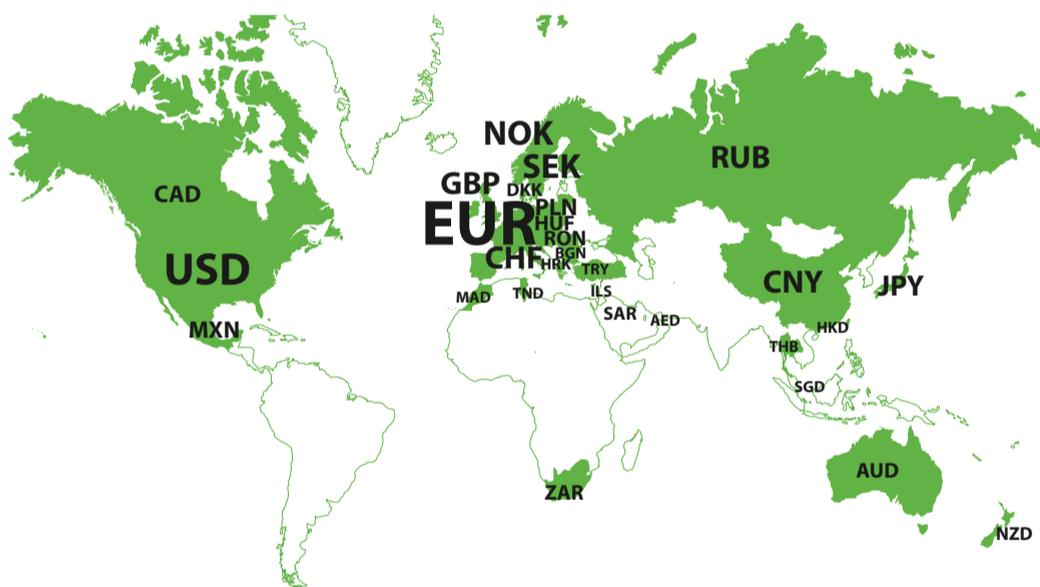




S citem pro finance

Economic Report | 2017



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Dear shareholders, business partners and colleagues,

2017 was an exceptional year for the Czech crown. After more than three years, the Czech National Bank ended the exchange rate obligation and the crown strengthened by more than 5% until the end of the year, without extreme swings, to 25.50 EUR/CZK.

Following the termination of this measure, the Czech National Bank managed to raise twice the interest rate by 25 base points still in 2017. After a few quiet years, the Czech crown is now facing interesting developments again. The Czech economy, which grew by 4.5% in 2017, certainly contributes to such developments.

The crown also experienced a positive development against the US dollar and grew by almost 15% against the US dollar since the end of the intervention.

The thing is that at the beginning of 2017, the trend changed for the US dollar after a few years again. The dollar had been extremely strong against the euro and hence the crown, mostly due different monetary policies of the Federal Reserve and the European Central Bank. But now comes the time when also the ECB will stop buying bonds, like the FED has already done.

The ECB will probably start raising interest rates next year. The exchange rates against the dollar therefore sinks from its overvalued levels and a better balance will be restored.

The extraordinarily strong Czech economy and the return of central banks to standards monetary policy instruments on financial markets helped Citfin successfully enter the third decade of its existence.

The profit was CZK 2.4 billion, which lies one third above the plan. The capital adequacy of Citfin was around 24%. The prestigious CZECH Stability Award which Citfin received again is evidence of the financial health and creditworthiness of the company. It also provides an independent view of the financial and non-financial rating. Citfin - Finanční trhy, a.s. has been rated, already for the second time in a row, as AA – excellent. Only stable businesses with a high probability that they will reliably meet their trade and return-on-investment obligations and companies with a lower credit risk and minimum risk of default deserve this rating.

Besides the financial stability declared, Citfin must follow the same principles of a prudent businessman like banks. In 2017 we had to tackle changes in legislation, mostly those that have been obstructing the growth of cooperative savings unions for several years. Even though Citfin does transaction banking only, does not provide any loans to clients and does not offer any deposit products, the legal restrictions of source fully apply to it. This time, the new and limiting piece of regulation for Citfin was a requirement based on a law passed two years ago on cooperative savings and credit unions that the minimum amount of member's fee is CZK 1000.

We had to amend the statutes of Citfin, the cooperative savings union, as a result of this law. We also had to call our member before the end of last year to stock up their member deposit. We are going to face many changes in applicable legislation next year as well. We are going to face fundamental changes and must adopt to new rules in terms of personal data protection (GDPR), payments (PSD 2) and adoption of European directives on markets in financial instruments (MiFID II).

We believe that we will handle the upcoming changes in legislation, so that their impact on the business with our clients is as low as possible.

And I want to thank on behalf of Citfin all clients for their trust, pleasant cooperation and great support in 2017. With every new deal, Citfin has collected new experience, which makes us a better partner with a sense of finance.

I also highly appreciate the work of Citfin employees in 2017 and thank them for it. Despite our lack of manpower last year, our employees managed – thanks to their mutual friendship and a well-functioning team – all their challenging tasks and projects very well. I realised already some years ago that it is my colleagues and their engagement who make Citfin what it is and I highly appreciate it.



Martina Arnold Rubín
CEO Citfin



The situation in Citfin in 2017 was to a large degree determined by the decision of the Czech National Bank to terminate the intervention regime. Interest among clients in securing an exchange rate was huge in the first quarter. Our massive marketing campaign to support fixed-term trades boosted the interest as well. All this led to the fact that in March we saw the biggest monthly volume of exchange trades in the entire history of Citfin. Despite the steep growth in the number and turnover of clients' spot and forward trading, Citfin reported a year-on-year drop in the total turnover from exchange trading by 6% and reached CZK 146.8 billion. A lower number and turnover from swap transaction this year is another reason for this. The success story of Citfin however continues and its value has grown. The financial results planned for this again are evidence of this. We already have more than 14 700 clients and the number of payment transactions grew by 3%. We saw high year-on-year growth in the number of domestic payment: over 19%. The reason is that last year domestic payments exceeded half a million of outgoing and incoming transactions.

The adoption of modern design of our internet banking and several new functionalities for higher client convenience were among our 2017 innovations.

What I considered to be essential and desirable in our BankService is the implementation of our new official communication tool for client queries. This tool took some of the big administrative burden from us. Citfin also expanded its existing portfolio of traded currencies and added the Chinese jüan (CNY). Besides exchange trades in the CNY, our clients can now also do their payments in this currency.

We are going to invest in innovations also next year. Further upgrades to our BnkService are our priority, particularly to the Exchange – Online product. We want to further promote trading through internet banking and offer our clients of the BankService two more currencies on top the six main currencies: the Hungarian forint (HUF) and the Romanian lei (RON).



Ing. Dagmar Kubíková, MBA
CSO of Citfin

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 14,700 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.

ADZ

As a member of the Association of Cooperative Savings Unions, Citfin represents the Czech cooperative monetary sector.

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.

- 12/2017** Citfin - Finanční trhy, a.s. was for the second time granted the Czech Stability Award certificate and thereby was again 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.

Foreign exchange

- attractive exchange rates
- reduction of costs when compared with foreign exchange services of other financial institutions
- individual approach to our clients, phone consultations
- foreign exchange news

Foreign payments

- reduction of foreign payment fees
- easy payment orders through internet banking
- individual and personal approach

Fixed-term trades

- leverage against exchange rate fluctuations
- fixed-term cross trades without CZK
- term/settlement duration up to one year
- low limits for Forward trades already from EUR 10,000 or USD 10,000

Multi-currency EASY corporate account

- three euro payments free of charge during the month, another payments for only CZK 20.60
- incoming foreign and domestic payments free of charge
- free account in 30 currencies
- attractive exchange rates without limit

Currency order

- automatic exchange rate watch
- 24 hours a day, 5 days a week
- new space for foreign exchange trading
- low limits for Order trades already from EUR 10,000 or USD 10,000

Exchange – Online

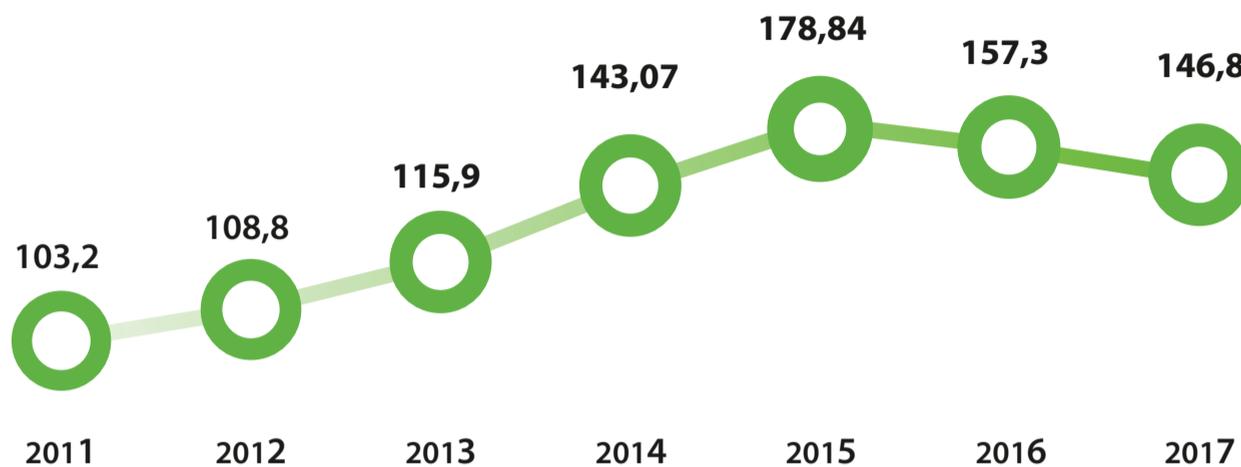
- possibility of independent trading in six main world currencies
- individual offer of exchange rates
- exchange without phone contact with the dealing department



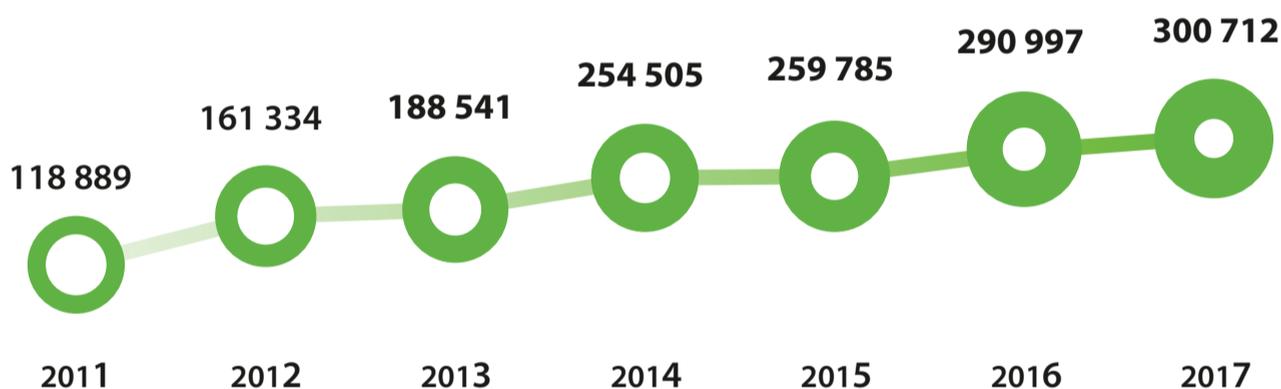
BankServis

Our internet banking is user-friendly and thanks to perfectly secured access you can work with your corporate account 24/7.

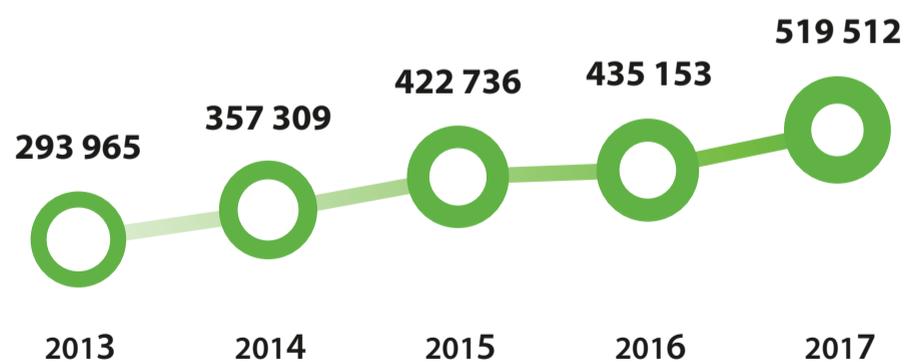
The exchange trade turnover in CZK billions



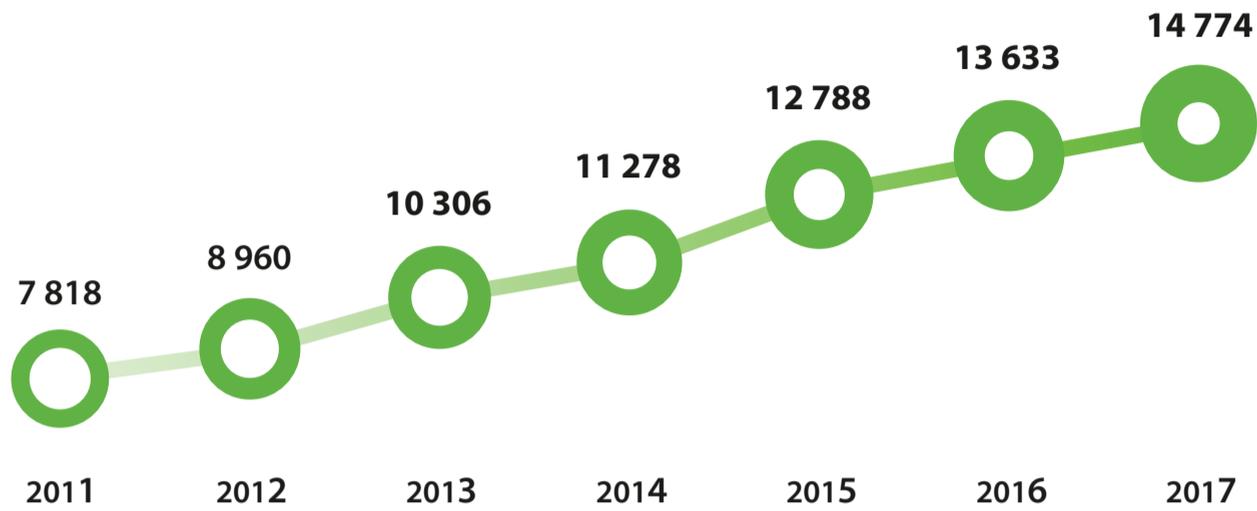
The number of foreign payment transactions executed



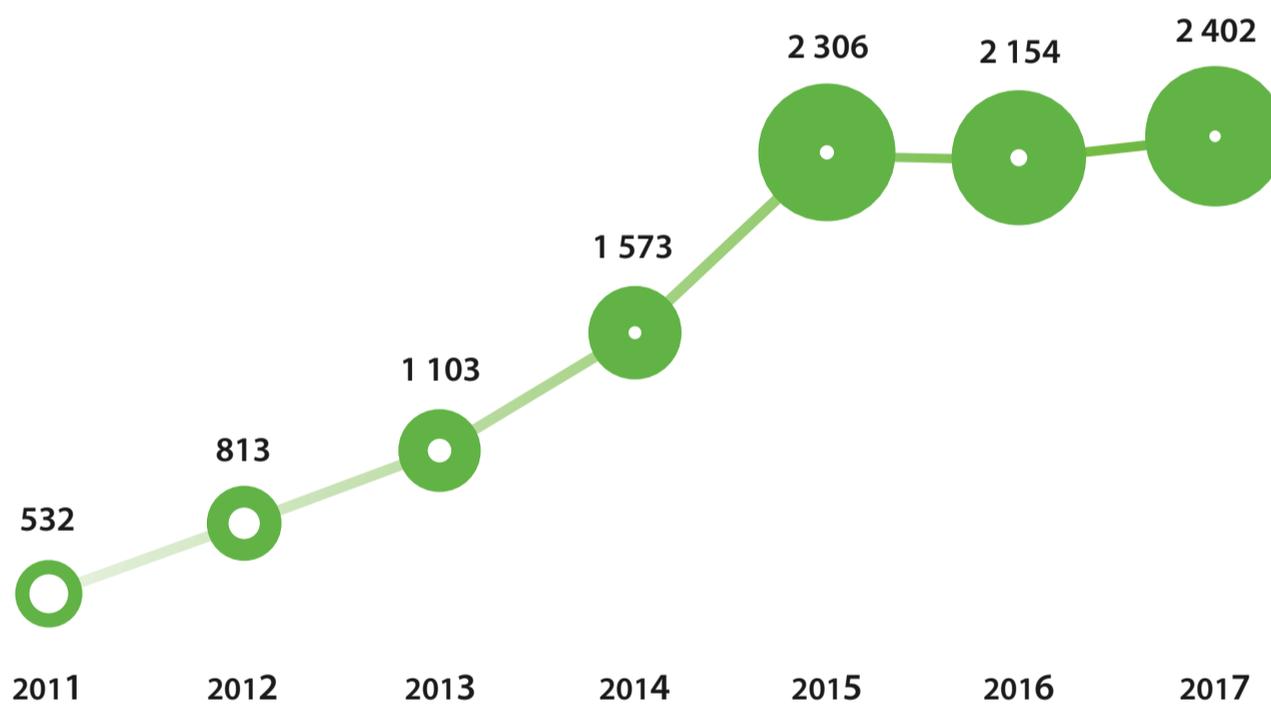
The number of domestic payment transactions executed



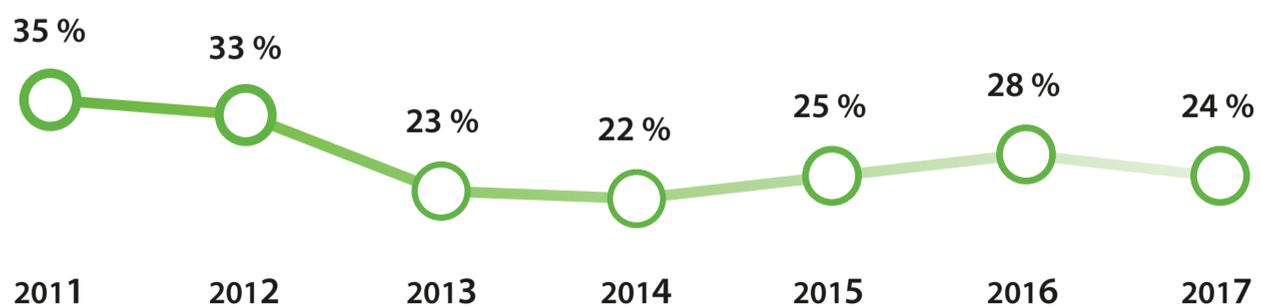
The number of clients



The balance amount in CZK millions



Capital adequacy



February

Results of our competition Best Forward exchange rate and/or Forward rate for EUR/CZK BID (sale of EUR to CZK) for clients. We started a similar foreign exchange Forward trades competition last October for our clients.

April

New Terms and Conditions of Citfin - Finanční trhy, a.s. and Citfin, the cooperative savings union. Some major changes to the terms applied mostly to an amendment of the definition of a politically exposed person and to the Order product terms.

After more than three years, the Czech National Bank terminated the intervention regime.

May

Citfin – Finanční trhy, a.s. expanded the portfolio of traded currencies and added the Chinese jüan (CNY). Besides exchange trades in the CNY, our clients can now also do their payments in this currency.

August

Citfin created the very first peer-to-peer call in the Czech Republic and supported senior citizens from the Sue Ryder home. Thanks to the call, a total of CZK 172,050 was collected for bed renovation.

October

As the effect date of act No. 333/2014 coll. on cooperating savings and credit unions approaches and following our amendments to the terms and conditions of Citfin, the cooperative savings union, all existing members were repeatedly called to raise their member fee to CZK 1000.

November

With our new design we enhanced our BankServis internet banking. Along with this new look, we also launched several new functions that shall improve user experience.

December

Citfin - Finanční trhy, a.s. was again awarded the CZECH Stability Award with AA rating already in the second year in a row, falling in the "EXCELLENT" category, i.e. it is now among Czech companies with the highest financial and non-financial rating.



We help

Citfin was devoted to charity projects throughout 2017. Together with a contribution of the company, Citfin employees donated over CZK 200,000.

We supported:

The Sue Ryder retirement home not only with the purchase of new beds, but also provided clothes for its new physical store.

The kindergarten and primary school in Prague 4, providing education to children and pupils with a mental handicap and autism.

Parents and their children with serious diagnoses since birth, who need funding for better health.

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

	2017	2016	2015
	458 617	327 086	290 499
FIXED ASSETS	2 204	2 258	1 871
Intangible fixed assets	678	676	365
Tangible fixed assets	1 525	1 582	1 506
Long-term financial assets	1	0	0
CURRENT ASSETS	455 955	324 428	288 230
Short-term receivables	24 460	8 948	8 234
Financial assets	431 495	315 480	279 996
ACCRUALS	459	401	398
	2017	2016	2015
	458 617	327 086	290 499
EQUITY	88 074	68 859	66 187
Registered capital	22 000	22 000	22 000
Retained earnings	4 184	3 920	3 470
Profits / losses from previous years	42 675	37 667	31 737
Profit / loss for the current accounting period	19 216	5 272	8 980
LONG-TERM LIABILITIES	0	0	0
CURRENT LIABILITIES	370 242	255 648	220 095
ACCRUALS	301	2 579	4 217

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

	2017	2016	2015
FINANCIAL RESULTS	71 263	65 081	74 897
Interest	-9	32	116
Fees	-2 159	-1 488	-948
Foreign exchange operations	73 431	66 537	75 728
Other operating income	616	266	129
Other operating expenses	76	40	0
STAFF EXPENSES	28 120	37 964	41 260
Labour costs	19 943	27 438	30 710
Social security and health insurance costs	8 177	10 526	10 551
Other administrative costs	18 510	19 248	19 168
Depreciation of fixed assets and receivables	1 192	1 333	3 026
Extraordinary profit	0	0	0
EARNINGS BEFORE TAX	23 982	6 762	11 571
Income tax	4 766	1 490	2 591
EARNINGS FOR THE ACCOUNTING PERIOD	19 216	5 272	8 980

in thousands CZK

Economic Results | Citfin, spořitelní družstvo

	2017	2016	2015
	2 176 150	1 996 470	2 116 705
FIXED ASSETS	4 674	2 297	485
Intangible fixed assets	2 115	1 545	6
Tangible fixed assets	2 559	752	478
Long-term financial assets	0	0	0
CURRENT ASSETS	2 171 253	1 993 860	2 115 951
Short-term receivables	71 723	81 849	59 520
Financial assets	2 099 530	1 912 011	2 056 431
ACCRUALS	223	313	270
	2017	2016	2015
	2 176 150	1 996 470	2 116 705
EQUITY	72 612	67 773	58 898
Registered capital	61 429	37 006	37 005
Retained earnings	3 291	2 421	1 658
Profits / losses from previous years	0	19 653	12 612
Profit / loss for the current accounting period	7 892	8 693	7 623
LONG-TERM LIABILITIES	0	0	0
CURRENT LIABILITIES	2 103 265	1 925 003	2 051 602
ACCRUALS	273	3 694	6 205

Profit and Loss Statement | Citfin, spořitelní družstvo

	2017	2016	2015
FINANCIAL RESULTS	62 574	47 864	43 681
Interest	3 881	5 657	4 750
Fees	5 903	3 438	3 321
Foreign exchange operations	52 790	38 768	35 610
Other operating income	201	39	0
Other operating expenses	100	95	141
STAFF EXPENSES	33 704	20 750	15 370
Labour costs	25 214	15 669	11 455
Social security and health insurance costs	8 491	5 082	3 915
Other administrative costs	18 305	15 798	18 523
Depreciation of fixed assets and receivables	771	280	197
Extraordinary profit	0	0	0
EARNINGS BEFORE TAX	9 894	10 979	9 449
Income tax	2 001	2 286	1 827
EARNINGS FOR THE ACCOUNTING PERIOD	7 892	8 693	7 623

in thousands CZK

Citfin - Finanční trhy, a.s.

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Account number: 1002091/2060
BIC/SWIFT: CITFCZPPXXX
LEI: 213800BVHZ8XUCN63U23
GIIN Citfin FT: PRDZKH.99999.SL.203

Citfin, spořitelní družstvo

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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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