

Annual Report 2019



Penzijní společnost České pojišťovny, a.s.

The largest pension savings provider
in the Czech Republic



**PENZIJNÍ SPOLEČNOST
ČESKÉ POJIŠŤOVNY**

Penzijní společnost České pojišťovny

Guaranteeing you peace of mind
in your dotage

We offer the broadest range of funds
and state-subsidised savings schemes
to everyone who wants financial security
in their twilight years.

We manage savings of almost CZK 118 billion
for over 1.1 million customers.

We look after the pension savings schemes
of employees from more than 5,000 companies.

For a good two decades, we have been by far
the strongest pension company in the Czech Republic,
controlling a 25% share of the pension savings market.

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Company profile

Company name:	Penzijní společnost České pojišťovny, a.s. (until 31 December 2012 Penzijní fond České pojišťovny, a.s.)
Registered office:	Na Pankráci 1720/123, 140 21 Praha 4
Legal form:	joint-stock company (akciová společnost)
Date of incorporation:	19 September 1994
Registration number:	61858692
Incorporated:	Municipal Court in Prague, Section B, File 2738
Company owner (participating interest):	CP Strategic Investments N.V. (100%)
Share capital:	CZK 50 million

The Company has no organisational units outside the Czech Republic.

Penzijní společnost České pojišťovny is the largest pension savings provider in the Czech Republic. The Company currently has more than 1.1 million customers, and employers make contributions on behalf of 280,000 of them. The Company made a profit of CZK 717 million in 2019. The total volume of customer funds under management in the same period was almost CZK 119 billion.

The Company has long been committed to innovative, high-quality services. Digital services and online access to accounts at www.klientskyportal.cz are provided as a matter of course. All key savings-related factors, including the utilisation of tax breaks and information for customers on any non-payments, are automated. Financial advisers also draw on a wide range of digitised services, including “paperless” contracting, that are integrated into a special portal.

Penzijní společnost České pojišťovny, a.s. works closely with the distribution and branch networks of Generali Česká pojišťovna. In addition to this cooperation, it nurtures relations with external financial consulting firms and partner banks.

Penzijní společnost České pojišťovny's Range of Funds

Pillar III funds	Savings schemes
Dynamický účastnický fond	Dynamic
Vyvážený účastnický fond	Balanced
Spořicí účastnický fond	Conservative
Povinný konzervativní fond	

Milestones

1994 – The Company is founded.

1996 – Pension fund customer numbers break through the 100,000 mark.

1998 – Company restructuring prompts sharp growth in the fund's economic and sales performance.

1999 – A specialised sales unit focusing exclusively on corporate clients is formed.

2001 – Supplementary pension schemes become part of the integrated product range known as the ČP Program zaměstnaneckých výhod (ČP Employee Benefit Programme).

2002 – The volume of assets exceeds CZK 10 billion.

2003 – A merger with the pension fund ČP penzijní fond (formally Commercial Union Penzijní fond) further accelerates Company growth.

2004 – Penzijní fond České pojišťovny merges with the pension fund Nový ČP penzijní fond (formally ABN AMRO Penzijní fond) and becomes the market leader in customer numbers.

2005 – Customer numbers pass the 800,000 mark and the Company triumphs in its category of the MasterCard Bank of the Year competition for the first time in its history.

2007 – Pension fund customer numbers break through the million mark.

2009 – Company assets exceed CZK 50 billion.

2010 – The Company reports a record CZK 1.15 billion profit.

2011 – In response to newly passed laws, the Company officially starts preparing for the upcoming pension reform.

2012 – At the end of the year, the Company is transformed from Penzijní fond České pojišťovny (a pension fund) into Penzijní společnost České pojišťovny (a pension company), and the Czech National Bank grants it the licences it needs to operate in the new second and third pillars of the pension system.

2013 – The Company enters into a strategic merger with Generali penzijní společnost.

2014 – The Company takes over the customer portfolio of Raiffeisen penzijní společnost.

2015 – In response to newly passed laws, the Company officially starts preparing for sales of supplementary pension savings schemes to customers under the age of 18.

2016 – The second pillar is terminated in response to the passing of legislation scrapping the pension reform. Conversely, a raft of changes are made to the third pillar, including the possibility of taking out savings schemes for children.

2017 – The Company was the first on the market to offer the new Balanced Transfer service, eliminating the risks associated with client transfers from the Transformed Fund.

2018 – The Company earned a prestigious Superbrands award. The Superbrands title is only awarded to brands that pass a multi-round selection process, including a GfK consumer survey.

2019 – The project to digitise the negotiation and amendment of customer contracts, doing away with the need to fill in paper forms, was completed. New features have been added to the portal for sales agents.

Key financial figures

Company Results

	2019	2018	2017	2016	2015
Profit after tax (CZK thousands)	717,466	557,489	532,335	651,898	355,903
Share capital (CZK thousands)	50,000	50,000	50,000	300,000	300,000

Number of customers (thousands)

Transformed pension fund (Pillar 3)	865	909	970	1,046	1,122
Pension funds (Pillar 3)	250	219	176	130	89
Pension funds (Pillar 2)*					42
TOTAL	1,115	1,128	1,146	1,176	1,253

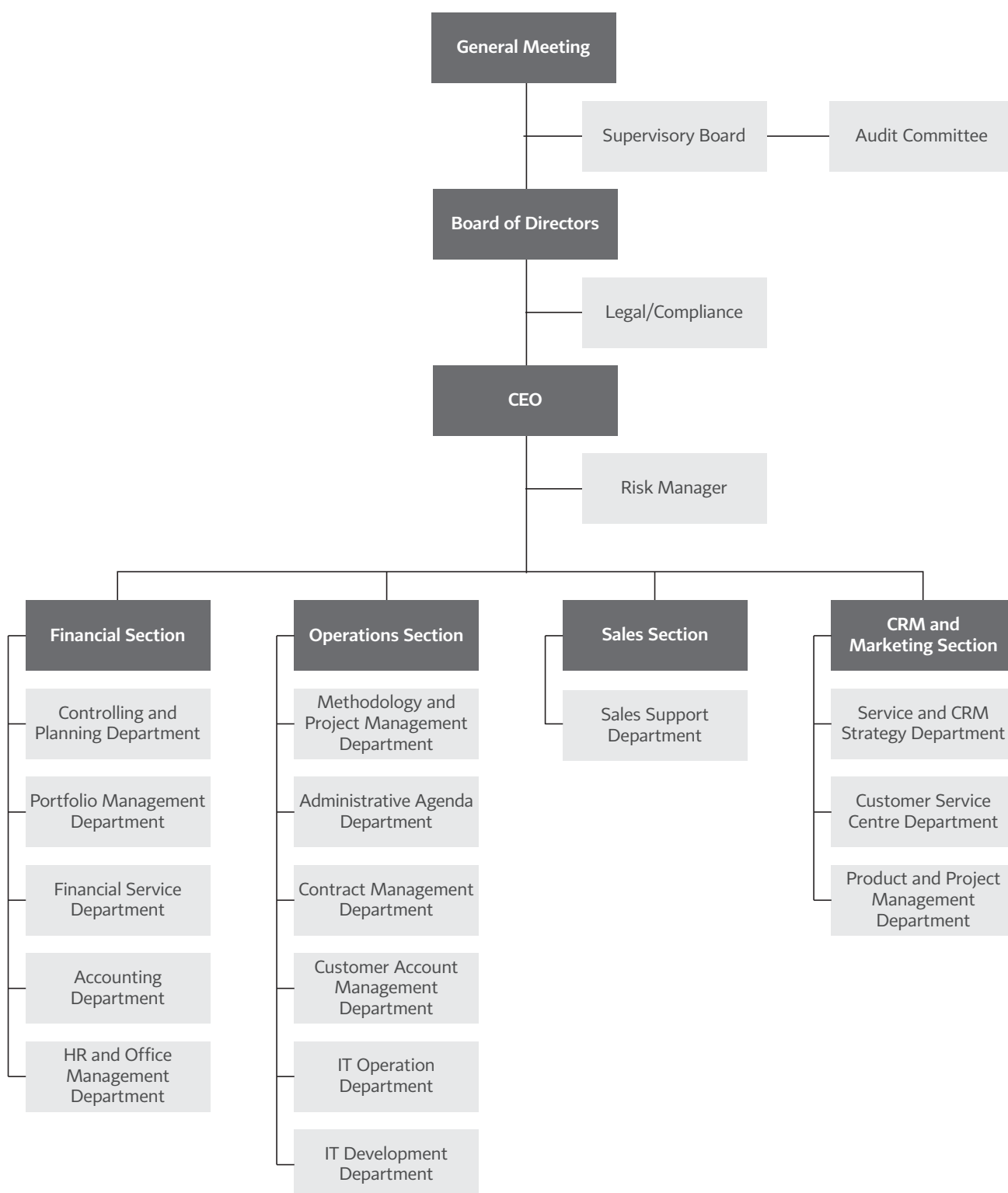
Assets under management (CZK thousands)

Transformed pension fund (Pillar 3)	106,369,273	100,918,734	96,564,822	92,001,410	86,509,494
Pension funds (Pillar 3)	12,341,942	8,902,077	6,273,803	3,893,598	2,282,541
Pension funds (Pillar 2)*					1,202,771
TOTAL	118,711,215	109,820,811	102,838,625	95,895,008	89,994,805

* Pillar 2 was ended in 2016.

Company organisational structure

as at 31 December 2019



Statutory bodies

(as at Annual Report compulsory date)

Board of Directors



Chairman
Radek Moc

Appointment: since 6 February 2020
Born: 1978



Vice-Chairman
Miroslav Chromčík

Appointment: since 1 January 2016
Born: 1975



Member
Miroslav Žbel

Appointment: since 1 March 2015
Born: 1979

Supervisory Board



Chairman
Josef Beneš

Appointment: since 11 January 2016
Born: 1970



Member
Petr Bohumský

Appointment: since 1 February 2015
Born: 1971



Member
Pavel Pitoňák

Appointment: since 1 January 2020
Born: 1975

Audit Committee

Chairman
Martin Mančík

Appointment: since 2 March 2017
Born: 1975

Member
Beáta Petrušová

Appointment: since 10 February 2017
Born: 1968

Member
Roman Smetana

Appointment: since 1 January 2016
Born: 1974

Foreword

Dear Customers, Business Partners, and Shareholders,

It is my pleasure to present you with the Annual Report of Penzijní společnost České pojišťovny, which last year celebrated its 25th anniversary. Thanks to the hard work of all Company employees, the backing of the parent Generali Group, and excellent cooperation with our business partners, we managed to meet our targets. The Company has consistently maintained its leading position in the private retirement savings sector in terms of the volume of assets under management and the number of customers. It currently holds a 25% share of the market.

Last year was characterised by growth on the capital markets. In this economic environment, our investment strategy added high value to customers' deposits. The more dynamic profiles of participation funds yielded double-digit returns, with Dynamický účastnický fond (Dynamic Participation Fund) gaining 17.9% and Vyvážený účastnický fond (Balanced Participation Fund) up by 10.5% in the past year. The transformed fund generated a return of 1.7% p.a. – the highest in this sector category – for its customers in 2019. The results of all our funds affirm that, of the country's largest pension asset managers, we are among the market leaders.



Demand for savings in third-pillar participation funds has been growing steadily across the entire pension market in recent years. A growing trend is also being recorded in the performance of all the sales networks we use to distribute our products. In addition to our multi-channel distribution strategy and sales support, last year we again benefited from the incentives available for contracting with younger customers. In tandem with acquiring new business, we worked earnestly on increasing the regular deposits made by our customers. Upselling campaigns aimed at existing customers resulted in almost 61,000 increased regular deposits.

Sound financial management generated a record profit of CZK 717 million for the Company last year, making us the most profitable company in our industry by some distance. The continuing growth in profit was fuelled both by increasing efficiency in the form of operating cost savings, and by a steady rise in the volume of assets under management. Deposits came to CZK 118.7 billion at the end of the year, of which almost 90 per cent is deposited in the transformed fund. Our business and financial results are presented in more detail on the following pages of this Annual Report.

Our internal projects also merit attention. We are channelling our energy and resources primarily into the ongoing digitalisation of services, which is one of the Generali Group's priorities. Last year, we supplemented our paperless contracting for customers with the option of negotiating contract changes digitally. Consequently, our sales agents now have the additional benefit of faster, more convenient and pro-customer services. For the Company, these innovations translate into cost savings and, ultimately, they are less of a burden on the environment.

In mid-2020, the crucial project of rebranding our Company awaits us. Following last year's merger of Česká pojišťovna and Generali, which gave rise to the establishment of Generali Česká pojišťovna, it is only logical that our Company will also be renamed. I am convinced that, as Generali penzijní společnost, we will provide customers and business partners with an even better service than before.

I am acutely aware that last year's results and all the activities we have planned would not be possible without our shareholder and the commitment of all employees. I would like to take this opportunity to thank them and wish them every success in the period ahead.

A stylized handwritten signature in black ink, appearing to read 'R. Moc'.

Radek Moc

Chief Executive Officer, Chairman of the Board of Directors

Company Activity Report

Penzijní společnost České pojišťovny celebrated its quarter-century of existence as the market leader in private saving plans for old age. In 2019, the total assets under management came close to CZK 120 billion. The Company currently has 1.115 million customers, with employers contributing to the pension plans of a quarter of 280,000 of them. The Company regularly incorporates new procedures into its operational and service processes as it responds flexibly to global digitalisation trends.

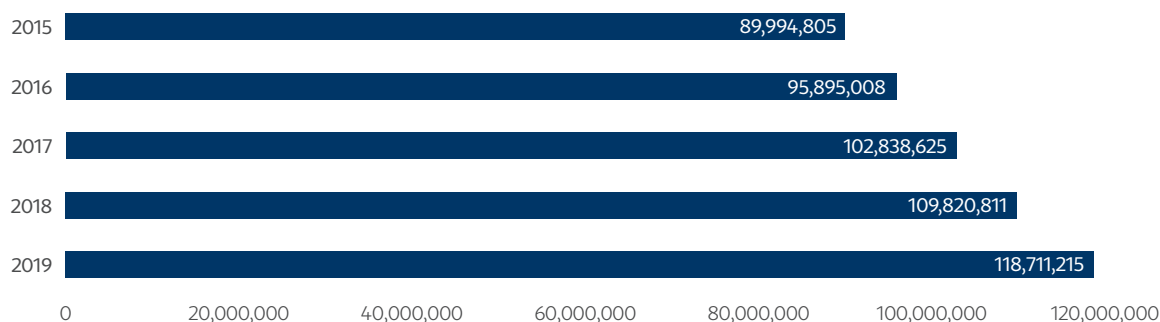
Financial Results

Last year, the Company managed to increase its profit year on year by 28.7% to a record CZK 717 million. In terms of profitability, Penzijní společnost České pojišťovny has long been the most successful player on the market.

The growth of key financial indicators was boosted last year by the favourable situation on the capital markets. The volume of total assets under management increased to CZK 118.7 billion crowns at the end of the year, tantamount to an 8.1% year-on-year increase. Total deposits by customers (including state contributions) and employers in 2019 amounted to CZK 15 billion (a 3.6% year-on-year rise).

The weight of assets under management in participation funds is gradually increasing, with 10.4% of deposits accumulated here, while the volume of the transformed fund has fallen to 89.6%.

Customer assets managed by Penzijní společnost České pojišťovny (CZK thousands)

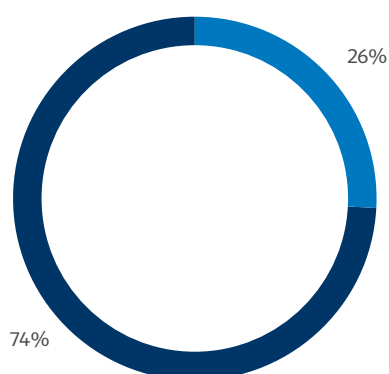


Business Performance

Last year, Penzijní společnost České pojišťovny once again relied on a diversified distribution network capable of reaching out to a wide range of customer segments. In addition to the branches of the parent, Generali Česká pojišťovna, and the consultants at ČP Distribuce and Generali Distribuce, the Company made extensive use of independent external networks of financial intermediaries. In this respect, a significant role is played by cooperation with selected MLM companies and broker pools. Despite growing competitive pressure, the number of participation fund customers increased by 31,000 to a total of 250,000 (+14.1% year on year). CRM-related business activities also focused on harnessing the existing customer base and increasing deposits. In all, 61,000 customers responded to segmented business and direct marketing offers last year by raising their monthly contributions.

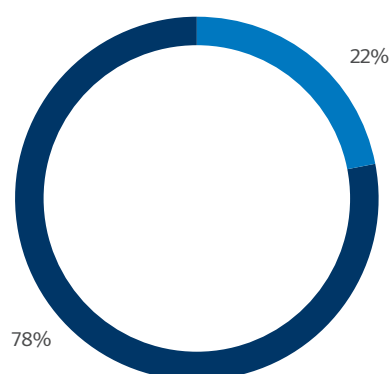
Company's customer share, by market segment

Transformed funds



■ Penzijní společnost České pojišťovny, a.s.
■ Other pension companies

Participation funds



Other Financial and Non-financial Information

Events After the Balance-sheet Date

At the end of 2019, news first appeared from China about the spread of COVID-19. In the first few months of 2020, the virus spread worldwide and negatively affected many countries, including the Czech Republic. The Company's management is carefully monitoring the situation and taking measures to minimise the impact of this pandemic on the Company's operations. The situation is constantly evolving and at present it is impossible to reliably quantify the potential impacts of these events on the Company. However, the ongoing pandemic may have a negative impact on the Company's financial results, in particular on the quality of the portfolio of financial instruments, financial performance and capital adequacy. Any adverse effects or losses will be included in the financial statements for 2020.

No significant events occurred between the balance-sheet date (31 December 2019) and the date on which the financial statements were prepared, and the Annual Report provides coherent, balanced and comprehensive information on the performance, activities and economic performance of the Company.

Outlook for the Company's Operations

The Board of Directors has considered the potential impacts of COVID-19 on the Company's operations and business (in particular its capital and liquidity position and ability to fulfil the guarantee of a non-negative development in the assets of the transformed fund's customers) and concluded that they have no appreciable effect on the going concern assumption. In this light, the financial statements for the year ending 31 December 2019 were prepared on the assumption that the Company would remain a going concern.

Research and Development

The Company did not engage in any research and development in 2019.

Information on the Acquisition of Treasury Stock or Own Shares

In the 2019 reference period, the Company did not acquire or hold any treasury stock or own shares.

Information on Branches or Other Business Units Abroad

The Company has no organisational units outside the Czech Republic.

Human Resources, CSR and the Green Policy

The Company's approach to human resources, corporate social responsibility and environmental protection is a top priority of the Generali Group.

Every year, the Company applies and refines its core employee appraisal principles, focusing on positive motivation and the identification and exploitation of the strengths of individuals. Top-rated employees benefit from systemic support in their development and are involved in the Group's development programmes. The improvements in people's skills highlight, in particular, the needs and areas that are key to the Generali Group's strategy. Last year, the management was calibrated under a Group programme. Building on the results of an employee poll and in an attempt to improve employee care, we continue to develop benefits in areas that reflect the core lifestyle needs of our employees. The Company also arranges for their preventive health care and ensures that they have the opportunity to stay in good physical and mental shape. This is reflected in the wide and flexible range of employee benefits offered through a "cafeteria" system.

As part of its corporate social responsibility, last year the Company joined The Human Safety Net – Generali's global humanitarian programme. Through this programme, the Company contributed financially to the Vita et Futura Endowment Fund for the Development of Gynaecology and Obstetrics, which aims to improve obstetrics in the Czech Republic. Last year, Company employees were again able to spend two working days in support of other CSR projects.

In terms of the environment, the Generali Group's supranational rules are also reflected in the Company's activities. These rules include a clear climate change strategy that is fully in line with the principles and measures set out in the Paris Pledge for Action defined under COP 21. The strategy encompasses specific investment and underwriting activities.

Ongoing digitalisation has reduced paper and energy consumption further. Last year, paperless communication was extended to customer contract changes. The number of active users of the customer portal (www.klientskyportal.cz) is well beyond half a million.

Supervisory Board Report

Report of the Supervisory Board of Penzijní společnost České pojišťovny, a.s. ("the Company") on the results of its supervisory activity, including reviews of the Company's annual financial statements and the participation funds and transformed fund for the 2019 accounting period, the Report on Related-party Transactions for the 2019 accounting period, and its opinion on the proposal made by the Company's product Board of Directors for the distribution of the profit from the participation funds and the transformed fund for the 2019 accounting period.

In 2019, the work of the Company's Supervisory Board was carried out in accordance with the provisions of the relevant laws and the Company's Articles of Association. The Company's Supervisory Board oversaw the exercise of the responsibilities incumbent upon the Company's Board of Directors and the performance of the Company's business operations.

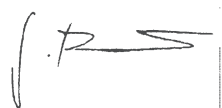
In 2019, the Company's Supervisory Board convened three ordinary meetings within the limits of its competence and in accordance with the Company's Articles of Association. At its meetings, the Supervisory Board engaged primarily in the supervision and monitoring of the Company's management, its business operations and performance, the investment portfolio balance and returns, including the Company's investment strategy, and the fulfilment of the Company's 2019 financial and business plans.

The Company's Board of Directors provided the Company's Supervisory Board with the annual financial statements of the Company and the participation funds and transformed fund under management for the 2019 accounting period, including the audit thereof, and a proposal for the distribution of profits from the participation funds and transformed fund for 2019. The Company's Supervisory Board also received, for its consideration, the Report on Related-party Transactions for 2019, drawn up in accordance with Section 82(1) of Act No 90/2012 on companies and cooperatives, as amended (the "Business Corporations Act"), encompassing the accounting period from 1 January 2019 to 31 December 2019, which was also audited. Having assessed the Company's economic performance, the participation funds and the transformed fund for the 2019 accounting period, the Company's Supervisory Board hereby submits the following opinion to the sole shareholder, acting in the capacity of the General Meeting, in accordance with Section 12(1) and Section 447(3) of the Business Corporations Act.

The Company's Supervisory Board has reviewed the annual financial statements of the Company, and the participation funds and transformed fund it manages, for the 2019 accounting period, and the auditor's report. In line with the audit opinion, it found no errors. Against this background, the Company's Supervisory Board recommends that the Company's General Meeting (specifically, the Company's sole shareholder acting in the capacity of the General Meeting) approve the annual financial statements of the Company, and the participation funds and transformed fund it manages, for the 2019 accounting period. The Company's Supervisory Board also recommends that a decision be taken on the distribution of profits made in 2019 from the participation funds and the transformed fund according to the proposal submitted by the Company's Board of Directors. The Supervisory Board does not offer an opinion on the distribution of the Company's earnings because, due to the Czech National Bank's measures in connection with COVID-19, no such proposal was submitted by the Company's Board of Directors.

In accordance with Section 83(1) of the Business Corporations Act, the Company's Supervisory Board also reviewed the Report on Related-party Transactions for 2019, drawn up in accordance with Section 82(1) of the Business Corporations Act, which was also audited, and found no facts therein that would constitute grounds for the Company's Supervisory Board to express a negative opinion on the content thereof.

Prague, 28 April 2020



Josef Beneš
Chairman of the Supervisory Board

Financial Statements

Report on Relations between Related Parties

for the year ended 31 December 2019

In accordance with the provisions of Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended (hereinafter the “Business Corporations Act”), the Board of Directors of Penzijní společnost České pojišťovny, a.s., as the statutory body of the controlled entity, has hereby prepared this Report on Relations of Penzijní společnost České pojišťovny, a.s., with its registered office at Na Pankráci 1720/123, Nusle, 140 21 Prague 4, for the accounting period from 1 January 2019 to 31 December 2019 (hereinafter the “reporting period”).

I. Company

Penzijní společnost České pojišťovny, a.s., with its registered office at Na Pankráci 1720/123, Nusle, 140 21 Prague 4, Business registration No. (IČ) 61858692, entered in the Commercial Register maintained by the Municipal Court in Prague, File B 2738 (hereinafter the “Company”), is part of a business group (holding) with the following relations between the Company and a controlling entity and relations between the Company and other entities controlled by the same controlling entity (hereinafter the “related parties”). The accompanying Report on Relations has been prepared pursuant to the provisions of Section 82(1) of the Business Corporations Act. In its role, the Company is primarily involved in the following business activities:

- collection of funds from supplementary pension scheme participants and funds from the state credited to the participants, and handling these funds within the meaning of Act No. 42/1994 Coll., on State-contributory Supplementary Pension Insurance, as amended;
- payment of supplementary pension scheme benefits (pensions);
- collection of participant’s contributions, employer’s contributions and state contributions in accordance with Act No. 427/2011 Coll., on Supplementary Pension Savings, as amended, in order to place the contributions to participation funds, asset management in participation funds and payment of benefits from supplementary pension savings;
- carrying out the activities causing that those interested in supplementary pension savings or a participant have an opportunity to conclude a supplementary pension savings contract with a pension company; and
- concluding supplementary pension savings contracts on behalf and account of a pension company.

II. Structure of relations between Related Parties, role of the Controlled Entity, method and means of control

Both in the previous reporting period and as at the date of this report, the entity directly controlling the Company was CP Strategic Investments N. V. with its registered office in 1101BH Amsterdam, De entree 91, the Netherlands, registered in the Dutch Chamber of Commerce under the registration number 34124690.

The controlling entity of Penzijní společnost České pojišťovny, a.s., is Generali CEE Holding B.V., with its registered office in De entree 91, 1101BH Amsterdam, the Netherlands, incorporated under the laws of the Netherlands and registered in the Commercial Register under the registration number 34275688, which oversees and manages activities of the Generali Group in Central and Eastern Europe through its subsidiaries (controlled entities). The company operates not only in the Czech Republic, but also in Slovakia, Poland, Austria, Russia, Hungary, Romania, Bulgaria, Serbia, Slovenia, Montenegro and Croatia. At the same time, the Company has been a member of the Generali Group controlled by Assicurazioni Generali S.p.A., with its registered office at Piazza Duca degli Abruzzi 2, Trieste, Italy, registered in the Commercial Register under the registration number 00079760328, which is the parent company of Generali CEE Holding B.V. The Company is a member of the Generali insurance group. As such, it is obligated to follow instructions issued by the controlling entity in executing its management and coordination activities and to implement measures adopted by the supervisory authority IVASS (Istituto per la Vigilanza sulle Assicurazioni) to ensure stable and effective management of the Generali Group. The controlling entities execute control within the Generali Group exclusively through their votes, i.e. by exercising their voting rights at general meetings (decisions of the sole shareholder).

III. Summary of contracts entered into by and between the Company and Related Parties

The following summary includes an overview of agreements concluded by and between the Company and other related parties; these agreements were valid and effective in the reporting period from 1 January 2019 to 31 December 2019 for the whole or part of the period (related parties include their business name as of the date of this report on relations).

Acredité s.r.o.:

- Agreement on cooperation and provision of services dated 1 November 2016 (administrative-financial services related to postage stamping).

Česká pojišťovna ZDRAVÍ a.s.:

- Insurance contract no. 19100978/2017 for group medical assistance insurance dated 31 October 2017, as amended by Amendment no. 1.

ČP Distribuce a.s.:

- Framework agreement on cost sharing dated 12 April 2017, as amended by Amendment no. 1-4 (outsourcing of selected activities).
- Sales representation agreement dated 1 July 2017, as amended by Amendment no. 1-3.

Direct Care s.r.o.:

- Framework agreement on cost sharing dated 3 September 2018 (outsourcing of selected activities).

Generali CEE Holding B.V., through Generali CEE Holding BV, organizační složka:

- Agreement on provision of services dated 1 January 2009 (outsourcing of selected activities).
- Agreement on processing of personal data dated 25 May 2018.

Generali Česká pojišťovna a.s.:

- Framework agreement on cost sharing dated 12 April 2017 (outsourcing of selected activities).
- Agreement on processing of personal data dated 1 July 2004, as amended by Amendment no. 1-2.
- Agreement on the sublease of business premises dated 1 January 2019.
- Mandate contract dated 1 December 2012, as amended by Amendment no. 1-9 (concluding cooperation agreements).
- Insurance contract dated 29 December 2014 (movable property and liability insurance).
- Agreement on the sublease of business premises dated 31 March 2017.
- Framework agreement on cost sharing dated 1 January 2017, as amended by Amendment no. 1-3 (outsourcing of selected activities).
- Framework agreement on sharing of NON-IT and IT technologies and related operating expenses dated 1 January 2017, as amended by Amendment no. 1-2.
- Agreement on the provision of access to KPMG Helpline dated 2 January 2013.

Generali Distribuce a.s.:

- Sales representation agreement dated 1 January 2019.
- Framework agreement on cost sharing dated 1 January 2019 (outsourcing of selected activities).

Generali Investments CEE, investiční společnost, a.s.:

- Fund management agreement dated 12 February 2018, as amended by Amendment no. 1.
- Investment management agreement dated 28 March 2019.

Generali Shared Services S.C.A.R.L. (through Generali Shared Services Czech Branch, organizační složka)

- Service agreement for the provision of IT services dated 30 June 2014 as amended by Amendment no. 1.
- Confidentiality agreement dated 1 December 2017.

Generali Česká pojišťovna a. s., Generali CEE Holding B. V. (through Generali CEE Holding B. V. organizační složka), Pojišťovna Patricie, a.s., Generali Investments CEE, investiční společnost a.s., Generali Distribuce a.s., Česká pojišťovna ZDRAVÍ a.s., Direct Care s.r.o., ČP Distribuce a.s., Generali Shared Services S.C.A.R.L. (through Generali Shared Services Czech Branch, organizační složka), Acredité s.r.o.:

- Agreement on performance of obligations arising from Group membership, concluded on 2 January 2017 (Group VAT registration).

The Company did not undertake any legal acts for the benefit or at the request of related parties pertaining to assets exceeding 10% of the Company's equity as stated in its most recent financial statements.

IV. Performance provided and detriment suffered by the Controlled Entity and method of compensation

All the aforementioned agreements including their amendments (hereinafter the “agreements”) were entered into on an arm’s-length’s basis. Similarly, all performance provided and counter-performance received under the foregoing agreements and agreements entered into in prior years was effected on an arm’s-length basis and the Company suffered no detriment therefrom. No special benefits or drawbacks or additional risks arise for the Company from the foregoing agreements. The Company collaborates on Group projects and policies as a member of the Generali Group. The Company suffered no detriment arising from the Group activities.

V. Final representation

The review of the legal relations put in place between the Company and the related parties indicates that the Company incurred no detriment as a result of contractual arrangements, other legal acts or other measures implemented, made or adopted by the Company during the respective reporting period in the interest, or at the initiative, of individual related parties. This Report on Relations has been prepared by the Board of Directors and will be submitted to the Supervisory Board for review and, as part of the annual report, to the auditor in charge of the financial statements audit. The statutory body declares that the Report has been prepared with due diligence and that all information included in the Report is sufficient, accurate and complete. In line with its statutory obligations, the Company shall issue an annual report and the accompanying Report on Relations of the Company will be an integral part thereof.

VI. Annex

Annexed to this Report on Relations is a structure of the Generali CEE Holding B.V. holding as at 31 December 2019.

In Prague, 17 March 2020



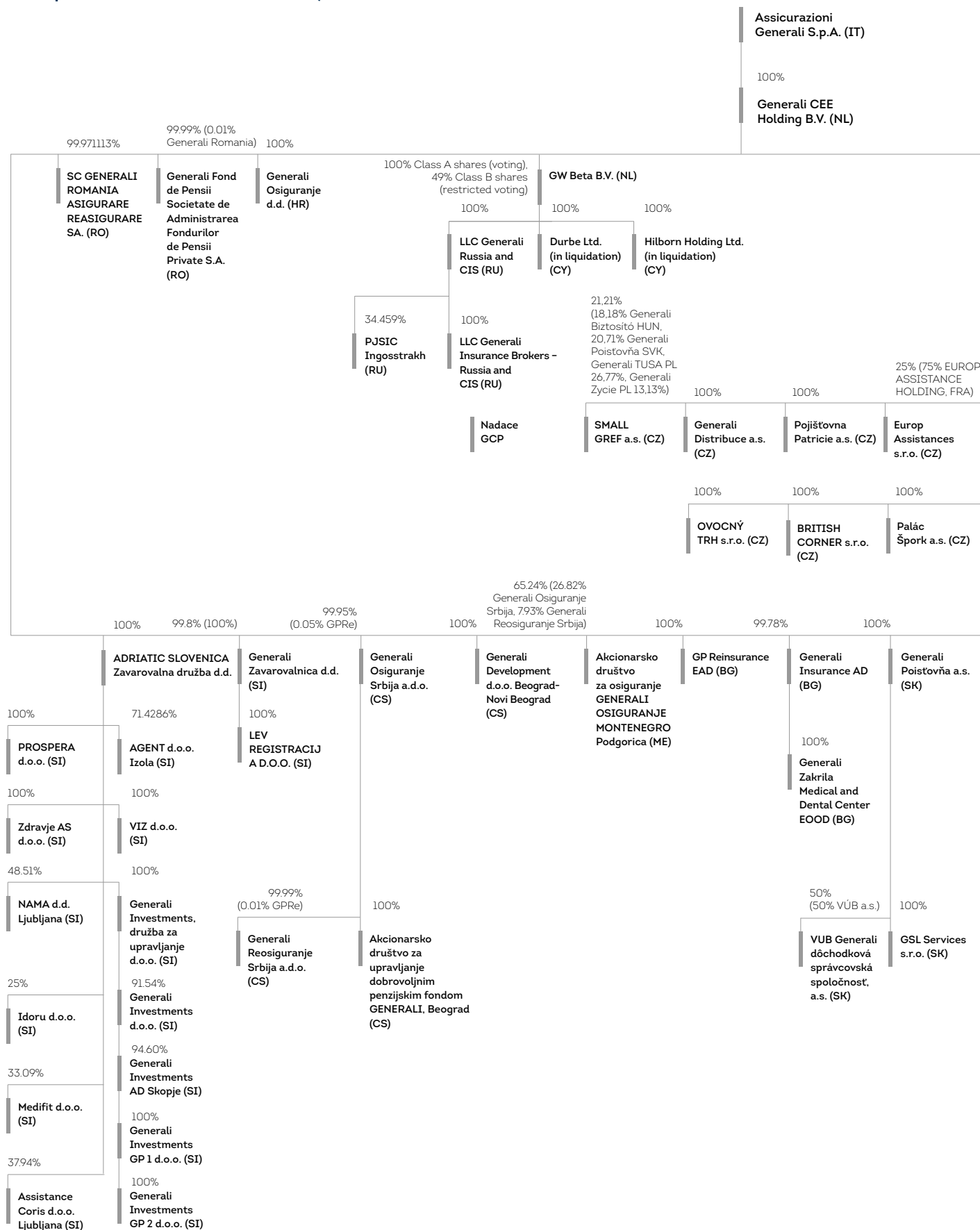
Radek Moc
Chairman of the Board of Directors
Penzijní společnost České pojišťovny, a.s.

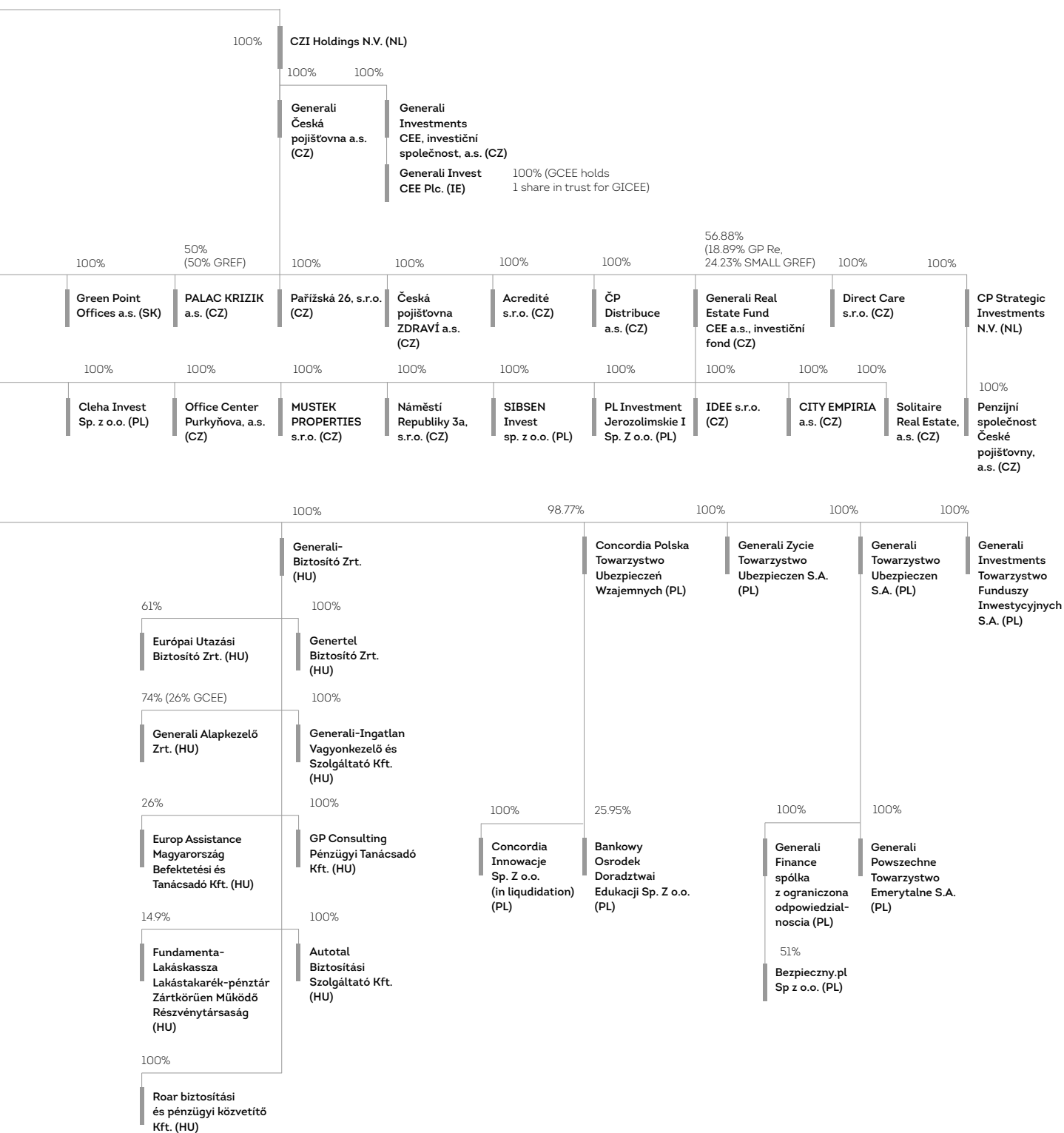


Miroslav Chromčík
Vice-Chairman of the Board of Directors
Penzijní společnost České pojišťovny, a.s.

Generali CEE Holding B.V. – Group structure as at 31. December 2019

for the purposes of Report on Related-party Transactions of Penzijní společnost České pojišťovny, a. s.
in compliance with Section 82 of Act No. 90/2012 Coll





Penzijní společnost České pojišťovny, a.s. – Independent auditor's report



(Translation of a report originally issued in Czech – see Note 2.1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Penzijní společnost České pojišťovny, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Penzijní společnost České pojišťovny, a.s. (hereinafter also the “Company”) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019 and the income statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Fair value of financial instruments

Fair value measurement and associated valuation adjustments can be a subjective area and more so for areas of the market reliant on model-based valuation or with weak liquidity and price discovery.

The Company's portfolio of financial instruments, disclosed in Note 4.1 Securities Available-for-Sale and Note 18.3 Financial Derivatives to the financial statements, represents a major part of the Company's total assets. Securities Available-for-Sale are initially recognized at cost, which includes direct transaction costs, and subsequently measured at fair value as disclosed in Note 2.7 Securities Available-for-Sale to the financial statements. Financial derivatives are initially recognized on the balance sheet at cost, which includes direct transaction costs, and subsequently measured at fair value as disclosed in Note 2.11 Financial Derivatives and Hedging to the financial statements.

The Company assesses the market activity in order to determine the appropriate valuation method for financial instruments in its financial instruments' portfolio.

The fair value of liquid and quoted financial instruments should be determined using the market observable prices.

Out of the total portfolio of financial instruments measured at fair value, 46% is represented by financial instruments which are not traded on active market. Fair values of these financial instruments are not based on quoted market prices, but based on valuation models that use inputs and assumptions that are either observable or unobservable, as disclosed in Note 2.4 Fair Value of Securities and 2.11 Financial Derivatives and Hedging.

The determination of proper categorization (ie. assessment of market activity) and the determination of the fair value of these securities Available-for-Sale and financial derivatives involves higher degree of the management judgment and estimate applied in the valuation models. Due to this fact and due to the significance of financial instruments to the balance sheet this area requires significant audit effort and was assessed as a key matter for our audit.

We assessed the governance and process over the valuation of financial instruments. We tested design and operating effectiveness of the Company's internal controls over the valuation process including selection of the valuation method.

With the assistance of valuation specialists, we reviewed the methodology applied by the Company to review models, inputs and assumptions used by the Company in determining of fair values of financial instruments in the portfolio.

For a selected sample of financial instruments across the whole financial instruments' portfolio we tested, with the assistance of valuation specialists, that illiquid or non-quoted financial instruments were identified by the Company, and an appropriate valuation method was selected for the fair value calculation. For a sample of these financial instruments we compared the fair values derived from our internal valuation model to the fair values determined by the Company. In case of non-observable inputs we performed an assessment of their reasonableness using an expert judgement. For all liquid and quoted financial instruments we compared their fair value to the quoted market price.

We also considered the adequacy of the Company's disclosures (Note 2.4 Fair Value of Securities, Note 2.7 Securities Available-for-Sale, Note 2.11 Financial Derivatives and Hedging, Note 4.1 Securities Available-for-Sale and Note 18.3 Financial Derivatives) related to valuation of securities Available-for-Sale and financial derivatives, valuation methods and inputs used for fair value determination and compliance of disclosures with accounting principles generally accepted in the Czech Republic.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation 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 judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 25 November 2019 and our uninterrupted engagement has lasted for 8 years.

Consistence with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 28 April 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.


Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Company. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings and which have not been disclosed in the financial statements.

Statutory auditor responsible for the engagement

Roman Hauptfleisch is the statutory auditor responsible for the audit of the financial statements of the Company as at 31 December 2019, based on which this independent auditor's report has been prepared.

Ernst & Young Audit, s.r.o.
License No. 401


Roman Hauptfleisch, Auditor
License No. 2009

28 April 2020
Prague, Czech Republic

Penzijní společnost České pojišťovny, a.s. – Financial statements for the year ended 31 December 2019

Balance Sheet as at 31 December 2019

ASSETS (in CZK thousands)	Note	31 December 2019	31 December 2018
Cash on hand		20	16
Due from banks	3	918,974	1,025,413
of which: a) repayable on demand		91,120	89,881
b) other receivables		827,854	935,532
Debt securities	4	1,420,183	1,295,218
of which: a) issued by government institutions		1,103,159	949,750
b) issued by other entities		317,024	345,468
Intangible fixed assets	5	57,339	53,592
Tangible fixed assets	5	3,193	3,577
Other assets	6	324,537	208,628
Prepayments and accrued income	7	117,733	106,618
TOTAL ASSETS		2,841,979	2,693,062
LIABILITIES (in CZK thousands)	Note	31 December 2019	31 December 2018
Other liabilities	8	85,892	91,162
Accruals		19	0
Provisions		108,266	139,400
of which: a) for taxes	17	92,688	124,130
b) other provisions		15,578	15,270
Share capital – paid up	9.1	50,000	50,000
Reserve funds and other funds from profit		7,850	7,850
of which: other funds from profit	9.2	7,850	7,850
Capital funds	9.3	650,248	650,248
Revaluation reserve – for assets and liabilities	9.4	18,329	(6,996)
Retained earnings	9.5	1,203,909	1,203,909
Profit/(Loss) for the period	9.6	717,466	557,489
TOTAL LIABILITIES		2,841,979	2,693,062
OFF-BALANCE-SHEET ITEMS as at 31 December 2019 (in CZK thousands)	Note	31 December 2019	31 December 2018
Off-balance sheet assets			
Receivables from fixed-term transactions	18.3	672,617	556,213
Assets provided for management by a third party	20.2	2,268,071	2,246,000
Total off-balance sheet assets	20	2,940,688	2,802,213
Off-balance sheet liabilities			
Payables from fixed-term transactions	18.3	672,066	563,260
Collateral and pledge received	20.1	666,568	929,566
Assets received for management from a third party	20.3	130,921,399	126,356,314
Total off-balance sheet liabilities	20	132,260,033	127,849,140

Income Statement for the year ended 31 December 2019

(in CZK thousands)	Note	31 December 2019	31 December 2018
Interest and similar income	10	45,514	28,277
of which: interest income from debt securities		27,690	27,082
Interest and similar expense	10	(607)	(1,486)
of which: interest expense from debt securities		0	0
Fee and commission income	11	1,197,948	1,017,605
Fee and commission expenses	12	(163,173)	(145,825)
Gain or loss from financial transactions	13	3,948	(2,389)
Other operating income	14	4,398	5,275
Other operating expenses	15	(155)	(4,002)
Administrative expenses	16	(185,353)	(181,402)
of which: a) staff costs		(93,798)	(93,163)
of which: aa) wages and salaries		(73,075)	(72,434)
ab) social security and health insurance		(20,723)	(20,729)
b) other administrative expenses		(91,555)	(88,239)
Write-offs, additions to, and use of, provisions for and allowances against tangible and intangible fixed assets	5	(18,470)	(19,436)
Write-offs, additions to, and use of, allowances against and provisions for receivables and guarantees		(771)	(628)
Profit on ordinary activities before tax		883,279	695,989
Income tax	17	(165,813)	(138,500)
of which: a) current tax		(168,482)	(133,985)
b) deferred tax		2,669	(4,515)
Profit/(Loss) for the period after tax	9.6	717,466	557,489

Statement of Changes in Equity for the year ended 31 December 2019

(in CZK thousands)	Share capital	Reserve funds and other funds from profit	Capital funds	Revaluation reserve	Retained earnings	Profit/(loss)	Total
Balance as at 1 January 2018	50,000	7,850	650,248	18,742	1,203,909	532,335	2,463,084
Revaluation reserve	0	0	0	(25,738)	0	0	(25,738)
Transfers to funds	0	0	0	0	0	0	0
Use of funds	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	0	(532,335)	(532,335)
Share capital decrease	0	0	0	0	0	0	0
Net profit/(loss) for the period	0	0	0	0	0	557,489	557,489
Balance as at 31 December 2018	50,000	7,850	650,248	(6,996)	1,203,909	557,489	2,462,500
Balance as at 1 January 2019	50,000	7,850	650,248	(6,996)	1,203,909	557,489	2,462,500
Revaluation reserve	0	0	0	25,325	0	0	25,325
Transfers to funds	0	0	0	0	0	0	0
Use of funds	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	0	(557,489)	(557,489)
Share capital decrease	0	0	0	0	0	0	0
Net profit/(loss) for the period	0	0	0	0	0	717,466	717,466
Balance as at 31 December 2019	50,000	7,850	650,248	18,329	1,203,909	717,466	2,647,802

Notes to Financial statements for the year ended 31 December 2019

1. General Information

Penzijní společnost České pojišťovny, a.s. (the “Company”) was incorporated on 1 January 2013 through transformation of Penzijní fond České pojišťovny, a.s., which was registered in the Commercial Register on 19 September 1994, and transformed to Penzijní společnost České pojišťovny, a.s., and Transformovaný fond Penzijní společnosti České pojišťovny, a.s.

The Company’s registered office is located at Prague 4, Na Pankráci 1720/123, and the business registration number is 618 58 692.

In addition to Transformovaný fond Penzijní společnosti České pojišťovny, a.s., the Company established in 2013 participating funds as follows:

- Povinný konzervativní fond Penzijní společnosti České pojišťovny, a. s.
- Spořicí účastnický fond Penzijní společnosti České pojišťovny, a. s.
- Vyvážený účastnický fond Penzijní společnosti České pojišťovny, a. s.
- Dynamický účastnický fond Penzijní společnosti České pojišťovny, a. s.

The sole shareholder of the Company is CP Strategic Investments N.V., with its registered office at De entree 91, 1101BH Amsterdam, the Netherlands. The information disclosed in the Company’s financial statements is included in the consolidated financial statements of the group Generali CEE Holding B.V., with its registered office at De entree 91, 1101BH Amsterdam, the Netherlands, and Assicurazioni Generali S.p.A., Piazza Duca degli Abruzzi 2, 34132 Trieste, Italy, which is the ultimate parent company and which prepares the consolidated financial statements of the largest group of entities. The consolidated financial statements are available at www.generalicee.com and www.generali.com.

The Company is primarily involved in:

- collection of funds from supplementary pension scheme participants and funds from the state credited to the participants, and handling these funds within the meaning of Act No. 42/1994 Coll. on State-contributory Supplementary Pension Insurance;
- payment of supplementary pension scheme benefits (pensions);
- collection of participant’s contributions, employer’s contributions and state contributions in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings in order to place the contributions to participation funds, asset management in participation funds and payment of benefits from supplementary pension savings;
- collection and management of savings participants’ funds in pension funds and payment of benefits in accordance with Act. No. 426/2011 Coll. on Retirement Savings;
- carrying out the activities causing that those interested in supplementary pension savings or a participant have an opportunity to conclude a supplementary pension savings contract with a pension company;
- concluding supplementary pension savings contracts on behalf and account of a pension company.

The Company’s organizational structure is as follows:

- sales and marketing division;
- finance division;
- operations division;
- CRM and marketing division.

The Company’s main distribution channels are comprised of advisors and branches of ČP Distribuce a.s., which is subsidiary of Generali Česká pojišťovna a.s., and also advisors and branches of independent network of financial advisors.

The Company’s investment portfolio is managed by Generali Investments CEE, investiční společnost, a.s.

The administered funds’ custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the “Custodian”).

Number of policyholders of administered funds:	2019	2018
Povinný konzervativní fond*)	6,902	5,220
Spořicí účastnický fond*)	163,327	147,488
Vyvážený účastnický fond*)	94,212	74,556
Dynamický účastnický fond*)	73,546	55,190
Transformovaný fond	864,749	908,221

*) The total number of participants for the administered participation funds is lower. Participants may have funds invested in multiple participation funds.

Amount of benefits paid (in CZK thousands)	2019	2018
Povinný konzervativní fond	72,873	57,033
Spořicí účastnický fond	1,175,345	617,978
Vyvážený účastnický fond	200,670	169,762
Dynamický účastnický fond	63,508	51,264
Transformovaný fond	6,312,407	6,973,555

Number of benefits paid	2019	2018
Povinný konzervativní fond	1,353	991
Spořicí účastnický fond	23,278	13,147
Vyvážený účastnický fond	6,561	5,375
Dynamický účastnický fond	2,935	2,196
Transformovaný fond	101,952	65,355

Annual yield (in %)	2019	2018
Povinný konzervativní fond	1.44	(0.34)
Spořicí účastnický fond	3.45	(1.35)
Vyvážený účastnický fond	10.50	(4.85)
Dynamický účastnický fond	17.91	(9.13)
Transformovaný fond	1.7	1.07

If need be Transformovaný fond establishes an insurance provision for the payment of future pension claims in the amount of net present value of the expected pension payments computed by an actuary, net of the sum of funds recorded to the benefit of pension beneficiaries as at the provision computation date. Other participating funds do not create a provision for the payment of life-long pensions or pensions with fixed term and fixed pension benefit because these pensions are paid out by an insurance company designated by the client on the basis of signed insurance policy.

Board of Directors, Supervisory Board and Audit Committee

Board of Directors as at 31 December 2019:

Chairman of the Board of Directors:	Ing. Marcel Homolka
Vice-chairman of the Board of Directors:	Ing. Miroslav Chromčík
Member of the Board of Directors:	Mgr. Miroslav Žbel

No changes in the Board of Directors occurred in 2019.

Board of Directors as at the financial statements date:

Chairman of the Board of Directors:	Ing. Radek Moc, Ph.D., MBA
Vice-chairman of the Board of Directors:	Ing. Miroslav Chromčík
Member of the Board of Directors:	Mgr. Miroslav Žbel

Changes in the Board of Directors as at the financial statements are specified in subsequent events in Note 21.

Supervisory Board as at 31 December 2019:

Chairman of the Supervisory Board:	Ing. Josef Beneš
Member of the Supervisory Board:	Mgr. Petr Bohumský, MBA
Member of the Supervisory Board:	PhDr. Tomáš Vysoudil (01/01/2019 – 09/07/2019)
Member of the Supervisory Board:	Ing. Pavel Mencl (10/07/2019 – 31/12/2019)

Supervisory Board as at the financial statements date:

Chairman of the Supervisory Board:	Ing. Josef Beneš
Member of the Supervisory Board:	Mgr. Petr Bohumský, MBA
Member of the Supervisory Board:	Ing. Pavol Pitoňák, MBA (since 01/01/2020)

Audit Committee:

Chairman of the Committee:	Ing. Martin Mančík, FCCA
Member of the Committee:	Ing. Beáta Petrušová
Member of the Committee:	Ing. Roman Smetana, FCCA

No changes in the Audit Committee occurred in 2019.

2. Accounting Policies

2.1. Basis of Preparation

The financial statements of the Company comprising the balance sheet, the income statement, statement of changes in equity and the accompanying notes have been prepared in accordance with Act No. 563/1991 Coll. on Accounting, the Czech Ministry of Finance decrees and Czech accounting standards for financial institutions. The financial statements have been prepared under the historical cost convention as modified for the valuation of financial instruments at fair value through profit or loss and the valuation of derivatives and available-for-sale financial instruments at fair value, and for the valuation of held-to-maturity financial instruments at amortized cost. The financial statements are based on assumption that the Fund will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Fund's ability to continue as a going concern in foreseeable future.

The amounts included in the financial statements are rounded to CZK thousands unless stated otherwise.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are recorded at acquisition cost. Depreciation/amortization periods used for each category of tangible and intangible fixed asset are as follows:

Assets	Depreciation/Amortization period
Intangible fixed assets put into use on 1 January 2004	6 years
Valuable rights	6 years
Low-value intangible fixed assets with a cost from CZK 30 thousand to CZK 60 thousand	6 years
Hardware, office equipment	4 years
Passenger cars	3 years
Furniture	6 years
Safes	6 years
Low-value tangible fixed assets with a cost from CZK 20 thousand to CZK 40 thousand	4 years

The Company also records low-value tangible fixed assets with a cost of less than CZK 20 thousand and low-value intangible fixed assets with a cost of less than CZK 30 thousand, which are expensed upon acquisition. The costs of repairs and maintenance of tangible fixed assets are expensed as incurred. Technical improvements on the individual assets are capitalized and depreciated.

2.3. Foreign Currency

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the Czech National Bank ("CNB") exchange rate prevailing as at the transaction date. Monetary financial assets and liabilities denominated in foreign currencies are translated into Czech crowns at the exchange rate as published by the Czech National Bank as at the balance sheet date. All realized and unrealized exchange rate gains and losses arising from monetary items are recognized in gain or loss from financial transactions.

2.4. Fair Value of Securities

The fair value of a security is determined by the market price quoted by a relevant stock exchange or other active public market; the bid price is used to determine the fair value of the bond. If an active market for financial instruments does not exist, the Company determines the fair value using the valuation methods that include valuation under the arm's length concept, discounted cash flow analysis and other valuation techniques commonly used by market participants.

In its models designed for determining the fair value of securities, the Company maximizes using the observable market data, while minimizing non-observable inputs. The valuation models consider current market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

2.5. Transaction Recognition Date

The transaction recognition date for purchase and sale of financial assets is a date on which the transaction is settled. Spot transactions are recognized in the off-balance sheet in the period between the trade date and the settlement date and, at the same time, are remeasured in this period in a way pertaining to the valuation category to which they have been assigned.

The Company derecognizes a financial asset, or a part thereof, from the balance sheet when it loses control over the contractual rights to the asset or part thereof. The Company loses this control if it exercises the rights to the benefits defined in the contract, if these rights expire, or if the Company waives these rights.

A financial liability, or a part of thereof, is extinguished when the obligation specified in the contract is discharged, cancelled or expires, and the entity will no longer report the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability, or a part thereof, extinguished or transferred to another entity, and the consideration paid is recognized in profit or loss.

The transaction recognition date can also be the trade date for financial derivatives, the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency, the date of payment to or collection from a client's account, the date on which the ownership or rights to another party's assets were acquired or disposed of, the date on which a receivable or payable arose, was changed or terminated, the date on which assets moved within the entity and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the entity or from special regulations.

2.6. Securities at Fair Value through Profit or Loss

Securities at fair value through profit or loss fall into two sub-categories: securities held-for-trading, and securities designated at fair value through profit or loss upon initial recognition. Securities are classified as held-for-trading if they are acquired or incurred principally for the purpose of selling or repurchasing in the near term or if they are part of a portfolio of identified financial instruments that are managed together, thereby generating profits on price fluctuations in the short term. Any security that is a financial asset or liability can be designated at fair value through profit or loss upon initial recognition, except for participating securities and interests that are not publicly traded and their fair value cannot be reliably measured and for securities issued by the Company.

Securities at fair value through profit or loss are initially recognized at cost, including incidental acquisition costs, and subsequently measured at fair value. All related gains and losses are included in gain or loss from financial transactions. Spot purchases and sales are recognized using the settlement date accounting. Term trades are treated as derivatives. Interest earned on securities at fair value through profit or loss is reported as interest and similar income.

2.7. Securities Available-for-Sale

Available-for-sale securities are securities that the Company designates into this category or that do not meet the terms of any other category. They comprise mainly debt securities held for liquidity management, mutual fund units and shares.

Available-for-sale securities are initially recognized at cost, which includes direct transaction costs, and subsequently measured at fair value.

Any gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity (net of any tax effect) until subsequent disposal or impairment, at which time the cumulative gain or loss previously recognized in equity should be recognized in the income statement, in Gain or loss from financial transactions.

Interest calculated using the effective interest rate method, dividends and foreign exchange differences on debt securities are recognized in the income statement. Dividends are recorded as other income from shares and mutual funds. Interest is recorded as interest and similar income. Foreign exchange differences on available-for-sale debt securities are recorded in gain or loss from financial transactions. Foreign exchange differences on non-hedged equity securities are recorded in the revaluation reserve in equity.

2.8. Impairment of Securities Available-for-Sale

The Company assesses at each balance sheet date, whether there is objective evidence that a security is impaired. The Company follows an internal directive regulating the procedures for determining impairment of assets measured at fair value recognized in equity. The Company assesses impairment at the individual security level. The following facts or their combinations are considered as evidence of permanent impairment:

- for equity instruments: the market price decreased continuously over the period of 12 months or by more than 30% compared to their acquisition cost;
- for debt instruments: the situation in which an issuer's credit rating is substantially decreased.

Prolonged decrease is defined as the permanent decrease of fair value in the time interval longer than 1 year, against the average acquisition cost determined as at the balance sheet date, while such a decrease has not been influenced e.g. by a significant dividend payment or similar technical decrease of equity.

If the aforementioned objective evidence of security permanent impairment exists, the difference between the acquisition cost of a security and its fair value is derecognized from equity and taken to the income statement at the balance sheet date.

Investments, which are assessed for impairment and meet the required criteria, are subject to the following accounting procedure:

- for losses on impairment of equity instruments the recognized expense is irreversible, losses on impairment of debt securities may be reversed if after their recognition in profit or loss their fair value is increased from objective and by entity identifiable reasons. If the fair value of assets is increased in next fiscal years, the appreciation must be recognized through profit or loss, i.e. the write-off must be directly reversed.

2.9. Repo Agreements

Repo agreement is the sale of financial assets, other than cash, for cash or other form of payment with corresponding future liability to buy back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The sold financial assets remain recorded in the balance sheet and the received cash is recorded in amounts owed to banks and cooperative saving banks in the balance sheet. Reverse repo agreement is the purchase of financial assets, other than cash, for cash or other form of payment with corresponding future liability to sell back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The purchased financial assets are not recorded in the balance sheet and are only recorded in the off-balance sheet; the provided cash is recorded in amounts due from banks and cooperative saving banks in the balance sheet. Repo (reverse repo) agreement is:

- classic repo agreement, i.e. receipt of loan collateralised by transfer of financial asset and classic reverse repo agreement, i.e. providing a loan collateralised by transfer of financial assets;
- loan of securities hedged with transfer of cash or other form of payment and borrowing of securities hedged with transfer of cash or other form of payment;
- sale of securities with simultaneous arrangement to buy securities back (sell-buy) and purchase of securities with simultaneous arrangement to sell securities back (buy-sell).

2.10. Transfers between Portfolios of Securities

Transfers of securities between portfolios are subject to the following rules:

- transfers to and from the portfolio of securities at fair value through profit or loss are not allowed;
- transfers from available-for-sale securities to held-to-maturity securities are effected upon the change in the intention or after elapsing two accounting periods, in which it was not allowed to classify any securities as held-to-maturity (see below);
- transfers from held-to-maturity securities to available-for-sale securities are effected if the intention or ability to hold the held-to-maturity securities has changed;
- on the sale or transfer of any securities held-to-maturity, the Fund must transfer the rest of the portfolio of securities held-to-maturity to available-for-sale securities and no securities can be classified as held-to-maturity in the two following accounting periods. The exceptions to this rule are permitted for sales within the last three months before maturity of the security if during the period of possession of these securities the Fund received from the issuer at least 90% of acquisition cost of these securities in addition to accrued coupons, for sales of insignificant part of portfolio, in the case of a significant deterioration in an issuer's creditworthiness, or in the case of changes in tax legislation, legal or regulatory requirements.

2.11. Financial Derivatives and Hedging

Financial derivatives are initially recognized on the balance sheet at cost and subsequently remeasured at fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models using only observable market data as appropriate. The valuation models consider market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

For all derivatives, the fair value is presented in other assets or in other liabilities when the fair value for the Company is positive or negative, respectively.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a financial instrument with the same terms as the embedded derivative would as separate instrument meet the definition of a derivative, and the host contract is not carried at fair value through profit or loss, or is measured at fair value with changes in fair value recognized in the balance sheet.

Changes in the fair value of financial derivatives held-for-trading are included in gain or loss from financial transactions.

The Company designates prospectively certain derivatives as a hedge of the fair value of selected assets or liabilities (fair value hedge). Hedge accounting can be used for financial derivatives designated in this way provided the following criteria are met:

- i. the derivative is in compliance with the Company's risk management strategy;
- ii. the formal documentation of the general hedging strategy, hedged risk, hedging instrument, hedged item and their relationship is prepared before hedge accounting is applied;
- iii. the hedge documentation proves that the hedge is highly effective in offsetting the risk in the hedged item at inception of the hedge and throughout the reporting period;
- iv. the hedge is effective on an ongoing basis; and
- v. the hedged item is not a security measured at fair value through the profit or loss.

Changes in the fair value of financial derivatives that qualify as effective fair value hedges are recorded in the income statement. Within a hedge of a foreign currency risk, the changes in fair values are recorded in gain or loss from financial transactions. Valuation differences arising from a hedge of an interest rate risk are recorded as interest and similar expense or interest and similar income, as appropriate. Changes in the fair value of derivatives are recorded along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Certain derivatives, although providing effective financial hedging of opened positions of the Company from the risk management point of view, do not fulfil the criteria of hedge accounting based on applicable Czech Accounting Standards. Therefore these derivatives are accounted for as trading derivatives. Changes in the fair value of these derivatives are also recorded in gain or loss from financial transactions.

2.12. Interest Income and Expenses, Dividend Income

Interest income and expenses are recognized for all interest bearing instruments on an accruals basis.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date).

2.13. Receivables and Allowances

Receivables are stated at nominal value less an allowance for doubtful amounts created on the basis of an individual recoverability assessment. Irrecoverable receivables are written off upon completion of bankruptcy proceedings against the debtor.

2.14. Income Tax

The corporate income tax expense is calculated in compliance with the respective provisions of Czech tax legislation based on the statutory tax rate and income recognized in the income statement prepared under the Czech accounting standards, increased or decreased by the appropriate permanent and temporary non-deductible expenses and non-taxed revenues. The income tax rate is 19%.

2.15. Value Added Tax

The Company is registered as a value added tax ("VAT") payer. Due to the nature of the Company's business, the Company cannot claim back the input VAT and therefore any input VAT paid is considered part of the related expenses or purchase price of an asset.

2.16. Deferred Tax

A deferred tax liability is recognized on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the full liability method.

The approved tax rate for the period in which the Company expects to utilize the asset or realize the liability is used for the deferred taxation calculation.

Deferred tax related to fair value remeasurement of available-for-sale securities, which is recognized directly in equity, is also recognized directly in equity. A deferred tax asset is recognized if there is no doubt that it will be realized in subsequent accounting periods.

2.17. Provisions

Provisions are recognized when the Company has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. All provisions are presented in liabilities. Provisions are recognized in the currency in which settlement is expected to be made.

Additions to provisions are recognized in the income statement in write-offs, additions to, and use of, provisions for and allowances against tangible and intangible fixed assets and in write-offs, additions to, and use of, allowances against and provisions for receivables and guarantees; utilization of provisions is recognized together with expenses or losses, for which the provisions were created in the income statement. Release of provisions in case they are no longer necessary is recognized in the income statement in write-offs, additions to, and use of, provisions for and allowances against tangible and intangible fixed assets and in write-offs, additions to, and use of, allowances against and provisions for receivables and guarantees.

Creation and release of provisions relating to the costs of future payments of salaries and bonuses is recognized in administrative expenses as staff costs. The income tax provision is created at the estimated tax liability of the reporting period and is reported less income tax advances in the financial statements.

2.18. Coverage of Supplementary Pension Claims

The Company is obliged to ensure that the value of assets in the transformed fund is in any case equal to or higher than the value of liabilities in the fund. If the liabilities of the transformed fund exceed its assets, the Company is obliged to transfer to the transformed fund the assets necessary to compensate for the difference.

2.19. Fee and Commission Income

Fee and commission income is income from fees received for management and appreciation of assets of administered participation funds and transformed fund. The fees are set out in the Statutes of respective funds. Fee and commission income also includes charges paid by administered funds participants for chargeable actions.

2.20. Fee and Commission Expenses

Fee and commission expenses include fee and commission expenses related to maintaining of accounts, performance of payment services, fees for external administration of portfolios of managed funds, placement of financial instruments, and commission expenses related to acquisition of contracts in managed funds.

2.21. Expenses for Commissions to Agents

The volume of commissions paid to agents for negotiating contracts and addenda thereto are calculated on the basis of participants' contributions at the agreed level at maximum. The accrual and matching principles with respect to the development of costs and revenues from concluded contracts amortized over 48 months are observed. A test of recoverability of prepaid commissions to agents is carried out as at the balance sheet date.

2.22. Staff Costs and Supplementary Pension Savings

Staff costs are included in administrative expenses and they also include emoluments of the Board of Directors or the Supervisory Board members, including costs related to creation of provision for future payments of salaries and bonuses.

The Company makes contributions on behalf of its employees to a defined contribution pension scheme and supplementary pension savings scheme. These contributions paid by the Company are expensed as incurred.

The Company makes regular contributions to the state budget to support the national pension scheme.

2.23. Related Parties

Related parties are defined as follows:

- statutory body members and senior management of the Company who are responsible based on employment or other contracts for executive management functions defined in the Company's statute ("senior management of the Company");
- relatives (direct family members) of members of the Board of Directors, Supervisory Board, Audit Committee, senior management and of entities controlling the Company;
- entities in which the board members of the Company, senior management or the sole shareholder of the Company hold at least a 10% equity investment;
- the sole shareholder of the Company and entities controlled by him, his shareholders with at least a 10% shareholding and the entities controlled by them and the senior management of these entities; and
- managed participating funds and transformed fund.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 19, with the exception of accrued expenses related to calculated commissions associated with the acquisition of contracts in the managed funds.

2.24. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

2.25. Subsequent Events

The effect of events that occurred between the balance sheet date and the financial statements date is reflected in the financial statements if these events provide additional evidence of conditions that existed at the balance sheet date.

If, between the balance sheet date and the financial statements date, significant events occurred that are indicative of conditions that arose after the balance sheet date, the effect of these events is not recognized in the financial statements but disclosed in the notes to the financial statements.

3. Due from Banks

(in CZK thousands)	31 December 2019	31 December 2018
Current accounts with banks	91,120	89,881
Term deposits	140,332	0
Cash collateral pledged	6,607	5,917
Reverse repo agreements	680,915	929,615
Total amounts due from banks	918,974	1,025,413

4. Securities

All securities held by the Company have been received for trading on the regulated market.

(in CZK thousands)	31 December 2019	Debt securities
		31 December 2018
Available-for-sale	1,420,183	1,295,218
Total securities	1,420,183	1,295,218

4.1. Securities Available-for-Sale

(in CZK thousands)	31 December 2019	Debt securities
		31 December 2018
Traded on the primary or secondary PSE market	1,030,340	892,855
Foreign stock exchanges	389,843	402,363
Total debt securities including zero-coupon bonds	1,420,183	1,295,218

5. Intangible and Tangible Fixed Assets

Intangible fixed assets

(in CZK thousands)	Software	Valuable rights	Total
As at 1 January 2019			
Cost	144,454	1,305	145,759
Accumulated amortization	(91,358)	(809)	(92,167)
Net book value	53,096	496	53,592
Year ended 31 December 2019			
Opening net book value	53,096	496	53,592
Additions	20,440	0	20,440
Disposals – Cost	(731)	0	(731)
Disposals – Accumulated amortization	731	0	731
Amortization during year	(16,589)	(104)	(16,693)
Closing net book value	56,947	392	57,339
As at 31 December 2019			
Cost	164,163	1,305	165,468
Accumulated amortization	(107,216)	(913)	(108,129)
Net book value	56,947	392	57,339

Tangible fixed assets

(in CZK thousands)	Vehicles	Machinery and equipment	Furniture and fixtures and low-value assets	Total
As at 1 January 2019				
Cost	6,590	545	7,384	14,519
Accumulated depreciation	(3,748)	(545)	(6,649)	(10,942)
Net book value	2,842	0	735	3,577
Year ended 31 December 2019				
Opening net book value	2,842	0	735	3,577
Additions	1,333	0	60	1,393
Disposals – Cost	(1,502)	(40)	(152)	(1,694)
Disposals – Accumulated depreciation	1,502	40	152	1,694
Depreciation during year	(1,633)	0	(144)	(1,777)
Closing net book value	2,542	0	651	3,193
As at 31 December 2019				
Cost	6,421	505	7,292	14,218
Accumulated depreciation	(3,879)	(505)	(6,641)	(11,025)
Net book value	2,542	0	651	3,193

6. Other Assets

(in CZK thousands)	31 December 2019	31 December 2018
Receivable from fee for management and appreciation of assets	307,257	194,764
Financial derivatives (Note 18.3)	6,478	2,180
Other receivables	11,737	14,936
Other cash equivalents	20	18
Total other assets	325,492	211,898
Allowances against impairment of other receivables	(955)	(3,270)
Net book value	324,537	208,628

The “Other receivables” item mainly includes granted operating advances, receivables from brokers due to unsettled commission cancellations, which are covered by the created allowance, and receivables from clients due to covering the payments and adjustments of settlement in the operating system and estimated receivables.

7. Prepayments and Accrued Income

The Company recognized prepayments and accrued income of CZK 117,733 thousand (2018: CZK 106,618 thousand), representing prepaid acquisition costs of pension contracts.

As at 31 December 2019 and 2018, the Company carried out a test of recoverability of prepaid commissions to agents. On the basis of the recoverability test, it was determined that prepaid expenses were not impaired.

The recoverable amount was determined on the basis of calculation of a minimum recoverable commission whilst taking into consideration the future estimated developments of the pension system. The calculation of minimum recoverable commission considers estimated cash flows based on an average client age and period of granting entitlement to payment.

A risk discount rate of 5.1% was used in the calculation and was based on the Company's best estimate.

8. Other Liabilities

(in CZK thousands)	31 December 2019	31 December 2018
Trade payables	21,446	29,753
of which: payables to TF	12,244	16,439
Payables to employees and from social insurance	6,148	6,507
Financial derivatives (Note 18.3)	5,927	9,227
Tax liabilities	9,193	5,958
of which: deferred tax liability (Note 17)	6,145	3,813
Payables to policyholders and MF	15,288	15,625
Estimated payables	27,890	24,092
Total other liabilities	85,892	91,162

9. Equity

9.1. Share capital

CP Strategic Investments N.V., with its registered office at De entree 91, 1101BH Amsterdam, the Netherlands, is the sole shareholder of the Company, holding 50,000,000 shares as at 31 December 2019 (as at 31 December 2018: 50,000,000 shares) with a nominal value of CZK 1 each.

The share capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Municipal Court. Any increase or decrease in the share capital made pursuant to the decision of the General Meeting is recorded through changes in share capital.

9.2. Reserve funds and other funds from profit

Reserve funds and other funds from profit are comprised of the fund for corporate clients support of CZK 7,850 thousand, which has no specific purpose and is particularly used to support other business activities of the Company.

9.3. Capital Funds

As at 31 December 2019 and 2018, the total amount of capital funds was CZK 650,248 thousand and CZK 650,248 thousand, respectively.

9.4. Revaluation Reserve

2019 (in CZK thousands)	Debt securities – government	Debt securities – other	Total
Balance as at 1 January 2019	(2,709)	(4,287)	(6,996)
of which: deferred tax as at 1 January 2019	(303)	1,005	702
Sale of securities – revaluation reserve reflected in P/L account	0	718	718
Unrealised revaluation reserve reflected in equity	21,592	8,016	29,608
Deferred tax – 2019 movement	(3,342)	(1,659)	(5,001)
Deferred tax – balance as at 31 December 2019 (Note 17)	(3,645)	(654)	(4,299)
Balance as at 31 December 2019	15,541	2,788	18,329

2018 (in CZK thousands)	Debt securities – government	Debt securities – other	Total
Balance as at 1 January 2018	14,498	4,244	18,742
of which: deferred tax as at 1 January 2018	(3,401)	(995)	(4,396)
Sale of securities – revaluation reserve reflected in P/L account	0	(9)	(9)
Unrealised revaluation reserve reflected in equity	(20,305)	(10,523)	(30,828)
Deferred tax – 2018 movement	3,098	2,001	5,099
Deferred tax – balance as at 31 December 2018 (Note 17)	(303)	1,005	702
Balance as at 31 December 2018	(2,709)	(4,287)	(6,996)

9.5. Retained earnings

As at 31 December 2019 and 2018, retained earnings totaled CZK 1,203,909 thousand and CZK 1,203,909 thousand, respectively.

9.6. Profit for the Period

The sole shareholder approved the distribution of profit generated for the 2018 accounting period in the amount of CZK 557,489 thousand; the whole amount was paid out as a dividend in 2019. In 2019, profit for the current period, net of income tax, is CZK 717,466 thousand (2018: CZK 557,489 thousand).

10. Interest and Similar Income and Interest and Similar Expense

(in CZK thousands)	2019	2018
Interest on current accounts	2	6
Interest on term deposits	755	301
Interest on debt securities and revaluation of hedged items	27,690	27,082
Interest and revaluation of hedging derivatives	2,867	(7,433)
Interest on reverse repo agreements	14,200	8,321
Total interest and similar income	45,514	28,277

Interest expense, in particular on repo agreements, was CZK 607 thousand (2018: CZK 1,486 thousand).

11. Fee and Commission Income

(in CZK thousands)	2019	2018
Fee for management of assets	975,810	899,489
Fee for appreciation of assets	220,774	116,853
Other income	1,364	1,263
Total fee and commission income	1,197,948	1,017,605

12. Fee and Commission Expenses

(in CZK thousands)	2019	2018
Commission to agents	51,561	43,515
Bank fees	14,608	14,530
Portfolio management fees (external)	87,086	79,490
Commissions – motivation	9,918	8,290
Total fee and commission expenses	163,173	145,825

13. Gain or Loss from Financial Transactions

(in CZK thousands)	2019	2018
Securities trading	881	0
Foreign exchange differences	(546)	9,692
Financial derivatives	3,613	(12,081)
Total gain or loss from financial transactions	3,948	(2,389)

The item “Financial derivatives” as at 31 December 2019 includes revaluation of currency derivatives held-for-trading in the amount of CZK 3,613 thousand (2018: CZK (12,081) thousand).

14. Other Operating Income

(in CZK thousands)	2019	2018
Gains on sale of tangible and intangible assets	490	1,410
Other	3,908	3,865
Total other operating income	4,398	5,275

Item “Other” mainly comprises other operating income, rebilling of expenses, and income on receivables from clients due to covering the payments and adjustments of settlement in the operating system.

15. Other Operating Expenses

(in CZK thousands)	2019	2018
Net book value of tangible and intangible assets sold	0	768
Other	155	3,234
Total other operating expenses	155	4,002

16. Administrative Expenses

(in CZK thousands)	2019	2018
Staff costs	93,798	93,163
Rent and facility maintenance	11,401	10,873
Tax and legal advisory services, internal audit	11,544	11,920
Audit company fees – statutory audit of FS	2,173	2,021
Audit company fees – non-assurance services	0	5
Postal and telecommunication charges	12,380	13,253
Consumed material	8,742	10,214
Advertising and promotion	2,365	2,258
Equipment maintenance and software support	27,933	23,424
Employee training	1,343	1,469
Other administrative expenses	13,674	12,802
Total administrative expenses	185,353	181,402

Audit company fees – statutory audit of FS (financial statements) includes the cost of the statutory audit of the Company as well as all the funds managed by the Company (incl. VAT).

Staff costs can be analyzed as follows:

(in CZK thousands)	2019	2018
Bonuses to members of the Board of Directors	10,282	9,967
Bonuses to members of the Supervisory Board	0	0
Salaries, personnel costs and bonuses of senior management	7,681	7,553
Salaries, personnel costs and bonuses of other employees	51,248	51,631
Other social costs	3,864	3,283
Social security and health insurance	20,723	20,729
Total staff costs	93,798	93,163

Employee statistics	2019	2018
Average number of members of the Board of Directors	3	3
Average number of members of the Supervisory Board	3	3
Average number of senior management	3	3
Average number of other employees	90	91

17. Income Taxes

(in CZK thousands)	2019	2018
Profit/(Loss) before tax	883,279	695,989
Items increasing tax base	31,207	38,993
Deductible items	(26,605)	(32,361)
Tax base	887,881	702,621
Provision for income tax (before offset)	(168,697)	(133,498)
Adjustment of the tax paid in previous years	215	(487)
Income tax – current	(168,482)	(133,985)
Income tax – deferred	2,669	(4,515)
Total income tax	(165,813)	(138,500)
Profit for the period after tax	717,466	557,489

The calculated income tax provision of CZK 168,697 thousand (2018: CZK 133,498 thousand) was offset against income tax advances of CZK 76,009 thousand (2018: CZK 9,368 thousand). The total provision for tax shown in the balance sheet was CZK 92,688 thousand (2018: CZK 124,130 thousand).

Deferred tax was calculated on the following temporary differences:

(in CZK thousands)	31 December 2019	31 December 2018
Tangible and intangible fixed assets	(4,724)	(4,574)
Allowance against receivables	76	0
Provision for bonuses	2,802	59
Revaluation reserve from available-for-sale securities (Note 9.4)	(4,299)	702
Total deferred tax liability (Note 8)	(6,145)	(3,813)

A tax rate of 19% was used to calculate the 2019 and 2018 deferred tax. The deferred tax calculated from securities revaluation reserve is recorded through equity, other temporary differences of deferred tax are recorded through the income statement.

18. Financial Risks

18.1. Strategy in Using Financial Instruments

The Company's investment strategy is to achieve market appreciation of participants' funds subject to a minimum level of investment portfolio market risks. The basic instruments for risk management are limits on investments instruments in the portfolio as defined by the Company's investment strategy.

18.2. Market Risk

The Company takes on exposure to market risks as a consequence of its investment strategy. Market risk arises from open positions in interest rate, currency and equity products that face market fluctuations.

Geographical segmentation of financial assets

31 December 2019 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	918,974	0	0	0	918,974
Debt securities	1,036,023	253,584	0	130,576	1,420,183
Financial derivatives	0	2,094	4,384	0	6,478
Total financial assets	1,954,997	255,678	4,384	130,576	2,345,635

31 December 2018 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	1,025,413	0	0	0	1,025,413
Debt securities	898,817	297,740	0	98,661	1,295,218
Financial derivatives	0	270	1,910	0	2,180
Total financial assets	1,924,230	298,010	1,910	98,661	2,322,811

Breakdown of revenues by geographic location of markets

2019 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	35,554	9,281	679	45,514
Fee and commission income	1,197,948	0	0	1,197,948
Gain or loss from financial transactions	2,964	1,332	(348)	3,948
Other operating income	4,398	0	0	4,398

2018 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	19,067	9,210	0	28,277
Fee and commission income	1,017,605	0	0	1,017,605
Gain or loss from financial transactions	(12,477)	10,088	0	(2,389)
Other operating income	5,275	0	0	5,275

18.3. Financial Derivatives

The financial instruments held by the Company can be analyzed as follows:

31 December 2019 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	304,736	298,258	6,478	0
Interest rate derivatives	367,881	373,808	0	(5,927)
Total derivatives	672,617	672,066	6,478	(5,927)

31 December 2018 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	189,462	187,282	2,180	0
Interest rate derivatives	366,751	375,978	0	(9,227)
Total derivatives	556,213	563,260	2,180	(9,227)

18.4. Currency Risk

The Company takes on exposure resulting from fluctuations in the foreign currency exchange rates to its financial position and cash flows. The Company sets exposure limits for individual currencies and for the overall currency position, which are monitored regularly.

The table below summarizes the Company's exposure to currency risk. The table includes the Company's assets and liabilities at carrying amounts, categorized by currency.

31 December 2019 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Cash on hand	20	0	0	0	20
Due from banks	909,369	6,631	2,974	0	918,974
Debt securities available-for-sale	1,129,676	166,148	124,359	0	1,420,183
Tangible fixed assets	3,193	0	0	0	3,193
Intangible fixed assets	57,339	0	0	0	57,339
Other assets	311,453	8,700	4,384	0	324,537
Prepayments and accrued income	117,733	0	0	0	117,733
Total	2,528,783	181,479	131,717	0	2,841,979
Liabilities					
Other liabilities	85,892	0	0	0	85,892
Provisions	108,266	0	0	0	108,266
Equity	2,647,802	0	0	0	2,647,802
Accruals	19	0	0	0	19
Total	2,841,979	0	0	0	2,841,979
Net balance sheet assets / liabilities (-)	(313,196)	181,479	131,717	0	0
Net off-balance sheet currency positions	304,736	(172,802)	(125,456)	0	6,478
Net open currency position	(8,460)	8,677	6,261	0	6,478

31 December 2018 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Cash on hand	16	0	0	0	16
Due from banks	1,018,245	6,063	1,105	0	1,025,413
Debt securities available-for-sale	1,116,675	60,087	118,456	0	1,295,218
Tangible fixed assets	3,577	0	0	0	3,577
Intangible fixed assets	53,592	0	0	0	53,592
Other assets	200,532	6,186	1,910	0	208,628
Prepayments and accrued income	106,618	0	0	0	106,618
Total	2,499,255	72,336	121,471	0	2,693,062
Liabilities					
Other liabilities	91,162	0	0	0	91,162
Provisions	139,400	0	0	0	139,400
Equity	2,462,500	0	0	0	2,462,500
Accruals	0	0	0	0	0
Total	2,693,062	0	0	0	2,693,062
Net balance sheet assets / liabilities (-)	(193,807)	72,336	121,471	0	0
Net off-balance sheet currency positions	189,462	(68,563)	(118,719)	0	2,180
Net open currency position	(4,345)	3,773	2,752	0	2,180

18.5. Interest Rate Risk

The Company is exposed to the effects of fluctuations in market interest rates on its financial positions and cash flows. The Company determines the limits of interest rate risk that are acceptable. These limits are monitored on a regular basis.

The table below summarizes the Company's exposure to interest rate risk. The table includes the Company's interest-bearing assets and liabilities at carrying amounts, categorized by the earlier of the settlement, re-pricing or maturity dates.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current accounts with banks	91,120	0	0	0	91,120
Term deposits	140,332	0	0	0	140,332
Cash collateral pledged	6,607	0	0	0	6,607
Reverse repo agreements	680,915	0	0	0	680,915
Debt securities	161,180	260,338	329,678	668,987	1,420,183
Total	1,080,154	260,338	329,678	668,987	2,339,157

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current accounts with banks	89,881	0	0	0	89,881
Term deposits	0	0	0	0	0
Cash collateral pledged	5,917	0	0	0	5,917
Reverse repo agreements	929,566	0	0	0	929,566
Debt securities	209,059	185,433	317,488	583,238	1,295,218
Total	1,234,423	185,433	317,488	583,238	2,320,582

The Company did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2019 and 2018.

18.6. Liquidity Risk

The Company is exposed to a liquidity risk associated with lack of monies to cover its operating, investment and financial expenses that the Company is obligated to pay. The main income resource is fees for administration of managed funds. In addition to this income, the Company holds sufficient amount of highly liquid assets that can cover all expected expenses in line with its business plan and that represent a sufficient provision for exceptional expenses. The liquidity position is monitored on a daily basis.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Cash on hand	20	0	0	0	0	20
Due from banks	918,974	0	0	0	0	918,974
Debt securities	10,401	21,820	519,601	868,361	0	1,420,183
Other assets	385,069	0	0	0	117,733	502,802
Total assets	1,314,464	21,820	519,601	868,361	117,733	2,841,979
Liabilities						
Other liabilities	79,984	0	0	5,927	0	85,911
Provisions	108,266	0	0	0	0	108,266
Equity	0	0	0	0	2,647,802	2,647,802
Total liabilities	188,250	0	0	5,927	2,647,802	2,841,979
Net assets / liabilities (-)	1,126,214	21,820	519,601	862,434	(2,530,069)	0

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Cash on hand	16	0	0	0	0	16
Due from banks	1,025,413	0	0	0	0	1,025,413
Debt securities	67,301	85,873	411,363	730,681	0	1,295,218
Other assets	265,797	0	0	0	106,618	372,415
Total assets	1,358,527	85,873	411,363	730,681	106,618	2,693,062
Liabilities						
Other liabilities	81,935	0	0	9,227	0	91,162
Provisions	139,400	0	0	0	0	139,400
Equity	0	0	0	0	2,462,500	2,462,500
Total liabilities	221,335	0	0	9,227	2,462,500	2,693,062
Net assets / liabilities (-)	1,137,192	85,873	411,363	721,454	(2,355,882)	0

19. Related Party Transactions

(in CZK thousands)	31 December 2019	31 December 2018
Receivables		
ČP Distribuce a.s.	294	394
Direct Care s.r.o.	5	8
Company's Funds	307,258	194,763
Generali Česká pojišťovna a.s.*)	8,328	8,317
Generali Distribuce a.s.	24	0
Payables		
Generali CEE Holding B.V., organizační složka	25	25
Generali Česká pojišťovna a.s.*)	11,059	9,812
Generali Investments CEE, investiční společnost, a.s.	7,845	6,919
Generali Shared Services Czech Branch, organizační složka	0	4,198
Transformovaný fond Penzijní společnosti České pojišťovny, a. s.	12,244	16,439
Income		
ČP Distribuce a.s.	499	399
Direct Care s.r.o.	7	8
Company's Funds	1,199,636	1,016,342
Generali Česká pojišťovna a.s.*).	139	141
Generali Distribuce a.s.	24	0
Expenses		
ČP Distribuce a.s.	32,729	31,722
Direct Care s.r.o.	146	2,578
Generali CEE Holding B.V., organizační složka	490	300
Generali Česká pojišťovna a.s.*).	19,340	18,319
Generali Distribuce a.s.	2,263	581
Generali Investments CEE, investiční společnost, a.s.	87,109	79,552
Generali Shared Services Czech Branch, organizační složka	19,525	15,376

*) Originally Česká pojišťovna a.s. (changed as at 21 December 2019)

These transactions were based on actual cost and profit margin.

The contributions to the pension insurance and supplementary pension saving accounts of the Company's management were made under the standard terms of the Company available to all policyholders.

All related party transactions were made under the standard terms on regulated market. The Company believes that these transactions do not involve higher risks or other negative effects.

20. Off-balance-sheet Items

20.1. Off-balance Sheet Financial Instruments

(in CZK thousands)	Fair value of underlying receivables/liabilities		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Term currency instruments				
Term transactions (receivable)	672,617	556,213	6,478	2,180
Term transactions (payable)	672,066	563,260	(5,927)	0

Term currency derivatives were agreed on the interbank market (OTC). As at 31 December 2019 and 2018, the Company had no liabilities or receivables from spot transactions.

Collateral and pledge received in the amount of CZK 666,568 thousand (2018: CZK 929,566 thousand) represents the value of securities received as collateral under repo agreements.

20.2. Assets provided for management by a third party

Total assets provided to be managed by a third party were CZK 2,268,071 thousand as at 31 December 2019 (CZK 2,246,000 thousand as at 31 December 2018). These assets are comprised of bank accounts, managed by Generali Investments CEE, investiční společnost, a.s., repo transactions, term deposits, net value of derivative transactions, money market papers and securities.

20.3. Assets Received for Management from a Third Party

As at 31 December 2019, the Company managed the following funds:

- Transformovaný fond Penzijní společnosti České pojišťovny, a. s.
- Povinný konzervativní fond Penzijní společnosti České pojišťovny, a. s.
- Spořicí účastnický fond Penzijní společnosti České pojišťovny, a. s.
- Vyvážený účastnický fond Penzijní společnosti České pojišťovny, a. s.
- Dynamický účastnický fond Penzijní společnosti České pojišťovny, a. s.

Total managed assets were CZK 130,921,399 thousand as at 31 December 2019 (CZK 126,356,314 thousand as at 31 December 2018). These assets are comprised of the assets of the transformed fund and equity of individual participating funds.

21. Subsequent Events

On 31 January 2020, Ing. Marcel Homolka was recalled from his position of the Company's Board of Directors member and replaced by Ing. Radek Moc as at 1 February 2020, who was also appointed the Board of Directors Chairman on 6 February 2020.

In late 2019, reports of the covid-19 disease started coming out of China. In the first months of 2020, the virus spread worldwide and negatively affected many countries, including the Czech Republic. The Company management closely monitors the situation and takes measures to minimize the impact of this pandemic on the Company's operations. The situation is evolving constantly and at present it is not possible to reliably quantify the potential impacts of these events on the Company. However, the ongoing pandemic may have a negative impact on the Company's financial results, in particular on the quality of the financial instruments portfolio, financial performance and capital adequacy. Any negative effects or losses will be included in the financial statements for 2020.

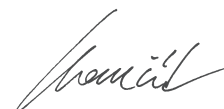
The Board of Directors considered the potential impact of covid-19 on its activities (in particular the capital and liquidity position, as well as the ability to fulfill the guarantee of non-negative annual yield of the transformed fund) and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2019 were prepared on the assumption that the Company would be able to continue as a going concern.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Company for the year ended 31 December 2019.



Date of preparation
28 April 2020

Radek Moc
Chairman of the Board of Directors



Miroslav Chromčík
Vice-Chairman of the Board of Directors

Penzijní společnost České pojišťovny, a.s. – Information obligation

Pursuant to Annex 1 to Decree No. 117/2012 Coll., on more detailed regulation of the activities of a pension management company and a participation fund (hereinafter the “Decree”) Penzijní společnost České pojišťovny, a.s. hereby discloses:

a) Information on changes in the information recorded in the Commercial Register that occurred in the relevant period, pursuant to Subsection 1, Letter (a) of Annex 1 to the Decree

In the relevant period, changes in the information recorded in the Commercial Register were as follows:

On 18 July 2019, the information on the below member was deleted from the Supervisory Board section:

TOMÁŠ VYSOUDIL, born on 25 March 1972

Březská 533/24, Radošovice, 251 01 Říčany

Appointment to office date: 1 July 2015

Membership expiration date: 9 July 2019

On 18 July 2019, the information on the below member was recorded in the Supervisory Board section:

PAVEL MENCL, born on 10 April 1968

Hoděšovice 115, 534 01 Býšť

Appointment to office date: 10 July 2019

Membership expiration date: 31 December 2019

On 21 January 2020, the information on the below member was deleted from the Supervisory Board section:

PAVEL MENCL, born on 10 April 1968

Hoděšovice 115, 534 01 Býšť

Appointment to office date: 10 July 2019

Membership expiration date: 31 December 2019

b) Information on the funds which the pension management company managed in the relevant period, pursuant to Subsection 1, Letter (b) of Annex 1 to the Decree

The pension management company managed the following funds for the whole relevant period:

Transformovaný fond Penzijní společnosti České pojišťovny, a.s.

Povinný konzervativní fond Penzijní společnosti České pojišťovny, a.s.

Spořicí účastnický fond Penzijní společnosti České pojišťovny, a.s.

Vyvážený účastnický fond Penzijní společnosti České pojišťovny, a.s.

Dynamický účastnický fond Penzijní společnosti České pojišťovny, a.s.

c) Information on events that had a material impact on the performance of the pension management company, and information on the key factors that affected its financial results, pursuant to Subsection 1, Letter (c) of Annex 1 to the Decree

No events occurred in the relevant period which would have a material impact on the performance of the pension management company.

- d) **Information on the Board of Directors members, Supervisory Board members and other managing persons of the pension management company, including a brief description of their experience and professional competence, and information on the date of the beginning of the performance of their functions or activities, or the date of the end thereof, pursuant to Subsection 1, Letter (d) of Annex 1 to the Decree**

Board of Directors

Marcel Homolka – Chairman of the Board of Directors, term commenced as of 1 June 2015

Miroslav Chromčík – Vice-chairman of the Board of Directors, term commenced as of 1 July 2015

Miroslav Žbel – member of the Board of Directors, term commenced as of 1 March 2015

Description of experience and professional competence of Board of Directors members:

Marcel Homolka

Education: Technical University of Liberec, Faculty of Economics

Work experience: 2015–2020 Penzijní společnost České pojišťovny, a.s.; Chairman of the Board of Directors, CEO
 2013–2015 Penzijní společnost České pojišťovny, a.s.; Operations and IT Director
 2009–2013 Generali penzijní fond a.s.; member of the Board of Directors, Executive Director
 2008–2009 Penzijní fond České pojišťovny, a.s.; Customer Service Director

Miroslav Chromčík

Education: University of Economics Prague, Faculty of Finance and Accounting, majored in Finance

Work experience: 2015– Penzijní společnost České pojišťovny, a.s.; Vice-chairman of the Board of Directors, Finance Director
 2013–2014 Penzijní společnost České pojišťovny, a.s.; Head of Controlling and Planning
 2007–2013 Penzijní fond České pojišťovny, a.s.; Head of Controlling and Planning

Miroslav Žbel

Education: Jan Amos Komenský University

Work experience: 2015– Generali Česká pojišťovna a.s.; Sales Support Director
 2017– ČP Distribuce, a.s.; member of the Board of Directors, Chairman of the Board of Directors (from 06/18)
 2016–2017 Finhaus a.s.; member of the Board of Directors
 2013–2015 Česká pojišťovna a.s.; Internal Distribution Director
 2011–2013 Česká pojišťovna a.s.; Senior Advisor to Deputy CEO for CRM, marketing and products
 2011–2011 Česká pojišťovna a.s.; Senior Project Manager
 2008–2010 Česká pojišťovna a.s.; Sales Management Director

Supervisory Board

Josef Beneš – Chairman of the Supervisory Board, term commenced as of 1 January 2016

Petr Bohumský – member of the Supervisory Board, term commenced as of 1 February 2015

Tomáš Vysoudil – member of the Supervisory Board, term commenced as of 1 July 2015; term expired as of 9 July 2019

Pavel Mencl – member of the Supervisory Board, term commenced as of 10 July 2019; term expired as of 31 December 2019

Description of experience and professional competence of Supervisory Board members:

Josef Beneš

Education: University of Economics Prague, Faculty of Finance and Accounting, majored in Finance

Columbia University, School of International Affairs and Business School

Work experience: 2016– Generali Investments CEE, investiční společnost, a.s.; CEO and Chairman of the Board of Directors
 2015–2016 Generali Investments CEE, a.s.; CEO and Chairman of the Board of Directors
 2012–2014 Raiffeisenbank a.s.; Chief Investment Officer
 2002–2012 ČSOB Asset Management, a.s.; CEO and Chairman of the Board of Directors

Petr Bohumský

Education: Charles University, Faculty of Mathematics and Physics
University of Pittsburgh, Katz School of Business
Advance Institute Healthcare Management

Work experience: 2013– Generali Česká pojišťovna a.s.; CFO and Vice-chairman of the Board of Directors
2012–2013 Generali PPF Holding B.V.; Reinsurance Director
2008–2013 Generali PPF Holding B.V.; Risk Management Director
2006–2010 Česká pojišťovna a.s.; Risk Management Director

Pavel Mencl

Education: Masaryk University in Brno, Faculty of Mechanical Engineering
University of Pittsburgh, Katz School of Business

Work experience: 2015–2019 Pojišťovna Patricia a.s. (until 21 December 2019: Generali Pojišťovna a.s.);
CEO and Chairman of the Board of Directors
2008–2015 Pojišťovna Patricia a.s. (until 21 December 2019: Generali Pojišťovna a.s.);
Chief Sales Officer and member of the Board of Directors
2013–2016 Česká pojišťovna a.s.; Director of support for cooperation with external partners

Tomáš Vysoudil

Education: Jan Amos Komenský University

Work experience: 2015– Česká pojišťovna a.s.; member of the Board of Directors
2018–2018 ČP Distribuce a.s.; Chairman of the Board of Directors (from 01/2018 to 05/2018)
2015–20019 Česká pojišťovna ZDRAVÍ a.s.; member of the Board of Directors
2016–2018 Generali Distribuce a.s.; Chairman of the Board of Directors
2015–2017 ČP Distribuce s.r.o.; statutory representative
2013–2015 Allianz penzijní společnost, a.s.; member of the Board of Directors
2012–2015 Allianz pojišťovna a.s.; member of the Board of Directors

- e) **Information on portfolio managers of the pension management company and the managed funds in the relevant period, including a brief description of their experience and professional competence, and information on the date of the beginning of the performance of the activities for the managed fund, or the date of the end thereof,** pursuant to Subsection 1, Letter (e) of Annex 1 to the Decree

Michal Toufar, CFA

Education: University of Economics Prague, Faculty of Finance and Accounting
Stockholm School of Economics, Finance
CFA Institute – Chartered Financial Analyst

Work experience: 2016– Generali Investments CEE, investiční společnost, a.s.;
Chief Portfolio Manager and member of the Board of Directors
2015–2016 Generali Investments CEE, a.s.; Chief Portfolio Manager
2004–2015 Generali PPF Asset Management a.s.; Senior Portfolio Manager

Michal Kymlička, CFA

Education: University of Economics Prague, Faculty of Finance and Accounting
CFA Institute – Chartered Financial Analyst

Work experience: 2016– Generali Investments CEE, investiční společnost, a.s.; Portfolio Manager
2015–2016 Generali Investments CEE, a.s.; Portfolio Manager
2010–2015 Generali PPF Asset Management a.s.; Portfolio Manager

Tomáš Derner, CFA

Education: University of Economics Prague, Faculty of Finance and Accounting
CFA Institute – Chartered Financial Analyst

Work experience: 2016– Generali Investments CEE, investiční společnost, a.s.; Portfolio Manager
2015–2016 Generali Investments CEE, a.s.; Portfolio Manager
2013–2015 Allianz pojišťovna, a.s., Allianz penzijní společnost, a.s.; Portfolio Manager

- f) **Information on entities, which had qualified shareholdings in the pension management company for the whole relevant period or a part thereof, with a specification of the amount and type of the qualified shareholding in the pension management company, including the period of time for which the entities had qualified shareholdings in the pension management company,** pursuant to Subsection 1, Letter (f) of Annex 1 to the Decree

The sole shareholder of Penzijní společnost České Pojišťovny, a.s. holding a 100% interest is CP Strategic Investments N.V., registration number: 341 24 690, with its registered office at 1101BH Amsterdam, De entree 91, the Netherlands.

- g) **Information on entities in which the pension management company had qualified shareholdings for the whole relevant period or a part thereof, with a specification of the amount and type of the qualified shareholding and profit or loss of each entity, including the period of time for which the pension management company had qualified shareholdings in such entities; if audited financial results of such entities are not available, the pension management company shall report unaudited financial results and shall indicate this fact,** pursuant to Subsection 1, Letter (g) of Annex 1 to the Decree

Penzijní společnost České pojišťovny, a.s. had no qualified shareholding in any entity in the relevant period.

- h) **Information on parties which were related to the pension management company for the whole relevant period or a part thereof, with a specification of the method of relationship and the period of relationship,** pursuant to Subsection 1, Letter (h) of Annex 1 to the Decree

Related parties:

Miroslav Žbel (member of the Board of Directors)

ČP Distribuce a.s. (Business registration No.: 447 95 084) – Chairman of the Board of Directors (for the whole relevant period)

Josef Beneš (Chairman of the Supervisory Board)

Generali Investments CEE, investiční společnost, a.s. (Business registration No.: 438 73 766) – Chairman of the Board of Directors (for the whole relevant period)

Generali Real Estate Fund CEE a.s., investment fund (Business registration No.: 247 36 694) – representation of a legal entity in the statutory body (for the whole relevant period)

ČP Distribuce a.s. (Business registration No.: 447 95 084) – member of the Supervisory Board (for the whole relevant period)

Czech Capital Market Association ("AKAT") (Business registration No.: 653 99 501) – member of the Executive Committee (until 10/2019)

Petr Bohumský (member of the Supervisory Board)

Generali Česká pojišťovna a.s. (Business registration No.: 452 72 956) – Vice-chairman of the Board of Directors (for the whole relevant period)

Pojišťovna Patricia a.s. (until 21 December 2019 Generali Pojišťovna a.s.; Business registration No.: 618 59 869) – Vice-chairman of the Board of Directors (for the whole relevant period)

Česká pojišťovna ZDRAVÍ a.s. (Business registration No.: 492 40 749) – member of the Supervisory Board (for the whole relevant period)

Nadace GCP (Business registration No.: 290 18 200) – member of the Supervisory Board (for the whole relevant period)

Europ Assistance s.r.o. (Business registration No.: 252 87 851) – member of the Supervisory Board (for the whole relevant period)

ČP Distribuce a.s. (Business registration No.: 447 95 084) – Vice-chairman of the Supervisory Board (for the whole relevant period)

Generali Distribuce a.s. (Business registration No.: 271 08 562) – member of the Supervisory Board (for the whole relevant period)

Pavel Mencl (member of the Supervisory Board)

Pojišťovna Patricia a.s. (until 21 December 2019 Generali Pojišťovna a.s.; Business registration No.: 618 59 869) – Chairman of the Board of Directors (for the whole relevant period)

Generali Česká pojišťovna a.s. (Business registration No.: 452 72 956) – member of the Board of Directors (from 07/2019)

ČP Distribuce a.s. (Business registration No.: 447 95 084) – Chairman of the Supervisory Board (for the whole relevant period)

Generali Distribuce a.s. (Business registration No.: 271 08 562) – Chairman of the Supervisory Board (for the whole relevant period)

Czech Insurance Association ("ČAP") (Business registration No.: 496 24 024) – member of the board (for the whole relevant period)

Tomáš Vysoudil (member of the Supervisory Board)

Generali Česká pojišťovna a.s. (Business registration No.: 452 72 956) – member of the Board of Directors (until 08/2019)

Česká pojišťovna ZDRAVÍ a.s. (Business registration No.: 492 40 749) – member of the Board of Directors (until 06/2019)

Nadace GCP (Business registration No.: 290 18 200) – Chairman of the Supervisory Board (until 07/2019)

ČP Distribuce a.s. (Business registration No.: 447 95 084) – Chairman of the Supervisory Board (until 07/2019)

- i) **Information on entities that are not reported under article e) to g) and which in the relevant period acted in concert with the pension management company,** pursuant to Subsection 1, Letter (i) of Annex 1 to the Decree

Generali Česká pojišťovna a.s. as a 100% shareholder of CP Strategic Investments N.V.

j) **Information on each securities broker which performed the activities of a securities broker in respect of the funds managed by the pension management company, for the whole relevant period or a part thereof, including the period of time for which they performed such activities,** pursuant to Subsection 1, Letter (j) of Annex 1 to the Decree

Entities performing the activities of a security broker for the funds managed by Penzijní společnost České pojišťovny for the whole relevant period were as follows:

PPF banka a.s., Business registration No.: 471 16 129, with its registered office at Evropská 2690/17, 160 41 Prague 6 – Dejvice, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1834;

Česká spořitelna, a.s., Business registration No.: 452 44 782, with its registered office at Olbrachtova 1929/62, 140 00 Prague 4, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1171;

WOOD & Company Financial Services, a.s., Business registration No.: 265 03 808, with its registered office at Náměstí Republiky 1079/1a, 110 00 Prague 1, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 7484;

Raiffeisen Centrobank AG, with its registered office at Tegetthoffstrasse 1, 1015 Vienna, Austria;

Merrill Lynch International Bank Ltd. London, with its registered office at 2 King Edward Street, EC1A1HQ London, United Kingdom;

Patria Finance, a. s., Business registration No.: 264 55 064, with its registered office at Jungmannova 745/24, 110 00 Prague 1, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 7215;

Swiss Capital S.A., with its registered office at Bulevardul Dacia 20, 013714 Bucharest, Rumania, entered in the Commercial under the File No. J40/4107/1996;

Komerční banka, a. s., Business registration No.: 453 17 054, with its registered office at Na Příkopě 969/33, 114 07 Prague 1, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1360;

Concorde Securities Private Limited, with its registered office at 1123 Budapest, Alkotás u. 50, Hungary, entered in the Commercial Register maintained by the Metropolitan Registration Court in Budapest under the File No. 01-10-043521;

J&T banka, a.s., Business registration No.: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Prague 8, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1171;

PKO Bank Polski, with its registered office at Pulawska 15, 02-515 Warsaw, Poland, entered in the District Court for the capital city of Warsaw, 13th Economic Division of the National Court Register under the KRS number 0000026438.

k) **Information on judicial or arbitration disputes to which the pension management company was or has been a party in the relevant period, on its own account or on the account of the funds managed by the pension management company, if the value of the dispute exceeds 1% of the value of the assets of the pension management company and the assets of the managed funds to which the dispute pertains,** pursuant to Subsection 1, Letter (k) of Annex 1 to the Decree

In the relevant period, the pension management company was not and has not been a party to any judicial or arbitration disputes, on its own account or on the account of the funds managed by the Company, where the value of the dispute exceeds 1% of the value of the assets of the pension management company or of the managed fund to which the dispute would pertain.

Annual Report 2019

Transformovaný fond
Penzijní společnosti České pojišťovny, a. s.

Transformovaný fond Penzijní společnosti České pojišťovny, a.s. – Independent auditor's report



(Translation of a report originally issued in Czech – see Note 2.1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Transformovaný fond Penzijní společnosti České pojišťovny, a.s.:

Opinion

We have audited the accompanying financial statements of Transformovaný fond Penzijní společnosti České pojišťovny, a.s. (hereinafter also the "Fund") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Fund, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation 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 judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors of Penzijní společnost České pojišťovny, a.s. for the Financial Statements

The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors of Penzijní společnost České pojišťovny, a.s. determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of Penzijní společnost České pojišťovny, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of Penzijní společnost České pojišťovny, a.s.
- Conclude on the appropriateness of the Board of Directors' of Penzijní společnost České pojišťovny, a.s. use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of Penzijní společnost České pojišťovny, a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401



Roman Hauptfleisch, Auditor
License No. 2009



Tomáš Přeček
Partner

28 April 2020
Prague, Czech Republic

Transformovaný fond Penzijní společnosti České pojišťovny, a. s. – Financial Statements for the year ended 31 December 2019

Balance Sheet as at 31 December 2019

ASSETS (in CZK thousands)	Note	31 December 2019	31 December 2018
Due from banks	4	18,550,577	17,122,553
of which: a) repayable on demand		823,401	642,769
b) other receivables		17,727,176	16,479,784
Debt securities	5	96,791,300	97,254,955
of which: a) issued by government institutions		84,562,678	86,719,341
b) issued by other entities		12,228,622	10,535,614
Shares and mutual funds	5	2,674,889	2,825,223
Other assets	6	640,198	325,019
TOTAL ASSETS		118,656,964	117,527,750
LIABILITIES (in CZK thousands)	Note	31 December 2019	31 December 2018
Amounts owed to banks and cooperative saving banks		5,973,521	12,640,333
of which: other liabilities	7	5,973,521	12,640,333
Other liabilities	8	107,048,396	101,436,997
of which: a) policyholders' funds		106,369,273	100,918,733
b) other		679,123	518,264
Provisions	9	61,822	55,814
of which: a) for pensions and similar liabilities		50,509	43,975
b) other		11,313	11,839
Revaluation reserve – for assets and liabilities	10.1	3,775,592	2,350,723
Profit/(Loss) for the period	10.2	1,797,633	1,043,883
TOTAL LIABILITIES		118,656,964	117,527,750
OFF-BALANCE-SHEET ITEMS as at 31 December 2019 (in CZK thousands)	Note	31 December 2019	31 December 2018
Off-balance sheet assets			
Receivables from fixed-term transactions	15.3	38,268,490	27,281,345
Assets provided for management by a third party		118,656,964	117,527,750
Total off-balance sheet assets		156,925,454	144,809,095
Off-balance sheet liabilities			
Payables from fixed-term transactions	15.3	38,040,253	27,298,539
Collateral and pledge received		15,024,270	16,289,894
Total off-balance sheet liabilities		53,064,523	43,588,433

Income Statement for the year ended 31 December 2019

(in CZK thousands)	Note	2019	2018
Interest and similar income	11	2,559,100	2,130,356
of which: interest income from debt securities		2,224,062	2,159,745
Interest and similar expense	11	(48,240)	(119,826)
of which: interest income from debt securities		0	0
Income from shares and mutual funds		51,140	59,423
Fee and commission expenses	12	(1,073,803)	(942,446)
Gain/(Loss) from financial transactions	13	315,838	(83,404)
Other operating income		15,891	16,386
Other operating expenses		(16,285)	(17,153)
Additions to, and use of, other provisions	9	(6,008)	547
Profit/(Loss) on ordinary activities before tax	10.2	1,797,633	1,043,883
Income tax	14	0	0
Profit/(Loss) for the period after tax	10.2	1,797,633	1,043,883

Notes to Financial statements for the year ended 31 December 2019

1. General Information

Transformovaný fond Penzijní společnosti České pojišťovny, a.s. (the “Fund”) was incorporated on 1 January 2013 through transformation of Penzijní fond České pojišťovny, a.s., following the Czech National Bank’s decision, dated 6 September 2012, on the authorization to operate supplementary pension schemes via a transformed fund.

In accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings, the assets of supplementary pension scheme participants were separated from the assets of Penzijní společnost České pojišťovny, a.s. (the “Company”) as at 1 January 2013.

The Fund is subject to regulatory requirements of Act No. 42/1994 Coll. on State-contributory Supplementary Pension Insurance, and Act No. 427/2011 Coll. on Supplementary Pension Savings.

The monies in the Fund are separated from the assets of the administrator, Penzijní společnost České pojišťovny, a.s.

The Company’s investment portfolio is managed by Generali Investments CEE, investiční společnost, a.s.

The Fund’s custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the “Custodian”).

2. Accounting Policies

2.1. Basis of Preparation

The financial statements of the Fund comprising the balance sheet, the income statement and the accompanying notes have been prepared in accordance with Act No. 563/1991 Coll. on Accounting, the Czech Ministry of Finance decrees and Czech accounting standards for financial institutions. The financial statements have been prepared under the historical cost convention as modified for the valuation of financial instruments at fair value through profit or loss and the valuation of derivatives and available-for-sale financial instruments at fair value, and for the valuation of held-to-maturity financial instruments at amortized cost. The financial statements are based on assumption that the Fund will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Fund’s ability to continue as a going concern in foreseeable future.

The amounts included in the financial statements are rounded to CZK thousands unless stated otherwise.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Foreign Currency

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the Czech National Bank (“CNB”) exchange rate prevailing as at the transaction date. Monetary financial assets and liabilities denominated in foreign currencies are translated into Czech crowns at the exchange rate as published by the Czech National Bank as at the balance sheet date. Realized and unrealized exchange rate gains and losses arising from monetary items are recognized in gain or loss from financial transactions. Foreign exchange differences on non-hedged equity available-for-sale securities are recorded in equity as part of the revaluation reserve.

2.3. Fair Value of Securities

The fair value of a security is determined by the market price quoted by a relevant stock exchange or other active public market; the mid price is used to determine the fair value of the bond. If an active market for financial instruments does not exist, the Company determines the fair value using the valuation methods that include valuation under the arm’s length concept, discounted cash flow analysis and other valuation techniques commonly used by market participants.

In its models designed for determining the fair value of securities, the Company maximizes using the observable market data, while minimizing non-observable inputs. The valuation models consider current market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

2.4. Transaction Recognition Date

The transaction recognition date for purchase and sale of financial assets is a date on which the transaction is settled. Spot transactions are recognized in the off-balance sheet in the period between the trade date and the settlement date and, at the same time, are remeasured in this period in a way pertaining to the valuation category to which they have been assigned.

The Fund derecognizes a financial asset, or a part thereof, from the balance sheet when it loses control over the contractual rights to the asset or part thereof. The Fund loses this control if it exercises the rights to the benefits defined in the contract, if these rights expire, or if the Company waives these rights.

A financial liability, or a part of thereof, is extinguished when the obligation specified in the contract is discharged, cancelled or expires, and the entity will no longer report the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability, or a part thereof, extinguished or transferred to another entity, and the consideration paid is recognized in profit or loss.

The transaction recognition date can also be the trade date for financial derivatives, the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency, the date of payment to or collection from a client's account, the date on which the ownership or rights to another party's assets were acquired or disposed of, the date on which a receivable or payable arose, was changed or terminated, the date on which assets moved within the entity and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the entity or from special regulations.

2.5. Securities at Fair Value through Profit or Loss

Securities at fair value through profit or loss (the "FVTPL") fall into two sub-categories: securities held-for-trading, and securities designated at fair value through profit or loss upon initial recognition. Securities are classified as held-for-trading if they are acquired or incurred principally for the purpose of selling or repurchasing in the near term or if they are part of a portfolio of identified financial instruments that are managed together, thereby generating profits on price fluctuations in the short term. Any security that is a financial asset or liability can be designated at fair value through profit or loss upon initial recognition, except for participating securities and interests that are not publicly traded and their fair value cannot be reliably measured and for securities issued by the Company.

Securities at fair value through profit or loss are initially recognized at cost and subsequently measured at fair value. Acquisition-related transaction costs are not included in the acquisition cost and are paid by the Company. All related gains and losses are included in gain or loss from financial transactions. Interest earned on securities at fair value through profit or loss is reported as interest and similar income.

2.6. Securities Available-for-Sale

Available-for-sale securities are securities that the Company designates into this category or that do not meet the terms of any other category. They comprise mainly debt securities held for liquidity management, mutual fund units and shares.

Available-for-sale securities are initially recognized at cost and subsequently measured at fair value. Acquisition-related transaction costs are not included in the acquisition cost and are paid by the Company.

Any gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity (net of any tax effect) until subsequent disposal or impairment, at which time the cumulative gain or loss previously recognized in equity should be recognized in the income statement, in Gain or loss from financial transactions.

Interest calculated using the effective interest rate method, dividends and foreign exchange differences on debt securities are recognized in the income statement. Dividends are recorded as other income from shares and mutual funds. Interest is recorded as interest and similar income. Foreign exchange differences on available-for-sale debt securities and hedged equity available-for-sale securities are recorded in gain or loss from financial transactions. Foreign exchange differences on non-hedged equity securities are recorded in the revaluation reserve in equity.

2.7. Impairment of Securities Available-for-Sale

The Company assesses at each balance sheet date, whether there is objective evidence that a security is impaired. The Company follows an internal directive regulating the procedures for determining impairment of assets measured at fair value recognized in equity. The Company assesses impairment at the individual security level. The following facts or their combinations are considered as evidence of permanent impairment:

- for equity instruments: the market price decreased continuously over the period of 12 months or by more than 30% compared to their acquisition cost;
- for debt instruments: the situation in which an issuer's credit rating is substantially decreased.

Prolonged decrease is defined as the permanent decrease of fair value in the time interval longer than 1 year, against the average acquisition cost determined as at the balance sheet date, while such a decrease has not been influenced e.g. by a significant dividend payment or similar technical decrease of equity.

If the aforementioned objective evidence of security permanent impairment exists, the difference between the acquisition cost of a security and its fair value is derecognized from equity and taken to the income statement at the balance sheet date.

Investments, which are assessed for impairment and meet the required criteria, are subject to the following accounting procedure:

- for losses on impairment of equity instruments the recognized expense is irreversible, losses on impairment of debt securities may be reversed if after their recognition in profit or loss their fair value is increased from objective and by entity identifiable reasons. If the fair value of assets is increased in next fiscal years, the appreciation must be recognized through profit or loss, i.e. the write-off must be directly reversed.

2.8. Securities Held-to-Maturity

Securities held-to-maturity are securities with a fixed maturity designated by the Company into this category, provided the Company has both the intent and the ability to hold them to maturity in the Fund and the securities are tradable. Held-to-maturity securities are measured upon acquisition at acquisition cost. Acquisition-related transaction costs are not included in the acquisition cost and are paid by the Company. Held-to-maturity securities are then measured at amortized cost. A permanent impairment of debt instruments occur especially in the situation in which a counterparty's credit rating is substantially decreased and other circumstances. The total value of held-to-maturity securities may not exceed 35% of the Fund's assets.

2.9. Repo Agreements

Repo agreement is the sale of financial assets, other than cash, for cash or other form of payment with corresponding future liability to buy back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The sold financial assets remain recorded in the balance sheet and the received cash is recorded in amounts owed to banks and cooperative saving banks in the balance sheet. Reverse repo agreement is the purchase of financial assets, other than cash, for cash or other form of payment with corresponding future liability to sell back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The purchased financial assets are not recorded in the balance sheet and are only recorded in the off-balance sheet; the provided cash is recorded in amounts due from banks and cooperative saving banks in the balance sheet. Repo (reverse repo) agreement is:

- classic repo agreement, i.e. receipt of loan collateralised by transfer of financial asset and classic reverse repo agreement, i.e. providing a loan collateralised by transfer of financial assets;
- loan of securities hedged with transfer of cash or other form of payment and borrowing of securities hedged with transfer of cash or other form of payment;
- sale of securities with simultaneous arrangement to buy securities back (sell-buy) and purchase of securities with simultaneous arrangement to sell securities back (buy-sell).

2.10. Transfers between Portfolios of Securities

Transfers of securities between the Fund's portfolios are subject to the following rules:

- transfers to and from the portfolio of securities at fair value through profit or loss are not allowed;
- transfers from available-for-sale securities to held-to-maturity securities are effected upon the change in the intention or after elapsing two accounting periods, in which it was not allowed to classify any securities as held-to-maturity (see below);
- transfers from held-to-maturity securities to available-for-sale securities are effected if the intention or ability to hold the held-to-maturity securities has changed;
- on the sale or transfer of any securities held-to-maturity, the Fund must transfer the rest of the portfolio of securities held-to-maturity to available-for-sale securities and no securities can be classified as held-to-maturity in the two following accounting periods. The exceptions to this rule are permitted for sales within the last three months before maturity of the security if during the period of possession of these securities the Fund received from the issuer at least 90% of acquisition cost of these securities in addition to accrued coupons, for sales of insignificant part of portfolio, in the case of a significant deterioration in an issuer's creditworthiness, or in the case of changes in tax legislation, legal or regulatory requirements.

2.11. Financial Derivatives and Hedging

Financial derivatives are initially recognized on the balance sheet at cost and subsequently remeasured at fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models using only observable market data as appropriate. The valuation models consider market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

For all derivatives, the fair value is presented in other assets or in other liabilities when the fair value for the Fund is positive or negative, respectively.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a financial instrument with the same terms as the embedded derivative would as separate instrument meet the definition of a derivative, and the host contract is not carried at fair value through profit or loss, or is measured at fair value with changes in fair value recognized in the balance sheet.

Changes in the fair value of financial derivatives held-for-trading are included in gain or loss from financial transactions.

The Fund designates prospectively certain derivatives as a hedge of the fair value of selected assets or liabilities (fair value hedge).

Hedge accounting can be used for financial derivatives designated in this way provided the following criteria are met:

- a) the derivative is in compliance with the Fund's risk management strategy;
- b) the formal documentation of the general hedging strategy, hedged risk, hedging instrument, hedged item and their relationship is prepared before hedge accounting is applied;
- c) the hedge documentation proves that the hedge is highly effective in offsetting the risk in the hedged item at inception of the hedge and throughout the reporting period;
- d) the hedge is effective on an ongoing basis; and
- e) the hedged item is not a security measured at fair value through the profit or loss.

Within hedge accounting, the Fund uses the fair value hedge of available-for-sale securities.

Changes in the fair value of available-for-sale securities arising from the hedged risk that qualify as effective fair value hedges are recorded in the income statement. Within a hedge of a foreign currency risk, the changes in fair values are recorded in gain or loss from financial transactions. Valuation differences arising from a hedge of an interest rate risk are recorded as interest and similar income. Changes in the fair value of financial derivatives are recorded along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

Certain derivatives, although providing effective financial hedging of opened positions of the Fund from the risk management point of view, do not fulfil the criteria of hedge accounting based on applicable Czech Accounting Standards. Therefore these derivatives are accounted for as trading derivatives. Changes in the fair value of these derivatives are also recorded in gain or loss from financial transactions.

2.12. Equity

The Fund has no share capital. The Fund's profit is used to the benefit of participants and persons whose supplementary pension insurance operated by the Fund ceased to exist in the year for which the profit was distributed. Shares in profit to the benefit of participants are distributed in accordance with the principles set in the pension plan.

Revaluation differences arise from changes in the fair values of available-for-sale securities. Upon the sale or impairment of available-for-sale securities, the accumulated profits or losses are taken to the income statement.

The Company's Board of Directors approves the distribution of profits of the Fund. If the Fund's operations end up with a loss, a capital fund or another fund created from the Fund's profit is used to cover the loss. In case the Fund's resources are insufficient to cover the loss, the loss shall be covered by transfer of the Company's assets to the Fund's capital fund. Additionally, the Company's assets are transferred to the capital fund in case when the Fund's liabilities exceed the Fund's assets.

2.13. Interest Income and Expenses, Dividend Income

Interest income and expenses are recognized for all interest bearing instruments on an accruals basis.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date).

2.14. Policyholders' Funds

Policyholders' contributions and state contributions, including revenues from these contributions, are recognized at nominal value. These contributions include mainly contributions paid, funds to be paid out and entitlement to state contribution before investing in the portfolio.

2.15. State Contribution

State contribution is accounted for on the cash flow basis, i.e. when the monies are received.

2.16. Fee and Commission Expenses

The fee and commission expenses comprise fee paid to the Company for management and appreciation of assets. The amount of fee is determined as follows:

- a) fee for management should not exceed 0.8% of the Fund's average annual balance sheet total. The Fund's average annual balance sheet total is determined as at 31 December as a simple arithmetic average of the Fund's balance sheet totals for each day of the respective year; and
- b) fee for asset appreciation shall not exceed 10% of the profit (net of the respective fee) reported in the Fund's financial statements. For the purposes of determining the fee for asset appreciation, profit shall be determined as profit before booking the fee for asset appreciation and taxes.

2.17. Income Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.18. Deferred Tax

Due to a zero income tax rate, the deferred tax is not accounted for.

2.19. Provisions

Provisions are recognized when the Fund has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. All provisions are presented in liabilities. Provisions are recognized in the currency in which settlement is expected to be made.

Additions to provisions are recognized in the income statement, utilization of provisions is recognized together with expenses or losses, for which the provisions were created, in the income statement. Release of provisions in case they are no longer necessary is recognized as income.

Provision for Future Pension Payments

If need be the Fund establishes an insurance provision for the payment of future pension claims in the amount of net present value of the expected pension payments computed by an actuary, net of the sum of funds recorded to the benefit of pension beneficiaries as at the provision computation date.

2.20. Off-balance-sheet Items

The Fund's off-balance sheet accounts include assets provided into Company's administration, payables from collateral received within reverse repo transactions, and foreign currency and interest rate derivatives at nominal value.

The Fund has no assets or liabilities that would not be disclosed in the balance sheet or off-balance sheet accounts.

2.21. Subsequent Events

The effect of events that occurred between the balance sheet date and the financial statements date is reflected in the financial statements if these events provide additional evidence of conditions that existed at the balance sheet date.

If, between the balance sheet date and the financial statements date, significant events occurred that are indicative of conditions that arose after the balance sheet date, the effect of these events is not recognized in the financial statements but disclosed in the notes to the financial statements.

2.22. Related Parties

Related parties are defined as follows:

- statutory body members and senior management of the Company who are responsible based on employment or other contracts for executive management functions defined in the Company's statute ("senior management of the Company");
- relatives (direct family members) of members of the Board of Directors, Supervisory Board, Audit Committee, senior management and of entities controlling the Company;
- entities in which the board members of the Company, senior management or the sole shareholder of the Company hold at least a 10% equity investment;
- the sole shareholder of the Company and entities controlled by him, his shareholders with at least a 10% shareholding and the entities controlled by them and the senior management of these entities; and
- funds managed by the Company.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 16.

2.23. Use of Estimates

The preparation of financial statements requires Company management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements of the Fund and the reported amounts of revenues and expenses of the Fund during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

3. Changes in Accounting Policies

No changes in accounting methods occurred in 2019 and 2018.

4. Due from Banks

(in CZK thousands)	31 December 2019	31 December 2018
Current accounts with banks	823,401	642,769
Term deposits	1,899,466	0
Cash collateral pledged – OTC derivatives	492,540	189,890
Reverse repo agreements	15,335,170	16,289,894
Total amounts due from banks	18,550,577	17,122,553

5. Securities

All securities held by the Fund are listed.

(in CZK thousands)	Debt securities as at		Shares and mutual funds as at	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Available-for-sale	63,379,823	63,407,572	2,674,889	2,825,223
Held-to-maturity	33,411,477	33,847,383	0	0
Total securities	96,791,300	97,254,955	2,674,889	2,825,223

5.1. Securities Available-for-Sale

Debt securities including zero-coupon bonds

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	45,771,568	46,968,673
Foreign stock exchanges	17,608,255	16,438,899
Total debt securities including zero-coupon bonds	63,379,823	63,407,572

Shares and mutual funds

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	263,435	275,136
Foreign stock exchanges	2,411,454	2,550,087
Total shares and mutual funds	2,674,889	2,825,223

5.2. Securities Held-to-Maturity

Debt securities

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	33,411,477	33,847,383
Total debt securities	33,411,477	33,847,383

The fair value of the portfolio was CZK 33,597,067 thousand as at 31 December 2019. The fair value as at 31 December 2018 was CZK 32,809,358 thousand.

6. Other Assets

(in CZK thousands)	31 December 2019	31 December 2018
Receivables from securities transactions	8,497	4,402
Financial derivatives (Note 15.3)	619,457	304,178
Receivables from the Company (Note 16)	12,244	16,439
Total other assets	640,198	325,019

7. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2019	31 December 2018
Cash collateral received – OTC derivatives	400,655	257,602
Repo agreements	5,572,866	12,382,731
Amounts owed to banks and cooperative saving banks	5,973,521	12,640,333

The Fund has been using foreign currency repo agreements to hedge foreign currency exposures.

The value of assets that have been encumbered as repo agreements hedge is shown in the “Debt securities” balance sheet item. In case of non-compliance with the obligations towards the creditor, the hedge would only be realized up to the recognized liability.

(in CZK thousands)	31 December 2019	31 December 2018
Debt securities issued by government institutions	6,475,771	15,697,412
Total encumbered assets	6,475,771	15,697,412

8. Other Liabilities

8.1. Policyholders' Funds

Balance as at	31 December 2019	31 December 2018
Policyholders' funds	106,369,273	100,918,733

Portfolio of policyholders:

	31 December 2019	31 December 2018
Number of policyholders	864,749	908,221

Pension benefit payments:

	2019	2018
Number	101,952	65,355
Amount (in CZK thousands)	6,312,407	6,973,555

8.2. Other Liabilities

(in CZK thousands)	31 December 2019	31 December 2018
Tax liabilities	13,109	10,646
Financial derivatives (Note 15.3)	391,220	321,372
Fee for management and appreciation of assets (see Note 16)	274,794	185,835
Payables to the Company	0	411
Total other liabilities	679,123	518,264

9. Provisions

(in CZK thousands)	Pension provision	Other provision	Total provisions
Balance as at 1 January 2018	43,849	12,512	56,361
Use/release	(6,498)	(673)	(7,171)
Additions	6,624	0	6,624
Balance as at 31 December 2018	43,975	11,839	55,814
Use/release	(6,694)	(526)	(7,220)
Additions	13,228	0	13,228
Balance as at 31 December 2019	50,509	11,313	61,822

For the calculation of pension provision as at 31 December 2019, the following key economic and actuarial assumptions were used:

- The Fund's cost model was derived from the actual administrative, capital and acquisition costs. The annual cost inflation, based on market conditions, was used for this projection.
- For the projection of future income and for the determination of the discount rates, a reference yield curve was used for the test of adequacy of insurance provisions as at 31 December 2019 issued by Česká společnost aktuárů on 3 January 2020. In accordance with the existing procedure, the model expected the participants to be credited with 100% of the annual profit.
- Decrements used to simulate the outflow of participants:
 1. Likelihoods of mortality are based on demographic tables of the Czech Bureau of Statistics 2019, as modified by the tendency of lengthening of life span.
 2. The percentage of participants opting for pension benefits instead of a lump-sum settlement and the percentage likelihood of participants leaving the pension fund (transfer to another pension or participation fund or cancellation) are based on the Company's experience. The simulation works with the current situation and with gradual increases in the percentage of the participants opting for pension benefits.

Other provisions mainly include provisions for bonuses or remuneration to policyholders who are likely to be entitled to claim their payment in the future.

10. Equity

10.1. Revaluation Reserve

As at 31 December 2019 (in CZK thousands)	Shares and mutual funds	Debt securities – government	Debt securities – other	Total
Balance as at 1 January 2019	311,974	2,030,425	8,324	2,350,723
Sale of securities – revaluation reserve reflected in P/L account	(196,191)	(352,764)	(31,015)	(579,970)
Unrealised revaluation reserve reflected in equity	555,508	1,090,532	358,799	2,004,839
Balance as at 31 December 2019	671,291	2,768,193	336,108	3,775,592

As at 31 December 2018 (in CZK thousands)	Shares and mutual funds	Debt securities – government	Debt securities – other	Total
Balance as at 1 January 2018	726,452	3,677,620	362,703	4,766,775
Sale of securities – revaluation reserve reflected in P/L account	(36,178)	(287,715)	10,939	(312,954)
Unrealised revaluation reserve reflected in equity	(378,300)	(1,359,480)	(365,318)	(2,103,098)
Balance as at 31 December 2018	311,974	2,030,425	8,324	2,350,723

In compliance with the valid legislation, revaluation differences are fully recognized in Fund's equity although in the future at least 90 % will be allocated to policyholders as part of the profit distribution when the differences are realized.

10.2. Profit Distribution

(in CZK thousands)	Proposal for 2019	2018
Share in profit – policyholders	1,797,633	1,043,883
Total profit for the year	1,797,633	1,043,883
Annual yield	1.7%	1.1%

The Company proposed that 100% of the profit for the current accounting period be allocated in favor of the policyholders. The final profit distribution will be decided upon after the financial statements have been approved.

Based on the decision of the sole shareholder, the Company management distributed the 2018 profit of CZK 1,043,883 thousand to policyholders.

11. Interest and Similar Income and Interest and Similar Expense

(in CZK thousands)	2019	2018
Interest on current accounts	198	807
Interest on term deposits	20,761	2,525
Interest on debt securities and revaluation of an interest rate risk hedge	2,224,062	2,159,745
Interest on and revaluation of hedging derivatives	50,071	(224,252)
Interest on reverse repo agreements	264,008	191,531
Total interest and similar income	2,559,100	2,130,356

Interest expense on repo agreements was CZK 48,240 thousand (2018: CZK 119,826 thousand).

12. Fee and Commission Expenses

(in CZK thousands)	2019	2018
Fee for management of assets (see Note 16)	874,062	826,459
Fee for appreciation of assets (see Note 16)	199,737	115,987
Other	4	0
Total fee and commission expenses	1,073,803	942,446

The cost of the Fund's statutory audit is invoiced directly to the Company.

(in CZK thousands)	2019	2018
Securities	262,743	(41,611)
Foreign exchange differences	(31,368)	71,645
Derivatives	84,463	(113,438)
Total gain or loss from financial transactions	315,838	(83,404)

13. Gain or Loss from Financial Transactions

The item "Derivatives" as at 31 December 2019 includes revaluation of currency derivatives and interest rate derivatives held-for-trading in the amount of CZK 84,463 thousand (2018: (CZK 113,438 thousand)).

14. Income Taxes

The current income tax rate applicable to the funds managed by pension company is zero per cent.

Unused tax loss carryforward is CZK 798,523 thousand as at 31 December 2019 (2018: CZK 1,361,610 thousand).

15. Financial Risks

15.1. Strategy in Using Financial Instruments

The Fund places its assets in line with investment objectives given in the Fund's Statute. The principal instrument in risk management is investment limits set forth in Act No. 42/1994 Coll. on State-contributory Supplementary Pension Insurance, Fund's Statute and internal regulations of the Company. The asset portfolio's compliance with the investment objectives and limits and the level of other exposures are periodically assessed.

15.2. Market Risk

The Fund takes on exposure to market risks as a consequence of its investment strategy in compliance with the Statutes. Market risk arises from open positions in interest rate, currency and equity products that face market fluctuations.

The Fund acquires funds from the pension insurance policyholders and invests them in quality assets in compliance with the Fund's Statute.

Geographical segmentation of financial assets

31 December 2019 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	18,550,577	0	0	0	18,550,577
Debt securities	80,043,274	12,756,713	1,041,771	2,949,542	96,791,300
Shares and mutual funds	274,516	980,617	694,233	725,523	2,674,889
Financial derivatives	428,312	83,882	107,263	0	619,457
Total financial assets	99,296,679	13,821,212	1,843,267	3,675,065	118,636,223

31 December 2018 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	17,122,553	0	0	0	17,122,553
Debt securities	81,678,178	12,421,938	384,587	2,770,252	97,254,955
Shares and mutual funds	271,613	1,130,456	833,898	589,256	2,825,223
Financial derivatives	248,070	5,416	50,692	0	304,178
Total financial assets	99,320,414	13,557,810	1,269,177	3,359,508	117,506,909

Breakdown of revenues by geographic location of markets

31 December 2019 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	2,108,294	327,934	122,872	2,559,100
Income from shares and mutual funds – other	13,742	36,000	1,398	51,140
Gain or loss from financial transactions	53,924	292,868	(30,954)	315,838
Other operating income	15,891	0	0	15,891

31 December 2018 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	1,724,561	399,240	6,555	2,130,356
Income from shares and mutual funds – other	15,405	43,067	951	59,423
Gain or loss from financial transactions	(319,752)	231,139	5,209	(83,404)
Other operating income	16,386	0	0	16,386

15.3. Financial Derivatives

(in CZK thousands)	31 December 2019	31 December 2018
Currency swaps		
Trading derivatives	199,077	12,264
Fair value hedging agreements	4,7403	12,044
Positive fair value of financial derivatives (Note 6)	246,480	24,308

(in CZK thousands)	31 December 2019	31 December 2018
Currency swaps		
Trading derivatives	(477)	0
Fair value hedging agreements	(790)	(452)
Negative fair values of financial derivatives (Note 8.2)	(1,267)	(452)

(in CZK thousands)	31 December 2019	31 December 2018
Interest rate swaps		
Fair value hedging derivatives	372,977	279,870
Positive fair value of financial derivatives (Note 6)	372,977	279,870

(in CZK thousands)	31 December 2019	31 December 2018
Interest rate swaps		
Trading derivatives	(10,238)	(11,168)
Fair value hedging derivatives	(379,715)	(309,752)
Negative fair values of financial derivatives (Note 8.2)	(389,953)	(320,920)

The financial instruments held by the Fund can be analyzed as follows:

31 December 2019 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 6)	Negative (Note 8.2)
Currency swaps	12,698,851	12,453,638	246,480	(1,267)
Interest swaps	25,569,639	25,586,615	372,977	(389,953)
Total derivatives	38,268,490	38,040,253	619,457	(391,220)

31 December 2018 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 6)	Negative (Note 8.2)
Currency swaps	4,877,438	4,853,582	24,308	(452)
Interest swaps	22,403,907	22,444,957	279,870	(320,920)
Total derivatives	27,281,345	27,298,539	304,178	(321,372)

15.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the foreign currency exchange rates to its financial position and cash flows. The Company sets exposure limits for individual currencies and for the overall currency position, which are monitored regularly. The Fund hedges foreign currency financial instruments in the Fund's portfolio against changes in fair value due to change in foreign exchange rates, using currency derivatives and repo transactions.

The table below summarizes the Fund's exposure to currency risk. The table includes the Fund's assets and liabilities at carrying amounts, categorized by currency.

31 December 2019 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	17,761,524	672,170	52,017	64,866	18,550,577
Debt securities available-for-sale	47,231,297	10,971,459	3,987,338	1,189,729	63,379,823
Securities held-to-maturity	33,411,477	0	0	0	33,411,477
Shares and mutual funds	263,435	1,071,904	1,225,524	114,026	2,674,889
Other assets	449,054	83,193	107,262	689	640,198
Total	99,116,787	12,798,726	5,372,141	1,369,310	118,656,964
Liabilities					
Amounts owed to banks	150,620	4,306,773	1,516,128	0	5,973,521
Policyholders' funds	106,369,273	0	0	0	106,369,273
Other liabilities	532,928	134,187	11,505	503	679,123
Provisions	61,822	0	0	0	61,822
Equity	5,573,225	0	0	0	5,573,225
Total	112,687,868	4,440,960	1,527,633	503	118,656,964
Net balance sheet assets / liabilities (-)	(13,571,081)	8,357,766	3,844,508	1,368,807	0
Net off-balance sheet currency positions (Note 15.3)	12,556,258	(8,222,266)	(3,677,123)	(411,656)	245,213
Net open currency position	(1,014,823)	135,500	167,385	957,151	245,213

31 December 2018 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	16,853,786	251,699	13,249	3,819	17,122,553
Debt securities available-for-sale	48,291,909	9,949,398	4,004,573	1,161,692	63,407,572
Securities held-to-maturity	33,847,383	0	0	0	33,847,383
Shares and mutual funds	275,137	988,191	1,435,645	126,250	2,825,223
Other assets	265,151	5,416	54,452	0	325,019
Total	99,533,366	11,194,704	5,507,919	1,291,761	117,527,750
Liabilities					
Amounts owed to banks	180,190	8,800,466	3,379,225	280,452	12,640,333
Policyholders' funds	100,918,733	0	0	0	100,918,733
Other liabilities	437,568	80,255	0	441	518,264
Provisions	55,814	0	0	0	55,814
Equity	3,394,606	0	0	0	3,394,606
Total	104,986,911	8,880,721	3,379,225	280,893	117,527,750
Net balance sheet assets / liabilities (-)	(5,453,545)	2,313,983	2,128,694	1,010,868	0
Net off-balance sheet currency positions (Note 15.3)	4,877,438	(2,517,885)	(2,211,978)	(123,719)	23,856
Net open currency position	(576,107)	(203,902)	(83,284)	887,149	23,856

15.5. Interest Rate Risk

The Fund takes on exposure resulting from fluctuations in market interest rates to its financial position and cash flows. The Company determines the limits of interest rate risk that are acceptable. These limits are monitored on a regular basis. The Fund hedges fix rate bonds in the available-for-sale securities portfolio against changes in fair value due to change in risk-free interest rate, using interest rate swaps.

The table below summarizes the Fund's exposure to interest rate risk. The table includes the Fund's interest-bearing assets and liabilities at carrying amounts, categorized by the earlier of the settlement, re-pricing or maturity dates.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current accounts	823,401	0	0	0	823,401
Term deposits	1,899,466	0	0	0	1,899,466
Cash collateral pledged	492,540	0	0	0	492,540
Reverse repo agreements	15,335,170	0	0	0	15,335,170
Debt securities	2,440,395	21,064,094	25,015,506	48,271,305	96,791,300
Total	20,990,972	21,064,094	25,015,506	48,271,305	115,341,877
Liabilities					
Amounts owed to banks	5,973,521	0	0	0	5,973,521
Total	5,973,521	0	0	0	5,973,521

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current accounts	642,769	0	0	0	642,769
Cash collateral pledged	189,890	0	0	0	189,890
Reverse repo agreements	16,289,894	0	0	0	16,289,894
Debt securities	1,683,448	25,995,345	31,154,899	38,421,263	97,254,955
Total	18,806,001	25,995,345	31,154,899	38,421,263	114,377,508
Liabilities					
Amounts owed to banks	12,640,333	0	0	0	12,640,333
Total	12,640,333	0	0	0	12,640,333

15.6. Liquidity Risk

The Fund is exposed to liquidity risk as a consequence of calls on available cash resources related to pension liabilities, one-off settlements, severance payments and transfers of the policyholders' funds to other pension funds.

The Fund regularly assesses the liquidity risk, mainly by monitoring the changes in the inflow and outflow of the participants' funds. The Fund, in line with its liquidity risk strategy, holds part of the assets in highly liquid financial instruments such as receivables from banks and Czech government bonds.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	18,550,577	0	0	0	0	18,550,577
Debt securities	528,627	8,463,469	31,127,247	56,671,957	0	96,791,300
Shares and mutual funds	0	0	0	0	2,674,889	2,674,889
Other assets	267,221	415	0	372,562	0	640,198
Total assets	19,346,425	8,463,884	31,127,247	57,044,519	2,674,889	118,656,964
Liabilities						
Amounts owed to banks	5,973,521	0	0	0	0	5,973,521
Payables to clients	41,732,695	2,682,650	13,631,162	48,322,766	0	106,369,273
Miscellaneous liabilities	289,170	18,871	53,760	317,322	0	679,123
Provisions	0	61,822	0	0	0	61,822
Equity	0	0	0	0	5,573,225	5,573,225
Total liabilities	47,076,581	2,835,657	13,392,467	49,779,034	5,573,225	118,656,964
Net assets / liabilities (-)	(28,127,473)	6,025,544	17,734,780	7,265,485	(2,898,336)	0

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	17,122,553	0	0	0	0	17,122,553
Debt securities	565,955	10,035,858	30,193,478	56,459,664	0	97,254,955
Shares and mutual funds	0	0	0	0	2,825,223	2,825,223
Other assets	45,148	5,783	30,648	243,440	0	325,019
Total assets	17,733,656	10,041,641	30,224,126	56,703,104	2,825,223	117,527,750
Liabilities						
Amounts owed to banks	12,640,333	0	0	0	0	12,640,333
Payables to clients	38,722,518	2,613,795	12,655,209	46,927,211	0	100,918,733
Miscellaneous liabilities	197,344	16,968	48,724	255,228	0	518,264
Provisions	0	55,814	0	0	0	55,814
Equity	0	0	0	0	3,394,606	3,394,606
Total liabilities	51,560,195	2,686,577	12,703,933	47,182,439	3,394,606	117,527,750
Net assets / liabilities (-)	(33,826,539)	7,355,064	17,520,193	9,520,665	(569,383)	0

16. Related Party Transactions

(in CZK thousands)	31 December 2019	31 December 2018
Penzijní společnost České pojišťovny, a.s.		
Receivables from the Company (Note 6)	12,244	16,439
Payables – fee for management, fee for appreciation (Note 8.2)	274,794	185,835
Expenses – fee for management, fee for appreciation (Note 12)	(1,073,799)	(942,446)

All related party transactions were made under the standard terms on regulated market. The Company believes that these transactions do not involve higher risks or other negative effects.

17. Subsequent Events

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly and at present it is not possible to reliably quantify the potential impacts of these events. However, the ongoing pandemic may have a negative impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the annual yield of the Fund. Any negative effects or losses did not affect the financial statements as at 31 December 2019 and will be included in the financial statements for 2020.

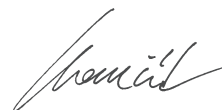
The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2019 were prepared on the assumption that the Fund would be able to continue as a going concern.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2019.

Date of preparation
28 April 2020



Radek Moc
Chairman of the Board of Directors



Miroslav Chromčík
Vice-Chairman of the Board of Directors

Transformovaný fond Penzijní společnosti České pojišťovny, a. s. – Information obligation

Pursuant to Annex 1 to Decree No. 117/2012 Coll., on more detailed regulation of the activities of a pension management company and a participation fund (hereinafter the “Decree”) Penzijní společnost České pojišťovny, a.s. hereby discloses:

- a) **Name of the Transformed Fund**, pursuant to Subsection 2, Letter (a) of Annex 1 to the Decree
Transformovaný fond Penzijní společnosti České pojišťovny, a. s.
- b) **Information on the pension management company that manages the Transformed Fund, or information on each pension management companies that managed the Transformed Fund in the relevant period, and information on the period of time for which each pension management company managed the Transformed Fund**, pursuant to Subsection 2, Letter (b) of Annex 1 to the Decree
For the entire relevant period, the Transformed Fund was managed by Penzijní společnost České pojišťovny, a.s., business registration number (IČ): 618 58 692, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 2738.
- c) **Information on portfolio managers of the Transformed Fund in the relevant period, and information on the period of time for which they performed the activities of a portfolio manager**, pursuant to Subsection 2, Letter (c) of Annex 1 to the Decree
All assets of the Transformed Fund were entrusted to the management of Generali Investments CEE, investiční společnost, a.s., business registration number (IČ): 438 73 766, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1031. In the relevant period, the activities of the portfolio manager were performed by Michal Kymlička, CFA.
- d) **Information on each depositary of the Transformed Fund in the relevant period, and information on the period of time for which they performed the activities of a depositary**, pursuant to Subsection 2, Letter (d) of Annex 1 to the Decree
The Transformed Fund's depositary for the entire relevant period was UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- e) **Information on each entity entrusted with the custody or safekeeping of the Transformed Fund's assets, provided that more than 1% of the value of the Fund's assets have been in custody or safekeeping of the entity**, pursuant to Subsection 2, Letter (e) of Annex 1 to the Decree
In the relevant period, the custody or safekeeping of the Fund's assets was performed by UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- f) **Comprehensive identification of the Transformed Fund's assets, if their value exceeds 1% of the value of the Fund's assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period**, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousands)	Fair value (CZK thousands)
Term deposits	TD	1,895,000	1 899 466
Repo agreements	Reverse repo	15,340,000	15 335 170
CZ GB 4.20 12/36	CZ0001001796	9,066,672	8,739,331
CZ GB 2.50 08/28	CZ0001003859	8,329,022	8,185,496
CZ GB L-10 11/27	CZ0001004105	7,560,409	7,712,414
CZ GB 0.95 05/30	CZ0001004477	6,938,634	6,950,310
CZ GB 3.75 09/20	CZ0001001317	7,120,533	6,630,109
CZ GB 5.70 05/24	CZ0001002547	6,499,723	5,631,320
CZ GB 2.0 10/33	CZ0001005243	5,391,448	5,555,147
CZ GB 0.25 02/27	CZ0001005037	5,233,183	5,226,152
CZ GB L+65 04/23	CZ0001003123	4,944,860	5,015,537
CZ GB 3.85 09/21	CZ0001002851	4,861,701	4,578,319
CZ GB 4.70 09/22	CZ0001001945	4,427,667	3,883,133
CZ GB 1.0 06/26	CZ0001004469	3,064,450	3,137,531
CZ GB 24 09/25	CZ0001004253	2,749,479	2,566,731
CZ GB 2.75 07/29	CZ0001005375	2,300,896	2,386,831
CZ GB 4.85 11/57	CZ0001002059	1,911,753	2,083,913

- g) **Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Transformed Fund's participants, if the value of the dispute exceeds 1% of the value of the Transformed Fund's assets in the relevant period,** pursuant to Subsection 2, Letter (g) of Annex 1 to the Decree
The Participation Fund has not been a party to any judicial or arbitration disputes, where the value subject to the dispute exceeds 1% of the value of the Fund's assets in the relevant period.
- h) **Information on the Transformed Fund's total equity and equity per unit as at 31 December of the relevant period and for the last three reporting periods,** pursuant to Subsection 2, Letter (h) of Annex 1 to the Decree
This information is not subject to disclosure for the Transformed Fund.
- i) **Information on the development of the value of a pension unit in the relevant period, which is expressed in a graphic form,** pursuant to Subsection 2, Letter (i) of Annex 1 to the Decree
This information is not subject to disclosure for the Transformed Fund.
- j) **Information on the composition of and changes in the Fund's assets,** pursuant to Subsection 2, Letter (j) of Annex 1 to the Decree

ASSETS (in CZK thousands)	31 December 2017	31 December 2018	31 December 2019
Due from banks and cooperative savings banks	20,786,135	17,122,553	18,550,577
a) repayable on demand	2,675,623	642,769	823,401
b) other receivables	18,110,512	16,479,784	17,727,176
Debt securities	92,919,786	97,254,955	96,791,300
a) issued by government organizations	81,935,315	86,719,341	84,562,678
b) issued by other entities	10,984,471	10,535,614	12,228,622
Shares, participating certificates and other interests	3,079,289	2,825,223	2,674,889
Other assets	587,763	325,019	640,198
TOTAL	117,372,973	117,527,750	118,656,964

- k) **Information on the consideration paid to the pension management company for managing the assets of the Transformed Fund,** pursuant to Subsection 2, Letter (k) of Annex 1 to the Decree
The consideration paid for to the pension management company for managing the assets of the Transformed Fund amounted to 0.8% of the average annual value of the Transformed Fund's balance sum, and 10% of the Transformed Fund's profits at the end of the relevant period.
- l) **Information on quantitative restrictions and methods selected for risk assessment related to the techniques and instruments for effective asset management in the Transformed Fund,** pursuant to Subsection 2, Letter (l) of Annex 1 to the Decree
The pension management company uses derivative instruments and repo agreements for efficient management of assets in the Transformed Fund. These instruments are primarily used to manage currency and interest rate risks. In order to reduce the risks arising from the use of financial derivatives which the Transformed Fund is to settle by means of the provision of funds, the Transformed Fund holds cash or a highly liquid asset. To maintain a low risk while efficiently managing the assets, the Transformed Fund invests funds acquired from repo agreements into highly liquid assets only. Information on the used financial derivatives, repo agreements and valuation methods are included in the notes to the financial statements.

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting:

Assets administered by the Transformed Fund will continue to grow even though the number of clients has been declining due to the impossibility for new clients to join the Fund. In the coming period, we expect this trend to continue and to maintain the stable development of the Fund's assets.

Annual Report 2019

Povinný konzervativní fond
Penzijní společnosti České pojišťovny, a. s.

Povinný konzervativní fond Penzijní společnosti České pojišťovny, a. s. – Independent auditor's report



(Translation of a report originally issued in Czech – see Note 2.1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Povinný konzervativní fond Penzijní společnosti České pojišťovny, a. s.:

Opinion

We have audited the accompanying financial statements of Povinný konzervativní fond Penzijní společnosti České pojišťovny, a.s. (hereinafter also the "Fund") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Fund, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation 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 judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors of Penzijní společnost České pojišťovny, a.s. for the Financial Statements

The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors of Penzijní společnost České pojišťovny, a.s. determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of Penzijní společnost České pojišťovny, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of Penzijní společnost České pojišťovny, a.s.
- Conclude on the appropriateness of the Board of Directors' of Penzijní společnost České pojišťovny, a.s. use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of Penzijní společnost České pojišťovny, a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401



Roman Hauptfleisch, Auditor
License No. 2009

28 April 2020
Prague, Czech Republic

Povinný konzervativní fond Penzijní společnosti České pojišťovny a. s. – Financial Statements for the year ended 31 December 2019

Balance Sheet as at 31 December 2019

ASSETS (in CZK thousands)	Note	31 December 2019	31 December 2018
Due from banks	3	306,416	202,705
of which: a) repayable on demand		66,402	53,815
b) other receivables		240,014	148,890
Debt securities	4	144,095	122,445
of which: a) issued by government institutions		140,914	119,202
b) issued by other entities		3,181	3,243
TOTAL ASSETS		450,511	325,150
LIABILITIES (in CZK thousands)	Note	31 December 2019	31 December 2018
Other liabilities	5	10,833	2,479
Capital funds	6	433,845	322,322
Retained earnings	6	349	935
Profit/(Loss) for the period	6	5,484	(586)
TOTAL LIABILITIES		450,511	325,150
OFF-BALANCE SHEET ITEMS as at 31 December 2019 (in CZK thousands)	Note	31 December 2019	31 December 2018
Off-balance sheet assets			
Assets provided for management by a third party		439,678	322,671
Total off-balance sheet assets		439,678	322,671
Off-balance sheet liabilities			
Collateral and pledge received		198,871	148,890
Total off-balance sheet liabilities		198,871	148,890

Income Statement for the year ended 31 December 2019

(in CZK thousands)	Note	2019	2018
Interest and similar income	7	6,838	2,979
of which: interest income from debt securities		2,463	1,336
Interest and similar expense		(102)	(225)
of which: interest expense from debt securities		0	0
Fee and commission expenses	8	(1,590)	(1,126)
Gain/(Loss) from financial transactions	9	338	(2,214)
Profit/(Loss) on ordinary activities before tax	6	5,484	(586)
Income tax	10	0	0
Profit/(Loss) for the period after tax	6	5,484	(586)

Notes to Financial statements for the year ended 31 December 2019

1. General Information

Povinný konzervativní fond Penzijní společnosti České pojišťovny, a.s. (the “Fund”) was established by Penzijní společnost České pojišťovny, a.s. (the “Company”), following the Czech National Bank’s decision dated 20 December 2012. This decision on the authorization to establish the Fund became effective on 1 January 2013.

The Fund is subject to regulatory requirements of Act No. 427/2011 Coll. on Supplementary Pension Savings, which is valid from 1 January 2013, as amended.

The Company’s investment portfolio is managed by Generali Investments CEE, investiční společnost, a.s.

The Fund’s custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the “Custodian”).

On 16 June 2014, following the Czech National Bank’s authorization, Povinný konzervativní účastnický fond Raiffeisen penzijní společnosti a.s. (the “RPS Fund”) was incorporated into the Fund.

2. Accounting Policies

2.1. Basis of Preparation

The financial statements of the Fund comprising the balance sheet, the income statement and the accompanying notes have been prepared in accordance with Act No. 563/1991 Coll. on Accounting, the Czech Ministry of Finance decrees and Czech accounting standards for financial institutions. The financial statements have been prepared under the historical cost convention as modified for the valuation of financial instruments at fair value through profit or loss and the valuation of derivatives. The financial statements are based on assumption that the Fund will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Fund’s ability to continue as a going concern in foreseeable future.

The amounts included in the financial statements are rounded to CZK thousands unless stated otherwise.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Transaction Recognition Date

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a contract is executed).

The transaction recognition date can also be the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency, the date of payment to or collection from a client’s account, the date on which the ownership or rights to another party’s assets were acquired or disposed of, the date on which a receivable or payable arose, was changed or terminated, the date on which assets moved within the entity and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the entity or from special regulations.

2.3. Securities and Their Fair Value

In accordance with the Fund’s strategy, all securities are classified as securities at fair value through profit or loss.

Securities at fair value through profit or loss are initially recognized at cost and subsequently measured at fair value. All related gains and losses are included in gain or loss from financial transactions. Interest earned on securities at fair value through profit or loss is reported as interest and similar income.

The fair value of a security is determined by the market price quoted by a relevant stock exchange or other active public market; the mid price is used to determine the fair value of the bond. In other cases, the fair value of a security is determined as net present value of the cash flows adjusted for credit and other relevant risks.

In its models designed for determining the fair value of securities, the Company maximizes using the observable market data, while minimizing non-observable inputs. The valuation models consider current market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

2.4. Foreign Currency

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the Czech National Bank ("CNB") exchange rate prevailing as at the transaction date. Monetary financial assets and liabilities denominated in foreign currencies are translated into Czech crowns at the exchange rate as published by the Czech National Bank as at the balance sheet date. All realized and unrealized exchange rate gains and losses arising from monetary items are recognized in gain or loss from financial transactions.

2.5. Repo Agreements

Repo agreement is the sale of financial assets, other than cash, for cash or other form of payment with corresponding future liability to buy back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The sold financial assets remain recorded in the balance sheet and the received cash is recorded in amounts owed to banks and cooperative saving banks in the balance sheet. Reverse repo agreement is the purchase of financial assets, other than cash, for cash or other form of payment with corresponding future liability to sell back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The purchased financial assets are not recorded in the balance sheet and are only recorded in the off-balance sheet; the provided cash is recorded in amounts due from banks and cooperative saving banks in the balance sheet. Repo (reverse repo) agreement is:

- classic repo agreement, i.e. receipt of loan collateralised by transfer of financial asset and classic reverse repo agreement, i.e. providing a loan collateralised by transfer of financial assets;
- loan of securities hedged with transfer of cash or other form of payment and borrowing of securities hedged with transfer of cash or other form of payment;
- sale of securities with simultaneous arrangement to buy securities back (sell-buy) and purchase of securities with simultaneous arrangement to sell securities back (buy-sell).

Repo agreements do not include concurrent spot purchases and sales of securities provided that their settlement is made in the same day.

2.6. Financial Derivatives

Financial derivatives are initially recognized on the balance sheet at cost and subsequently remeasured at fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models using only observable market data as appropriate.

All derivatives are presented in other assets or in other liabilities when their fair value for the Fund is positive or negative, respectively.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a financial instrument with the same terms as the embedded derivative would as separate instrument meet the definition of a derivative, and the host contract is not carried at fair value through profit or loss, or is measured at fair value with changes in fair value recognized in the balance sheet.

Changes in the fair value of financial derivatives held-for-trading are included in gain or loss from financial transactions.

Due to fact that all securities are classified as securities at fair value through profit or loss, the Fund uses the financial derivatives only to hedge foreign currency and interest rate exposures.

2.7. Interest Income and Expenses, Dividend Income

Interest income and expenses are recognized for all interest bearing instruments on an accruals basis.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date).

2.8. Fee and Commission Expenses

The fee and commission expenses comprise fee paid to the Company for management and appreciation of assets. The amount of fee is determined as follows:

- fee for management should not exceed 0.4% of the Fund's average annual equity. The Fund's average annual equity is determined as at 31 December as a simple arithmetic average of the Fund's equity values for each day of the respective year; and
- fee for asset appreciation shall not exceed 10% of the difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the prior years since the establishment of the Fund, multiplied by the average number of pension units in the relevant period.

2.9. Payables to Policyholders

Policyholders' contributions and state contributions, including revenues from these contributions, are recognized at nominal value. These contributions include mainly contributions to be invested, funds to be paid out and entitlement to state contribution before investing in the portfolio. The invested funds are posted to capital funds, which are included in equity.

2.10. Capital Funds

The credited price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are credited to the pension savings scheme participants for the selling price set on a weekly basis. Capital funds also include gains or losses arising from the revaluation of pension units as at the date on which the pension units were credited or deducted.

2.11. Provision for Pension Payments

The Fund does not create a provision for the payment of life-long pensions or pensions with fixed term and fixed pension benefit because these pensions are paid out by an insurance company designated by the client on the basis of signed insurance policy.

2.12. Income Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.13. Deferred Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.14. Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include assets provided into Company's administration and payables from collateral received within repo reverse transactions.

The Fund has no assets or liabilities that would not be disclosed in the balance sheet or off-balance sheet accounts.

2.15. Subsequent Events

The effect of events that occurred between the balance sheet date and the financial statements date is reflected in the financial statements if these events provide additional evidence of conditions that existed at the balance sheet date.

If, between the balance sheet date and the financial statements date, significant events occurred that are indicative of conditions that arose after the balance sheet date, the effect of these events is not recognized in the financial statements but disclosed in the notes to the financial statements.

2.16. Related Parties

Related parties are defined as follows:

- statutory body members and senior management of the Company who are responsible based on employment or other contracts for executive management functions defined in the Company's statute ("senior management of the Company");
- relatives (direct family members) of members of the Board of Directors, Supervisory Board, Audit Committee, senior management and of entities controlling the Company;
- entities in which the board members of the Company, senior management or the sole shareholder of the Company hold at least a 10% equity investment;
- the sole shareholder of the Company and entities controlled by him, his shareholders with at least a 10% shareholding and the entities controlled by them and the senior management of these entities; and
- funds managed by the Company.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 12.

3. Due from Banks

The Fund places funding, which is not currently being used in transactions with securities or in settlement of payables to policyholders, within reverse repo agreements or on term deposits with banks. Balances on current accounts are repayable on demand.

(in CZK thousands)	31 December 2019	31 December 2018
Current and savings accounts	66,402	53,815
Term deposits	35,084	0
Reverse repo agreements	204,930	148,890
Total amounts due from banks	306,416	202,705

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	144,095	122,445
Total debt securities	144,095	122,445

5. Other Liabilities

(in CZK thousands)	31 December 2019	31 December 2018
Payables to policyholders	10,565	2,357
Fee for management and appreciation of assets (see Note 12)	268	122
Total other liabilities	10,833	2,479

6. Capital Funds and Other Equity Components

The Fund has no share capital. The price of the Fund's unit is determined on the basis of the Fund's equity and the number of units while the unit price (NAV/unit) is determined by dividing the Fund's equity by the relevant number of units.

	31 December 2019	31 December 2018
Capital funds (in CZK thousands)	433,845	322,322
Retained earnings (in CZK thousands)	349	935
Profit/(Loss) for the period (in CZK thousands)	5,484	(586)
Equity (in CZK thousands)	439,678	322,671
Number of units	418,531,756.6521	311,581,891.7624
NAV/unit	1.0505	1.0356
Annual yield (p.a.)	1.44%	(0.34%)

The profit for 2019 totaling CZK 5,484 thousand will be distributed according to the Company's decision after the financial statements have been approved. The loss for 2018 totaling CZK 586 thousand was compensated from retained earnings.

Number of policyholders:

	31 December 2019	31 December 2018
Number of policyholders	6,902	5,220

Pension benefit payments:

	2019	2018
Amount (in CZK thousands)	72,873	57,033
Number of pension benefits	1,353	991

7. Interest and Similar Income

(in CZK thousands)	2019	2018
Interest on debt securities	2,463	1,336
Other interest income	4,375	1,643
Total interest and similar income	6,838	2,979

8. Fee and Commission Expenses

(in CZK thousands)	2019	2018
Fee for management of assets	1,493	1,126
Fee for appreciation of assets	97	0
Total fee and commission expenses (Note 12)	1,590	1,126

The cost of the Fund's statutory audit is invoiced directly to the Company.

9. Gain or Loss from Financial Transactions

(in CZK thousands)	2019	2018
Securities	338	(2,214)
Total gain or loss from financial transactions	338	(2,214)

As at 31 December 2019 and 2018, the Fund did not have any derivatives.

10. Income Taxes

In the period under review the applicable income tax rate has been 0%. The tax expense is zero, accordingly.

11. Financial Risks

11.1. Strategy in Using Financial Instruments

The Fund places its assets in line with investment objectives given in the Fund's Statute. The principal instrument in risk management is investment limits set forth in Act No. 427/2011 Coll. on Supplementary Pension Savings, Fund's Statute and internal regulations of the Company. The asset portfolio's compliance with the investment objectives and limits and the level of other exposures are periodically assessed.

11.2. Market Risk

The Fund takes on exposure to market risks as a consequence of its investment strategy in compliance with the Statutes. Market risk arises from open positions in interest rate, currency and equity products that face market fluctuations.

Geographical segmentation of financial assets

31 December 2019 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	306,416	0	0	0	306,416
Debt securities	144,095	0	0	0	144,095
Total financial assets	450,511	0	0	0	450,511

31 December 2018 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	202,705	0	0	0	202,705
Debt securities	122,445	0	0	0	122,445
Total financial assets	325,150	0	0	0	325,150

Breakdown of revenues by geographic location of markets

2019 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	6,836	2	0	6,838
Gain or loss from financial transactions	338	0	0	338

2018 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	2,974	5	0	2,979
Gain or loss from financial transactions	(2,211)	(3)	0	(2,214)

11.3. Currency Risk

The Fund takes on exposure resulting from fluctuations in the foreign currency exchange rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to currency risk. The tables include the Fund's assets and liabilities at carrying amounts, categorized by currency.

31 December 2019 (in CZK thousands)	CZK	EUR	Total
Assets			
Due from banks	306,388	28	306,416
Debt securities	144,095	0	144,095
Total	450,483	28	450,511
Liabilities			
Other liabilities	10,833	0	10,833
Equity	439,678	0	439,678
Total	450,511	0	450,511
Net balance sheet assets / liabilities (-)	(28)	28	0
Net open currency position	(28)	28	0

31 December 2018 (in CZK thousands)	CZK	EUR	Total
Assets			
Due from banks	202,676	29	202,705
Debt securities	122,445	0	122,445
Total	325,121	29	325,150
Liabilities			
Other liabilities	2,479	0	2,479
Equity	322,671	0	322,671
Total	325,150	0	325,150
Net balance sheet assets / liabilities (-)	(29)	29	0
Net open currency position	(29)	29	0

11.4. Interest Rate Risk

The Fund takes on exposure resulting from fluctuations in market interest rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to interest rate risk. The tables include the Fund's interest-bearing assets at carrying amounts, categorized by the earlier of the settlement, interest rate change or maturity dates.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	66,402	0	0	0	66,402
Term deposits	35,084	0	0	0	35,084
Reverse repo agreements	204,930	0	0	0	204,930
Debt securities	0	105,797	31,979	6,319	144,095
Total financial assets	306,416	105,797	31,979	6,319	450,511

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	53,815	0	0	0	53,815
Reverse repo agreements	148,890	0	0	0	148,890
Debt securities	0	93,093	23,106	6,246	122,445
Total financial assets	202,705	93,093	23,106	6,246	325,150

The Fund did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2019 and 2018.

11.5. Credit Risk

The Fund places part of its assets in debt instruments carrying the risk of debtor losing the ability to meet its liabilities. The Fund only makes investments in securities whose rating or the rating of issuer corresponds to a grade required by Act No. 427/2011 Coll., on Supplementary Pension Savings, and the Fund's Statute. Debt securities held by the Fund are received for trading on the regulated markets.

11.6. Liquidity Risk

The Fund is exposed to liquidity risk as a consequence of calls on available cash resources related to pension benefit payments, transfers of resources between other funds managed by the Company upon savings strategy change and transfers of the policyholders' funds to another pension management company. Liquidity risk, to which the Fund is exposed, is not significant as all assets are immediately convertible into cash before the expected purchases of the Fund's units can be effected.

The tables below summarize the Fund's assets and liabilities categorized by appropriate maturities range based on remaining maturity:

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	306,416	0	0	0	0	306,416
Debt securities	70	767	50,954	92,304	0	144,095
Total financial assets	306,486	767	50,954	92,304	0	450,511
Liabilities						
Other liabilities	10,833	0	0	0	0	10,833
Net liquidity exposure	295,653	767	50,954	92,304	0	439,678

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	202,705	0	0	0	0	202,705
Debt securities	38	577	42,102	79,728	0	122,445
Total financial assets	202,743	577	42,102	79,728	0	325,150
Liabilities						
Other liabilities	2,479	0	0	0	0	2,479
Net liquidity exposure	200,264	577	42,102	79,728	0	322,671

12. Related Party Transactions

(in CZK thousands)	31 December 2019	31 December 2018
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation (Note 5)	268	122
Expenses – fee for management, fee for appreciation (Note 8)	1,590	1,126

All related party transactions were made under the standard terms on regulated market. The Company believes that these transactions do not involve higher risks or other negative effects.

13. Subsequent Events

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly and at present it is not possible to reliably quantify the potential impacts of these events. However, the ongoing pandemic may have a negative impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the value of pension units. In view of this fact, the Fund's performance achieved in 2019 cannot be considered relevant for assessing future developments in terms of investment recommendations. Any negative effects or losses did not affect the financial statements as at 31 December 2019 and will be included in the financial statements for 2020.

The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2019 were prepared on the assumption that the Fund would be able to continue as a going concern.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2019.

Date of preparation
28 April 2020

Radek Moc
Chairman of the Board of Directors

Miroslav Chromčík
Vice-Chairman of the Board of Directors

Povinný konzervativní fond Penzijní společnosti České pojišťovny, a. s. – Information obligation

Pursuant to Annex 1 to Decree No. 117/2012 Coll., on more detailed regulation of the activities of a pension management company and a participation fund (hereinafter the “Decree”) Penzijní společnost České pojišťovny, a.s. hereby discloses:

- a) **Name of the Participation Fund**, pursuant to Subsection 2, Letter (a) of Annex 1 to the Decree
Povinný konzervativní fond Penzijní společnosti České pojišťovny, a. s.
- b) **Information on the pension management company that manages the Participation Fund, or information on each pension management company that managed the Participation Fund in the relevant period, and information on the period of time for which each pension management company managed the Participation Fund**, pursuant to Subsection 2, Letter (b) of Annex 1 to the Decree
For the entire relevant period, the Participation Fund was managed by Penzijní společnost České pojišťovny, a.s., business registration number (IČ): 618 58 692, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 2738.
- c) **Information on portfolio managers of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a portfolio manager**, pursuant to Subsection 2, Letter (c) of Annex 1 to the Decree
All assets of the Participation Fund were entrusted to the management of Generali Investments CEE, investiční společnost, a.s., business registration number (IČ): 438 73 766, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1031. In the relevant period, the activities of the portfolio manager were performed by Michal Kymlička, CFA.
- d) **Information on each depositary of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a depositary**, pursuant to Subsection 2, Letter (d) of Annex 1 to the Decree
The Participation Fund's depositary for the entire relevant period was UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- e) **Information on each entity entrusted with the custody or safekeeping of the Participation Fund's assets, provided that more than 1% of the value of the Fund's assets have been in custody or safekeeping of the entity**, pursuant to Subsection 2, Letter (e) of Annex 1 to the Decree
In the relevant period, the custody or safekeeping of the Fund's assets was performed by UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- f) **Comprehensive identification of the Participation Fund's assets, if their value exceeds 1% of the value of the Fund's assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period**, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

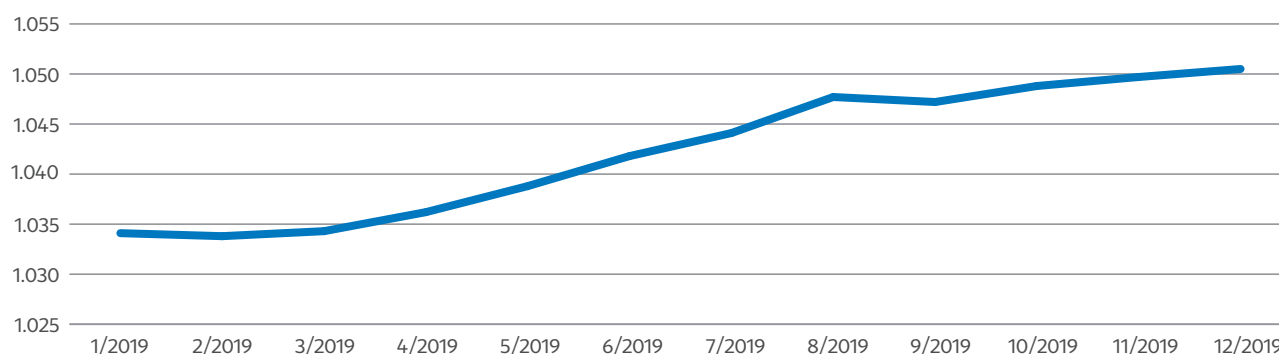
Name	ISIN	Acquisition cost (CZK thousand)	Fair value (CZK thousand)
Current accounts	CA	66,404	66,402
Term deposits	TD	35,000	35,084
Repo agreements	Reverse repo	205,000	204,930
CZ GB L-10 11/27	CZ0001004105	85,725	86,234
CZ GB L+65 04/23	CZ0001003123	19,613	19,563
CZ GB 0.45 10/23	CZ0001004600	13,943	13,991
CZ GB 0.75 02/21	CZ0001005367	10,827	10,965
CZ GB 2.4 09/25	CZ0001004253	6,389	6,319

- g) **Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period**, pursuant to Subsection 2, Letter (g) of Annex 1 to the Decree
The Participation Fund has not been a party to any judicial or arbitration disputes, where the value subject to the dispute exceeds 1% of the value of the Fund's assets in the relevant period.

h) Information on the Participation Fund's total equity and equity per unit as at 31 December of the relevant period and for the last three reporting periods, pursuant to Subsection 2, Letter (h) of Annex 1 to the Decree

Date	Equity (CZK thousand)	Equity per unit
31/12/2017	237,863	1.0391
31/12/2018	322,671	1.0356
31/12/2019	439,678	1.0505

i) Information on the development of the value of a pension unit in the relevant period, which is expressed in a graphic form, pursuant to Subsection 2, Letter (i) of Annex 1 to the Decree



j) Information on the composition of and changes in the Fund's assets, pursuant to Subsection 2, Letter (j) of Annex 1 to the Decree

ASSETS (in CZK thousand)	31 December 2017	31 December 2018	31 December 2019
Due from banks and cooperative savings banks	162,588	202,705	306,416
a) repayable on demand	22,675	53,815	66,402
b) other receivables	139,913	148,890	240,014
Debt securities	81,753	122,445	144,095
a) issued by government organizations	73,380	119,202	140,914
b) issued by other entities	8,373	3,243	3,181
Shares, participating certificates and other interests	0	0	0
Other assets	0	0	0
TOTAL	244,341	325,150	450,511

k) Information on the consideration paid to the pension management company for managing the assets of the Participation Fund, pursuant to Subsection 2, Letter (k) of Annex 1 to the Decree

The consideration paid to the pension management company for managing the assets of the Participation Fund amounted to 0.4% of the average annual value of the Participation Fund's equity at the end of the relevant period, and 10% of the positive difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the years prior to the relevant period since the establishment of the Participation Fund, multiplied by the average number of pension units in the relevant period.

l) Information on quantitative restrictions and methods selected for risk assessment related to the techniques and instruments for effective asset management in the Participation Fund, pursuant to Subsection 2, Letter (l) of Annex 1 to the Decree

The pension management company uses derivative instruments and repo agreements for efficient management of assets in the Participation Fund. These instruments are primarily used to manage currency and interest rate risks. In order to reduce the risks arising from the use of financial derivatives which are to be settled by the Participation Fund by means of the provision of funds, the Participation Fund holds cash or a highly liquid asset. The open position of all derivatives calculated using the standard liability method does not exceed 80% of the Fund's equity. The sum of the positive fair values agreed on with the counterparty, which is a regulated bank, does not exceed 10% of the assets of the Participation Fund. To maintain a low risk while efficiently managing the assets, the Participation Fund invests funds acquired from repo agreements into highly liquid assets only. Information on the used financial derivatives, repo agreements and valuation methods are included in the notes to the financial statements.

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting:

Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2019

Spořicí účastnický fond
Penzijní společnosti České pojišťovny, a. s.

Spořicí účastnický fond Penzijní společnosti České pojišťovny, a. s. – Independent auditor's report



(Translation of a report originally issued in Czech – see Note 2.1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Spořicí účastnický fond Penzijní společnosti České pojišťovny, a. s.:

Opinion

We have audited the accompanying financial statements of Spořicí účastnický fond Penzijní společnosti České pojišťovny, a.s. (hereinafter also the "Fund") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Fund, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation 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 judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors of Penzijní společnost České pojišťovny, a.s. for the Financial Statements

The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors of Penzijní společnost České pojišťovny, a.s. determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of Penzijní společnost České pojišťovny, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of Penzijní společnost České pojišťovny, a.s.
- Conclude on the appropriateness of the Board of Directors' of Penzijní společnost České pojišťovny, a.s. use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of Penzijní společnost České pojišťovny, a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401



Roman Hauptfleisch, Auditor
License No. 2009

28 April 2020
Prague, Czech Republic

Spořicí účastnický fond Penzijní společnosti České pojišťovny, a.s. – Financial Statements for the year ended 31 December 2019

Balance Sheet as at 31 December 2019

ASSETS (in CZK thousands)	Note	31 December 2019	31 December 2018
Due from banks	3	3,310,462	3,064,339
of which: a) repayable on demand		536,527	624,949
b) other receivables		2,773,935	2,439,390
Debt securities	4	4,891,895	4,355,953
of which: a) issued by government institutions		2,564,739	2,412,891
b) issued by other entities		2,327,156	1,943,062
Other assets	5	34,489	2,792
TOTAL ASSETS		8,236,846	7,423,084
LIABILITIES (in CZK thousands)	Note	31 December 2019	31 December 2018
Amounts owed to banks and cooperative saving banks	6	405,402	1,273,442
of which: other liabilities		405,402	1,273,442
Other liabilities	7	73,523	74,228
Capital funds	8	7,554,887	6,099,975
Retained earnings (+) / accumulated loss (-)	8	(24,561)	48,347
Profit/(Loss) for the period	8	227,595	(72,908)
TOTAL LIABILITIES		8,236,846	7,423,084
OFF-BALANCE SHEET ITEMS as at 31 December 2019 (in CZK thousands)	Note	31 December 2019	31 December 2018
Off-balance sheet assets			
Receivables from fixed-term transactions	13.3	3,449,041	2,090,726
Assets provided for management by a third party		7,757,921	6,075,414
Total off-balance sheet assets		11,206,962	8,166,140
Off-balance sheet liabilities			
Payables from fixed-term transactions	13.3	3,437,031	2,117,830
Collateral and pledge received		2,114,631	2,418,365
Total off-balance sheet liabilities		5,551,662	4,536,195

Income Statement for the year ended 31 December 2019

(in CZK thousands)	Note	2019	2018
Interest and similar income	9	147,884	104,763
of which: interest income from debt securities		101,005	74,146
Interest and similar expense		(2,327)	(13,515)
of which: interest expense from debt securities		0	1
Fee and commission expenses	10	(77,710)	(52,943)
Gain/(Loss) from financial transactions	11	159,748	(111,213)
Profit/(Loss) on ordinary activities before tax	8	227,595	(72,908)
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	227,595	(72,908)

Notes to Financial statements for the year ended 31 December 2019

1. General Information

Spořicí účastnický fond Penzijní společnosti České pojišťovny, a.s. (the “Fund”) was established by Penzijní společnost České pojišťovny, a.s. (the “Company”), following the Czech National Bank’s decision dated 20 December 2012. This decision on the authorization to establish the Fund became effective on 1 January 2013.

The Fund is subject to regulatory requirements of Act No. 427/2011 Coll. on Supplementary Pension Savings, which is valid from 1 January 2013, as amended.

The Company’s investment portfolio is managed by Generali Investments CEE, investiční společnost, a.s.

The Fund’s custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the “Custodian”).

On 16 June 2014, following the Czech National Bank’s authorization, Chráněný účastnický fond Raiffeisen penzijní společnosti a.s. (the “RPS Fund”) was incorporated into the Fund.

2. Accounting Policies

2.1. Basis of Preparation

The financial statements of the Fund comprising the balance sheet, the income statement and the accompanying notes have been prepared in accordance with Act No. 563/1991 Coll. on Accounting, the Czech Ministry of Finance decrees and Czech accounting standards for financial institutions. The financial statements have been prepared under the historical cost convention as modified for the valuation of financial instruments at fair value through profit or loss and the valuation of derivatives. The financial statements are based on assumption that the Fund will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Fund’s ability to continue as a going concern in foreseeable future.

The amounts included in the financial statements are rounded to CZK thousands unless stated otherwise.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Transaction Recognition Date

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a contract is executed).

The transaction recognition date can also be the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency, the date of payment to or collection from a client’s account, the date on which the ownership or rights to another party’s assets were acquired or disposed of, the date on which a receivable or payable arose, was changed or terminated, the date on which assets moved within the entity and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the entity or from special regulations.

2.3. Securities and Their Fair Value

In accordance with the Fund’s strategy, all securities are classified as securities at fair value through profit or loss.

Securities at fair value through profit or loss are initially recognized at cost and subsequently measured at fair value. All related gains and losses are included in gain or loss from financial transactions. Interest earned on securities at fair value through profit or loss is reported as interest and similar income.

The fair value of a security is determined by the market price quoted by a relevant stock exchange or other active public market; the mid price is used to determine the fair value of the bond. In other cases, the fair value of a security is determined as net present value of the cash flows adjusted for credit and other relevant risks.

In its models designed for determining the fair value of securities, the Company maximizes using the observable market data, while minimizing non-observable inputs. The valuation models consider current market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

2.4. Foreign Currency

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the Czech National Bank ("CNB") exchange rate prevailing as at the transaction date. Monetary financial assets and liabilities denominated in foreign currencies are translated into Czech crowns at the exchange rate as published by the Czech National Bank as at the balance sheet date. All realized and unrealized exchange rate gains and losses arising from monetary items are recognized in gain or loss from financial transactions.

2.5. Repo Agreements

Repo agreement is the sale of financial assets, other than cash, for cash or other form of payment with corresponding future liability to buy back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The sold financial assets remain recorded in the balance sheet and the received cash is recorded in amounts owed to banks and cooperative saving banks in the balance sheet. Reverse repo agreement is the purchase of financial assets, other than cash, for cash or other form of payment with corresponding future liability to sell back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The purchased financial assets are not recorded in the balance sheet and are only recorded in the off-balance sheet; the provided cash is recorded in amounts due from banks and cooperative saving banks in the balance sheet. Repo (reverse repo) agreement is:

- classic repo agreement, i.e. receipt of loan collateralised by transfer of financial asset and classic reverse repo agreement, i.e. providing a loan collateralised by transfer of financial assets;
- loan of securities hedged with transfer of cash or other form of payment and borrowing of securities hedged with transfer of cash or other form of payment;
- sale of securities with simultaneous arrangement to buy securities back (sell-buy) and purchase of securities with simultaneous arrangement to sell securities back (buy-sell).

Repo agreements do not include concurrent spot purchases and sales of securities provided that their settlement is made in the same day.

2.6. Financial Derivatives

Financial derivatives are initially recognized on the balance sheet at cost and subsequently remeasured at fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models using only observable market data as appropriate.

All derivatives are presented in other assets or in other liabilities when their fair value for the Fund is positive or negative, respectively.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a financial instrument with the same terms as the embedded derivative would as separate instrument meet the definition of a derivative, and the host contract is not carried at fair value through profit or loss, or is measured at fair value with changes in fair value recognized in the balance sheet.

Changes in the fair value of financial derivatives held-for-trading are included in gain or loss from financial transactions.

Due to fact that all securities are classified as securities at fair value through profit or loss, the Fund uses the financial derivatives to hedge foreign currency and interest rate exposures.

2.7. Interest Income and Expenses, Dividend Income

Interest income and expenses are recognized for all interest bearing instruments on an accruals basis.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date).

2.8. Fee and Commission Expenses

The fee and commission expenses comprise fee paid to the Company for management and appreciation of assets. The amount of fee is determined as follows:

- fee for management should not exceed 1% of the Fund's average annual equity. The Fund's average annual equity is determined as at 31 December as a simple arithmetic average of the Fund's equity values for each day of the respective year; and
- fee for asset appreciation shall not exceed 15% of the difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the prior years since the establishment of the Fund, multiplied by the average number of pension units in the relevant period.

2.9. Payables to Policyholders

Policyholders' contributions and state contributions, including revenues from these contributions, are recognized at nominal value. These contributions include mainly contributions to be invested, funds to be paid out and entitlement to state contribution before investing in the portfolio. The invested funds are posted to capital funds, which are included in equity.

2.10. Capital Funds

The credited price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are credited to the pension savings scheme participants for the selling price set on a weekly basis. Capital funds also include gains or losses arising from the revaluation of pension units as at the date on which the pension units were credited or deducted.

2.11. Provision for Pension Payments

The Fund does not create a provision for the payment of life-long pensions or pensions with fixed term and fixed pension benefit because these pensions are paid out by an insurance company designated by the client on the basis of signed insurance policy.

2.12. Income Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.13. Deferred Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.14. Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include assets provided into Company's administration, payables from collateral received within reverse repo transactions and foreign currency and interest rate derivatives at nominal value. The Fund has no assets or liabilities that would not be disclosed in the balance sheet or off-balance sheet accounts.

2.15. Subsequent Events

The effect of events that occurred between the balance sheet date and the financial statements date is reflected in the financial statements if these events provide additional evidence of conditions that existed at the balance sheet date.

If, between the balance sheet date and the financial statements date, significant events occurred that are indicative of conditions that arose after the balance sheet date, the effect of these events is not recognized in the financial statements but disclosed in the notes to the financial statements.

2.16. Related Parties

Related parties are defined as follows:

- statutory body members and senior management of the Company who are responsible based on employment or other contracts for executive management functions defined in the Company's statute ("senior management of the Company");
- relatives (direct family members) of members of the Board of Directors, Supervisory Board, Audit Committee, senior management and of entities controlling the Company;
- entities in which the board members of the Company, senior management or the sole shareholder of the Company hold at least a 10% equity investment;
- the sole shareholder of the Company and entities controlled by him, his shareholders with at least a 10% shareholding and the entities controlled by them and the senior management of these entities; and
- funds managed by the Company.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 14.

3. Due from Banks

The Fund places funding, which is not currently being used in transactions with securities or in settlement of payables to policyholders, within reverse repo agreements or on term deposits with banks. Balances on current accounts are repayable on demand.

(in CZK thousands)	31 December 2019	31 December 2018
Current and savings accounts	536,527	624,949
Term deposits	601,407	0
Cash collateral pledged	13,215	21,025
Reverse repo agreements	2,159,313	2,418,365
Total amounts due from banks	3,310,462	3,064,339

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	2,276,016	2,139,871
Foreign stock exchanges	2,615,879	2,216,082
Total debt securities	4,891,895	4,355,953

5. Other Assets

(in CZK thousands)	31 December 2019	31 December 2018
Receivables from securities transactions	1	40
Financial derivatives (Note 13.3)	34,488	2,752
Total other assets	34,489	2,792

6. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2019	31 December 2018
Cash collateral received – OTC derivatives	8,640	0
Repo agreements	396,762	1,273,442
Amounts owed to banks and cooperative saving banks	405,402	1,273,442

The Fund has been using foreign currency repo agreements to hedge foreign currency exposures.

The value of assets that have been encumbered as repo agreements hedge is included in Debt securities. In case of non-compliance with the obligations towards the creditor, the hedge would only be realized up to the recognized liability.

(in CZK thousands)	31 December 2019	31 December 2018
Debt securities issued by government institutions	467,146	1,221,304
Debt securities issued by other entities	0	603,552
Total encumbered assets	467,146	1,824,856

7. Other Liabilities

(in CZK thousands)	31 December 2019	31 December 2018
Payables to policyholders	35,020	38,626
Financial derivatives (Note 13.3)	224,78	29,857
Fee for management and appreciation of assets (see Note 14)	16,025	5,745
Total other liabilities	73,523	74,228

8. Capital Funds and Other Equity Components

The Fund has no share capital. The price of the Fund's unit is determined on the basis of the Fund's equity and the number of units while the unit price (NAV/unit) is determined by dividing the Fund's equity by the relevant number of units.

	31 December 2019	31 December 2018
Capital funds (in CZK thousands)	7,554,887	6,099,975
Retained earnings (+) / accumulated loss (-) (in CZK thousands)	(24,561)	48,347
Profit/(Loss) for the period (in CZK thousands)	227,595	(72,908)
Equity (in CZK thousands)	7,757,921	6,075,414
Number of units	7,069,866,555.7601	5,727,790,174.2909
NAV/unit	1.0973	1.0607
Annual yield (p.a.)	3.45%	(1.35%)

The profit for 2019 totaling CZK 227,595 thousand will be distributed according to the Company's decision after the financial statements have been approved. The loss for 2018 totaling CZK 72,908 thousand was transferred to accumulated loss.

Number of policyholders:

	31 December 2019	31 December 2018
Number of policyholders	163,327	147,488

Pension benefit payments:

	2019	2018
Amount (in CZK thousands)	1,175,345	617,978
Number of pension benefits	23,278	13,147

9. Interest and Similar Income

(in CZK thousands)	2019	2018
Interest on debt securities	101,005	74,146
Other interest income	46,879	30,617
Total interest and similar income	147,884	104,763

10. Fee and Commission Expenses

(in CZK thousands)	2019	2018
Fee for management of assets	69,197	52,943
Fee for appreciation of assets	8,513	0
Total fee and commission expenses (Note 14)	77,710	52,943

The cost of the Fund's statutory audit is invoiced directly to the Company.

11. Gain or Loss from Financial Transactions

(in CZK thousands)	31 December 2019	31 December 2018
Securities	136,664	(85,503)
Foreign exchange differences	(8,794)	(1,179)
Derivatives	31,878	(24,531)
Total gain or loss from financial transactions	159,748	(111,213)

As at 31 December 2019 and 2018, the item "Derivatives" includes changes in fair values of derivatives within the economic hedge of foreign currency exposures of portfolio's certain assets totaling CZK 31,878 thousand and CZK (24,531) thousand, respectively.

12. Income Taxes

In the period under review the applicable income tax rate has been 0%. The tax expense is zero, accordingly.

13. Financial Risks

13.1. Strategy in Using Financial Instruments

The Fund places its assets in line with investment objectives given in the Fund's Statute. The principal instrument in risk management is investment limits set forth in Act No. 427/2011 Coll. on Supplementary Pension Savings, Fund's Statute and internal regulations of the Company. The asset portfolio's compliance with the investment objectives and limits and the level of other exposures are periodically assessed.

13.2. Market Risk

The Fund takes on exposure to market risks as a consequence of its investment strategy in compliance with the Statutes. Market risk arises from open positions in interest rate, currency and equity products that face market fluctuations.

Geographical segmentation of financial assets

31 December 2019 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	3,310,462	0	0	0	3,310,462
Debt securities	2,475,686	1,496,425	293,127	626,657	4,891,895
Financial derivatives	0	18,539	15,949	0	34,488
Total financial assets	5,786,148	1,514,964	309,076	626,657	8,236,845

31 December 2018 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	3,064,339	0	0	0	3,064,339
Debt securities	2,297,241	1,370,259	160,048	528,405	4,355,953
Financial derivatives	8	2,740	4	0	2,752
Total financial assets	5,361,588	1,372,999	160,052	528,405	7,423,044

Breakdown of revenues by geographic location of markets

2019 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	87,048	51,580	9,256	147,884
Gain or loss from financial transactions	78,874	72,682	8,192	159,748

2018 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	54,944	48,845	974	104,763
Gain or loss from financial transactions	(59,304)	(52,682)	773	(111,213)

13.3. Financial Derivatives

The Fund uses the financial derivatives for effective management of the assets. These instruments are primarily used to manage currency and interest rate risks. Counterparties to the financial derivative contracts are in particular banks subject to regulation, with their registered office in the territory of the Czech Republic or another EU state.

The tables below summarize derivative transactions categorized by type of hedged risk:

31 December 2019 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	1,853,595	1,819,107	34,488	0
Interest rate derivatives	1,595,446	1,617,924	0	(22,478)
Total derivatives	3,449,041	3,437,031	34,488	(22,478)

31 December 2018 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	490,504	487,774	2,752	(22)
Interest rate derivatives	1,600,222	1,630,056	0	(29,835)
Total derivatives	2,090,726	2,117,830	2,752	(29,857)

13.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the foreign currency exchange rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to currency risk. The tables include the Fund's assets and liabilities at carrying amounts, categorized by currency.

31 December 2019 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	3,207,550	99,038	3,680	194	3,310,462
Debt securities	2,759,617	1,603,553	528,725	0	4,891,895
Other assets	0	18,539	15,950	0	34,489
Total	5,967,167	1,721,130	548,355	194	8,236,846
Liabilities					
Amounts owed to banks	0	405,402	0	0	405,402
Other liabilities	67,936	5,587	0	0	73,523
Equity	7,757,921	0	0	0	7,757,921
Total	7,825,857	410,989	0	0	8,236,846
Net balance sheet assets / liabilities (-)	(1,858,690)	1,310,141	548,355	194	0
Net off-balance sheet currency positions (Note 13.3)	1,853,595	(1,288,422)	(530,685)	0	34,488
Net open currency position	(5,095)	21,719	17,670	194	34,488

31 December 2018 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	3,038,698	25,364	90	187	3,064,339
Debt securities	2,631,182	1,222,151	502,620	0	4,355,953
Other assets	48	2,740	4	0	2,792
Total	5,669,928	1,250,255	502,714	187	7,423,084
Liabilities					
Amounts owed to banks	0	772,141	501,301	0	1,273,442
Other liabilities	71,091	3,137	0	0	74,228
Equity	6,075,414	0	0	0	6,075,414
Total	6,146,505	775,278	501,301	0	7,423,084
Net balance sheet assets / liabilities (-)	(476,577)	474,977	1,413	187	0
Net off-balance sheet currency positions	489,155	(487,774)	1,349	0	2,730
Net open currency position	12,578	(12,797)	2,762	187	2,730

13.5. Interest Rate Risk

The Fund takes on exposure resulting from fluctuations in market interest rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to interest rate risk. The tables include the Fund's interest-bearing assets and liabilities at carrying amounts, categorized by the earlier of the settlement, interest rate change or maturity dates.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	536,527	0	0	0	536,527
Term deposits	601,407	0	0	0	601,407
Cash collateral pledged	13,215	0	0	0	13,215
Reverse repo agreements	2,159,313	0	0	0	2,159,313
Debt securities	859,369	600,170	1,565,877	1,866,479	4,891,895
Total	4,169,831	600,170	1,565,877	1,866,479	8,202,357
Liabilities					
Amounts owed to banks	405,402	0	0	0	405,402
Total	405,402	0	0	0	405,402

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	624,949	0	0	0	624,949
Term deposits	0	0	0	0	0
Cash collateral pledged	21,025	0	0	0	21,025
Reverse repo agreements	2,418,365	0	0	0	2,418,365
Debt securities	578,130	577,115	1,638,221	1,562,487	4,355,953
Total	3,642,469	577,115	1,638,221	1,562,487	7,420,292
Liabilities					
Amounts owed to banks	1,273,442	0	0	0	1,273,442
Total	1,273,442	0	0	0	1,273,442

13.6. Credit Risk

The Fund places part of its assets in debt instruments carrying the risk of debtor losing the ability to meet its liabilities. The Fund only makes investments in securities whose rating or the rating of issuer corresponds to a grade required by Act No. 427/2011 Coll., on Supplementary Pension Savings, and the Fund's Statute. Debt securities held by the Fund are received for trading on the regulated markets.

13.7. Liquidity Risk

The Fund is exposed to liquidity risk as a consequence of calls on available cash resources related to pension benefit payments, transfers of resources between other funds managed by the Company upon savings strategy change and transfers of the policyholders' funds to another pension management company. Liquidity risk, to which the Fund is exposed, is not significant as all assets are immediately convertible into cash before the expected purchases of the Fund's units can be effected.

The tables below summarize the Fund's assets and liabilities categorized by appropriate maturities range based on remaining maturity:

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	3,310,462	0	0	0	0	3,310,462
Debt securities	46,397	75,099	2,328,443	2,441,956	0	4,891,895
Other assets	34,489	0	0	0	0	34,489
Total assets	3,391,348	75,099	2,328,443	2,441,956	0	8,236,846
Liabilities						
Amounts owed to banks	405,402	0	0	0	0	405,402
Other liabilities	51,046	0	5,587	16,890	0	73,523
Total liabilities	456,448	0	5,587	16,890	0	478,925
Net liquidity exposure	2,934,900	75,099	2,322,856	2,425,066	0	7,757,921

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	3,064,339	0	0	0	0	3,064,339
Debt securities	27,798	73,249	1,921,633	2,333,273	0	4,355,953
Other assets	2,792	0	0	0	0	2,792
Total assets	3,094,929	73,249	1,921,633	2,333,273	0	7,423,084
Liabilities						
Amounts owed to banks	1,273,442	0	0	0	0	1,273,442
Other liabilities	44,394	0	3,115	26,719	0	74,228
Total liabilities	1,317,836	0	3,115	26,719	0	1,347,670
Net liquidity exposure	1,777,093	73,249	1,918,518	2,306,554	0	6,075,414

14. Related Party Transactions

(in CZK thousands)	31 December 2019	31 December 2018
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation (Note 7)	16,025	5,745
Expenses – fee for management, fee for appreciation (Note 10)	77,710	52,943

All related party transactions were made under the standard terms on regulated market. The Company believes that these transactions do not involve higher risks or other negative effects.

15. Subsequent Events

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly and at present it is not possible to reliably quantify the potential impacts of these events. However, the ongoing pandemic may have a negative impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the value of pension units. In view of this fact, the Fund's performance achieved in 2019 cannot be considered relevant for assessing future developments in terms of investment recommendations. Any negative effects or losses did not affect the financial statements as at 31 December 2019 and will be included in the financial statements for 2020.

The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2019 were prepared on the assumption that the Fund would be able to continue as a going concern.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2019.

Date of preparation
28 April 2020

Radek Moc
Chairman of the Board of Directors

Miroslav Chromčík
Vice-Chairman of the Board of Directors

Spořicí účastnický fond Penzijní společnosti České pojišťovny, a. s. – Information obligation

Pursuant to Annex 1 to Decree No. 117/2012 Coll., on more detailed regulation of the activities of a pension management company and a participation fund (hereinafter the “Decree”) Penzijní společnost České pojišťovny, a.s. hereby discloses:

- a) **Name of the Participation Fund**, pursuant to Subsection 2, Letter (a) of Annex 1 to the Decree
Spořicí účastnický fond Penzijní společnosti České pojišťovny, a. s.
- b) **Information on the pension management company that manages the Participation Fund, or information on each pension management company that managed the Participation Fund in the relevant period, and information on the period of time for which each pension management company managed the Participation Fund**, pursuant to Subsection 2, Letter (b) of Annex 1 to the Decree
For the entire relevant period, the Participation Fund was managed by Penzijní společnost České pojišťovny, a.s., business registration number (IČ): 618 58 692, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 2738.
- c) **Information on portfolio managers of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a portfolio manager**, pursuant to Subsection 2, Letter (c) of Annex 1 to the Decree
All assets of the Participation Fund were entrusted to the management of Generali Investments CEE, investiční společnost, a.s., business registration number (IČ): 438 73 766, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1031. In the relevant period, the activities of the portfolio manager were performed by Michal Kymlička, CFA.
- d) **Information on each depositary of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a depositary**, pursuant to Subsection 2, Letter (d) of Annex 1 to the Decree
The Participation Fund’s depositary for the entire relevant period was UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- e) **Information on each entity entrusted with the custody or safekeeping of the Participation Fund’s assets, provided that more than 1% of the value of the Fund’s assets have been in custody or safekeeping of the entity**, pursuant to Subsection 2, Letter (e) of Annex 1 to the Decree
In the relevant period, the custody or safekeeping of the Fund’s assets was performed by UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- f) **Comprehensive identification of the Participation Fund’s assets, if their value exceeds 1% of the value of the Fund’s assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period**, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousand)	Fair value (CZK thousand)
Current accounts	CA	536,939	536,527
Term deposits	TD	600,000	601,407
Repo agreements	Reverse repo	2,160,000	2,159,313
CZ GB 1.0 06/26	CZ0001004469	450,369	467,146
CZ GB 0.95 05/30	CZ0001004477	351,265	376,524
CZ GB L-10 11/27	CZ0001004105	356,743	363,440
CZ GB 2.50 08/28	CZ0001003859	352,217	362,577
CZ GB L+65 04/23	CZ0001003123	217,975	216,417
CZ GB 24 09/25	CZ0001004253	189,430	188,530
CZ GB 2.75 07/29	CZ0001005375	104,020	111,605
MOL 2.625 04/23	XS1401114811	105,869	105,489
PKO FIN 4.63 09/22	XS0783934085	87,016	91,600

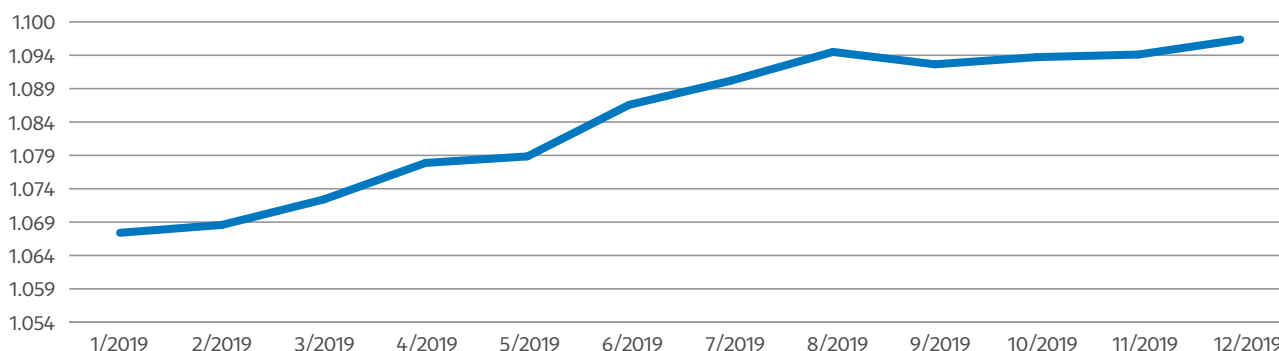
- g) **Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period,** pursuant to Subsection 2, Letter (g) of Annex 1 to the Decree

The Participation Fund has not been a party to any judicial or arbitration disputes, where the value subject to the dispute exceeds 1% of the value of the Fund's assets in the relevant period.

- h) **Information on the Participation Fund's total equity and equity per unit as at 31 December of the relevant period and for the last three reporting periods,** pursuant to Subsection 2, Letter (h) of Annex 1 to the Decree

Date	Equity (CZK thousand)	Equity per unit
31/12/2017	4,453,930	1.0752
31/12/2018	6,075,414	1.0607
31/12/2019	7,757,921	1.0973

- i) **Information on the development of the value of a pension unit in the relevant period, which is expressed in a graphic form,** pursuant to Subsection 2, Letter (i) of Annex 1 to the Decree



- j) **Information on the composition of and changes in the Fund's assets,** pursuant to Subsection 2, Letter (j) of Annex 1 to the Decree

ASSETS (in CZK thousand)	31 December 2017	31 December 2018	31 December 2019
Due from banks and cooperative savings banks	3,527,960	3,064,339	3,310,462
a) repayable on demand	419,591	624,949	536,527
b) other receivables	3,108,369	2,439,390	2,773,935
Debt securities	2,119,207	4,355,953	4,891,895
a) issued by government organizations	903,557	2,412,891	2,564,739
b) issued by other entities	1,215,650	1,943,062	2,327,156
Shares, participating certificates and other interests	0	0	0
Other assets	834	2,792	34,489
TOTAL	5,648,001	7,423,084	8,236,846

- k) **Information on the consideration paid to the pension management company for managing the assets of the Participation Fund,** pursuant to Subsection 2, Letter (k) of Annex 1 to the Decree

The consideration paid to the pension management company for managing the assets of the Participation Fund amounted to 1.0% of the average annual value of the Participation Fund's equity at the end of the relevant period, and 15% of the positive difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the years prior to the relevant period since the establishment of the Participation Fund, multiplied by the average number of pension units in the relevant period.

- l) **Information on quantitative restrictions and methods selected for risk assessment related to the techniques and instruments for effective asset management in the Participation Fund,** pursuant to Subsection 2, Letter (l) of Annex 1 to the Decree

The pension management company uses derivative instruments and repo agreements for efficient management of assets in the Participation Fund. These instruments are primarily used to manage currency and interest rate risks. In order to reduce the risks arising from the use of financial derivatives which are to be settled by the Participation Fund by means of the provision of funds, the Participation Fund holds cash or a highly liquid asset. The open position of all derivatives calculated using the standard liability method does not exceed 80% of the Fund's equity. The sum of the positive fair values agreed on with the counterparty, which is a regulated bank, does not exceed 10% of the assets of the Participation Fund. To maintain a low risk while efficiently managing the assets, the Participation Fund invests funds acquired from repo agreements into highly liquid assets only. Information on the used financial derivatives, repo agreements and valuation methods are included in the notes to the financial statements.

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting:

Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2019

Vyvážený účastnický fond
Penzijní společnosti České pojišťovny, a. s.

Vyvážení účastnický fond Penzijní společnosti České pojišťovny, a. s. – Independent auditor's report



(Translation of a report originally issued in Czech – see Note 2.1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Vyvážení účastnický fond Penzijní společnosti České pojišťovny, a. s.:

Opinion

We have audited the accompanying financial statements of Vyvážení účastnický fond Penzijní společnosti České pojišťovny, a.s. (hereinafter also the "Fund") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Fund, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation 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 judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors of Penzijní společnost České pojišťovny, a.s. for the Financial Statements

The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors of Penzijní společnost České pojišťovny, a.s. determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of Penzijní společnost České pojišťovny, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of Penzijní společnost České pojišťovny, a.s.
- Conclude on the appropriateness of the Board of Directors' of Penzijní společnost České pojišťovny, a.s. use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of Penzijní společnost České pojišťovny, a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401



Roman Hauptfleisch, Auditor
License No. 2009

28 April 2020
Prague, Czech Republic

Vyvážení účastnický fond Penzijní společnosti České pojišťovny, a. s. – Financial Statements for the year ended 31 December 2019

Balance Sheet as at 31 December 2019

ASSETS (in CZK thousands)	Note	31 December 2019	31 December 2018
Due from banks	3	798,640	657,972
of which: a) repayable on demand		177,241	197,960
b) other receivables		621,399	460,012
Debt securities	4	931,649	598,548
of which: a) issued by government institutions		287,664	226,842
b) issued by other entities		643,985	371,706
Shares and mutual funds	4	855,483	546,102
Other assets	5	31,859	5,925
TOTAL ASSETS		2,617,631	1,808,547
LIABILITIES (in CZK thousands)	Note	31 December 2019	31 December 2018
Amounts owed to banks and cooperative saving banks	6	15,500	172,131
of which: other liabilities		15,500	172,131
Other liabilities	7	37,317	27,820
Capital funds	8	2,388,553	1,630,568
Retained earnings (+) / accumulated loss (-)	8	(21,972)	51,431
Profit/(Loss) for the period	8	198,233	(73,403)
TOTAL LIABILITIES		2,617,631	1,808,547
OFF-BALANCE SHEET ITEMS as at 31 December 2019 (in CZK thousands)	Note	31 December 2019	31 December 2018
Off-balance sheet assets			
Receivables from fixed-term transactions	13.3	1,527,465	913,490
Assets provided for management by a third party		2,564,814	1,608,596
Total off-balance sheet assets		4,092,279	2,522,086
Off-balance sheet liabilities			
Payables from fixed-term transactions	13.3	1,500,676	911,339
Collateral and pledge received		391,746	459,755
Total off-balance sheet liabilities		1,892,422	1,371,094

Income Statement for the year ended 31 December 2019

(in CZK thousands)	Note	2019	2018
Interest and similar income	9	34,022	19,460
of which: interest income from debt securities		25,497	13,911
Interest and similar expense		(397)	(3,049)
of which: interest expense from debt securities		(39)	0
Income from shares and mutual funds		13,698	8,651
of which: other income from shares and mutual funds		0	8,651
Fee and commission expenses	10	(27,489)	(12,869)
Gain/(Loss) from financial transactions	11	178,399	(85,596)
Profit/(Loss) on ordinary activities before tax	8	198,233	(73,403)
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	198,233	(73,403)

Notes to Financial statements for the year ended 31 December 2019

1. General Information

Vyvážení účastnický fond Penzijní společnosti České pojišťovny, a.s. (the “Fund”) was established by Penzijní společnost České pojišťovny, a.s. (the “Company”), following the Czech National Bank's decision dated 20 December 2012. This decision on the authorization to establish the Fund became effective on 1 January 2013.

The Fund is subject to regulatory requirements of Act No. 427/2011 Coll. on Supplementary Pension Savings, which is valid from 1 January 2013, as amended.

The Company's investment portfolio is managed by Generali Investments CEE, investiční společnost, a.s.

The Fund's custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the “Custodian”).

2. Accounting Policies

2.1. Basis of Preparation

The financial statements of the Fund comprising the balance sheet, the income statement and the accompanying notes have been prepared in accordance with Act No. 563/1991 Coll. on Accounting, the Czech Ministry of Finance decrees and Czech accounting standards for financial institutions. The financial statements have been prepared under the historical cost convention as modified for the valuation of financial instruments at fair value through profit or loss and the valuation of derivatives. The financial statements are based on assumption that the Fund will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Fund's ability to continue as a going concern in foreseeable future.

The amounts included in the financial statements are rounded to CZK thousands unless stated otherwise.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Transaction Recognition Date

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a contract is executed).

The transaction recognition date can also be the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency, the date of payment to or collection from a client's account, the date on which the ownership or rights to another party's assets were acquired or disposed of, the date on which a receivable or payable arose, was changed or terminated, the date on which assets moved within the entity and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the entity or from special regulations.

2.3. Securities and Their Fair Value

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss.

Securities at fair value through profit or loss are initially recognized at cost and subsequently measured at fair value. All related gains and losses are included in gain or loss from financial transactions. Interest earned on securities at fair value through profit or loss is reported as interest and similar income.

The fair value of a security is determined by the market price quoted by a relevant stock exchange or other active public market; the mid price is used to determine the fair value of the bond. In other cases, the fair value of a security is determined as net present value of the cash flows adjusted for credit and other relevant risks.

In its models designed for determining the fair value of securities, the Company maximizes using the observable market data, while minimizing non-observable inputs. The valuation models consider current market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

2.4. Foreign Currency

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the Czech National Bank ("CNB") exchange rate prevailing as at the transaction date. Monetary financial assets and liabilities denominated in foreign currencies are translated into Czech crowns at the exchange rate as published by the Czech National Bank as at the balance sheet date. All realized and unrealized exchange rate gains and losses arising from monetary items are recognized in gain or loss from financial transactions.

2.5. Repo Agreements

Repo agreement is the sale of financial assets, other than cash, for cash or other form of payment with corresponding future liability to buy back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The sold financial assets remain recorded in the balance sheet and the received cash is recorded in amounts owed to banks and cooperative saving banks in the balance sheet. Reverse repo agreement is the purchase of financial assets, other than cash, for cash or other form of payment with corresponding future liability to sell back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The purchased financial assets are not recorded in the balance sheet and are only recorded in the off-balance sheet; the provided cash is recorded in amounts due from banks and cooperative saving banks in the balance sheet. Repo (reverse repo) agreement is:

- classic repo agreement, i.e. receipt of loan collateralised by transfer of financial asset and classic reverse repo agreement, i.e. providing a loan collateralised by transfer of financial assets;
- loan of securities hedged with transfer of cash or other form of payment and borrowing of securities hedged with transfer of cash or other form of payment;
- sale of securities with simultaneous arrangement to buy securities back (sell-buy) and purchase of securities with simultaneous arrangement to sell securities back (buy-sell).

Repo agreements do not include concurrent spot purchases and sales of securities provided that their settlement is made in the same day.

2.6. Financial Derivatives

Financial derivatives are initially recognized on the balance sheet at cost and subsequently remeasured at fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models using only observable market data as appropriate.

All derivatives are presented in other assets or in other liabilities when their fair value for the Fund is positive or negative, respectively.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a financial instrument with the same terms as the embedded derivative would as separate instrument meet the definition of a derivative, and the host contract is not carried at fair value through profit or loss, or is measured at fair value with changes in fair value recognized in the balance sheet.

Changes in the fair value of financial derivatives held-for-trading are included in gain or loss from financial transactions.

Due to fact that all securities are classified as securities at fair value through profit or loss, the Fund uses the financial derivatives to hedge foreign currency and interest rate exposures.

2.7. Interest Income and Expenses, Dividend Income

Interest income and expenses are recognized for all interest bearing instruments on an accruals basis.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date).

2.8. Fee and Commission Expenses

The fee and commission expenses comprise fee paid to the Company for management and appreciation of assets. The amount of fee is determined as follows:

- a) fee for management should not exceed 1% of the Fund's average annual equity. The Fund's average annual equity is determined as at 31 December as a simple arithmetic average of the Fund's equity values for each day of the respective year; and
- b) fee for asset appreciation shall not exceed 15% of the difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the prior years since the establishment of the Fund, multiplied by the average number of pension units in the relevant period.

2.9. Payables to Policyholders

Policyholders' contributions and state contributions, including revenues from these contributions, are recognized at nominal value. These contributions include mainly contributions to be invested, funds to be paid out and entitlement to state contribution before investing in the portfolio. The invested funds are posted to capital funds, which are included in equity.

2.10. Capital Funds

The credited price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are credited to the pension savings scheme participants for the selling price set on a weekly basis. Capital funds also include gains or losses arising from the revaluation of pension units as at the date on which the pension units were credited or deducted.

2.11. Provision for Pension Payments

The Fund does not create a provision for the payment of life-long pensions or pensions with fixed term and fixed pension benefit because these pensions are paid out by an insurance company designated by the client on the basis of signed insurance policy.

2.12. Income Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.13. Deferred Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.14. Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include assets provided into Company's administration, payables from collateral received within reverse repo transactions and foreign currency and interest rate derivatives at nominal value.

The Fund has no assets or liabilities that would not be disclosed in the balance sheet or off-balance sheet accounts.

2.15. Subsequent Events

The effect of events that occurred between the balance sheet date and the financial statements date is reflected in the financial statements if these events provide additional evidence of conditions that existed at the balance sheet date.

If, between the balance sheet date and the financial statements date, significant events occurred that are indicative of conditions that arose after the balance sheet date, the effect of these events is not recognized in the financial statements but disclosed in the notes to the financial statements.

2.16. Related Parties

Related parties are defined as follows:

- statutory body members and senior management of the Company who are responsible based on employment or other contracts for executive management functions defined in the Company's statute ("senior management of the Company");
- relatives (direct family members) of members of the Board of Directors, Supervisory Board, Audit Committee, senior management and of entities controlling the Company;
- entities in which the board members of the Company, senior management or the sole shareholder of the Company hold at least a 10% equity investment;
- the sole shareholder of the Company and entities controlled by him, his shareholders with at least a 10% shareholding and the entities controlled by them and the senior management of these entities; and
- funds managed by the Company.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 14.

3. Due from Banks

The Fund places funding, which is not currently being used in transactions with securities or in settlement of payables to policyholders, within reverse repo agreements or on term deposits with banks. Balances on current accounts are repayable on demand.

(in CZK thousands)	31 December 2019	31 December 2018
Current and savings accounts	177,241	197,960
Term deposits	220,478	0
Cash collateral pledged	1,016	257
Reverse repo agreements	399,905	459,755
Total amounts due from banks	798,640	657,972

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	268,894	216,323
Foreign stock exchanges	662,755	382,225
Total debt securities	931,649	598,548

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	34,572	26,968
Foreign stock exchanges	820,911	519,134
Total shares and mutual funds	855,483	546,102

5. Other Assets

(in CZK thousands)	31 December 2019	31 December 2018
Receivables from securities transactions	361	362
Financial derivatives (Note 13.3)	31,498	5,563
Total other assets	31,859	5,925

6. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2019	31 December 2018
Cash collateral received – OTC derivatives	15,500	2,058
Repo agreements	0	170,073
Amounts owed to banks and cooperative saving banks	15,500	172,131

The Fund has been using mainly foreign currency repo agreements to hedge foreign currency exposures.

In 2019, the value of debt securities that were encumbered as repo agreements hedge amounted to CZK 0 thousand (2018: CZK 243,981 thousand). In case of non-compliance with the obligations towards the creditor, the hedge would only be realized up to the recognized liability.

7. Other Liabilities

(in CZK thousands)	31 December 2019	31 December 2018
Payables to policyholders	22,777	22,811
Financial derivatives (Note 13.3)	4,709	3,412
Fee for management and appreciation of assets (see Note 14)	9,831	1,597
Total other liabilities	37,317	27,820

8. Capital Funds and Other Equity Components

The Fund has no share capital. The price of the Fund's unit is determined on the basis of the Fund's equity and the number of units while the unit price (NAV/unit) is determined by dividing the Fund's equity by the relevant number of units.

	31 December 2019	31 December 2018
Capital funds (in CZK thousands)	2,388,553	1,630,568
Retained earnings (+) / accumulated loss (-) (in CZK thousands)	(21,972)	51,431
Profit/(Loss) for the period (in CZK thousands)	198,233	(73,403)
Equity (in CZK thousands)	2,564,814	1,608,596
Number of units	2,121,784,070.46	1,470,241,813.9305
NAV/unit	1.2089	1.0940
Annual yield (p.a.)	10.50%	(4.85%)

The profit for 2019 totaling CZK 198,233 thousand will be distributed according to the Company's decision after the financial statements have been approved. The loss for 2018 totaling CZK 73,403 thousand was transferred to accumulated loss.

Number of policyholders:

	31 December 2019	31 December 2018
Number of policyholders	94,212	74,556

Pension benefit payments:

	2019	2018
Amount (in CZK thousands)	200,670	169,762
Number of pension benefits	6,561	5,375

9. Interest and Similar Income

(in CZK thousands)	2019	2018
Interest on debt securities	25,497	13,911
Other interest income	8,525	5,549
Total interest and similar income	34,022	19,460

10. Fee and Commission Expenses

(in CZK thousands)	2019	2018
Fee for management of assets (see Note 14)	19,959	12,699
Fee for appreciation of assets (see Note 14)	7,465	141
Other	65	29
Total fee and commission expenses	27,489	12,869

The cost of the Fund's statutory audit is invoiced directly to the Company.

11. Gain or Loss from Financial Transactions

(in CZK thousands)	2019	2018
Securities	167,936	(87,539)
Foreign exchange differences	(9,419)	10,131
Derivatives	19,882	(8,188)
Total gain or loss from financial transactions	178,399	(85,596)

As at 31 December 2019 and 2018, the item "Derivatives" includes changes in fair values of derivatives within the economic hedge of foreign currency exposures of portfolio's certain assets totaling CZK 19,882 thousand and CZK (8,188) thousand, respectively.

12. Income Taxes

In the period under review the applicable income tax rate has been 0%. The tax expense is zero, accordingly.

13. Financial Risks

13.1. Strategy in Using Financial Instruments

The Fund places its assets in line with investment objectives given in the Fund's Statute. The principal instrument in risk management is investment limits set forth in Act No. 427/2011 Coll. on Supplementary Pension Savings, Fund's Statute and internal regulations of the Company. The asset portfolio's compliance with the investment objectives and limits and the level of other exposures are periodically assessed.

13.2. Market Risk

The Fund takes on exposure to market risks as a consequence of its investment strategy in compliance with the Statutes. Market risk arises from open positions in interest rate, currency and equity products that face market fluctuations.

Geographical segmentation of financial assets

31 December 2019 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	798,640	0	0	0	798,640
Debt securities	296,564	386,446	2,918	245,721	931,649
Shares and mutual funds	38,645	433,671	206,942	176,225	855,483
Financial derivatives	0	17,381	14,117	0	31,498
Total financial assets	1,133,849	837,498	223,977	421,946	2,617,270

31 December 2018 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	657,972	0	0	0	657,972
Debt securities	228,381	227,169	2,981	140,017	598,548
Shares and mutual funds	23,573	303,062	108,923	110,544	546,102
Financial derivatives	0	2,975	2,588	0	5,563
Total financial assets	909,926	533,206	114,492	250,561	1,808,185

Breakdown of revenues by geographic location of markets

2019 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	13,994	16,683	3,345	34,022
Income from shares and mutual funds – other	1,098	12,110	490	13,698
Gain or loss from financial transactions	21,939	150,393	6,067	178,399

2018 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	8,561	10,760	139	19,460
Income from shares and mutual funds – other	771	7,880	0	8,651
Gain or loss from financial transactions	(15,946)	(69,760)	110	(85,596)

13.3. Financial Derivatives

The Fund uses the financial derivatives for effective management of the assets. These instruments are primarily used to manage currency and interest rate risks. Counterparties to the financial derivative contracts are in particular banks subject to regulation, with their registered office in the territory of the Czech Republic or another EU state.

The tables below summarize derivative transactions categorized by type of hedged risk:

31 December 2019 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	1,371,761	1,340,317	31,498	(54)
Interest rate derivatives	155,704	160,359	0	(4,655)
Total derivatives	1,527,465	1,500,676	31,498	(4,709)

31 December 2018 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	813,167	807,604	5,563	0
Interest rate derivatives	100,323	103,735	0	(3,412)
Total derivatives	913,490	911,339	5,563	(3,412)

13.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the foreign currency exchange rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to currency risk. The tables include the Fund's assets and liabilities at carrying amounts, categorized by currency.

31 December 2019 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	730,474	26,880	24,531	16,755	798,640
Debt securities	380,476	379,103	172,070	0	931,649
Shares and mutual funds	34,572	398,449	359,949	62,513	855,483
Other assets	250	17,377	14,217	15	31,859
Total	1,145,772	821,809	570,767	79,283	2,617,631
Liabilities					
Amounts owed to banks	0	15,500	0	0	15,500
Other liabilities	37,263	0	0	54	37,317
Equity	2,564,814	0	0	0	2,564,814
Total	2,602,077	15,500	0	54	2,617,631
Net balance sheet assets / liabilities (-)	(1,456,305)	806,309	570,767	79,229	0
Net off-balance sheet currency positions (Note 13.3)	1,371,761	(780,169)	(540,608)	(19,540)	31,444
Net open currency position	(84,544)	26,140	30,159	59,689	31,444

31 December 2019 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	650,593	4,792	1,189	1,398	657,972
Debt securities	308,752	189,257	100,539	0	598,548
Shares and mutual funds	26,968	265,068	221,902	32,164	546,102
Other assets	0	2,912	2,939	74	5,925
Total	986,313	462,029	326,569	33,636	1,808,547
Liabilities					
Amounts owed to banks	0	112,169	59,962	0	172,131
Other liabilities	27,820	0	0	0	27,820
Equity	1,608,596	0	0	0	1,608,596
Total	1,636,416	112,169	59,962	0	1,808,547
Net balance sheet assets / liabilities (-)	(650,103)	349,860	266,607	33,636	0
Net off-balance sheet currency positions (Note 13.3)	813,167	(548,051)	(254,379)	(5,174)	5,563
Net open currency position	163,064	(198,191)	12,228	28,462	5,563

13.5. Interest Rate Risk

The Fund takes on exposure resulting from fluctuations in market interest rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to interest rate risk. The tables include the Fund's interest-bearing assets and liabilities at carrying amounts, categorized by the earlier of the settlement, interest rate change or maturity dates.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	177,241	0	0	0	177,241
Term deposits	220,478	0	0	0	220,478
Cash collateral pledged	1,016	0	0	0	1,016
Reverse repo agreements	399,905	0	0	0	399,905
Debt securities	147,840	87,410	419,213	277,186	931,649
Total	946,480	87,410	419,213	277,186	1,730,289
Liabilities					
Amounts owed to banks	15,500	0	0	0	15,500
Total	15,500	0	0	0	15,500

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	197,960	0	0	0	197,960
Cash collateral pledged	257	0	0	0	257
Reverse repo agreements	459,755	0	0	0	459,755
Debt securities	82,827	97,361	282,554	135,806	598,548
Total	740,799	97,361	282,554	135,806	1,256,520
Liabilities					
Amounts owed to banks	172,131	0	0	0	172,131
Total	172,131	0	0	0	172,131

13.6. Credit Risk

The Fund places part of its assets in debt instruments carrying the risk of debtor losing the ability to meet its liabilities. The Fund only makes investments in securities whose rating or the rating of issuer corresponds to a grade required by Act No. 427/2011 Coll., on Supplementary Pension Savings, and the Fund's Statute. Debt securities held by the Fund are received for trading on the regulated markets.

13.7. Liquidity Risk

The Fund is exposed to liquidity risk as a consequence of calls on available cash resources related to pension benefit payments, transfers of resources between other funds managed by the Company upon savings strategy change and transfers of the policyholders' funds to another pension management company. Liquidity risk, to which the Fund is exposed, is not significant as all assets are immediately convertible into cash before the expected purchases of the Fund's units can be effected.

The tables below summarize the Fund's assets and liabilities categorized by appropriate maturities range based on remaining maturity:

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	798,640	0	0	0	0	798,640
Debt securities	20,303	33,404	549,041	328,901	0	931,649
Shares and mutual funds	0	0	0	0	855,483	855,483
Other assets	31,859	0	0	0	0	31,859
Total assets	850,802	33,404	549,041	328,901	855,483	2,617,631
Liabilities						
Amounts owed to banks	15,500	0	0	0	0	15,500
Other liabilities	32,661	0	0	4,656	0	37,317
Total liabilities	48,161	0	0	4,656	0	52,817
Net liquidity exposure	802,641	33,404	549,041	324,245	855,483	2,564,814

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	657,972	0	0	0	0	657,972
Debt securities	1,269	42,332	316,261	238,686	0	598,548
Shares and mutual funds	0	0	0	0	546,102	546,102
Other assets	5,925	0	0	0	0	5,925
Total assets	665,166	42,332	316,261	238,686	546,102	1,808,547
Liabilities						
Amounts owed to banks	172,131	0	0	0	0	172,131
Other liabilities	24,408	0	0	3,412	0	27,820
Total liabilities	196,539	0	0	3,412	0	199,951
Net liquidity exposure	468,627	42,332	316,261	235,274	546,102	1,608,596

14. Related Party Transactions

(in CZK thousands)	31 December 2019	31 December 2018
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation (Note 7)	9,831	1,597
Expenses – fee for management, fee for appreciation (Note 10)	27,424	12,840

All related party transactions were made under the standard terms on regulated market. The Company believes that these transactions do not involve higher risks or other negative effects.

15. Subsequent Events

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly and at present it is not possible to reliably quantify the potential impacts of these events. However, the ongoing pandemic may have a negative impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the value of pension units. In view of this fact, the Fund's performance achieved in 2019 cannot be considered relevant for assessing future developments in terms of investment recommendations. Any negative effects or losses did not affect the financial statements as at 31 December 2019 and will be included in the financial statements for 2020.

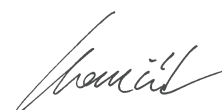
The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2019 were prepared on the assumption that the Fund would be able to continue as a going concern.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2019.

Date of preparation
28 April 2020



Radek Moc
Chairman of the Board of Directors



Miroslav Chromčík
Vice-Chairman of the Board of Directors

Vyvážení účastnický fond Penzijní společnosti České pojišťovny, a.s. – Information obligation

Pursuant to Annex 1 to Decree No. 117/2012 Coll., on more detailed regulation of the activities of a pension management company and a participation fund (hereinafter the “Decree”) Penzijní společnost České pojišťovny, a.s. hereby discloses:

- a) **Name of the Participation Fund**, pursuant to Subsection 2, Letter (a) of Annex 1 to the Decree
Vyvážení účastnický fond Penzijní společnosti České pojišťovny, a.s.
- b) **Information on the pension management company that manages the Participation Fund, or information on each pension management company that managed the Participation Fund in the relevant period, and information on the period of time for which each pension management company managed the Participation Fund**, pursuant to Subsection 2, Letter (b) of Annex 1 to the Decree
For the entire relevant period, the Participation Fund was managed by Penzijní společnost České pojišťovny, a.s., business registration number (IČ): 618 58 692, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 2738.
- c) **Information on portfolio managers of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a portfolio manager**, pursuant to Subsection 2, Letter (c) of Annex 1 to the Decree
All assets of the Participation Fund were entrusted to the management of Generali Investments CEE, investiční společnost, a.s., business registration number (IČ): 438 73 766, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1031. In the relevant period, the activities of the portfolio manager were performed by Tomáš Derner, CFA.
- d) **Information on each depositary of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a depositary**, pursuant to Subsection 2, Letter (d) of Annex 1 to the Decree
The Participation Fund's depositary for the entire relevant period was UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- e) **Information on each entity entrusted with the custody or safekeeping of the Participation Fund's assets, provided that more than 1% of the value of the Fund's assets have been in custody or safekeeping of the entity**, pursuant to Subsection 2, Letter (e) of Annex 1 to the Decree
In the relevant period, the custody or safekeeping of the Fund's assets was performed by UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- f) **Comprehensive identification of the Participation Fund's assets, if their value exceeds 1% of the value of the Fund's assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period**, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousand)	Fair value (CZK thousand)
Current accounts	CA	177,784	177,241
Term deposits	TD	220,000	220,478
Repo agreements	Reverse repo	400,000	399,905
S&P 500 VANGUARD ETF	IE00B3XXRP09	71,584	92,560
EU STOXX50 ISHARES ETF	DE0005933956	79,295	85,722
MSCI EM iShares ETF	IE00BKM4GZ66	53,156	60,821
EU STOXX600 ISHARES ETF	DE0002635307	55,442	60,009
CZ GB 2.75 07/29	CZ0001005375	52,010	55,803
DAX ISHARES ETF	DE0005933931	53,020	55,527
FTSE EM VANGUARD ETF	US9220428588	51,676	55,328
CZ GB 2.0 10/33	CZ0001005243	48,555	51,746
CZ GB 0.95 05/30	CZ0001004477	43,535	47,065
S&P 500 SPDR ETF	IE00B5BMR087	34,564	42,748
EU STOXX50 DEKA ETF	DE000ETFLO29	37,662	41,351
NASDAQ BIOTECH ISHARES ETF	US4642875565	34,007	39,800
EU STOXX50 DB-X ETF	LU0274211217	31,001	34,514
MSCI EM ISHARES ETF	US46434G1031	27,158	30,403
EASTERN EUROPE LYXOR ETF	LU1900066462	27,974	29,674

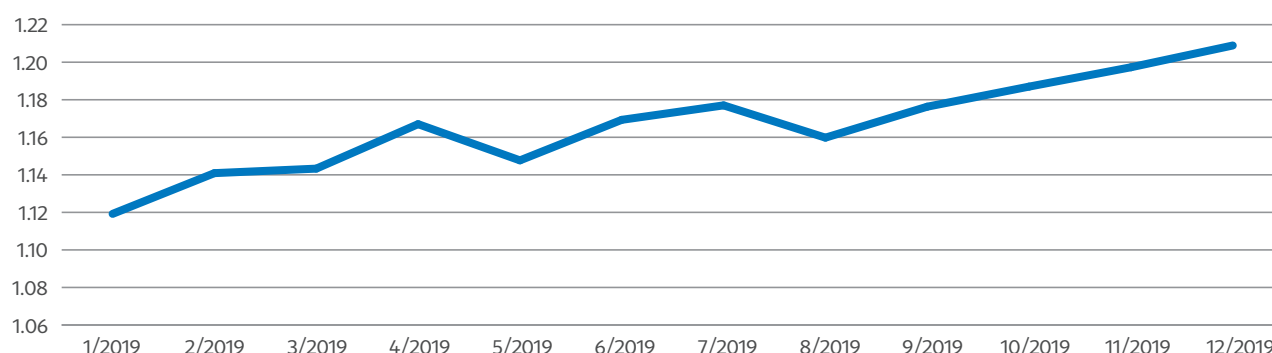
- g) **Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period,** pursuant to Subsection 2, Letter (g) of Annex 1 to the Decree

The Participation Fund has not been a party to any judicial or arbitration disputes, where the value subject to the dispute exceeds 1% of the value of the Fund's assets in the relevant period.

- h) **Information on the Participation Fund's total equity and equity per unit as at 31 December of the relevant period and for the last three reporting periods,** pursuant to Subsection 2, Letter (h) of Annex 1 to the Decree

Date	Equity (CZK thousand)	Equity per unit
31/12/2017	1,048,737	1.1498
31/12/2018	1,608,596	1.0940
31/12/2019	2,564,814	1.2089

- i) **Information on the development of the value of a pension unit in the relevant period, which is expressed in a graphic form,** pursuant to Subsection 2, Letter (i) of Annex 1 to the Decree



- j) **Information on the composition of and changes in the Fund's assets,** pursuant to Subsection 2, Letter (j) of Annex 1 to the Decree

ASSETS (in CZK thousand)	31 December 2017	31 December 2018	31 December 2019
Due from banks and cooperative savings banks	524,037	657,972	798,640
a) repayable on demand	99,081	197,960	177,241
b) other receivables	424,956	460,012	621,399
Debt securities	353,598	598,548	931,649
a) issued by government organizations	87,572	226,842	287,664
b) issued by other entities	266,026	371,706	643,985
Shares, participating certificates and other interests	356,070	546,102	855,483
Other assets	2,762	5,925	31,859
TOTAL	1,236,467	1,808,547	2,617,631

- k) **Information on the consideration paid to the pension management company for managing the assets of the Participation Fund,** pursuant to Subsection 2, Letter (k) of Annex 1 to the Decree

The consideration paid to the pension management company for managing the assets of the Participation Fund amounted to 1.0% of the average annual value of the Participation Fund's equity at the end of the relevant period, and 15% of the positive difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the years prior to the relevant period since the establishment of the Participation Fund, multiplied by the average number of pension units in the relevant period.

- l) **Information on quantitative restrictions and methods selected for risk assessment related to the techniques and instruments for effective asset management in the Participation Fund,** pursuant to Subsection 2, Letter (l) of Annex 1 to the Decree

The pension management company uses derivative instruments and repo agreements for efficient management of assets in the Participation Fund. These instruments are primarily used to manage currency and interest rate risks. In order to reduce the risks arising from the use of financial derivatives which are to be settled by the Participation Fund by means of the provision of funds, the Participation Fund holds cash or a highly liquid asset. The open position of all derivatives calculated using the standard liability method does not exceed 80% of the Fund's equity. The sum of the positive fair values agreed on with the counterparty, which is a regulated bank, does not exceed 10% of the assets of the Participation Fund. To maintain a low risk while efficiently managing the assets, the Participation Fund invests funds acquired from repo agreements into highly liquid assets only. Information on the used financial derivatives, repo agreements and valuation methods are included in the notes to the financial statements.

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting:

Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2019

Dynamický účastnický fond
Penzijní společnosti České pojišťovny, a. s.

Dynamický účastnický fond Penzijní společnosti České pojišťovny, a. s. – Independent auditor's report



(Translation of a report originally issued in Czech – see Note 2.1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Dynamický účastnický fond Penzijní společnosti České pojišťovny, a. s.:

Opinion

We have audited the accompanying financial statements of Dynamický účastnický fond Penzijní společnosti České pojišťovny, a.s. (hereinafter also the "Fund") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Fund, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation 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 judgments made on the basis of the other information.

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Board of Directors of Penzijní společnost České pojišťovny, a.s. for the Financial Statements

The Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors of Penzijní společnost České pojišťovny, a.s. determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of Penzijní společnost České pojišťovny, a.s. is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of Penzijní společnost České pojišťovny, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of Penzijní společnost České pojišťovny, a.s.
- Conclude on the appropriateness of the Board of Directors' of Penzijní společnost České pojišťovny, a.s. use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of Penzijní společnost České pojišťovny, a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401



Roman Hauptfleisch, Auditor
License No. 2009

28 April 2020
Prague, Czech Republic

Dynamický účastnický fond Penzijní společnosti České pojišťovny, a. s. – Financial Statements for the year ended 31 December 2019

Balance Sheet as at 31 December 2019

ASSETS (in CZK thousands)	Note	31 December 2019	31 December 2018
Due from banks	3	230,095	157,540
of which: a) repayable on demand		103,989	72,330
b) other receivables		126,106	85,210
Debt securities	4	237,850	116,115
of which: a) issued by government institutions		39,045	22,671
b) issued by other entities		198,805	93,444
Shares and mutual funds	4	1,027,604	607,575
Other assets	5	25,314	5,342
TOTAL ASSETS		1,520,863	886,572
LIABILITIES (in CZK thousands)	Note	31 December 2019	31 December 2018
Amounts owed to banks and cooperative saving banks	6	3,303	53,505
of which: other liabilities		3,303	53,505
Other liabilities	7	15,539	11,183
Capital funds	8	1,360,769	859,053
Retained earnings (+) / accumulated loss (-)	8	(37,169)	36,680
Profit/(Loss) for the period	8	178,421	(73,849)
TOTAL LIABILITIES		1,520,863	886,572
OFF-BALANCE SHEET ITEMS as at 31 December 2019 (in CZK thousands)	Note	31 December 2019	31 December 2018
Off-balance sheet assets			
Receivables from fixed-term transactions	13.3	1,105,168	716,740
Assets provided for management by a third party		1,502,021	821,884
Total off-balance sheet assets		2,607,189	1,538,624
Off-balance sheet liabilities			
Payables from fixed-term transactions	13.3	1,080,230	711,662
Collateral and pledge received		67,956	84,953
Total off-balance sheet liabilities		1,148,186	796,615

Income Statement for the year ended 31 December 2019

(in CZK thousands)	Note	2019	2018
Interest and similar income	9	8,650	5,008
of which: interest income from debt securities		6,565	3,881
Interest and similar expense		(127)	(1,034)
of which: interest expense from debt securities		(22)	0
Income from shares and mutual funds		15,616	8,976
of which: other income from shares and mutual funds		15,616	8,976
Fee and commission expenses	10	(16,245)	(7,082)
Gain/(Loss) from financial transactions	11	170,527	(79,717)
Profit/(Loss) on ordinary activities before tax	8	178,421	(73,849)
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	178,421	(73,849)

Notes to Financial statements for the year ended 31 December 2019

1. 1. General Information

Dynamický účastnický fond Penzijní společnosti České pojišťovny, a.s. (the “Fund”) was established by Penzijní společnost České pojišťovny, a.s. (the “Company”), following the Czech National Bank’s decision dated 20 December 2012. This decision on the authorization to establish the Fund became effective on 1 January 2013.

The Fund is subject to regulatory requirements of Act No. 427/2011 Coll. on Supplementary Pension Savings, which is valid from 1 January 2013, as amended.

The Company’s investment portfolio is managed by Generali Investments CEE, investiční společnost, a.s.

The Fund’s custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the “Custodian”).

On 16 June 2014, following the Czech National Bank’s authorization, Růstový účastnický fond Raiffeisen penzijní společnosti a.s. (the “RPS Fund”) was incorporated into the Fund.

2. Accounting Policies

2.1. Basis of Preparation

The financial statements of the Fund comprising the balance sheet, the income statement and the accompanying notes have been prepared in accordance with Act No. 563/1991 Coll. on Accounting, the Czech Ministry of Finance decrees and Czech accounting standards for financial institutions. The financial statements have been prepared under the historical cost convention as modified for the valuation of financial instruments at fair value through profit or loss and the valuation of derivatives. The financial statements are based on assumption that the Fund will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Fund’s ability to continue as a going concern in foreseeable future.

The amounts included in the financial statements are rounded to CZK thousands unless stated otherwise.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Transaction Recognition Date

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a contract is executed).

The transaction recognition date can also be the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency, the date of payment to or collection from a client’s account, the date on which the ownership or rights to another party’s assets were acquired or disposed of, the date on which a receivable or payable arose, was changed or terminated, the date on which assets moved within the entity and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the entity or from special regulations.

2.3. Securities and Their Fair Value

In accordance with the Fund’s strategy, all securities are classified as securities at fair value through profit or loss.

Securities at fair value through profit or loss are initially recognized at cost and subsequently measured at fair value. All related gains and losses are included in gain or loss from financial transactions. Interest earned on securities at fair value through profit or loss is reported as interest and similar income.

The fair value of a security is determined by the market price quoted by a relevant stock exchange or other active public market; the mid price is used to determine the fair value of the bond. In other cases, the fair value of a security is determined as net present value of the cash flows adjusted for credit and other relevant risks.

In its models designed for determining the fair value of securities, the Company maximizes using the observable market data, while minimizing non-observable inputs. The valuation models consider current market conditions as at the date of the valuation which do not necessarily reflect the market situation before or after the valuation date. As at the balance sheet date, the Company management has reviewed its models to ensure that they appropriately reflect the current market conditions, including the relative liquidity of the market and credit spreads.

2.4. Foreign Currency

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the Czech National Bank ("CNB") exchange rate prevailing as at the transaction date. Monetary financial assets and liabilities denominated in foreign currencies are translated into Czech crowns at the exchange rate as published by the Czech National Bank as at the balance sheet date. All realized and unrealized exchange rate gains and losses arising from monetary items are recognized in gain or loss from financial transactions.

2.5. Repo Agreements

Repo agreement is the sale of financial assets, other than cash, for cash or other form of payment with corresponding future liability to buy back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The sold financial assets remain recorded in the balance sheet and the received cash is recorded in amounts owed to banks and cooperative saving banks in the balance sheet. Reverse repo agreement is the purchase of financial assets, other than cash, for cash or other form of payment with corresponding future liability to sell back these financial assets at a later date for an amount equaling the original amount, or other form of payment, and interest. The purchased financial assets are not recorded in the balance sheet and are only recorded in the off-balance sheet; the provided cash is recorded in amounts due from banks and cooperative saving banks in the balance sheet. Repo (reverse repo) agreement is:

- classic repo agreement, i.e. receipt of loan collateralised by transfer of financial asset and classic reverse repo agreement, i.e. providing a loan collateralised by transfer of financial assets;
- loan of securities hedged with transfer of cash or other form of payment and borrowing of securities hedged with transfer of cash or other form of payment;
- sale of securities with simultaneous arrangement to buy securities back (sell-buy) and purchase of securities with simultaneous arrangement to sell securities back (buy-sell).

Repo agreements do not include concurrent spot purchases and sales of securities provided that their settlement is made in the same day.

2.6. Financial Derivatives

Financial derivatives are initially recognized on the balance sheet at cost and subsequently remeasured at fair value.

Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models using only observable market data as appropriate.

All derivatives are presented in other assets or in other liabilities when their fair value for the Fund is positive or negative, respectively.

Derivatives embedded in other financial instruments are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract, a financial instrument with the same terms as the embedded derivative would as separate instrument meet the definition of a derivative, and the host contract is not carried at fair value through profit or loss, or is measured at fair value with changes in fair value recognized in the balance sheet.

Changes in the fair value of financial derivatives held-for-trading are included in gain or loss from financial transactions.

Due to fact that all securities are classified as securities at fair value through profit or loss, the Fund uses the financial derivatives only to hedge foreign currency and interest rate exposures.

2.7. Interest Income and Expenses, Dividend Income

Interest income and expenses are recognized for all interest bearing instruments on an accruals basis.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date).

2.8. Fee and Commission Expenses

The fee and commission expenses comprise fee paid to the Company for management and appreciation of assets. The amount of fee is determined as follows:

- fee for management should not exceed 1% of the Fund's average annual equity. The Fund's average annual equity is determined as at 31 December as a simple arithmetic average of the Fund's equity values for each day of the respective year; and
- fee for asset appreciation shall not exceed 15% of the difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the prior years since the establishment of the Fund, multiplied by the average number of pension units in the relevant period.

2.9. Payables to Policyholders

Policyholders' contributions and state contributions, including revenues from these contributions, are recognized at nominal value. These contributions include mainly contributions to be invested, funds to be paid out and entitlement to state contribution before investing in the portfolio. The invested funds are posted to capital funds, which are included in equity.

2.10. Capital Funds

The credited price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are credited to the pension savings scheme participants for the selling price set on a weekly basis. Capital funds also include gains or losses arising from the revaluation of pension units as at the date on which the pension units were credited or deducted.

2.11. Provision for Pension Payments

The Fund does not create a provision for the payment of life-long pensions or pensions with fixed term and fixed pension benefit because these pensions are paid out by an insurance company designated by the client on the basis of signed insurance policy.

2.12. Income Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.13. Deferred Tax

According to the current Act No. 586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%

2.14. Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include assets provided into Company's administration, payables from collateral received within reverse repo transactions and foreign currency derivatives at nominal value.

The Fund has no assets or liabilities that would not be disclosed in the balance sheet or off-balance sheet accounts.

2.15. Subsequent Events

The effect of events that occurred between the balance sheet date and the financial statements date is reflected in the financial statements if these events provide additional evidence of conditions that existed at the balance sheet date.

If, between the balance sheet date and the financial statements date, significant events occurred that are indicative of conditions that arose after the balance sheet date, the effect of these events is not recognized in the financial statements but disclosed in the notes to the financial statements.

2.16. Related Parties

Related parties are defined as follows:

- statutory body members and senior management of the Company who are responsible based on employment or other contracts for executive management functions defined in the Company's statute ("senior management of the Company");
- relatives (direct family members) of members of the Board of Directors, Supervisory Board, Audit Committee, senior management and of entities controlling the Company;
- entities in which the board members of the Company, senior management or the sole shareholder of the Company hold at least a 10% equity investment;
- the sole shareholder of the Company and entities controlled by him, his shareholders with at least a 10% shareholding and the entities controlled by them and the senior management of these entities; and
- funds managed by the Company.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Note 14.

3. Due from Banks

The Fund places funding, which is not currently being used in transactions with securities or in settlement of payables to policyholders, within reverse repo agreements or on term deposits with banks. Balances on current accounts are repayable on demand.

(in CZK thousands)	31 December 2019	31 December 2018
Current and savings accounts	103,989	72,330
Term deposits	55,120	0
Cash collateral pledged	1,016	257
Reverse repo agreements	69,970	84,953
Total amounts due from banks	230,095	157,540

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	55,783	33,258
Foreign stock exchanges	182,067	82,857
Total debt securities	237,850	116,115

(in CZK thousands)	31 December 2019	31 December 2018
Traded on the primary or secondary PSE market	37,075	28,038
Foreign stock exchanges	990,529	579,537
Total shares and mutual funds	1,027,604	607,575

5. Other Assets

(in CZK thousands)	31 December 2019	31 December 2018
Receivables from securities transactions	321	264
Financial derivatives (Note 13.3)	24,993	5,078
Total other assets	25,314	5,342

6. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2019	31 December 2018
Cash collateral received – OTC derivatives	3,303	1,029
Repo agreements	0	52,476
Amounts owed to banks and cooperative saving banks	3,303	53,505

The Fund has been using foreign currency repo agreements to hedge foreign currency exposures.

In 2019, the value of debt securities that were encumbered as repo agreements hedge amounted to CZK 0 thousand (2018: CZK 81,142 thousand). In case of non-compliance with the obligations towards the creditor, the hedge would only be realized up to the recognized liability.

7. Other Liabilities

(in CZK thousands)	31 December 2019	31 December 2018
Payables to policyholders	9,144	9,719
Financial derivatives (Note 13.3)	55	0
Fee for management and appreciation of assets (see Note 14)	6,340	1,464
Total other liabilities	15,539	11,183

8. Capital Funds and Other Equity Components

The Fund has no share capital. The price of the Fund's unit is determined on the basis of the Fund's equity and the number of units while the unit price (NAV/unit) is determined by dividing the Fund's equity by the relevant number of units.

	31 December 2019	31 December 2018
Capital funds (in CZK thousands)	1,360,769	859,053
Retained earnings (+) / accumulated loss (-) (in CZK thousands)	(37,169)	36,680
Profit/(Loss) for the period (in CZK thousands)	178,421	(73,849)
Equity (in CZK thousands)	1,502,021	821,884
Number of units	1,158,825,473.9604	747,416,041.7060
NAV/unit	1.2963	1.0994
Annual yield (p.a.)	17.91%	(9.13%)

The profit for 2019 totaling CZK 178,421 thousand will be distributed according to the Company's decision after the financial statements have been approved. The loss for 2018 totaling CZK 73,849 thousand was transferred to accumulated loss.

Number of policyholders:

	31 December 2019	31 December 2018
Number of policyholders	73,546	55,190

Pension benefit payments:

	2019	2018
Amount (in CZK thousands)	63,508	51,264
Number of pension benefits	2,935	2,196

9. Interest and Similar Income

(in CZK thousands)	2019	2018
Interest on debt securities	6,565	3,881
Other interest income	2,085	1,127
Total interest and similar income	8,650	5,008

10. Fee and Commission Expenses

(in CZK thousands)	2019	2018
Fee for management of assets (see Note 14)	11,099	6,261
Fee for appreciation of assets (see Note 14)	4,963	725
Other	183	96
Total fee and commission expenses	16,245	7,082

The cost of the Fund's statutory audit is invoiced directly to the Company.

11. Gain or Loss from Financial Transactions

(in CZK thousands)	2019	2018
Securities	163,008	(82,651)
Foreign exchange differences	(5,341)	16,387
Derivatives	12,860	(13,453)
Total gain or loss from financial transactions	170,527	(79,717)

As at 31 December 2019 and 2018, the item "Derivatives" includes changes in fair values of derivatives within the economic hedge of foreign currency exposures of portfolio's certain foreign currency assets totaling CZK 12,860 thousand and CZK (13,453) thousand, respectively.

12. Income Taxes

In the period under review the applicable income tax rate has been 0%. The tax expense is zero, accordingly.

13. Financial Risks

13.1. Strategy in Using Financial Instruments

The Fund places its assets in line with investment objectives given in the Fund's Statute. The principal instrument in risk management is investment limits set forth in Act No. 427/2011 Coll. on Supplementary Pension Savings, Fund's Statute and internal regulations of the Company. The asset portfolio's compliance with the investment objectives and limits and the level of other exposures are periodically assessed.

13.2. Market Risk

The Fund takes on exposure to market risks as a consequence of its investment strategy in compliance with the Statutes. Market risk arises from open positions in interest rate, currency and equity products that face market fluctuations.

Geographical segmentation of financial assets

31 December 2019 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	230,095	0	0	0	230,095
Debt securities	61,237	108,144	0	68,469	237,850
Shares and mutual funds	42,225	468,981	335,770	180,628	1,027,604
Financial derivatives	0	11,064	13,929	0	24,993
Total financial assets	333,557	588,189	349,699	249,097	1,520,542

31 December 2018 (in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	157,540	0	0	0	157,540
Debt securities	38,812	44,196	0	33,107	116,115
Shares and mutual funds	24,701	285,840	178,710	118,324	607,575
Financial derivatives	0	2,265	2,813	0	5,078
Total financial assets	221,053	332,301	181,523	151,431	886,308

Breakdown of revenues by geographic location of markets

2019 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other Other	Total TOTAL
Interest and similar income	3,255	4,752	643	8,650
Income from shares and mutual funds – other	1,267	13,828	521	15,616
Gain or loss from financial transactions	5,543	157,117	7,867	170,527

2018 (in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	1,891	3,117	0	5,008
Income from shares and mutual funds – other	975	8,001	0	8,976
Gain or loss from financial transactions	(19,181)	(60,536)	0	(79,717)

13.3. Financial Derivatives

The Fund uses the financial derivatives for effective management of the assets. These instruments are primarily used to manage currency and interest rate risks. Counterparties to the financial derivative contracts are in particular banks subject to regulation, with their registered office in the territory of the Czech Republic or another EU state.

The tables below summarize derivative transactions categorized by type of hedged risk:

31 December 2019 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	1,105,168	1,080,230	24,993	(55)
Total derivatives	1,105,168	1,080,230	24,993	(55)

31 December 2018 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	716,740	711,662	5,078	0
Total derivatives	716,740	711,662	5,078	0

13.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the foreign currency exchange rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to currency risk. The tables include the Fund's assets and liabilities at carrying amounts, categorized by currency.

31 December 2019 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	201,611	4,031	2,089	22,364	230,095
Debt securities	71,961	115,673	50,216	0	237,850
Shares and mutual funds	37,075	413,629	506,447	70,453	1,027,604
Other assets	143	11,060	14,106	5	25,314
Total	310,790	544,393	572,858	92,822	1,520,863
Liabilities					
Amounts owed to banks	0	3,303	0	0	3,303
Other liabilities	15,484	0	0	55	15,539
Equity	1,502,021	0	0	0	1,502,021
Total	1,517,505	3,303	0	55	1,520,863
Net balance sheet assets / liabilities (-)	(1,206,715)	541,090	572,858	92,767	0
Net off-balance sheet currency positions (Note 13.3)	1,105,169	(523,497)	(536,299)	(20,435)	24,938
Net open currency position	(101,546)	17,593	36,559	72,332	24,938

31 December 2018 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	153,270	2,038	644	1,588	157,540
Debt securities	40,313	42,819	32,983	0	116,115
Shares and mutual funds	28,038	252,512	294,226	32,799	607,575
Other assets	0	2,198	3,077	67	5,342
Total	221,621	299,567	330,930	34,454	886,572
Liabilities					
Amounts owed to banks	0	27,663	25,842	0	53,505
Other liabilities	11,183	0	0	0	11,183
Equity	821,884	0	0	0	821,884
Total	833,067	27,663	25,842	0	886,572
Net balance sheet assets / liabilities (-)	(611,446)	271,904	305,088	34,454	0
Net off-balance sheet currency positions (Note 13.3)	716,740	(407,826)	(298,086)	(5,750)	5,078
Net open currency position	105,294	(135,922)	7,002	28,704	5,078

13.5. Interest Rate Risk

The Fund takes on exposure resulting from fluctuations in market interest rates to its financial position and cash flows.

The tables below summarize the Fund's exposure to interest rate risk. The tables include the Fund's interest-bearing assets and liabilities at carrying amounts, categorized by the earlier of the settlement, interest rate change or maturity dates.

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	103,989	0	0	0	103,989
Term deposits	55,120	0	0	0	55,120
Cash collateral pledged	1,016	0	0	0	1,016
Reverse repo agreements	69,970	0	0	0	69,970
Debt securities	9,081	25,549	138,526	64,694	237,850
Total	239,176	25,549	138,526	64,694	467,945
Liabilities					
Amounts owed to banks	3,303	0	0	0	3,303
Total	3,303	0	0	0	3,303

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Assets					
Current and savings accounts	72,330	0	0	0	72,330
Cash collateral pledged	257	0	0	0	257
Reverse repo agreements	84,953	0	0	0	84,953
Debt securities	0	16,359	79,278	20,478	116,115
Total	157,540	16,359	79,278	20,478	273,655
Liabilities					
Amounts owed to banks	53,505	0	0	0	53,505
Total	53,505	0	0	0	53,505

13.6. Credit Risk

The Fund places part of its assets in debt instruments carrying the risk of debtor losing the ability to meet its liabilities. The Fund only makes investments in securities whose rating or the rating of issuer corresponds to a grade required by Act No. 427/2011 Coll., on Supplementary Pension Savings, and the Fund's Statute. Debt securities held by the Fund are received for trading on the regulated markets.

13.7. Liquidity Risk

The Fund is exposed to liquidity risk as a consequence of calls on available cash resources related to pension benefit payments, transfers of resources between other funds managed by the Company upon savings strategy change and transfers of the policyholders' funds to another pension management company. Liquidity risk, to which the Fund is exposed, is not significant as all assets are immediately convertible into cash before the expected purchases of the Fund's units can be effected.

The tables below summarize the Fund's assets and liabilities categorized by appropriate maturities range based on remaining maturity:

31 December 2019 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	230,095	0	0	0	0	230,095
Debt securities	9,735	6,062	149,411	72,642	0	237,850
Shares and mutual funds	0	0	0	0	1,027,604	1,027,604
Other assets	25,314	0	0	0	0	25,314
Total assets	265,144	6,062	149,411	72,642	1,027,604	1,520,863
Liabilities						
Amounts owed to banks	3,303	0	0	0	0	3,303
Other liabilities	15,539	0	0	0	0	15,539
Total liabilities	18,842	0	0	0	0	18,842
Net liquidity exposure	246,302	6,062	149,411	72,642	1,027,604	1,502,021

31 December 2018 (in CZK thousands)	Within 3 months	3–12 months	1–5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	157,540	0	0	0	0	157,540
Debt securities	255	12,439	78,390	25,031	0	116,115
Shares and mutual funds	0	0	0	0	607,575	607,575
Other assets	5,342	0	0	0	0	5,342
Total assets	163,137	12,439	78,390	25,031	607,575	886,572
Liabilities						
Amounts owed to banks	53,505	0	0	0	0	53,505
Other liabilities	11,183	0	0	0	0	11,183
Total liabilities	64,688	0	0	0	0	64,688
Net liquidity exposure	98,449	12,439	78,390	25,031	607,575	821,884

14. Related Party Transactions

(in CZK thousands)	31 December 2019	31 December 2018
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation (Note 7)	6,340	1,464
Expenses – fee for management, fee for appreciation (Note 10)	16,062	6,986

All related party transactions were made under the standard terms on regulated market. The Company believes that these transactions do not involve higher risks or other negative effects.

15. Subsequent Events

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly and at present it is not possible to reliably quantify the potential impacts of these events. However, the ongoing pandemic may have a negative impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the value of pension units. In view of this fact, the Fund's performance achieved in 2019 cannot be considered relevant for assessing future developments in terms of investment recommendations. Any negative effects or losses did not affect the financial statements as at 31 December 2019 and will be included in the financial statements for 2020.

The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2019 were prepared on the assumption that the Fund would be able to continue as a going concern.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2019.

Date of preparation
28 April 2020

Radek Moc
Chairman of the Board of Directors

Miroslav Chromčík
Vice-Chairman of the Board of Directors

Dynamický účastnický fond Penzijní společnosti České pojišťovny, a. s. – Information obligation

Pursuant to Annex 1 to Decree No. 117/2012 Coll., on more detailed regulation of the activities of a pension management company and a participation fund (hereinafter the “Decree”) Penzijní společnost České pojišťovny, a.s. hereby discloses:

- a) **Name of the Participation Fund**, pursuant to Subsection 2, Letter (a) of Annex 1 to the Decree
Dynamický účastnický fond Penzijní společnosti České pojišťovny, a. s.
- b) **Information on the pension management company that manages the Participation Fund, or information on each pension management company that managed the Participation Fund in the relevant period, and information on the period of time for which each pension management company managed the Participation Fund**, pursuant to Subsection 2, Letter (b) of Annex 1 to the Decree
For the entire relevant period, the Participation Fund was managed by Penzijní společnost České pojišťovny, a.s., business registration number (IČ): 618 58 692, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 2738.
- c) **Information on portfolio managers of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a portfolio manager**, pursuant to Subsection 2, Letter (c) of Annex 1 to the Decree
All assets of the Participation Fund were entrusted to the management of Generali Investments CEE, investiční společnost, a.s., business registration number (IČ): 438 73 766, with its registered office at Na Pankráci 1720/123, 140 21 Prague 4 – Nusle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1031. In the relevant period, the activities of the portfolio manager were performed by Tomáš Derner, CFA.
- d) **Information on each depositary of the Participation Fund in the relevant period, and information on the period of time for which they performed the activities of a depositary**, pursuant to Subsection 2, Letter (d) of Annex 1 to the Decree
The Participation Fund’s depositary for the entire relevant period was UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- e) **Information on each entity entrusted with the custody or safekeeping of the Participation Fund’s assets, provided that more than 1% of the value of the Fund’s assets have been in custody or safekeeping of the entity**, pursuant to Subsection 2, Letter (e) of Annex 1 to the Decree
In the relevant period, the custody or safekeeping of the Fund’s assets was performed by UniCredit Bank Czech Republic and Slovakia, a.s., business registration number (IČ): 64948242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- f) **Comprehensive identification of the Participation Fund’s assets, if their value exceeds 1% of the value of the Fund’s assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period**, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousand)	Fair value (CZK thousand)
Current accounts	CA	104,030	103,989
Term deposits	TD	55,000	55,120
Repo agreements	Reverse repo	70,000	69,970
MSCI EM iShares ETF	IE00BKM4GZ66	59,340	66,971
FTSE EM VANGUARD ETF	US9220428588	45,893	48,557
EU STOXX50 ISHARES ETF	DE0005933956	37,026	40,410
EU STOXX600 ISHARES ETF	DE0002635307	30,965	34,062
MSCI EM ISHARES ETF	US46434G1031	31,627	34,051
S&P 500 VANGUARD ETF	IE00B3XXRP09	20,590	26,857
DAX ISHARES ETF	DE0005933931	25,494	26,624
NASDAQ BIOTECH ISHARES ETF	US4642875565	19,033	22,626
S&P 500 SPDR ETF	IE00B5BMR087	17,082	22,099
EU STOXX50 DB-X ETF	LU0274211217	16,117	17,589
EASTERN EUROPE LYXOR ETF	LU1900066462	16,247	17,227
STOCK SPIRITS GROUP	GB00BF5SDZ96	14,928	15,461

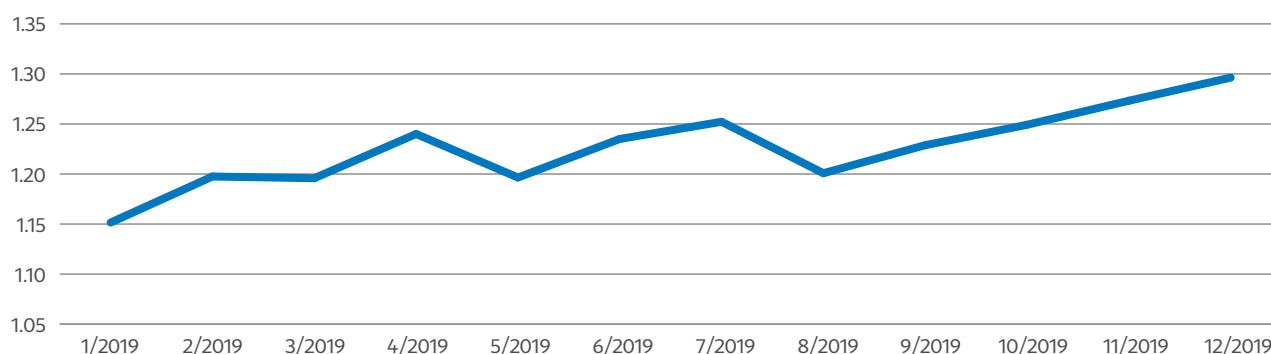
- g) **Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period,** pursuant to Subsection 2, Letter (g) of Annex 1 to the Decree

The Participation Fund has not been a party to any judicial or arbitration disputes, where the value subject to the dispute exceeds 1% of the value of the Fund's assets in the relevant period.

- h) **Information on the Participation Fund's total equity and equity per unit as at 31 December of the relevant period and for the last three reporting periods,** pursuant to Subsection 2, Letter (h) of Annex 1 to the Decree

Date	Equity (CZK thousand)	Equity per unit
31/12/2017	484,408	1.2099
31/12/2018	821,884	1.0994
31/12/2019	1,502,021	1.2963

- i) **Information on the development of the value of a pension unit in the relevant period, which is expressed in a graphic form,** pursuant to Subsection 2, Letter (i) of Annex 1 to the Decree



- j) **Information on the composition of and changes in the Fund's assets,** pursuant to Subsection 2, Letter (j) of Annex 1 to the Decree

ASSETS (in CZK thousand)	31 December 2017	31 December 2018	31 December 2019
Due from banks and cooperative savings banks	116,408	157,540	230,095
a) repayable on demand	44,219	72,330	103,989
b) other receivables	72,189	85,210	126,106
Debt securities	102,701	116,115	237,850
a) issued by government organizations	17,688	22,671	39,045
b) issued by other entities	85,013	93,444	198,805
Shares, participating certificates and other interests	329,064	607,575	1,027,604
Other assets	2,248	5,342	25,314
TOTAL	550,421	886,572	1,520,863

- k) **Information on the consideration paid to the pension management company for managing the assets of the Participation Fund,** pursuant to Subsection 2, Letter (k) of Annex 1 to the Decree

The consideration paid to the pension management company for managing the assets of the Participation Fund amounted to 1.0% of the average annual value of the Participation Fund's equity at the end of the relevant period, and 15% of the positive difference between the average value of the pension unit in the relevant period and the highest annual average value of the pension unit in the years prior to the relevant period since the establishment of the Participation Fund, multiplied by the average number of pension units in the relevant period.

- l) **Information on quantitative restrictions and methods selected for risk assessment related to the techniques and instruments for effective asset management in the Participation Fund,** pursuant to Subsection 2, Letter (l) of Annex 1 to the Decree

The pension management company uses derivative instruments and repo agreements for efficient management of assets in the Participation Fund. These instruments are primarily used to manage currency and interest rate risks. In order to reduce the risks arising from the use of financial derivatives which are to be settled by the Participation Fund by means of the provision of funds, the Participation Fund holds cash or a highly liquid asset. The open position of all derivatives calculated using the standard liability method does not exceed 80% of the Fund's equity. The sum of the positive fair values agreed on with the counterparty, which is a regulated bank, does not exceed 10% of the assets of the Participation Fund. To maintain a low risk while efficiently managing the assets, the Participation Fund invests funds acquired from repo agreements into highly liquid assets only. Information on the used financial derivatives, repo agreements and valuation methods are included in the notes to the financial statements.

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting:

Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

Contacts

Company name:	Penzijní společnost České pojišťovny, a.s.
Address:	Na Pankráci 1720/123, Nusle, 140 21 Praha 4, Česká republika
Telephone:	+420 261 149 111
E-mail:	pfcp@pfcp.cz
Internet:	www.pfcp.cz
Auditor:	Ernst & Young Audit, s.r.o., Na Florenci 2116/15, 110 00 Praha 1, Česká republika
Depository:	UniCredit Bank Czech Republic and Slovakia a.s., Želetavská 1525/1, 140 92 Praha 4, Česká republika