CYRRUS

ANNUAL REPORT CYRRUS

2016

invest wisely

ANNUAL REPORT CYRRUS 2016

ISSUER:
CYRRUS, a.s., Veveří 111, Brno – Žabovřesky, 616 00, Czech republic

PROCESSING:
CYRRUS MARKETING, s.r.o., www.cyrrusmarketing.cz

CONTENTS

BASIC COMPANY INFORMATION

Company
CYRRUS, a.s.

Legal form
Joint stock company

Company ID
63907020

Date of establishment
1995

Registered seat
Veveří 111,
PLATINIUM
616 00 Brno

Telephone
+420 538 705 711

Fax
+420 538 705 733

E-mail
info@cyrrus.cz

Website
www.cyrrus.cz

BRANCH PRAGUE

Na Florenci 15,
110 00 PRAHA 1

Telephone
+420 221 592 361

Fax
+420 221 592 366

BRANCH ZLÍN:

Vavrečkova 7074,
760 01 ZLÍN

Telephone
+420 538 705 727

Fax
+420 538 705 733

BRANCH OSTRAVA:

28. října 3346/91,
702 00 OSTRAVA

Telephone
+420 517 076 811

Fax
+420 538 705 733

REGISTERED CAPITAL

The registered capital amounts to **CZK 20 020 000**

Shareholders with the qualifying holdings in the registered capital are:
CYRRUS GROUP SE, with the registered seat in Brno, Veveří 111, company ID 29 41 67 36

EQUITY CAPITAL STRUCTURE (IN THOUSANDS CZK)

Registered capital	20,020
Capital funds	0
Funds from profit	3,894
Share premium	172
Retained earnings	52,873
Economic results	17,085
Equity capital	94,045

INFORMATION ABOUT BUSINESS ACTIVITY

The company CYRRUS, a.s. (hereinafter referred to as the “Company”) is a brokerage firm providing main and ancillary investment services. The core business of the company is trading in securities on the Burza cenných papírů Praha, a.s. (Prague Stock Exchange), trading in Germany and in the USA. Margin trading represents another activity.

Scope of the license held by the company for the activity of a brokerage firm pursuant to § 4 Act No. 256/2004 Coll., on Capital Market Undertakings:

CORE INVESTMENT SERVICES

- Receipt and transmission of instructions regarding the investment instruments in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- fulfillment of instructions regarding the investment instruments for the account of a client in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- proprietary trading with investment instruments in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- management of client’s assets under a contract with the client, if an investment instrument constitutes the part of such assets, on the basis of an independent consideration within the framework of a contractual arrangement, in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- investment advisory regarding investment instruments in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- underwriting or placement of issues of the investment instruments with the commitment to their underwriting in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- underwriting or placement of issues of the investment instruments without the commitment to their underwriting in relation to the investment securities, collective investment securities, money market instruments, and derivatives.

ANCILLIARY INVESTMENT SERVICES

- Safekeeping and management of the investment instruments, including related services, in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- provision of credit or loan to the client to enable trading in an investment instrument, where the provider of such credit or loan is involved in such transaction in relation to the investment securities;
- investment recommendations and analyses of the investment opportunities or similar general recommendations regarding the investment instrument trading in relation to the investment securities, collective investment securities, money market instruments, and derivatives;
- advice on capital structure, industrial strategy and related issues as well as advice and services related to conversion of companies or business transfers;
- foreign exchange operations connected with the provision of investment services;
- services related to the underwriting or placements of the investment instruments in relation to the investment securities, collective investment securities, money market instruments, and derivatives.

Česká národní banka (ČNB – the Czech National Bank) (formerly “Komise pro cenné papíry” – Securities and Exchange Commission) has approved an auction code of the company and the company may organize a public auction of securities.

INFORMATION ABOUT ASSETS AND FINANCIAL SITUATION

Assets of the trader consist of a file of movable and immovable assets. Detailed information about assets and financial situation see the financial statement and its annex.

BUSINESS VOLUMES IN THE YEAR 2016

VOLUMES IN THOUSANDS CZK

	CYRRUS	Client	Sum total
BCPP	23,578	430,073	453,651
RM-S	6	3,772	3,778
OTC	71,886	1,156,067	1,227,953
EU	25,141	1,270,883	1,296,024
USA	23,175	946,656	969,831
Sum total	**143,786**	**3,807,451**	**3,951,237**

In thousands CZK	Assets	Equity capital	Business volumes	Net profit	Clients' assets
2016	734,215	94,045	3,951,237	17,085	20,430,591
2015	644,150	76,961	7,642,098	10,291	21,380,149
2014	729,667	71,670	10,582,275	2,671	20,976,407

CONTRIBUTION OF THE STOCK BROKER TO THE INVESTOR COMPENSATION FUND

In compliance with § 129 of the Act No. 256/2004 Coll., on Capital Market Undertakings, the stock broker pays its annual membership contribution to the Garanční fond obchodníků s cennými papíry (Investor Compensation Fund) amounting to 2 % from the volume of revenues, fees, and commissions for provided investment services in the last calendar year.

**In 2016, the company CYRRUS a.s. paid its contribution amounting to CZK 1,879,000.
The sum represents 2 % from the volume of fees and commissions CZK 93,933,000.**

MANAGEMENT AND ORGANIZATIONAL CHART

STATUTORY BODY

Board of directors:

Martin Kozumplík
chairperson

Jiří Loubal
vice-chairperson

Kamil Kricner
meber

ADVISORY BOARD

Michal Beran
chairperson

Marek Hatlapatka
member

Michal Přikryl
member

ORGANIZATIONAL CHART

Management of the company:

Jiří Loubal
Chief Executive Officer

Martin Kozumplík
deputy of the Chief Executive Officer

Denisa Županová
trading director

Kamil Kricner
Prague branch director

The company is segmented into individual offices with managers at their head. At the present time, the company is divided into the following offices:

FRONT OFFICE

BACK OFFICE

RESEARCH

CALL CENTRE

IT

RISK, COMPLIANCE AND IA

HUMAN RESOURCES

Independent staff, directly subordinated to the Chief Executive Officer, is employed beyond the afore-mentioned offices.

MEMBERSHIP IN OTHER ENTITIES AND THEIR BODIES

Burza cenných papírů Praha, a.s. (BCPP)
(Prague Stock Exchange)

Jiří Loubal
Member of the listing committee

AKAT ČR,
Asociace pro kapitálový trh České republiky
(Czech Capital Market Association)

RM-SYSTÉM,
česká burza cenných papírů, a.s.
(Czech Stock Exchange)

Centrální depozitář cenných papírů, a.s.
(Central Securities Depository Prague)

Deutsche Börse AG

COMPANY PROFILE

History

1995

Establishment of the company, start of provision of investment services.

1998

The takeover of the company CYRRUS, a.s. by the current management, transfer of the company's registered seat to Brno. The company became a member of the Asociace obchodníků s cennými papíry (Security Traders Association). At the same time, the company committed itself to follow the Ethical Code of the Association.

1999

Komise pro cenné papíry (Securities Commission) confirmed the brokerage firm license to the fullest extent; subsequent increase in the company registered capital over CZK 10,000,000.

2000

CYRRUS, a.s. became a member and shareholder of the Burza cenných papírů Praha, a.s. (hereinafter referred to as the "BCPP" - Prague Stock Exchange). Nowadays, the company belongs to 21 stock exchange members, the volume of stock exchange share transactions ranks CYRRUS, a.s. in the twelfth place.

2002

Komise pro cenné papíry (Securities Commission) granted CYRRUS, a.s. the license for the main investment service "customer portfolio management". Furthermore, investment services were extended for the entitlement to organize public auctions of securities and provision of credits or loans to customers.

2003

In connection with a broadened spectrum of offered services, CYRRUS, a.s. started cooperation with an American broker and a German branch office of an important American broker to guarantee its clients trading opportunities on stock markets in the USA – NYSE, NASDAQ, AMEX – and German stock exchanges – Berlin, Düsseldorf, Frankfurt, Hamburg, Hannover, Munich, Stuttgart, and XETRA.

2004

CYRRUS, a.s. was an initiator and founding member of Česká asociace obchodníků s cennými papíry (Czech Association of Security Traders). Today, the representative of CYRRUS, a.s. is the president. The company is regularly involved in the formulation and comments to draft bills governing the Czech capital market.

2005

A derivative license, considerably increasing the supply of traded investment instruments, in particular certificates. A registration to provide investment services in Germany, Great Britain, Austria, Poland, Hungary, and Slovakia.

2006

Obtaining a license for provision of the investment services "proprietary trading" and "underwriting and placement of investment instruments". Participation in the trade fair Gewin Messe in Vienna. Launch of the service "SUPERSPAD", enabling clients to trade with selected titles in Hungary and Poland under same terms and conditions as in SPAD.

2007

A membership in the Warsaw Stock Exchange (Gielda Papierow Wartosciowych w Warszawe s.a.). Extension of the service "SUPERSPAD" with the titles traded in Germany and Turkey. Intermediation of a private issue of guaranteed investment certificates.

2008

Historically the first Czech stock market launch in the Warsaw Stock Exchange New Connect. CYRRUS, a.s. became IPO partner of the Warsaw Stock Exchange (WSE).

2009

A separation of services of the corporate advisory to a subsidiary company CYRRUS CORPORATE FINANCE, a.s.

2010

Preparation for the third IPO in the Polish New Connect – a subscription of shares iCOM Vision. The start of the project "Franchising" to attract new external partners in the regional cities. Mr. Jan Procházka, a director of the Prague branch office, was elected as a member of the advisory body of the government of the Czech Republic "NERV" (National Economic Council).

2011

In cooperation with the company AVANT, CYRRUS established an open mutual fund of qualified investors. Said fund was created to use managed funds for the control of clients' positions and repo operations. Identically to 2010, the company focused on the initial public offering. For the first time in its history, CYRRUS introduced shares in the Prague Stock Exchange, representing the power engineering company E4U a.s. - Energy for you. The underwriting of shares to Polish New Connect was completed, this time the shares of the company Twigonet.

2012

CYRRUS, a.s. introduced a new trading system "Investment Strategy". Investment Strategy was an absolutely revolutionary product, with clients not paying any fees for the individual trading operations, but only administration fees and, as the case may be, a part of the profit exceeding the level defined in advance.

2013

An acquisition of the company accredi, a.s. into the structure of the companies, organized in the holding Cyrrus, a.s., completed. Investment strategies, controlled by an investment strategist and investment committee, became a dominant service rendered by the company. Various fees were abolished; a new on-line terminal for our clients launched.

2014

The service "Investment Strategy" continued to gather pace, significantly increasing clients' total assets. In April 2014, the subsidiary company accredi, a.s. obtained a permit from ČNB to operate as a payment institution; at the same time, the company was renamed to CYRRUS FX, a.s., thus completing the process of its integration into the structure of the group CYRRUS GROUP. Since May 2014, CYRRUS, a.s. has become a full member of the Asociace pro kapitálový trh ČR (AKAT ČR). Simultaneously, its membership in the Česká asociace obchodníků s cennými papíry (ČAOCP - the Czech Association of Stockbrokers) terminated as a result of the transfer of all members to AKAT ČR.

2015

On 1.4.2015, we officially became (as the first Czech non-banking stock broker) a member of the Frankfurt Stock Exchange (FWB) – Deutsche Börse. The membership in one of the largest stock exchanges in the world helped us to strengthen our dominance over the investment certificates, supporting our growing trading with German shares. On the contrary, we terminated our membership in the Warsaw Stock Exchange. The volume of trading on the Warsaw Stock Exchange followed a declining trend. In our view, nowadays the Warsaw Stock Exchange does not have such potential as in the past.

Throughout 2015, we kept developing our successful service "Investment Strategy". A continued growth of clients, using this specific service, resulted in reinforcement of the team of brokers. At the end of 2015, totally 42 licensed stockbrokers worked in our company. The increasing number of stockbrokers is linked, among others, with our successful expansion of our branch offices – both Ostrava and Zlín offices kept employing new people in the posts of stockbrokers.

2016

The company CYRRUS has always been known to introduce innovative products to the Czech capital market. The year 2016 was no exception; after thorough preparation, we introduced a brand-new investment instrument AMC – Actively Managed Certificate. AMC was the very first product of its type in the Czech Republic, soon becoming increasingly popular amongst our clients; therefore, a new issue will continue in the year 2017.

The number of licensed brokers in the Front Office Brno increased; strong emphasis was placed on the establishment of teams with team leaders playing a leading role.

Stable Front Office staffing allowed us not only to successfully introduce our new investment tool AMC but also to increase the quantity of subscriptions of new investment certificates. Totally, in 2016 we subscribed 50 issues. Our clients showed the utmost interest in the bonus certificates with a conditional capital protection. In this area, CYRRUS can be ranked among the greatest leaders in the Czech Republic.

In 2016, Prague branch continued its growth, with more than 30 employees; over half of them are licensed stock brokers, ready to provide their services to clients. Because of the growing team, we had to change the registered seat of the branch, and move the office to larger premises. We found a background for our future years in the building "Florentinum"; we have built a modern office there. Conceptual design of the office has been awarded with the price "The Office of the Year".

An ongoing process of introduction of innovative products was characterized in 2016 by AMC – Actively Managed Certificates. In January, the company CYRRUS launched the very first AMC ever in the Czech Republic under the name "CYRRUS DIVIDEND INDEX CZK" and, in the second half of the year, the second AMC, under the name "CYRRUS ACTIVE INDEX CZK".

REVIEW OF THE YEAR 2016 IN THE FINANCIAL MARKETS

The year 2016 was an eventful period as to the important exchange-rate forming events, which several folds changed, until that time valid, market sentiment. Immediately at the beginning of the year, we witnessed a more substantial fall in the stock-indices, originating in the fear of a possible dramatic decline in Chinese economy. In February, oil prices hit their several-year lowest minimum levels, thus increasing the probability of deflation. The most influential central banks in the world responded again to the risk of fall into a deflationary spiral. The American FED had to hamper the stage of gradual increase in the interest rates; finally, FED contented itself with the single monetary restriction of this type compared to originally indicated four.

In Europe, ECB announced extension of the quantitative release program until the end of 2017, compared to previously scheduled termination in March 2017. At the same time, conditions for asset purchase within the framework of this program significantly eased. In 2016, the stock-index S&P 500 generated the profit 9.5%, the German index DAX strengthened by 6.9 % and the worldwide MSCI World reported 5.3 %.

Oil prices, after a highly turbulent year 2015, started to bounce back since February 2016. Catastrophic scenarios, painting the fall in prices to 10 USD/barrel, were not met. Oil prices from January/February minimums increased by more than 100 %, reaching the level of 56.8 USD/barrel for Brent Crude and 53.7 USD/barrel for WTI Crude Oil. Especially speculations about crude oil production decrease by OPEC and Russia supported such turning point.

Only one noteworthy event happened in the Prague Stock Exchange last year, i.e., the entry of the bank Moneta Money Bank to the market. Shares of this bank pulled the entire PX index. In contrast, other financial titles failed; VIG, Komerční banka as well as Erste Group Bank in aggregate weakened the main BCPP stock-exchange around 50 points. The index PX closed the year 2016 weakened by 3.6 %, i.e., 922 points. Taking into account paid dividends, the index would report strengthening by 1.3%.

INVESTMENT STRATEGIES AND TRADING

In 2016, investment strategies remained the key investment product offered through the company CYRRUS, a.s. Throughout the year, we continued to extend our services within the framework of this service. A new strategy “Renta” was developed, customized to clients preferring a regular cash-flow in the form of paid coupons or dividends.

In early 2016, we placed a unique product on the market – CYRRUS DIVIDEND INDEX CZK. CYRRUS DIVIDEND INDEX CZK is a certificate monitoring development of the basket of shares carefully selected on the basis of advanced quantitative methods, fundamental analysis, with the emphasis on attractive dividend yield. Success of this certificate supported introduction of another similar product (at the end of the year 2016), CYRRUS ACTIVE INDEX CZK. The product is based on similar principles, but controlled more actively with the aim to take advantage of the growth potential of periodically sensitive industries and titles. In view of the forthcoming end of ČNB intervention regime, currency-hedging of indices is a major advantage.

Clients’ assets in the investment strategies kept increasing throughout the entire year 2016; from CZK 1,400,000,000 increased, by almost a half billion, to CZK 1,900,000,000 (35% year-on-year increase). In the course of the year 2016, we continued preparing for the end of ČNB intervention regime. Share of clients’ assets in the investment strategies, denominated in CZK, increased from ca. 30 %, reported at the beginning of the year, to ca. 50 % at the end.

ANALYTICAL OFFICE

In 2016, the analytical office of the company CYRRUS, a.s. was stabilized under the leadership of the main investment strategist of the company, Mr. Marek Hatlapatka. Together with Mr. Hatlapatka, the analyst Tomáš Menčík, CFA, managed clients' portfolios; primarily, Mr. Menčík supervised conservative, dynamic, and speculative strategies. The analyst Mr. Jiří Šimara was in charge of the analytical support; Mr. Ladislav Klobása took care of structured products; the team could not work without quality data, interpreted by Ms. Jana Gajdošíková. At the end of 2016, the team started preparing for the planned strong reinforcement to further improve its client portfolio management services, issue of structured products and analytical support. The analytical team CYRRUS continues to be one of the most often quoted economic entities in the Czech Republic, daily used by the media such as Česká televize (Czech Television), Český rozhlas (Czech Radio Broadcasting), Hospodářské noviny, MF Dnes or E15.

MARKETING

The year 2016 maintained a spirit of innovations. New websites were launched under the domain www.cyrrus.cz, including a private clients' section, facilitating a closer monitoring of portfolio development with direct approach to investment recommendations, published by the analytical department. After the introduction of the new websites, their optimization followed, responding to the website testing and survey of user interaction. The results obtained so far show that the new design achieved a several fold higher conversion rate; in practical terms, a higher demand for meetings.

CRM system innovation was another important segment in the year 2016; the company expects innovations in marketing automatizations, digitalization of contractual documents and more effective acquisition activity of brokers. First release of the new system was tested at the end of 2016; its start-up is expected in the first quarter of 2017.

In addition to these two important projects, several product campaigns were organized in 2016 (on-line, radio spots), including sales support (client conferences, webinar, re-design of contractual documents).

CUSTOMER CENTRE

Customer centre was primarily involved in the invitations, addressed to potential clients, to economic seminars and webinars as well as management of telephone calls addressed to the green line. The number of telephone operators remained stable as in the previous year, totally 4 people.

HUMAN RESOURCES

The year 2016 was the year of extensive changes, especially in the organizational structure. One team was split into smaller teams to make human resources management more effective. Throughout the whole year, vocational trainings were organized, preparing people to become effective team leaders. Totally 6 fully functional teams worked in the company at the end of the year.

All departments of the company continuously hired new employees. Zlín and Ostrava branches were stabilized, becoming fully functional and effective. At the end of the year, the company employed 84 noncontingent workers, out of them 48 licensed brokers.

Six-month “Trainee Program”, focusing on the education of new stockbrokers, was introduced. Throughout the year, cooperation with universities, especially providing economic education, continued; their students were invited to professional practices and internships, especially to the analytical team.

As in previous years, the company organized a variety of company events and meeting to strengthen the team identity, friendship, and loyalty of employees to the company’s brand.

ANTICIPATED DEVELOPMENT OF THE COMPANY IN 2017

In the next year, 2017, we expect to follow the topical trend towards increase in the clients' assets around CZK 400–500,000,000. From the first quarter of 2017, we are launching a new product – hedging client positions in EUR and USD – taking into account intense interest in such type of services in relation to the termination of interventions regime of ČNB. We still keep supporting the sale of "CYRRUS DIVIDEND INDEX CZK" and new "CYRRUS ACTIVE INDEX CZK" as well as structured products, where we plan to further extend the offer for new types of certificates. The key investment project of 2017 will be a reconstruction and extension of office premises in the headquarters of the company in Brno. Considering more staff hired over the last years, existing offices are filled to capacity. We are still increasing the capacity of Back Office. In 2017, we anticipate a positive economic result.

EVENTS OCCURING AFTER THE BALANCE SHEET DATE AND ARE SIGNIFICANT

Events are described in detail in the general annex to the financial statement.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2016, the company did not report any research and development activities.

TREASURE SHARES AND SHARES IN THE COMPANY ASSETS

As of 31.12.2016, the company did not hold any treasury shares in its assets.

ENVIRONMENTAL PROTECTION ACTIVITIES

In view of the fact that the company is active in the sector of trading with investment instruments, its activity does not significantly affect the environment.

Annexes

Report on Relations Pursuant to § 82 of the Act on Commercial Companies and Cooperatives

1. Introduction

The report has been compiled on behalf of the company **CYRRUS, a.s.**, company ID 63907020, with the registered seat Veveří 111, 616 00 Brno, incorporated by the Regional Court Brno – B/3800 (hereinafter referred to as the "Company"); the accounting period from 1.1.2016 until 31.12.2016.
Mentioned report has been drawn up within the meaning of the provision § 82 of the Act No. 90/2012, Coll., on Commercial Companies and Cooperatives, as amended (hereinafter referred to as the "CCC"), imposing an obligation to elaborate a written report on relations between controlling and controlled entities and relations between the controlled entity and other entities controlled by the same controlling entity (the "related parties"). The report has been prepared with regard to the rules of the trade secret protection pursuant to § 504 of the Act No. 89/2012 Coll., Civil Code, as amended.

2. Controlling entities

CYRRUS GROUP, SE with the registered seat Veveří 3163/111, Brno, postal code 616 00, company ID: 294 16 736
(hereinafter referred to as the "Sole Shareholder CYRRUS GROUP")
Martin Kozumplík, Erbenova 9, 603 00 Brno (a share in the sole shareholder 50 %)
Jiří Loubal, Lelekovice 507, 664 31 (a share in the sole shareholder 50 %)

3. Entities controlled by the same controlling entity

CYRRUS FX, a.s., company ID: 28880293, with the registered seat Na Florenci 2116/15, Nové Město, 110 00 Prague 1 (controlled entity)
CYRRUS CORPORATE FINANCE, a.s., company ID 27758419, with the registered seat Veveří 111, 616 00 Brno (controlled entity)
CYRRUS MARKETING, s.r.o., company ID: 031 91 931, with the registered seat Veveří 3163/111, Brno, PSČ 616 00 (controlled entity)
CYRRUS INVEST, s.r.o., company ID: 052 62 160, with the registered seat Veveří 3163/111, Brno, postal code 616 00 (controlled entity)
SETR Invest, s.r.o., company ID: 042 80 989, with the registered seat Plástky 507/17, 664 31 Lelekovice (controlled entity)
SMILE Music s.r.o., company ID: 242 12 709, with the registered seat Vršovická 919/16, Prague, postal code 101 00 (controlled entity)
Day After Records s.r.o., company ID: 025 75 311, with the registered seat Plovární 82/3, Pilsen, postal code 301 00 (controlled entity)
TYKEW Design, s.r.o., company ID: 037 54 456, with the registered seat Veveří 111, Brno, postal code 616 00 (controlled entity)
Scheme of the structure of relations among entities as of 31.12.2016 shall constitute an integral part of this Report on Relations.

4. Role of the controlled entity and means of control, assessment of whether the controlled entity suffered any damage, advantages and disadvantages resulting from relations between the entities

The role of the controlled entity is to exercise the line of business – provision of investment services to generate profit. The means of control is 100 % property participation of the controlling entity in the controlled entity.
The controlling entity has not suffered any damage in the assessed accounting period.
No disadvantages for the controlled person based on the relations in the group. On the contrary, advantages resulting from the line of business of other entities joined in the group can be exploited, being prevailingly the subjects of financial markets; consequently, the entities may reciprocally efficiently cooperate.

5. List of acts taken in the past accounting period in the interest of the controlling entity concerning assets exceeding 10% of the controlled entity's equity

- On 21.10.2016, a loan agreement was concluded by and between the company CYRRUS, a.s., as the Lender, and the company CYRRUS GROUP SE, as the Borrower, under standard terms and conditions, still valid.

6. List of mutual agreements between controlled and controlling entities and controlled entities

- Employment contracts have been concluded by and between the company CYRRUS, a.s. and Mr. Martin Kozumplík and by and between CYRRUS, a.s. and Mr. Jiří Loubal. The contracts have been concluded under standard terms and conditions, still valid.

- On 4.9.2012, a loan agreement was concluded by and between the company CYRRUS, a.s. (Creditor) and Mr. Martin Kozumplík, under standard terms and conditions. The loan agreement still valid.
- On 4.9.2012, a loan agreement was concluded by and between the company CYRRUS, a.s. (Creditor) and Mr. Jiří Loubal, under standard terms and conditions. The loan agreement still valid.
- On 5.1.2009, a service sub-delivery agreement was concluded by and between the companies CYRRUS, a.s. and CYRRUS CORPORATE FINANCE, a.s. The agreement was concluded under standard terms and conditions, still valid.
- On 1.1.2012, a consignment agreement was concluded by and between the companies CYRRUS, a.s. and CYRRUS CORPORATE FINANCE, a.s. to provide investment services. The agreement was concluded under standard terms and conditions, still valid.
- On 11.4.2014, an outsourcing service agreement was concluded by and between the companies CYRRUS, a.s. and CYRRUS FX, a.s. The agreement concluded under standard terms and conditions, still valid.
- On 18.3.2014, a loan agreement was concluded by and between the company CYRRUS, a.s., as the Creditor, and CYRRUS GROUP, SE, under standard terms and conditions, still valid.
- On 27.5.2014, a security transfer agreement was concluded by and between the company CYRRUS, a.s., as the Assignor, and CYRRUS GROUP, SE, in the company accredi a.s. (CYRRUS FX).
- On 31.8.2015, an oral agreement about provision of marketing services was concluded by and between the companies CYRRUS, a.s. and CYRRUS MARKETING, s.r.o.; under standard terms and conditions, still valid.
- On 4.1.2016, a loan agreement was concluded by and between the company CYRRUS, a.s. (Lender) and the company CYRRUS FX, a.s. (Borrower); under standard terms and conditions, still valid.
- On 2.5.2016, a loan agreement was concluded by and between the company CYRRUS GROUP, SE (Lender) and the company CYRRUS, a.s. (Borrower); under standard terms and conditions, still valid.
- On 23.5.2016, a cooperation agreement was concluded by and between the company CYRRUS CORPORATE FINANCE, a.s. and the company CYRRUS, a.s.; still valid.
- On 21.10.2016, a loan agreement was concluded by and between the company CYRRUS, a.s. (Lender) and the company CYRRUS GROUP, SE (Borrower); under standard terms and conditions, still valid.

7. Conclusion

The afore-mentioned report indicates that the company CYRRUS, a.s. has not suffered any damage from its relation to the controlling and related persons within the framework of the past accounting period as a consequence of concluded agreements, measures taken and legal acts - see point 4 to this report.

In Brno, on 6.3.2017

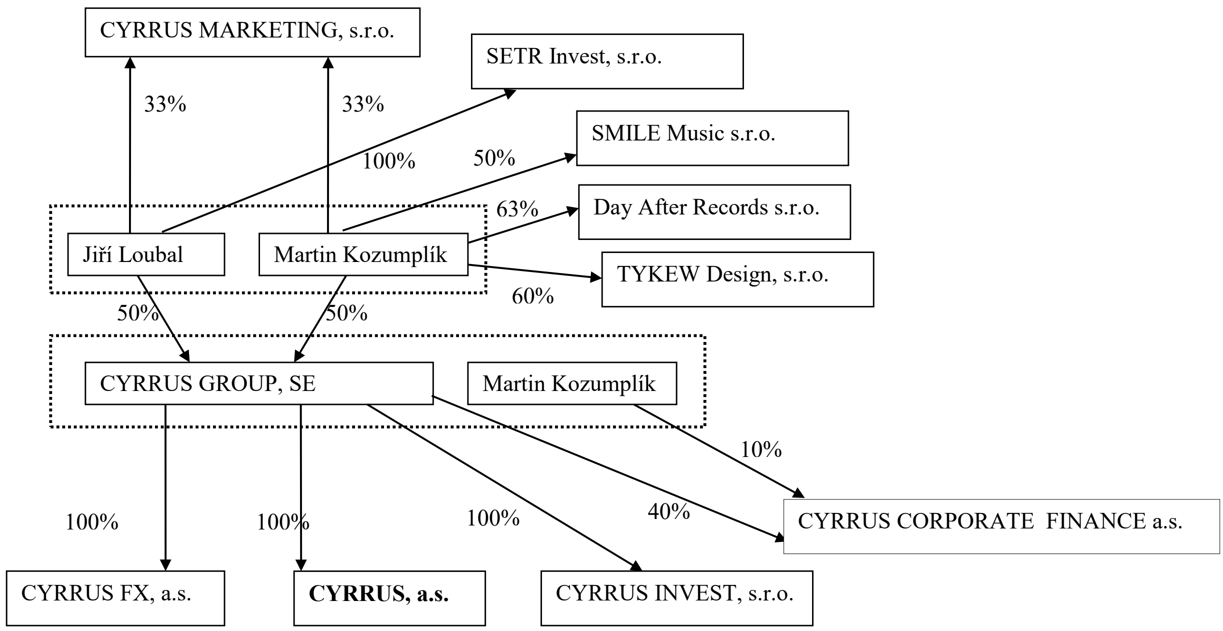
On behalf of CYRRUS, a.s.

…………………………………………...

Martin Kozumplík

chairperson of the boards of directors

The scheme of the controlling person



A graphical illustration of the group CYRRUS to 31.12.2016. Entities in dashed-line rectangle act in concert.

Processed in harmony with the public notice
No. 501/2002 Coll., as amended

BALANCE SHEET

(CZK amounts in whole thousands)

as of 31.12.2016

company ID

63907020

Business firm or another
name of the accounting entity

CYRRUS, a.s.

Seat, residence or place
of business of the accounting entity

Veveří 3163/111
Brno - Žabovřesky
616 00

Ident.	ASSETS	No. of line	Ordinary accounting period			Last acc. period	Accounting period before last
			Brutto	Correction	Netto	Netto	Netto
a	b	c	1	2	3	4	5
1.	Balance in cash, deposits in central banks	001	163	0	163	164	838
2.	Treasury zero-coupon bonds and other securities accepted by the central bank for re-financing	002	0	0	0	0	0
a)	issued by governmental institutions	003	0	0	0	0	0
b)	others	004	0	0	0	0	0
3.	Receivables from banks, cooperate savings banks	005	509 366	0	509 366	193 236	185 575
a)	repayble at request	006	506 185	0	506 185	189 816	180 829
b)	other receivables	007	3 181	0	3 181	3 420	4 746
4.	Receivables from non-banking subjects	008	7 748	0	7 748	15 170	51 823
a)	repayble at request	009	0	0	0	0	0
b)	other receivables	010	7 748	0	7 748	15 170	51 823
5.	Debt securities	011	43 164	0	43 164	37 279	8 193
a)	issued by governmental institutions	012	0	0	0	0	0
b)	issued by other entities	013	43 164	0	43 164	37 279	8 193
6.	Shares, allotment certificates, and other interests	014	7 234	0	7 234	52 683	19 217
7.	Investments with significant influence	015	0	0	0	0	0
	out of it in banks	016	0	0	0	0	0
8.	Investments with controlling influence	017	0	0	0	0	0
	out of it in banks	018	0	0	0	0	0
9.	Non-current intangible assets	019	1 615	-1 492	123	192	308
a)	out of it incorporation expenses	020	0	0	0	0	0
b)	out of it goodwill	021	0	0	0	0	0
10.	Non-current tangible assets	022	1 357	-1 323	34	157	335
	out of it lands and buildings for operating activity	023	0	0	0	0	0
11.	Other assets	024	168 313	-2 911	165 402	344 736	461 865
12.	Receivables from subscribed registered capital	025	0	0	0	0	0
13.	Pre-paid expenses and proceeds	026	981	0	981	533	1 513
	A S S E T S T O T A L	027	739 941	-5 726	734 215	644 150	729 667

Ident. a	LIABILITIES b	No. of line c	Ordinary accounting period 6	Last accounting period 7	Accounting period before last 8
1.	Liabilities to banks, cooperative savings banks	028	0	813	1 380
a)	repayable at request	029	0	0	0
b)	other liabilities	030	0	813	1 380
2.	Liabilities to non-banking subjects	031	507 412	381 269	429 106
a)	repayable at request	032	507 230	380 849	420 066
b)	other liabilities	033	182	420	9 040
3.	Liabilities from debt securities	034	88 810	129 476	128 955
a)	issued debt securities	035	88 810	129 476	128 955
b)	other liabilities from debt securities	036	0	0	0
4.	Other liabilities	037	37 993	50 607	90 201
5.	Pre-paid revenues and expenses	038	830	1 033	1 400
6.	Reserves	039	5 126	3 993	6 956
a)	pensions and similar liabilities	040	0	0	0
b)	taxes	041	0	0	0
c)	others	042	5 126	3 993	6 956
7.	Subordinated liabilities	043	0	0	0
8.	Registered capital	044	20 020	20 020	20 020
	out of it paid registered capital	045	20 020	20 020	20 020
	out of it treasury shares	046	0	0	0
9.	Share premium	047	172	172	172
10.	Reserve funds and other funds from profit	048	3 894	3 894	3 894
a)	obligatory reserve funds and risk funds	049	3 894	3 894	3 894
b)	other reserve funds	050	0	0	0
c)	other funds from profit	051	0	0	0
11.	Reserve fund for new valuation	052	0	0	0
12.	Capital funds	053	0	0	0
13.	Revaluation gains or losses	054	0	0	0
a)	from assets and liabilities	055	0	0	0
b)	hedging derivatives	056	0	0	0
c)	recalculation of investments	057	0	0	0
14.	Retained earnings or outstanding losses from previous years	058	52 873	42 582	44 912
15.	Profit/loss in the accounting period	059	17 085	10 291	2 671
	LIABILITIES TOTAL	060	734 215	644 150	729 667

Prepared on: 30.3.2017

Accounting entity legal from: joint-stock company

Accounting entity line of business: trading with securities and commodities at the stock-exchanges

Signature record:

Minimum binding listing of information
acc. to the notice No. 501/2002 Coll.
as amended

PROFIT AND LOSS ACCOUNT
unabridged

as of 31.12.2016

(CZK amounts in whole thousands)

company ID

63907020

Business firm or another
name of the accounting entity

CYRRUS, a.s.

Seat or residence of the accounting entity
and place of business if different from the reside

Veveří 3163/111
Brno - Žabovřesky
616 00

Identification	TEXT	No. of line	Facts in the accounting period		
			ordinary	last	before last
a	b	c	1	2	3
1.	Interest yields and similar revenues	01	4 856	4 643	8 064
	out of it: interests from debt securities	02	2 384	188	105
2.	Expenses to interests and similar expenses	03	4 017	4 779	4 575
	out of it: expenses to interests from debt securities	04	2 622	2 430	1 279
3.	Revenues from shares and investments	05	1 736	1 362	1 045
a)	revenues from investments with significant influence	06	0	0	0
b)	revenues from investments with controlling influence	07	0	0	0
c)	other revenues from shares and investments	08	1 736	1 362	1 045
4.	Fee and commission revenues	09	93 933	101 782	88 560
5.	Fee and commission expenses	10	10 376	14 853	22 907
6.	Net profit or loss from financial transactions	11	-6 493	-10 706	-5 439
7.	Other operating income	12	26 545	41 063	23 472
8.	Other operating expenses	13	8 208	36 427	15 795
9.	Administrative expenses	14	74 925	70 844	59 048
a)	expenses to employees	15	33 276	29 761	22 994
	out of it: aa) wages and salaries	16	25 894	23 059	17 489
	out of it: ab) social and health insurance	17	7 382	6 702	4 988
b)	other administrative expenses	18	41 649	41 083	36 054
10.	Release of reserves and allowances to the non-current tangible and intangible assets	19	0	0	0
11.	Depreciation/amortization, creation and use of reserves and allowances to non-current tangible and i	20	192	234	754
12.	Release of allowances and reserves to receivables and guarantees, revenues from previously written	21	180	2 401	0
13.	Depreciation/amortization, creation and use of allowances and reserves to receivables and guarante	22	180	2 221	3 060
14.	Release of allowances to investments with controlling and significant influence	23	0	0	0
15.	Losses from investment transfer with controlling and significant influence, creation and use of allowar	24	0	0	-2 493
16.	Release of other reserves	25	0	2 963	0
17.	Creation and use of other reserves	26	1 134	0	1 573
18.	Sharing of profit or loss in investments with controlling or significant influence	27	0	0	0
19.	Profit or loss for the accounting period from ordinary activity before tax	28	21 725	14 150	5 498
20.	Extraordinary income	29	0	0	0
21.	Extraordinary expenses	30	0	0	0
22.	Profit or loss for the accounting period from extraordinary activity before tax	31	0	0	0
23.	Income tax	32	4 640	3 859	2 828
24.	Profit or loss for the accounting period after tax	33	17 085	10 291	2 671

Prepared on: 30.3.2017

Accounting entity legal form: joint-stock company

Accounting entity line of business: trading with securities and commodities at the stock-exchanges

Signature record:

Business firm: **CYRRUS, a.s.**
Registered seat: Veveří 111, 616 00 Brno
Company identification number: 63907020
Legal form: joint-stock company
Line of business: brokerage company
Time of financial statement preparation: 31.12.2015
Ministry of Finance of the Czech Republic, notice No. 501/2002 Coll. dated 6 November 2002

SUMMARY OF CHANGES IN THE EQUITY

to 31.12.2016
(CZK in full thousands)

Ident. a	Item b	Line c	Registered capital 1	Treasury shares 2	Share premium 3	Reserve funds 4	Capital funds 5	Gains/losses from revaluation 6	Profit (loss) 7	Total 8
1.	**Balance at 1.1.2014**	027	20 020	0	172	3 894	0	0	44 912	68 999
	Changes in accounting policies	028								0
	Correction of significant errors	029								0
	Foreign exchanges and revaluation differences not included in	030								0
	Net profit/loss in the accounting period	031							2 671	2 671
	Dividends	032								0
	Transfers to funds	033								0
	Use of funds	034								0
	Share issue	035								0
	Registered capital reduction	036								0
	Treasure share purchase	037								0
	Other changes	038								0
	Balance at 31.12.2014	039	20 020	0	172	3 894	0	0	47 583	71 670
2.	**Balance at 1.1.2015**	027	20 020	0	172	3 894	0	0	47 583	71 670
	Changes in accounting policies	028								0
	Correction of significant errors	029								0
	Foreign exchanges and revaluation differences not included in	030								0
	Net profit/loss in the accounting period	031							10 291	10 291
	Dividends	032							-5 000	-5 000
	Transfers to funds	033								0
	Use of funds	034								0
	Share issue	035								0
	Registered capital reduction	036								0
	Treasure share purchase	037								0
	Other changes	038								0
	Balance at 31.12.2015	039	20 020	0	172	3 894	0	0	52 874	76 961
3.	**Balance at 1.1.2016**	027	20 020	0	172	3 894	0	0	52 874	76 961
	Changes in accounting policies	028								0
	Correction of significant errors	029								0
	Foreign exchanges and revaluation differences not included in	030								0
	Net profit/loss in the accounting period	031							17 085	17 085
	Dividends	032								0
	Transfers to funds	033								0
	Use of funds	034								0
	Share issue	035								0
	Registered capital reduction	036								0
	Treasure share purchase	037								0
	Other changes	038								0
	Balance at 31.12.2016	039	20 020	0	172	3 894	0	0	69 959	94 046

Signature of the statutory body or natural person that is the accounting entity

Brno 31.5.2017

Martin Kozumplík
tel.: +420 538 705 701

Business firm: **CYRRUS, a.s.**
Registered seat: Veveří 111, 616 00 Brno
Company identification number: 63907020
Legal form: joint stock company
Line of business: brokerage company
Time of financial statement preparation: 31.12.2016
Ministry of Finance of the Czech Republic, notice No. 501/2002 Coll. dated 6 November 2002

OFF-BALANCE SHEET

31.12.2016

(CZK in full thousands)

Ident. a		Item b	Line c	Current accounting period 9	Last accounting period 10	Accounting period before last 11
1.		Irrevocable commitments and guarantees	001	**0**	**0**	**0**
	a)	commitments	002	0	0	0
	b)	guarantees and collaterals	003	0	0	0
	c)	guarantees from bills of exchanges	004	0	0	0
	d)	guarantees from letter of credits	005	0	0	0
2.		Pledged collaterals	006	**0**	**0**	**0**
	a)	real estate collateral	007	0	0	0
	b)	monetary collateral	008	0	0	0
	c)	securities	009	0	0	0
	d)	other	010	0	0	0
3.		Spot operation receivables	011	**51 223**	**66 928**	**0**
	a)	interest instruments	012	0	0	0
	b)	currency instruments	013	51 223	66 928	0
	c)	share instruments	014	0	0	0
	d)	commodity instruments	015	0	0	0
4.		Receivables from fixed-term operations	016	**0**	**0**	**0**
	a)	interest instruments	017	0	0	0
	b)	currency instruments	018	0	0	0
	c)	share instruments	019	0	0	0
	d)	commodity instruments	020	0	0	0
	e)	credit instruments	021	0	0	0
5.		Receivables from options	022	**0**	**0**	**0**
	a)	interest instruments	023	0	0	0
	b)	currency instruments	024	0	0	0
	c)	share instruments	025	0	0	0
	d)	commodity instruments	026	0	0	0
	e)	credit instruments	027	0	0	0
6.		Written-off receivables	028	0	0	0
7.		Assets provided for management, administration and custody	029	0	0	0
		out of them: securities	030	0	0	0
8.		Assets provided for management	031	0	0	0
		out of them: securities	032	0	0	0
9.		Received commitments and guarantees	033	**0**	**0**	**0**
	a)	commitments	034	0	0	0
	b)	guarantees and collaterals	035	0	0	0
	c)	guarantees from bills of exchanges	036	0	0	0
	d)	guarantees from letter of credits	037	0	0	0
10.		Pledged collaterals and hedges	038	**0**	**200**	**23 453**
	a)	real estate collateral	039	0	0	0
	b)	monetary collaterals	040	0	0	0
	c)	securities	041	0	0	0
	d)	other collaterals	042	0	200	0
	e)	collaterals - securities	043	0	0	23 453
11.		Spot operation liabilities	044	**51 223**	**66 928**	**0**
	a)	interest instruments	045	0	0	0
	b)	currency instruments	046	51 223	66 928	0
	c)	share instruments	047	0	0	0
	d)	commodity instruments	048	0	0	0
12.		Liabilities from fixed-term operations	049	**0**	**0**	**0**
	a)	interest instruments	050	0	0	0
	b)	currency instruments	051	0	0	0
	c)	share instruments	052	0	0	0
	d)	commodity instruments	053	0	0	0
	e)	credit instruments	054	0	0	0
13.		Liabilities from options	055	**0**	**0**	**0**
	a)	interest instruments	056	0	0	0
	b)	currency instruments	057	0	0	0
	c)	share instruments	058	0	0	0
	d)	commodity instruments	059	0	0	0
	e)	credit instruments	060	0	0	0
14.		Assets accepted for management, administration and custody	061	20 430 591	21 380 149	20 976 407
		out of them: securities	062	19 931 108	21 014 067	20 599 119
15.		Assets accepted for management	063	0	0	0
		out of them: securities	064	0	0	0

Signature of the statutory body or natural person that is the accounting entity

Brno 31.5.2017

Martin Kozumplík
tel.: +420 538 705 701

CYRRUS, a.s.
Attachment to the Financial Statement
Year ended 31 December 2016

(CZK amounts in thousands)

1. BASIC INFORMATION

(a) Characterization and Fields of Activity

The company CYRRUS, a.s., a brokerage firm with its registered seat located in Brno, Veveří 111, incorporated in the Trade Register kept by the Regional Court in Brno, section B, entry 3800, company ID 63907020 (hereinafter referred to as the "**Company**"), has been established on 4 September 2002 by the transformation from the trading company CYRRUS, s.r.o.. The object of the company business is provision of investment services under the Act No. 256/2004 Coll., on the Capital Market Undertakings, within the scope of the license granted by Česká národní banka (*Czech National Bank*) dated 31.10.2006.

The company is a member of the Burza cenných papírů Praha, a.s. *(Prague Stock Exchange)*, a member of the Frankfurter Wertpapierbörse, a member of the Centrální depozitář cenných papírů, a.s. *(Central Securities Depository Prague)* and a member of the Burza cenných papírů RM-Systém, a.s. *(RM System Czech Stock Exchange).* In its activity of the brokerage firm, the company provides all types of investment services, in particular, trading with securities, investment advice, and underwriting and placement of investment instruments.

(b) Geographical Territories

The company offers its investment services solely in the territory of the Czech Republic. The company trades with investment instruments both in the domestic and foreign markets, in particular Germany and the USA.

(c) Company Organizational Chart

Company management:
Ing. Jiří Loubal, MBA, Chief Executive Officer
Bc. Martin Kozumplík, Deputy Chief Executive Officer
Bc. Kamil Kricner, director of the Prague branch

Board of directors of the company:
Bc. Martin Kozumplík, chairperson of the board of directors
Ing Jiří Loubal, MBA, vice-chairperson of the board of directors
Bc. Kamil Kricner, member of the board of directors

Supervisory board of the company:
Ing. Michal Beran, chairperson of the supervisory board
Marek Hatlapatka, member of the supervisory board
Michal Přikryl, member of the supervisory board

Changes in the company bodies until the date of financial statement compilation:
No changes in the company bodies in the year 2016.
The company is divided into individual offices with their managers at the head. At present time, the company is divided into the following offices:
- Front Office – ca. 45 employees,
- Research – 3 employees,
- Back Office – 7 employees,
- Accounting – 2.

In addition, various independent staff, directly subordinated to the Chief Executive Officer, is employed; specifically, risk manager, human resources manager, and assistants (ca. 10 employees). Activities of the internal audit, compliance, legal advice and IT services are outsourced.
Average converted number of employees counts to 77.

2. STARTING POINTS FOR THE FINANCIAL STATEMENT PREPARATION

This financial statement has been prepared on the basis of a bookkeeping, complying with the Act No. 563/1991 Coll., Act on Accounting, Czech accounting standards and applicable directives and regulations valid in the Czech Republic. Said financial statement has been prepared on the basis of principles of accruals of expenses and revenues, and historical prices, with the exception of selected financial instruments valued by their fair value.

The financial statement has been prepared in compliance with the public notice issued by the Ministry of Finance of the Czech Republic No. 501/2002 Coll., as amended, laying down the structure and contents of financial statement items and extent of data to be published by banks and certain financial institutions.

This financial statement is separate.

3. SIGNIFICANT ACCOUNTING POLICIES

From 1.7.2014, the company has started to use a new accounting system, K2. The company's financial statement has been prepared in compliance with the following significant accounting policies:

(a) Accounting Transaction Date

The accounting transaction date shall be, in particular, a day of payment or collection of money in circulation, day of purchase or sale of foreign exchange, foreign currency and/or securities, day of payment, bank's advice, received medium, statement of account, trade day and day of settlement of the trade with securities, foreign currencies.

(b) Debt Securities, Shares, Allotment Certificates, and Other Interests

All debt securities, shares, including allotment certificates and other interests, are categorized by the company's trading plan. Where the trading plan is changed in the period of held-on-trading securities, securities would be reclassified into the relevant category for sale or held-to-maturity according to the instructions issued by the main investment strategist.

Shares and allotment certificates are recognized under their costs of purchase.

Bonds and other debt securities are recognized at the cost of purchase, taking into account the variable part of the aliquot interest return.

Bonds, shares, allotment certificates and other debt instruments are valued by their fair values to the last day of the calendar month and to the date of financial statement preparation.

Fair value, used to revalue securities, is calculated as a market price announced to the day of fair value determination, i.e., to the last working day of the accounting period, or - as the case may be - a price determined by a qualified estimation; alternatively, the financial news service Bloomberg is used. Changes in fair values are reported in the profit/loss account under the item "Profit/loss from financial transactions".

The accounting entity employs FIFO method to value sold securities.

(c) Repo and Reverse Repo

Transactions, where securities are sold subject to a commitment to re-purchase them ("repo" transactions) or subject to a commitment to resell them (a "reverse repo"), are recognized as secured accepted or provided loans. Ownership rights to securities are transferred to the subject, providing the loan. Revenues from REPO transactions are recognized as the "Interest Income and Similar Revenues". Since 2014, the company has reported neither such type of transaction nor its mediation.

(CZK amounts in thousands)

(d) Receivables from Clients

Receivables are classified by their return. Adjustments to the individual dubious receivables are made on the basis of the internal analysis of solvency of the clients.

(e) Adjustment and Reserve Creation

The company creates adjustments (except the adjustment to acquired assets) to expenses or revenues equaling to the difference between valuation in the acquisition period and valuation to the date of the account book closing. No adjustments to unsettled overdue receivables were created in the year 2016.
The company creates reserves for lawsuits taking into consideration the standpoint of the legal representative of the company depending on the probability of its success in the particular case. In the year 2016, the reserve was increased by other potential risks by CZK 1,134,000; i.e., the total balance amounted to CZK 5,126,000.

(f) Intangible and Tangible Assets

Non-current intangible and tangible assets are recorded by the costs of purchase and depreciated (amortized) both as linear and accelerated for their estimated useful life, being longer than one year, and from the value point of view meeting the criteria stipulated in the Act on Income Tax (non-current tangible assets from CZK 40,000 and intangible assets from CZK 60,000).

Depreciation (amortization) periods of the individual categories of non-current tangible and intangible assets are as follows:

Software	3 years
Equipment and appliances	4 years
Furniture	6 years
Others	4 to 12 years

Details of selected method of depreciation (amortization) and depreciation (amortization) plan shall be drafted at the assets acquisition and shall be identified in the inventory card of the tangible and intangible assets.

Book depreciations of non-current tangible and intangible assets shall be calculated from the price valuating such assets in the bookkeeping system, up to their 100% value, determined on the basis of their useful lives. Book depreciations shall be recognized in the month following the introduction of the subject into use.
Book depreciations shall be recorded in the account 635-Depreciation/amortization of non-current tangible and intangible assets - according to the type of assets in the analytical accounts.

Tax depreciation of non-current tangible and intangible assets shall be individual either as linear or accelerated pursuant to § 31, 32 and 32a of the Act on Income Taxes.
A difference between book depreciation and tax depreciation occurred and deferred tax was calculated from such difference; however, based on its insignificance, the tax was not recognized.

Low-value tangible assets with useful life shorter than one year and with the cost of purchase up to CZK 35,000 shall be depreciated as a lump sum in the amount of 100 % of the cost of purchase at the moment of their introduction into use. Moreover, computer technology from CZK 35,000 and to CZK 40,000 shall be depreciated as the low-value tangible assets according to the evaluation of its useful life, being from the point of demands, put on the quality and technical development of technology used by the brokerage firm, usually shorter than one year.

Low-value intangible assets up to CZK 60,000 and useful life shorter than one year are recognized in the expenses of the period of their acquisition.

(g) Foreign Currency Conversion

Transactions, quantified in foreign currencies, shall be reported in the domestic currency converted by the rate of exchange, set by the Česká národní banka *(Czech National Bank)* to the day of their booking. Assets and liabilities, quantified in foreign currencies, shall be converted to the domestic currency applying the rate, announced by the Česká národní banka *(Czech National Bank)* valid to the balance sheet date. Receivables and liabilities in foreign currencies shall be converted to the Czech currency to the accounting transaction day. Resulting profit or loss from the conversion of assets and liabilities, quantified in foreign currencies, shall be reported in the profit and loss account as the "Net profit or loss from financial transactions".

(h) Taxation

Tax base for the income tax shall be calculated from the economic result for the period by adding of tax non-deductible expenses and subtraction of revenues, not subject to the income tax, further adjusted with tax allowances and any offsets.

(ch) Items from Another Accounting Period and Changes in Accounting Policies

Items from another accounting period than belonging from the tax and accounting point of view and changes in accounting policies shall be recognized as revenues or expenses in the profit and loss account for the period.

(i) Reporting

When reporting receivables and liabilities for non-banks in the balance sheet, from 2013 the balance sheet reports only clients' assets. Receivable and liabilities, not related to clients, constitute "Other Assets", in the balance sheet identified by the number 11. The company wants to clearly separate positions related to its clients.

(j) Ownership Interest Valuation

Ownership interests shall be valued in compliance with § 69 public notice No. 501/2002 Coll., according to the sum of equity capital of the controlling or controlled person.

(k) Transactions with Securities Undertaken on behalf of Clients

Securities, provided for deposit, administration and custody, are registered in the business system in their nominal values and recognized in the accounting by their qualified estimate. In the bookkeeping, such securities are registered in the off-balance sheet under the item "Assets accepted for management, administration, and custody".

Securities, accepted for management are reported at their market prices and recognized in the off-balance sheet under the item "Assets accepted for management". Financial assets of clients in their asset accounts constitute the part of this item.

(l) Financial Derivative Instruments

Derivatives embedded in other financial instruments

In some cases, a derivative instrument may constitute a part of combined (hybrid) financial instrument, hosting both derivative and non-derivative instruments – so-called "embedded derivative". Embedded derivatives are separated from financial instruments and are qualified for separate accounting provided that the following conditions are satisfied:
- economic characteristics and risks of the derivative are not closely related to the economic characteristics and risks of the hosting instrument,
- financial instrument with identical conditions as the embedded derivative would satisfy conditions of the derivative as an independent instrument,

- host instrument is not re-valued to the fair value, or is re-valued to the fair value, but changes are reported only in the balance sheet.

Derivatives for trading
Financial derivative instruments for trading are reported in their fair values and profits and loss from changes in their fair values are recognized in the profit and loss account under the item "Profit or loss on financial transactions".

The company does not hold any derivatives valued by the internal model; either market or issuer valuation is used to value derivatives.

(CZK amounts in thousands)

4. NET INTEREST INCOME

thous. CZK	2016	2015	2014
Interest income			
loans	2,444	4,299	7,815
debt securities	2,384	188	105
deposits	28	156	143
others (REPO)			1
Total	**4,856**	**4,643**	**8,064**
Interest expense			
loans	-1,156	- 2,345	-3,296
debt securities	-2,622	- 2,430	- 1,279
others (REPO)	-239	- 4	
Total	**-4,017**	**-4,779**	**-4,575**
Net interest income total	**839**	**- 136**	**3,489**

5. FEE AND COMMISSION REVENUES AND EXPENSES

thous. CZK	2016	2015	2014
Fee and commission revenues			
management, administration, custody, deposit of values	93,933	101,782	88,560
Total	**93,933**	**101,782**	**88,560**
Fee and commission expenses			
management, administration, custody, deposit of values	10,376	14,853	22,907
Total	**10,376**	**14,853**	**22,907**

Significant items in the fee expenses:

- fee expense for the Central Securities Depository Prague and PSE CZK 3,581,000
- fee expense for HSBC CZK 2,178,000
- fee expense for CACEIS + DB CZK 864,000
- expense for commissions for client mediation CZK 2,563,000
- expense for Interaktiv Broker CZK 777,000
- expense for other fees CZK 413,000

On 1.7.2016, the company ceased cooperation with HSBC TRINKAUS&BURKHARDT AG.

From 1.7.2016, the company CACEIS Bank Deutschland GmbH is responsible for settlement of trades at Deutsche Börse.

(CZK amounts in thousands)

6. REVENUES FROM SHARES AND INTERESTS

thous. CZK	2016	2015	2014
Received dividends	1,736	1,363	1,045
	-	-	
Total	**1,736**	**1,363**	**1,045**

7. NET PROFIT OR LOSS ON FINANCIAL TRANSACTIONS

thous. CZK	2016	2015	2014
Profit/loss on transactions with securities	- 6,493	-10,706	-5,438
Total	**-6,493**	**-10,706**	**-5,438**

In 2016:
profit from trading with securities CZK 559,000
foreign exchange losses from revaluation of securities for trading CZK – 8,418,000
foreign exchange gains from revaluation of balances in foreign currencies and derivative transactions CZK 1,366,000

8. OTHER OPERATING INCOMES AND EXPENSES

thous. CZK	2016	2015	2014
Other operating incomes	26,545	41,063	23,472
Other operating expenses	8,208	36,427	15,795

Significant items in the operating expenses are:

- non-applied VAT CZK 4,768,000
- contribution to the Garanční fond *(Guarantee Fund)* CZK 1,878,000
- write-off of receivable CZK 180,000
- damages and compensation to clients CZK 1,235,000

Significant items in the operating incomes are:

corporate finance income amounting to CZK 25,036,000

(CZK amounts in thousands)

9. ADMINISTRATIVE EXPENSES

thous. CZK	2016	2015	2014
Personnel expenses			
wages and salaries	25,894	23,059	17,489
out of it management	720	1,310	717
social security and health insurance	7,382	6,702	4,988
out of it management	245	459	244
other social expenses	0	0	517
	33,276	29,761	22,944
Other administrative expenses	41,649	41,083	36,054
legal and tax consultancy	2,153	2,653	1,979
expenses to rent and related services	19,069	14,011	13,646
	74,925	**70,844**	**59,048**

Average converted number of employees was as follows:

	2016	2015	2014
Employees	77	75	65

10. EXTRAORDINARY REVENUES AND EXPENSES

In 2016, the company did not recognize any extraordinary revenues and expenses.

11. SHARES, ALLOTMENT CERTIFICATES AND OTHER INTERESTS, DEBT SECURITIES

Classification of shares, allotment certificates and other interests and debt securities into the individual portfolio according to the plan of the company

thous. CZK	2016	2015	2014
Shares, allotment certificates and other interests for trading	7,234	52,683	19,217
Debt securities for trading	43,164	37,279	8,193
Shares, allotment certificates and interests for sale	-	-	-
Debt securities held-to-maturity	-	-	-
Total	**50,398**	**89,962**	**27,410**

In particular, the following shares:

Komerční banka a.s.
Airbus Group Stock
Roche Holding

In particular, the following debt securities:

J&T BANKA 10% PERP
JTSEC 6,25/18
SG CYR STOXX50 CZK

(CZK amounts in thousands)

BNP CYRStars I CZK
SG CYRStars II CZK

Fair value reflects market valuation at 31.12.2016. Market-based valuation is determined by markets or traders as follows:

ČR – PSE, RMS
Germany – Deutsche Borse Xetra, FSE, CACEIS
USA – Interaktive Brokes

For debt securities not publicly traded, so-called OTC, are prices determined by issuers and published by the company BLOOMBERG.

12. INTERESTS WITH SIGNIFICANT AND CONTROLLING INFLUENCE

At 31.12.2016, the company did not recognize any interests with controlling influence.

13. INTANGIBLE ASSETS

Intangible assets were reported in compliance with the procedures referred to in para. 3 letter (e).

(a) Changes in intangible assets

thous. CZK	Other IA	Incorporation expenses	Total
Cost of purchase			
At 1 January 2014	2 332	-	2 332
Additions	210	-	210
Other changes	-	-	-
Disposals	-	-	-
At 31 December 2014	2 542	-	2 542
At 1 January 2015	2,542	-	2,542
Additions	360	-	360
Other changes	-	-	-
Disposals	852	-	852
At 31 December 2015	1,839	-	1,839
At 1 January 2016	1,839	-	2 542
Additions	-	-	-
Other changes	-	-	-
Disposals	225	-	225
At 31 December 2016	1 615	-	1 615
Accumulated amortization and provisions			
At 1 January 2014	-1,655	-	-1,655
Annual amortization charges	-576	-	-576
Disposals	-	-	-
Provisions	-	-	-
At 31 December 2014	-2,234	-	-2,234
At 1 January 2015	-2,234	-	-2,234

(CZK amounts in thousands)

Annual amortization charges	-56	-	-56
Disposals	643	-	643
Provisions	-	-	-
At 31 December 2015	-1,647	-	-1,647
At 1 January 2016	-1,647	-	-1,647
Annual amortization charges	-69	-	-69
Disposals	225	-	225
Provisions	-	-	-
At 31 December 2016	-1,492	-	-1,492
Net book value	-	-	-
At 31 December 2016	123	-	123

14. TANGIBLE ASSETS

Tangible assets were reported in compliance with the procedures referred to in para. 3 letter (e).

(a) Changes in tangible assets

thous. CZK	Land and buildings	Other current assets	Tangible assets not filed into use	Total
Cost of purchase				
At 1 January 2014	794	617	-	1,411
Additions	-	-	-	-
Other changes	-	-	-	-
Disposals	-	43	-	43
At 31 December 2014	794	660	-	1,454
At 1 January 2015	794	660	-	1,454
Additions	-	-	-	-
Other changes	-	-	-	-
Disposals	-	-97	-	-97
At 31 December 2015	794	563		1,357
At 1 January 2016	794	563	-	1,357
Additions	-	-	-	-
Other changes	-	-	-	-
Disposals	-		-	-
At 31 December 2016	794	563		1,357
Accumulated amortization and provisions				
At 1 January 2014	-555	-389	-	-944
Annual amortization charges	-79	-95	-	-174
Disposals	-	-	-	-
Provisions	-	-	-	-
At 31 December 2014	-635	-484	-	-1,118
At 1 January 2015	-635	-484	-	-1,118

(CZK amounts in thousands)

Annual amortization charges	-79	-99	-	-178
Disposals	-	97-	-	97
Provisions	-	-	-	-
At 31 December 2015	-714	-485	-	-1,199
At 1 January 2016	-714	-485	-	-1,199
Annual amortization charges	-80	-43	-	-123
Disposals	-			
Provisions	-	-	-	-
At 31 December 2016	-794	-529	-	-1,323
Net book value	-	-	-	
At 31 December 2016	0	34		34

The company operates and uses most of its assets under the agreement on tangible asset lease (operating lease).

(b) Tangible assets purchased on the basis of financial lease

The company does not register any assets bought under the financial lease.

14. RECEIVABLES FROM BANKS

thous. CZK	2016	2015	2014
Bank accounts	509,366	193,236	185,575
current accounts	89,986	31,510	18,109
deposits of clients	466,974	161,726	165,967
cash in transit	-50,775	-	-1
term deposits	3,000		
liabilities from fixed term transactions (forward, swap)	182		
	509,366	**193,236**	**185,575**

15. RECEIVABLES FROM NON-BANKING ENTITIES

thous. CZK	2016	2015	2014
Receivables repayable at request	-	-	-
Other receivables	7,748	15,170	51,823
short-term receivables REPO	-	-	9,035
short-term receivables in margin trading	5,659	13,174	34,699
other	2,089	1,996	7,785
	7,748	**15,170**	**51,823**

Receivables from non-banking entities comprise clients' repo and loans under margin trading and unauthorized debits at the accounts of the clients, not constituting trading receivables and receivables on bonds issued.

(CZK amounts in thousands)

ANALYSIS OF RECEIVABLES FROM NON-BANKING ENTITIES BY TYPE OF COLLATERAL

thous. CZK	2016	2015	2014
Securities	5,659	13,174	42,484
Bills of exchange	-	-	-
Uncollateralized	2,089	1,996	7,785
	7,748	**15,170**	**51,823**

16. OTHER ASSETS

thous. CZK	2016	2015	2014
Other debtors	168,313	347,647	461,865
trading receivables	4,827	2,819	184
advances given	5,605	3,399	5,532
current loans, credits	53,276	35,066	59,820
other receivables	104,605	245,286	294,747
deferred tax receivable	-	-	-
provisions for receivables	-2,911	-2,911	-3,096
inventories	-	-	-
receivables from issued bonds	-	61,077	101,582
	165,402	**347,647**	**461,865**

Other receivables namely:

- receivable INTERAKTIV BROKERS	99,306
- other	5,299

ANALYSIS OF OTHER ASSETS – RECEIVABLES PER MATURITY

thous. CZK	2016	2015	2014
mature immediately	109,287	309,760	402,045
mature in 90 days	52,689	26,839	56,006
mature until 1 year	2,734	5,324	
mature over 1 year	539	2,660	750
past maturity	3,064	3,064	3,064
	168,313	**347,647**	**461,865**

17. LIABILITIES TO BANK ENTITIES

thous. CZK	2016	2015	2014
Liabilities to bank entities	-	813	1,380
repayable at request	-	-	-
other liabilities	-	813	1,380
	-	**813**	**1,380**

(CZK amounts in thousands)

18. LIABILITIES TO NON-BANKING ENTITIES

thous. CZK	2016	2015	2014
Liabilities to non-banking entities			
repayable at request (liabilities to clients)	507,230	380,849	420,066
other liabilities		420	9,040
current liabilities REPO		420	9,040
current loans	-	-	-
bills of exchange	-	-	-
current mediat. liabilities to clients	182		
	507,412	**381,269**	**429,106**

Liabilities to non-banking entities comprise clients' assets, repo, loans or mediated liabilities, related to trading with securities and derivative transactions.

19. LIABILITIES FROM DEBT SECURITIES

thous CZK.	2016	2015	2014
Liabilities from debt securities	88,810	129,476	128,955
out of it bonds issued	88,810	129,476	128,955
	88,810	**129,476**	**128,955**

In year 2012, the company issued equity bonds. Five issues, condition to 31.12.15: interest rate 4% p. a., maturity 31.12.2016

Bonds and coupons mature at 31.12.2016 CZK 49,554,000

Bond CYRRUS 4/2016/10_2012 issue 1. 10. 2012 (certificated registered) – CZK 554,000
Interest rate 4% p. a., maturity 30. 9. 2016
Bond CYRRUS 4/2016/11_2012 issue 1. 11. 2012 (certificated registered) – CZK 90,000
Interest rate 4% p. a., maturity 30. 9. 2016
Bond CYRRUS 4/2016/12_2012 issue 1. 12. 2012 (certificated registered) – CZK 1,790,000
Interest rate 4% p. a., maturity 30. 9. 2016
Bond CYRRUS 4/2016/EXT_2012 issue 31. 12. 2012 (certificated registered) – CZK 622,000
Interest rate 4% p. a., maturity 31. 12. 2016
Bond CYRRUS CZK CZ003703530 issue 14. 12. 2012 (dematerialized registered) – CZK 44,681,000
Interest rate 4% p. a., maturity 31. 12. 2016
Bond CYRRUS EUR CZ003703548 issue 14. 12. 2012 (dematerialized registered) – CZK 1,817,000

In year 2016, another issue of equity bonds. Five issues of securities certificated registered, interest rate 3.25% p. a., maturity 31.12.2021

Bonds and coupons mature at 31.12.2021 CZK 39,254,000

Bond CYRRUS PREMIUM 3,25/2021 12_16 issue 1.12.16 CZK 7,718,000
Bond CYRRUS PREMIUM 3,25/2021 11_16 issue 1.11.16 CZK 3,064,000
Bond CYRRUS PREMIUM 3,25/2021 10_16 issue 1.10.16 CZK 20,095,000
Bond CYRRUS PREMIUM 3,25/2021 09_16 issue 1.9.16 CZK 8,074,000
Bond CYRRUS PREMIUM 3,25/2021 08_16 issue 1.8.16 CZK 3,040,000

(CZK amounts in thousands)

Unissued debt securities are recognized in "Other assets" under "Receivables from debt securities issued". No unissued debt securities to 31.12.2016.

20. OTHER LIABILITIES

thous. CZK	2016	2015	2014
Other liabilities	37,993	50,607	90,201
trading liabilities	1,917	1,854	5,170
clearing with employees	1,742	1,562	1,203
clearing with national budget, health and social insurance	2,483	1,905	2,742
other liabilities	31,851	45,286	81,086
current REPO	-	-	-
Deferred tax liability	-	-	-
	37,993	**50,607**	**90,201**

Other liabilities in particular:

Estimated liability accounts	3,905
Bills of exchange	-
Loans	18,487
Liabilities from payments for bond purchase	9,300
Other	159

Liabilities to persons with special relationship to the company (members of board of directors, supervisory board) are not reported.

21. RESERVES

thous. CZK	2016	2015	2014
Reserves to lawsuits	5,126	3,993	6,956
Other reserves	-	-	-
	5,126	**3,993**	**6,956**

Reserves for lawsuits were created taking into consideration the standpoint of the legal representative of the company depending on the probability of success in the lawsuit.

(CZK amounts in thousands)

22. REGISTERED CAPITAL

The composition of the company shareholders as at 31 December 2016

Name	(in thous. CZK)	Share in the registered capital %
CYRRUS GROUP, SE	20,020	100
CYRRUS GROUP, SE	**20,020**	**100**

On 6.10.2014, the company CYRRUS GROUP, SE purchased 100% of shares of the company CYRRUS a.s.

The composition of the company shareholders as at 31 December 2015

Name	(in thous. CZK)	Share in the registered capital %
CYRRUS GROUP, SE	20,020	100
CYRRUS GROUP, SE	**20,020**	**100**

The composition of the company shareholders as at 31 December 2014

Name	(in thous. CZK)	Share in the registered capital %
CYRRUS GROUP, SE	20,020	100
CYRRUS GROUP, SE	**20,020**	**100**

23. RETAINED EARNINGS, RESERVE FUNDS AND OTHER FUNDS FROM PROFIT

thous. CZK	Retained earnings Retained losses	Statutory reserve fund	Capital funds and other funds from profit
Balance as at 1 January 2016	42,582	3,894	-
Profit of 2015	10,291		
Accrual to funds			-
Dividends			
Balance as of 31 December 2016 before 2016 profit distribution	52,873	3,894	-
Profit of 2016	17,085		
Proposal for profit distribution 2016:			
Accrual to funds			-
Dividends	-		
Assumption for 2016	**69,658**	**3,894**	**-**

24. INCOME TAX AND DEFERRED TAX LIABILITY/RECEIVABLE

15

(CZK amounts in thousands)

(a) Income tax - due

thous. CZK	2016	2015	2014
Profit/loss for the accounting period before taxation	21,725	14,147	5,498
Revenues subjected to taxation not figured in the profit	4,735	7,150	6,265
Tax non-deductible costs	7,491	13,971	15,364
Applied tax allowances and tax loss credits	-	-	-
Gifts	-20	--745	-506
Other items - acc. and tax. depreciation, ZC	-	--81	-76
Subtotal	24,461	20,303	14,882
Tax calculated with the rate 19%	4,648	3,858	2,828

(b) Deferred tax liability/receivable

Deferred tax was calculated from the difference; however, based on its insignificance was not recognized.

Deferred tax liabilities and receivables consist of the following items:

thous. CZK	2016	2015	2014
Deferred tax receivables			
Adjustments and reserves to loans	-	-	-
Valuation of securities	-	-	-
Tax loss of prior years	-	-	-
Other (accounting costs, taxable in the next period)	-	-	-
	-	-	-
Deferred tax liabilities			
Accelerated tax depreciation	-	-	-
Tangible and intangible assets	-	-	-
Other	-	-	-
Deferred tax liability/receivable	-	-	-

25. ASSETS RECEIVED FOR ADMINISTRATION, CUSTODY, DEPOSIT AND MANAGEMENT

thous. CZK	2016	2015	2014
Financial funds	499,483	366,099	377,288
Bonds	-	-	-
Shares	19,931,108	21,014,067	20,599,119
Real estate	-	-	-
Other movable assets	-	-	-
Other assets	-	-	-
Total	**20,430,591**	**21,380,149**	**20,976,407**

(CZK amounts in thousands)

26. INFORMATION ABOUT RELATED PARTIES

(a) Trade receivables and liabilities in connection to the related parties

Receivables at 31.12.

	2016	2015	2014
Receivable CYRRUS GROUP SE	15,000	1,072	5,657
Receivable Cyrrus FX	12,222	22	20
Receivable CCF		12	-
Total	27,222	1,106	5,677

Liabilities at 31.12.

	2016	2015	2014
None	-	-	-
Total	-	-	-

(b) Compensation and loans to the members of statutory and supervisory boards

	Board of directors			Supervisory board		
	2016	2015	2014	2016	2015	2014
No. of members	3	3	3	3	3	3
Compensation (thous. CZK)	0	0	0	38	38	36

Loans to the statutory body members:	Mr. Kozumplík	2,039,000
	Mr. Loubal	2,000,000

27. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

(a) Personal Responsibility for Risk Management

Risk management is within the competence of the board of directors of the company, which:
- determines strategic orientation of the company,
- identifies risks,
- determines limits of risk, monitors and reports compliance with limits,
- allocates capital,
- publishes internal guidelines of the company.

Furthermore, the following entities participate in the risk management:
- chairperson of the board of directors (a person responsible for the coordination of risks in the company),
- Chief Executive Officer,
- trading director,
- Prague branch director,
- risk manager,
- Back Office manager,
- compliance,
- internal auditor,
- risk management committee.

(b) Determination of Risks in the Company

The following financial risks are associated with the services provided by the brokerage firm CYRRUS, a.s.:

1) Operational risk

Internal guidelines, setting out the mode of operation, authorizations and control mechanisms governing the activities of the company and provision of the investment services in compliance with granted license, regulate and minimize operational risk. The board of directors (in cooperation with the "Compliance") coordinate development of such internal guidelines. Senior staff, "Compliance" and internal auditor shall regularly verify and assess adherence to said internal guidelines. "Compliance" shall guarantee harmony between internal guidelines and legislation.

2) Business risk

Legal risk –risk of loss resulting from the legal requirements imposed by partners or legal unenforceability of contracts is minimized either by the internal or external legal support. The board of directors makes a decision about selection of a solicitor's office.

Risk of change in the credit assessment – the company minimizes risk of loss resulting from limited opportunity to acquire funds at reasonable costs by its maximum transparency, openness towards partners providing funds and, above all, a long-term co-operation with selected financial institutions.

Reputational risk – the company minimizes the risk of loss resulting from damage to its reputation in the markets by maximum transparency and, above all, provision of quality services and compliance with the contractual terms and conditions with all business partners, and respect for the morals in the trading.

Regulatory risk – the company minimizes the risk of loss resulting from the impossibility to comply with regulations and errors made in the forecast of future regulations by the quality staff, employed in the position "Compliance" and active participation of representatives of the company in the legislation drafting of legal standards, governing the capital market. The company is a member of Česká asociace obchodníků s cennými papíry and actively communicates with the Česká národní banka (Czech National Bank).

3) Liquidity risk

Payment liquidity risk – the objective of payment liquidity management is to prevent any momentary insolvency of the company. The Chief Executive Officer controls the liquidity in cooperation with the Back Office chief manager. The Chief Executive Officer arranges access to the cash, necessary to cover liabilities towards customers, liabilities with the ending maturity and funds to cover any unforeseeable events. A separate internal instruction governs liquidity management.

Market liquidity risk – the company minimizes market liquidity risk by trading at highly liquid markets. To minimize market liquidity risk, the trading director monitors development of liquidity in the individual markets and suggests limit for the number of opened positions.

Currency convertibility risk – the company eliminates the risk of loss resulting from the impossibility to convert one currency to another currency as the consequence of political or economic situation by selection of countries guaranteeing the investors stabilized conditions, and determination of max. limit to currencies.

4) Credit risk
Credits to customers – refers to the risk that in-time termination of the credit shall fail and the counterparty shall fail to make payments, which it is obliged to make, in the full amount. Front Office staff monitors and eliminates such risk by setting the limits. Trading director is a person responsible for management of this particular risk. The objective of the above-mentioned procedures is to prevent any problems with liquidity throughout the trading, to guarantee capital adequacy of a trader and not to exceed exposure limits in the arrangements of credits to customers.

Capital adequacy and exposure – the limit of capital adequacy and exposure is governed by the relevant legislation. Calculation and monitoring of capital adequacy and exposure is modified in the Methodology of Capital Adequacy Calculation. Risk Management department is authorized to regularly review the calculation and to supervise the risk. A chairperson of the board of directors and Risk Management Committee make inspections.

Settlement risk – this particular risk is effectively eliminated by the system of trade settlement in the individual stock exchanges in the form of the payment against handover of securities. The members of BCPP *(Prague Stock Exchange)* are insured against the risk via Garanční fond BCPP *(Guarantee Fund of the Prague Stock Exchange)*. For the trading abroad, our company uses services of the renowned settlement centers, in the USA the clearing house Interaktive Brokering, in the Federal Republic of Germany the company CACEIS Bank Deutschland GmbH.

5) Market risk

Risk associated with the own portfolio – this particular risk rests in the possibility of loss as a consequence of changes in the market rates of the investment instruments included in the business portfolio. This risk is eliminated by the prohibition of margin trades, O/N limits on the business portfolio from the title of the activity of specialist and immediate closing of redirected transactions to the company account as a consequence of the error correction. A trading director is the person responsible.

Foreign exchange rate risk – a risk posed by changes in the exchange rate of the Czech crown to EUR and USD. The company has set limits of max. exposure in EUR and USD.

(c) Elimination and Risk Management

The company uses the following instruments to eliminate and manage risks:
- margin limits for credits of customers,
- limits on max. exposure of customers,
- limits on the own portfolio of securities,
- limits on the own portfolio of currencies,
- adherence to the capital adequacy and exposure,
- full internal control.

28. SIGNIFICANT EVENTS AFTER THE FINANCIAL STATEMENT DATE

No significant events after the financial statement date.

In Brno on 2. 5. 2017

…………………………………….
Martin Kozumplík
chairperson of the board of directors

Ratios 4Q 2016 (after the audit)	Status in the current accounting period (in 0,00 %)
Total capital ratio	19,064
Indebtedness I ((Liabilities total - Assets of customers) / (Assets total - Assets of customers))	58,56
Indebtedness II ((Liabilities total - Assets of customers) / Equity total)	141,33
Return On Average Assets - ROAA (Profit after tax / (Assets total - Assets of customers))	7,53
Return On Average Equity - ROAE (Profit after tax /Tier1)	22,24
Return On Sales (Profit after tax / Fee and commission income)	18,19
Administrative expenses per 1 employee (Administrative expenses/registered status of employees)	999,00

Risk exposures 31.12.2016

	m2	1
Risk exposures total 31.12.2016	1	403 052,687
out of it: marketable securities acc. to Article 95 (2) and Article 98 CRR	2	
out of it: marketable securities under Article 96 (2) and Article 98 of CRR	3	
Risk weighted exposure for credit risk, counterparty risk, dilution risk and free deliveries	4	93 760,517
Risk weighted exposure for credit risk with SA total	5	93 760,517
*Risk weighted exposure with SA excluding securitisation exposures	6	93 760,517
*Exposures to central governments and central banks	7	
*Exposures to regional governments and local authorities	8	
*Exposures to public sector entities	9	
*Exposures to multilateral development banks	10	
*Exposures to international organisations	11	
*Exposures to institutions	12	20 700,355
*Exposures to corporates	13	55 718,237
*Exposures to retail	14	17 308,025
*Exposures secured by real estate	15	
*Exposures in defaults	16	
*High risk exposures	17	
*Exposures in covered bonds	18	
*Exposures to institutions and corporates with a short-term credit assessment	19	
*Collective investment undertakings	20	
*Shares	21	
*Other exposures	22	33,899
Securitization exposures SA	23	
of which: resecuritisation	24	
Risk weighted exposure for credit risk with IRB total	25	
*Risk weighted exposures for credit risk with IRB when neither own LGD nor conversion factors is used	26	
*Exposures to central governments and central banks	27	
*Exposures to institutions	28	
*Exposures to corporates - SME	29	
*Exposures to corporates - specialized lending	30	
*Exposures to corporates - other	31	
*Risk weighted exposures for credit risk with IRB total when own LGD and/or conversion factors is used	32	
*Exposures to central governments and central banks	33	
*Exposures to institutions	34	
*Exposures to corporates - SME	35	
*Exposures to corporates - specialized lending	36	
*Exposures to corporates - other	37	
* Exposures to retail - secured by real estate SME	38	
*Exposures to retail - secured by real estate non-SME	39	
*Exposures to retail - qualifying revolving	40	
*Exposures to retail - other (SME)	41	
*Exposures to retail - other (non-SME)	42	
Shares	43	
Securitization exposures with IRB	44	
of which: resecuritisation	45	
Other non-credit obligation assets	46	
Risk exposures to central counterpart default fund contributions	47	
Risk exposures for settlement risk total	48	
Settlement risk- investment portfolio	49	
Settlement risk- business portfolio	50	
Risk exposures for position, foreign exchange and commodity risks total	51	131 117,170
Risk exposures for position, foreign exchange and commodity risks under SA	52	131 117,170
Marketable debt instruments	53	14 160,540
Shares	54	72 343,562
Particular approach for position risk in collective investment undertakings (CIUs)	55	
Completing information: collective investment undertakings investing exclusively in marketable debt instruments	56	
Completing information: collective investment undertakings investing exclusively in shares and mixed instruments	57	
Foreign exchange	58	44 613,068
Commodities	59	
Risk exposures for position, foreign exchange and commodity risks under internal models	60	
Risk exposures for operational risk total	61	176 315,625
Operational risk - BIA approach	62	176 315,625
Operational risk - TSA/ASA approach	63	
Operational risk - AMA approach	64	
Additional risk exposures due to overheads application	65	
Risk exposures for valuation adjustment of credit risk total	66	
Advanced method	67	
Standardized method	68	
Original exposition method (OEM)	69	
Risk exposure related to large exposures in the trading portfolio total	70	
Other risk exposures	71	
of which: additional stricter prudential requirements based on Article 458 CRR	72	
of which: requirements for large exposures	73	
of which: due to modified risk weights for targeting "asset bubbles" in the residential and commercial properties	74	
of which: due to intra financial sector exposures	75	
of which: additional stricter prudential requirements based on Article 459 CRR	76	
of which: additional risk exposures due to Article 3 CRR	77	

CYRRUS a.s.
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Capital adequacy ratios 31.12.2016

	m3	1
Common Equity Tier 1 (CET1)	1	19,152
Surpluss (+) / deficit (-) of CET1 capital	2	58 782,841
Capital ratio T1	3	19,152
Surplus (+) / deficit of (-) T1 capital	4	52 764,941
Total capital ratio	5	19,152
Surplus (+) / deficit (-) of total capital	6	44 741,075
CET1 capital ratio including Pillar II adjustments	7	
CET1 target capital ratio under Pillar II adjustments	8	
T1 capital ratio including Pillar II adjustments	9	
T1 target capital ratio under Pillar II adjustments	10	
Total capital ratio including Pillar II adjustments	11	
Total target capital ratio under Pillar II adjustments	12	

Capital

CYRRUS a.s.
company ID: 63907020

	m1	1
Capital	1	76 836,540
Tier 1 (T1) capital	2	76 836,540
Common equity tier 1 (CET1) capital	3	76 836,540
Capital instruments eligible as CET1 capital	4	20 191,660
Paid up CET1 instruments	5	20 020,000
of which: capital instruments subscribed by public authorities in emergency situations	6	
Additional information: instruments not eligible as CET1 capital	7	
Share premium	8	171,660
(-) acquired own CET1 instruments	9	
(-) own CET1 instruments acquired directly	10	
(-) own CET1 instruments acquired indirectly	11	
(-) Synthetic investments to CET1 instruments	12	
Actual or contingent obligations to purchase own CET1 instruments	13	
Retained earnings/retained loss	14	52 873,399
Retained earnings/retained loss from previous period	15	52 873,399
Available profit/loss	16	
Profit/loss	17	
(-) Not usable interim profit or not usable profit from completed accounting period	18	
Accumulated other comprehensive income (OCI)	19	
Other reserve funds	20	3 894,389
Reserve funds for general banking risks	21	
Transitional adjustments due to grandfathered CET1 capital instruments	22	
Minority interest given recognition in CET1 capital	23	
Transitional adjustments due to minority interests	24	
Adjustment to CET1 due to prudential filters	25	
(-) Increases in equity resulting from securitized assets	26	
Cash flow reserve	27	
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	28	
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	29	
(-) Value adjustments due to the requirements for prudent valuation	30	
(-) Goodwill	31	
(-) Goodwill accounted for as intangible assets	32	
(-) Goodwill included in the valuation of significant investments	33	
Deferred tax liabilities associated to goodwill	34	
(-) Other intangible assets	35	-122,908
(-) Other intangible assets - gross amount	36	-122,908
Deferred tax liabilities associated to other intangible assets	37	
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	38	
(-) IRB shortfall of credit risk adjustments to expected losses	39	
(-) Defined benefit pension fund assets	40	
(-) Defined benefit pension fund assets gross amount	41	
Deferred tax liabilities associated to defined benefit pension fund assets	42	
Defined benefit pension fund assets which the institution has an unrestricted ability to use	43	
(-) Reciprocal cross holdings in CET1 instruments	44	
(-) Excess of deductible items over AT1 capital	45	
(-) Qualifying holdings outside the financial sector (alternatively subject to a 1,250 % risk weight)	46	
(-) Securitization positions (alternatively subject to a 1,250 % risk weight)	47	
(-) Free deliveries (alternatively subject to a 1,250 % risk weight)	48	
(-) Positions in a basket for which the risk weight under the IRB approach can not be determined (alternatively subject to a 1,250 % risk weight))	49	
(-) Share exposures under an internal models approach (alternatively subject to a 1,250 % risk weight)	50	
(-) Above-threshold insignificant investments in the financial sector entities	51	
(-) Deferred tax assets that rely on future profitability and arise from temporary differences	52	
(-) Above-threshold significant investments in the financial sector entities	53	
(-) Amounts exceeding 17.65 % of own CET1 capital	54	
Other transitional adjustments to CET1 capital	55	
(-) Additional deductions of CET1 capital due to Article 3 CRR	56	
Other instruments of CET1 capital and other deductions from CET1 capital	57	
Additional tier 1 (AT1) capital	58	
Instruments eligible as AT1 capital	59	
Paid up AT1 instruments	60	
Additional information: instruments not eligible to AT1 capital	61	
Share premium	62	
(-) Acquired own AT1 instruments	63	
(-) Own AT1 instruments acquired directly	64	
(-) Own AT1 instruments acquired indirectly	65	
(-) Synthetic investments to AT1 instruments	66	
(-) Actual or contingent obligations to purchase own AT1 instruments	67	
Instruments eligible to AT1 capital for transitional period	68	
Instruments eligible to AT1 capital issued by subsidiaries	69	
Instruments eligible to AT1 capital for transition period issued by subsidiaries	70	
(-) Reciprocal cross holdings in AT1 instruments of financial sector entities	71	
(-) Above-threshold insignificant investments in AT1 instruments of financial sector entities	72	
(-) Above-threshold significant investments in AT1 instruments of financial sector entities	73	
(-) Excess of deduction over T2 capital	74	
Other transitional adjustments to AT1 capital	75	
Excess of deduction from AT1 capital (deducted at CET1)	76	
(-) Additional deductions of AT1 capital due to Article 3 CRR	77	
Other instruments of AT1 capital and other deductions of AT1 capital	78	
Tier 2 (T2) capital	79	
Instruments and subordinated loans eligible as T2 capital	80	
Paid up T2 instruments and subordinated loan	81	
Completing information: instruments and subordinated loan not eligible as T2 capital	82	
Share premium	83	
(-) Acquired own T2 instruments and subordinated loan	84	
(-) Own T2 instruments and subordinated loan acquired directly	85	
(-) Own T2 instruments and subordinated loan acquired indirectly	86	
(-) Synthetic holdings of T2 instruments and subordinated loan	87	
(-) Actual or contingent obligations to purchase own T2 instruments	88	
Transitional instruments for T2 capital	89	
Instruments issued by subsidiaries that are given recognition in T2 capital	90	
Transitional adjustments due to additional recognition in T2 capital of instruments issued by subsidiaries	91	
IRB excess of provisions over expected losses eligible	92	
SA general credit risk adjustments	93	
(-) Reciprocal cross holdings in T2 instruments of financial sector entities	94	
(-) Above-threshold insignificant investments in T2 instruments of financial sector entities	95	
(-) Above-threshold significant investments in T2 instruments of financial sector entities	96	
Other transitional adjustments to T2 capital	97	
Excess of deduction from T2 items of over capital (deducted in AT1)	98	
(-) Additional deductions of T2 capital due to Article 3 CRR	99	
Other instruments of T2 capital and other deductions of T2 capital	100	

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Independent Auditor's Report

Shareholders of the company CYRRUS, a.s.

Audit opinion

We have audited the accompanying financial statements of the company CYRRUS, a. s., with the registered seat located at Veveří 3163/111, Brno, company identification number 639 07 020 (hereinafter referred to as the "Company") prepared in harmony with the Czech accounting legislation, which comprise the balance sheet as of 31.12.2016, profit and loss account and statement of changes in equity for the period from 1.1.2016 until 31.12.2016, off-balance sheet as of 31.12.2016 and the annex to this financial statement, including a summary of applied significant accounting policies and other explanatory information.

In our opinion, the financial statement above gives a true and fair view of the assets and liabilities of the company CYRRUS, a.s. as of 31.12.2016, and expenses and revenues and economic performance of the company for the period from 1.1.2016 until 31.12.2016 in compliance with the Czech accounting standards.

Basis for Audit Opinion

We conducted mentioned audit in compliance with the Act on Auditors and standards of the Komora auditorů České republiky (the Chamber of Auditors of the Czech Republic) for audit, being the International Standards on Auditing (ISA), as necessary completed and amended by the related application clauses. Our responsibility, defined by these instructions, is described in more details in the chapter "Auditor's Responsibility for the Audit of the Financial Statement". In compliance with the Act on Auditors and Code of Ethics, adopted by the Komora auditorů České republiky (the Chamber of Auditors of the Czech Republic), we are independent of the Company and we have also complied with other ethical commitments arising from the mentioned instructions. We believe that the audit evidence, which we have obtained, is sufficient and appropriate to provide a basis for our audit opinion.

Other information contained in the annual report

In harmony with § 2 letter b) of the Act on Auditors, the information contained in the annual report beyond the financial statement and our auditor´s report shall be considered as other information. The board of directors of the Company shall be responsible for other information.

In this regard, other information is constituted by published information about capital, capital ratio and ratios of the company CYRRUS, a.s. in compliance with § 16a of the Act No. 256/2004 Coll., on the Capital Market Undertakings, and the Annex No. 13 to the decree No. 23/2014 Coll., on the performance of the activities of banks, credit unions and investment firms and stock brokers.

Our opinion on the financial statement does not cover the other information. However, the part of our obligations, related to the audit of the financial statement, is reading of other information and, in doing so, consideration whether the other information is not materially inconsistent with the financial statement or our knowledge about the accounting entity, collected throughout the audit of the financial statement, or whether such information is not materially misstated. In addition, we also assess whether the other information has been prepared – in all material aspects – in harmony with applicable legislation. The assessment means whether the other information meets requirements of legislation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e., whether any non-compliance with these requirements could influence judgment made on the basis of the other information.

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Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information, describing the facts that are also presented in the financial statement is, in all material respects, consistent with the financial statement and

- the other information has been prepared in harmony with the legislation.

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 of fact.
Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibility of the Board of Directors for the Financial Statement

The board of directors of the Company is responsible for the preparation of said financial statement, presenting a true and fair view in accordance with the Czech accounting standards, and for such internal control system, which the board of directors determines is necessary to enable the preparation of the company's financial statement that is free from any material misstatements, whether due to fraud or error.

In preparing the financial statement, the board of directors of the Company is responsible for assessing the company's ability to continue as a going concern, disclosing in the annex to the financial statement, as applicable, matters related to going concern and using the going concern basis of accounting in the financial statement compilation, unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Statement

Our objective is to obtain reasonable assurance about whether the financial statement as a whole is 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-mentioned principles will always detect a material misstatement in the financial statement 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 this financial statement.

Making audit in compliance with the above-mentioned regulations, our obligation is to exercise professional judgment and maintain professional skepticism throughout the audit. We must also:

- identify and assess risks of material misstatement of the financial statement, 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.

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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 by the board of directors.

- obtain an understating of the internal control system of the Company 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 information, and related disclosures made by the board of directors in the annex to the financial statement.

- conclude on the appropriateness of the use of the going concern in the preparation of the financial statement by the board of directors 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 annex to the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions relating to the going concern of the Company 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 statement, including annex, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

Our obligation is to inform the board of directors, among others, about the planned scope and timing of the audit and on significant audit findings made, including identification of any significant deficiencies in the internal control system.

In Brno on 28 April 2017

BDO CA s.r.o., evidence number 305
represented by the partner:

Komora auditorů ČR
BDO CA s.r.o.
M. Steyskalové 14
616 00 Brno
Oprávnění č. 305

Ing. Jiří Kadlec
evidence number 1246

Ing. Petr Svoboda
evidence number 2264

CYRRUS