in regard to their mutual cooperation with Citfin. We also found out what kinds of news, changes and improvements they would most welcome. The output from the Barometer became a stimulus for making changes and creating new products and services for the upcoming period.

I would like to thank our clients for the trust that they have shown in us, which we in Citfin value highly. In the first half of 2017 we are preparing the launching of new functionalities for our clients within the BankServis Internet banking, an increased user-friendly design and the expansion of our standard currency offer for the Chinese Yuan (CNY).



Ing. Dagmar Kubíková, MBA
CSO of Citfin



Last year was very successful for the domestic economy. At the level of government management we achieved the highest surplus, over CZK 60 billion, in the history of the independent Czech Republic. The economy maintained a decent growth rate and the partial economic indicators also sounded favourable. In 2016 the domestic economy grew by 2.3 %, though in accordance with the first estimates the last quarter is disappointing, as the growth did not exceed 1.7 %. Major growth indicators such as industrial production, retail sales and unemployment all maintained a strong pace. GDP growth could be even higher, however, especially considering that unemployment has done practically nothing but decrease during the past year. From 6.4 % in January, it dropped to the 5 % level.

During the entire last year, the crown remained in a very narrow band below 27.05 EUR/CZK, while on the other side it was prevented from strengthening by the CNB, which maintained the level of 27 crowns for euro. The only exception was June, when the domestic currency deviated to 27.15 EUR/CZK, which was in connection with Brexit.

At the beginning of February, the CNB confirmed the long-awaited position that it would postpone the end of the interventions to the first half of the year 2017. Its approach was based on the lack of inflation, which at that time was around zero. It was also speculated during the first half of the year that the CNB might consider introducing negative rates, which in the end did not happen, however.

At the beginning of July, Jiří Rusnok took over the seat of the CNB Governor and replaced Miroslav Singer in his function. In accordance with the previous statements, the new Governor is more in touch with the current policy of the CNB that maintains the crown above 27.00 EUR/CZK. In any event, the expectation of a part of the public that the CNB would have ended the interventions more rapidly with the arrival of Jiří Rusnok was not confirmed.

The CNB's decision to terminate the interventions will be absolutely crucial for the Czech crown and the Czech economy this year. The date is still unclear, but everything suggests that it will be at the beginning of 2Q 2017. After this decision, the domestic currency would be able to start moving again, with its crowning in the days it can be even a few tens of hellers. It is more than likely in the longer term, however, that the result will be its strengthening to somewhat below 26.00 EUR/CZK.

At the beginning of last year Brexit's expectations had a devastating impact on the pound, which at the end of February fell over 1.4000 USD/GBP. In the Referendum in the middle of June the British actually did vote with a close ratio of 52:48 to exit. The pound then fell to 1.3600 USD/GBP, more than to its thirty-year lows. At the beginning of October, it also fell sharply on a daily basis by 6 % and then increased back again to 30.25 GBP/CZK. This was after the words of French President Holland stating that Britain wants to leave the EU but does not want to pay for it. There followed a long-lasting tug-of-war regarding the future relationship between Britain and the EU lasting practically to this day.

While the FED slowly but surely continued to raise its interest rates, the ECB still pumped Euros into the economy in an effort to encourage inflation and thereby also boost economic growth.

At the beginning of last year the dollar was in a difficult situation and by the end of 2015, for the first time in several years, the FED raised its interest rate, and it seemed that several additional increases in rates and the strengthening of the dollar would follow. Yellen interrupted this in late March when she said that the view of economy was mixed and that caution was needed when raising rates. Consequently the dollar fell to below 24.00 USD/CZK. In the first half of November Donald Trump won the presidential election, defeating Hillary Clinton. In response to the election, the dollar went up to a range of 23.92 - 24.73 USD/CZK. At its December meeting, the Fed closed its last year's rate account by raising interest rates to the 0.50 % - 0.75 % band. As a result, the dollar reached 1.0470 EUR/USD, which meant a fall to 25.80 USD/CZK.



Ing. Tomáš Volf
Dealing Department Manager

Citfin's philosophy

Citfin provides comprehensive financial services in the areas of foreign exchange trading, exchange rate management and payment transactions on behalf of companies oriented towards foreign trade. Profitable exchange rates are offered for companies in 30 currencies.

Citfin's long-term strategy is to develop transactional banking and to provide for its clients sophisticated, cost-effective and innovative financial services with added value, superior personal care and friendliness. Citfin is currently used by more than 14,000 clients.

Significant business entities of Citfin

ADET

Citfin is a founding member of the Association for the foreign exchange market, the professional association of the leading non-bank currency traders in the Czech Republic.

CERTIS

Citfin is a participant in the CNB's interbank payment clearing system (Czech Express Real Time Interbank Gross Settlement System). Citfin's assigned bank code is 2060.

SEPA

Citfin is a full member of the Single Euro Payment Area, SEPA, and offers its clients the wire transfer of money in Euros in the same manner and under the same conditions for both internal and international payments.

SWIFT

Citfin is a member of the SWIFT global communications network of financial institutions. This membership enables Citfin to carry out all types of international payment transactions rapidly and efficiently.

Citfin's history

Citfin was founded in 1996 based on the vision of providing comprehensive financial services for companies and entrepreneurs that are involved in foreign trade. Currently Citfin is one of the leading non-bank institutions that is operating in the foreign exchange market, in terms of the range of services that it offers, the number of clients that it takes care of and also the turnover of its foreign exchange transactions.

12/2016 Citfin - Finanční trhy, a.s. was granted the Czech Stability Award certificate and thereby was ranked in the highest EXCELLENT group where it achieved AA scoring

10/2016 Citfin celebrated its 20th anniversary on the Czech financial market

05/2014 obtaining the GIIN, i.e. the Global intermediary identification number and thereby, in accordance with the FATCA Tax Act, designating Citfin as a financial institution

12/2013 obtaining the LEI number for reporting transactions in derivatives in connection with the EMIR

02/2012 SEPA (Single Euro Payment Area) membership

04/2011 obtaining the CNB's authorisation for carrying-out the payment institution's activities

01/2010 Citfin launched providing banking services to corporate clients

07/2009 obtaining Licence issued by the CNB as a Payment Institution

05/2009 registering the Citfin trademark at the International Intellectual Property Office in Geneva

02/2009 participation in CERTIS, the CNB's interbank payment clearing system

07/2008 the acquisition of a stake in a credit union

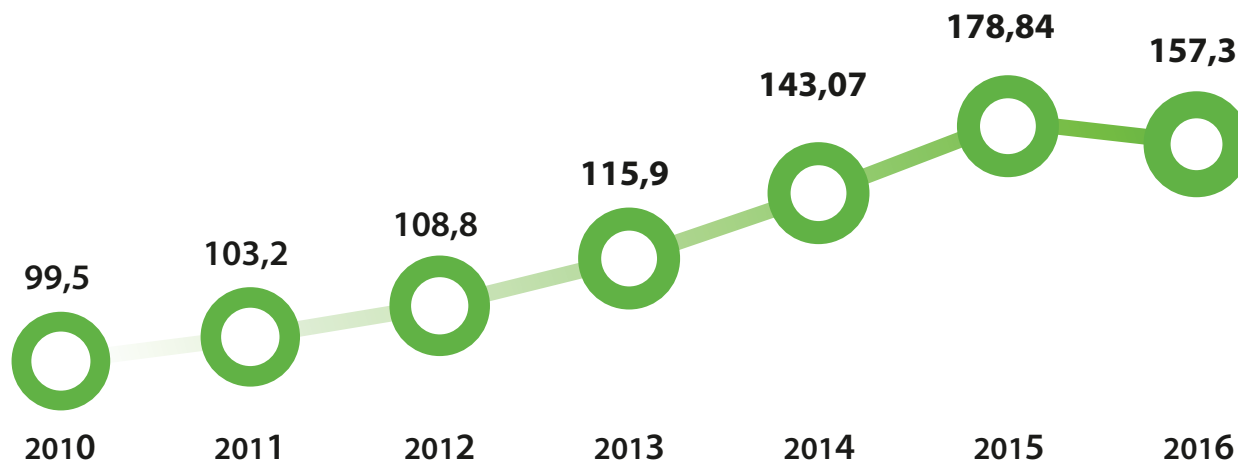
06/2005 associate SWIFT membership

06/2004 obtaining Licence issued by the CNB as a Trader in Securities (derivative transactions)

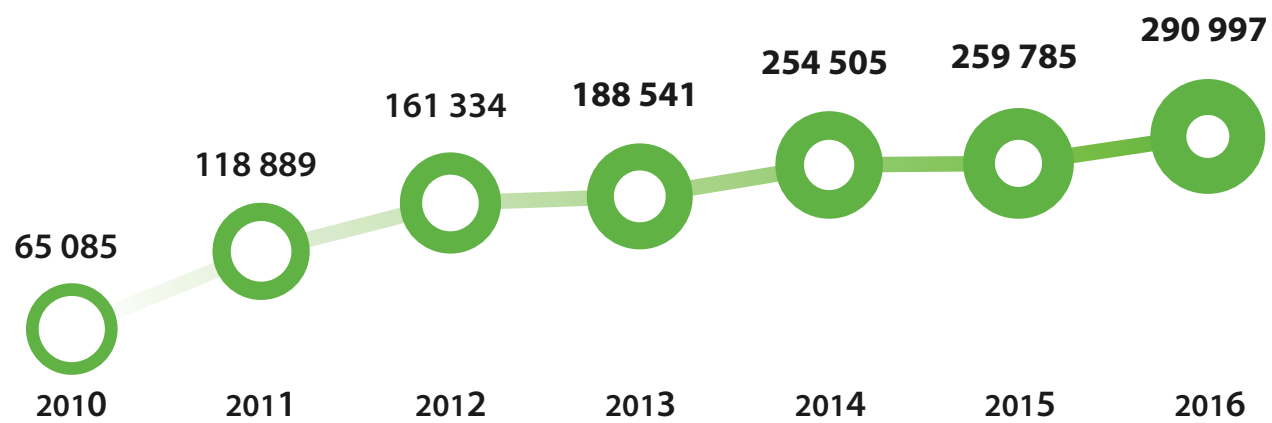
04/1998 obtaining Licence issued by the CNB as a Foreign Exchange Trader

09/1996 founding the CITCO - Finanční trhy a.s. Company-odtrnit jen slovo Company

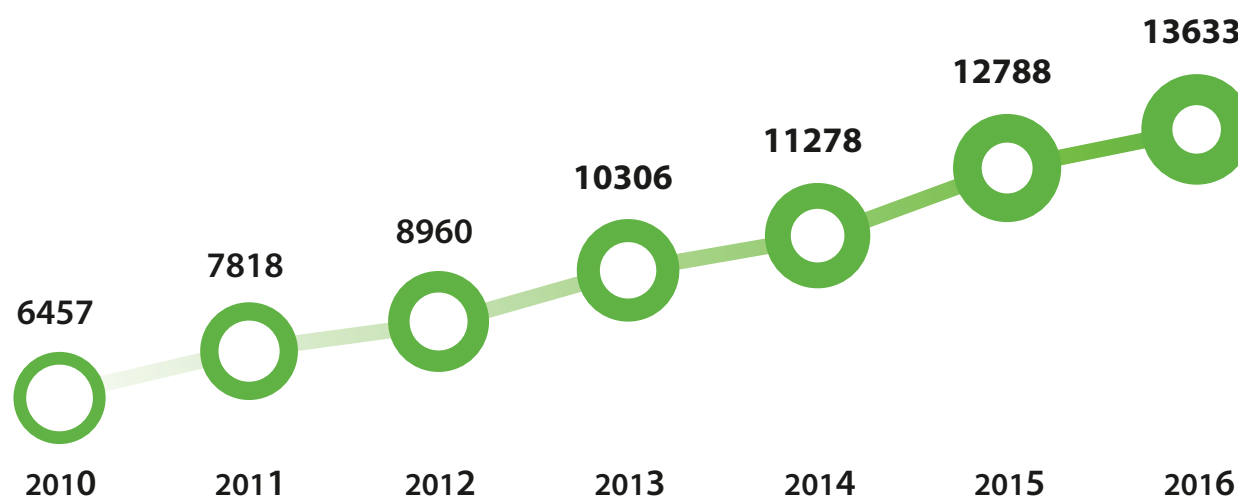
Exchange trade turnover in CZK billions



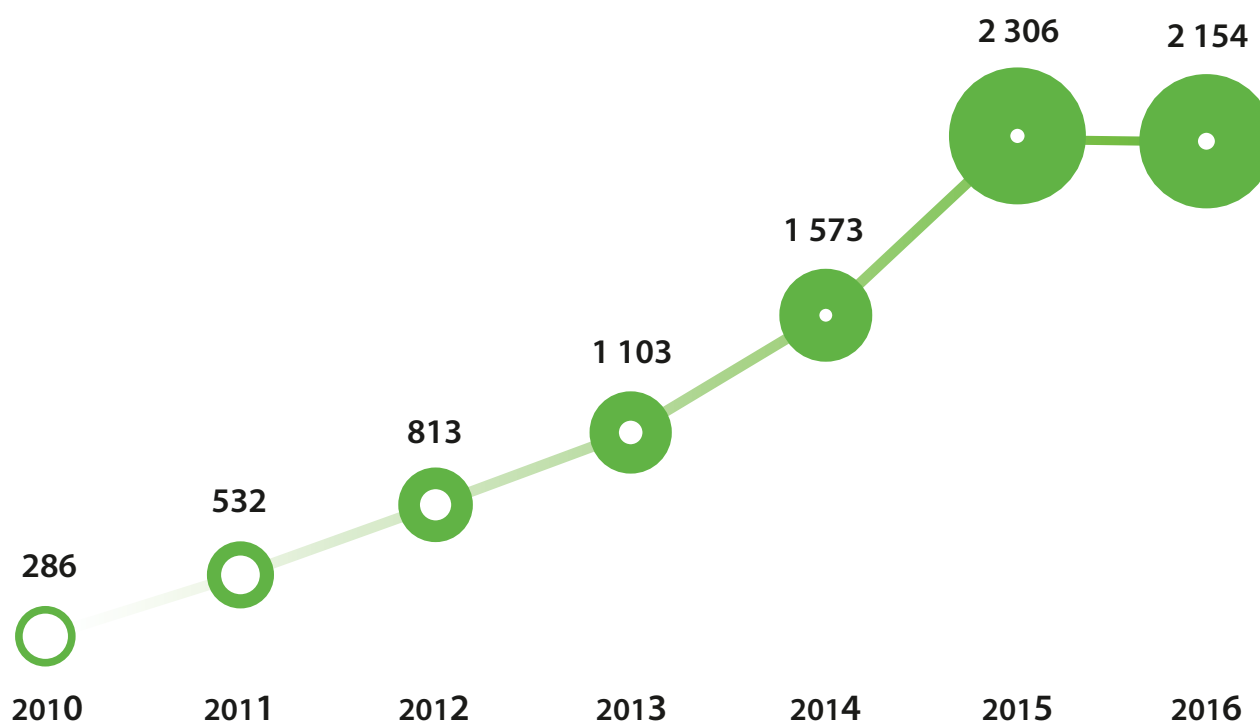
Number of foreign payment transactions executed



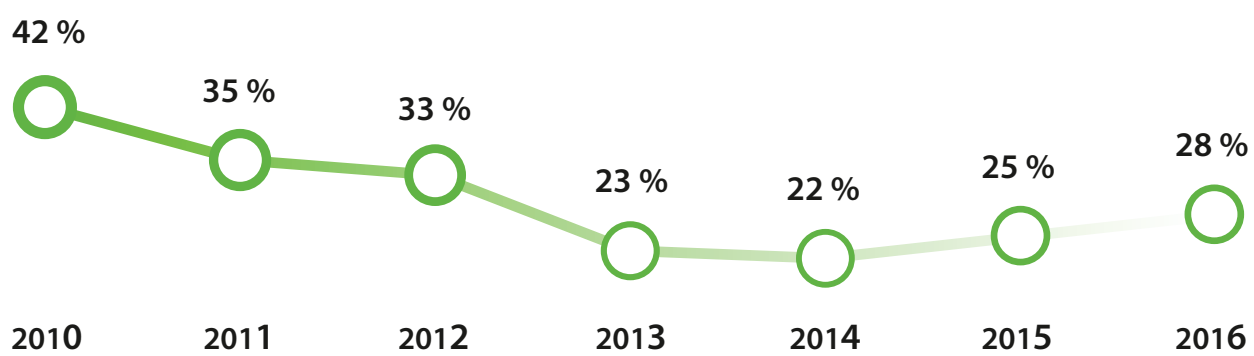
The number of clients



Balance amount in CZK millions



Capital adequacy



04

We have launched a new Exchange – Online service, that provides the option to independently trade in six major world currencies at an individually offered exchange rate without the need for a telephone contact with our Dealing Department. Carrying out online exchange transactions through our BankServis Internet Banking is convenient, fast and secure for our clients.



06

In the second half of June, we conducted an extensive Barometer survey with the aim of finding out our clients' satisfaction with their mutual cooperation and with the financial products and the services offered. We were interested in what we could do for our clients to improve our service and at the same time to discover what we can offer them in the future. The output from the Barometer became a stimulus for making changes in our BankService and creating new products, all of this with focussing on improving the quality of our services.

07

We went out of our way to meet our clients' needs and reduced the limits for closing the currency Orders by a half. Citfin monitors the exchange rates and accepts binding orders at the required exchange rates for buying or selling foreign currency from \$ 10,000 or EUR 10,000.



09

From September onwards all the clients of Citfin - Finanční trhy, a.s. will be able to take advantage of their newly opened accounts at Fio Banka. This will result in the faster settlement of client's transactions at this bank.

10

Citfin celebrated its first twenty years of operation on the Czech financial market with a theatre production of Roots directed by Cirk La Putyka.

11

In November, in view of the anticipated termination of the CNB's intervention regime, we conducted a large-scale marketing campaign to provide support for Citfin's forward deals. The central theme of the campaign was the slogan "Fix the exchange rate before the end of the CNB's interventions and thereby achieve your anticipated business profits with confidence!"



12

Citfin - Finanční trhy, a.s. was granted the CZECH Stability Award Certificate with AA scoring, whereby it was included in the top group of Czech companies bearing the designation "EXCELLENT". These are stable companies, each providing a high probability of a reliable performance of their trade obligations and a high probability of a return on their investment and a minimal risk of bankruptcy.



2016

During the entire year of 2016, Citfin's employees actively supported charity projects, whereby, with Citfin's contribution, they collected and donated more than CZK 70,000.

We supported:

- Na Svobodě Children's Home in Čížkovice
- Children's Home in Ivančice
- Paediatric Neurological Department at Thomayer's Hospital
- Pomocné tlapky o.p.s. Foundation
- Domov Sue Ryder in Prague

Balance Sheet | Citfin - Finanční trhy, a.s.

	2016	2015	2014
TOTAL ASSETS	327 086	290 499	192 380
FIXED ASSETS	2 258	1 871	3 102
Intangible fixed assets	676	365	1 022
Tangible fixed assets	1 582	1 506	2 080
Long-term financial assets	0	0	0
CURRENT ASSETS	324 428	288 230	188 958
Short-term receivables	8 948	8 234	12 245
Financial assets	315 480	279 996	176 713
ACCRUALS	401	398	320
	2016	2015	2014
TOTAL LIABILITIES	327 086	290 499	192 380
EQUITY	68 859	66 187	58 207
Registered capital	22 000	22 000	22 000
Retained earnings	3 920	3 470	3 245
Profits / losses from previous years	37 667	31 737	28 468
Profit / loss for the current accounting period	5 272	8 980	4 494
LONG-TERM LIABILITIES	0	0	0
CURRENT LIABILITIES	255 648	220 095	131 614
ACCRUALS	2 579	4 217	2 560

Profit and Loss Statement | Citfin - Finanční trhy, a.s.

	2016	2015	2014
FINANCIAL RESULTS	65 081	74 897	61 745
Interest	32	116	264
Fees	-1 488	-948	209
Foreign exchange operations	66 537	75 728	61 272
Other operating income	266	129	516
Other operating expenses	40	0	2058
STAFF EXPENSES	37 964	41 260	37 188
Labour costs	27 438	30 710	27 738
Social security and health insurance costs	10 526	10 551	9 450
Other administrative costs	19 248	19 168	18 873
Depreciation of fixed assets and receivables	1 333	3 026	-941
Extraordinary profit	0	0	0
EARNINGS BEFORE TAX	6 762	11 571	5 082
Income tax	1 490	2 591	588
EARNINGS FOR THE ACCOUNTING PERIOD	5 272	8 980	4 494

in thousands CZK

Economic Results | Citfin, spořitelní družstvo

	2016	2015	2014
TOTAL ASSETS	1 996 470	2 116 705	1 436 055
FIXED ASSETS	2 297	485	144
Intangible fixed assets	1 545	6	144
Tangible fixed assets	752	478	0
Long-term financial assets	0	0	0
CURRENT ASSETS	1 993 860	2 115 951	1 435 763
Short-term receivables	81 849	59 520	40 422
Financial assets	1 912 011	2 056 431	1 395 341
ACCRUALS	313	270	149
	2016	2015	2014
TOTAL LIABILITIES	1 996 470	2 116 705	1 436 055
EQUITY	67 773	58 898	52 400
Registered capital	37 006	37 005	37 004
Retained earnings	2 421	1 658	1 300
Profits / losses from previous years	19 653	12 612	10 520
Profit / loss for the current accounting period	8 693	7 623	3 576
LONG-TERM LIABILITIES	0	0	0
CURRENT LIABILITIES	1 925 003	2 051 602	1 380 304
ACCRUALS	3 694	6 205	3 352

Profit and Loss Statement | Citfin, spořitelní družstvo

	2016	2015	2014
FINANCIAL RESULTS	47 864	43 681	34 829
Interest	5 657	4 750	3 280
Fees	3 438	3 321	3 159
Foreign exchange operations	38 768	35 610	28 390
Other operating income	39	0	384
Other operating expenses	95	141	250
STAFF EXPENSES	20 750	15 370	14 972
Labour costs	15 669	11 455	11 166
Social security and health insurance costs	5 082	3 915	3 806
Other administrative costs	15 798	18 523	14 056
Depreciation of fixed assets and receivables	280	197	1 506
Extraordinary profit	0	0	0
EARNINGS BEFORE TAX	10 979	9 449	4 430
Income tax	2 286	1 827	854
EARNINGS FOR THE ACCOUNTING PERIOD	8 693	7 623	3 576

in thousands CZK

Citfin - Finanční trhy, a.s.

Radlická 751/113e, 158 00 Praha 5 - Jinonice
Company ID: 250 79 069
VAT reg. no.: CZ25079069
Account number: 1002091/2060
BIC/SWIFT: CITFCZPPXXX
LEI: 213800BVHZ8XUCN63U23
GIIN Citfin FT: PRDZKH.99999.SL.203

Citfin, spořitelní družstvo

Radlická 751/113e, 158 00 Praha 5 - Jinonice
Company ID: 257 83 301
VAT reg. no.: CZ25783301
Account number: 1002083/2060
BIC/SWIFT: CITFCZPPXXX
LEI: 2138007WKF5CM2EUM824
GIIN Citfin SD: F7TPN5.99999.SL.203

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