

Annual Report 2017



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 manage savings of more than over
CZK 108 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
the strongest pension company
on the pension savings market
in the Czech Republic.

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Company Profile

Název:	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

Penzijní společnost České pojišťovny has long enjoyed leader status in the private pension savings sector in the Czech Republic. Its profit last year stood at CZK 532 million. At the end of 2017, it was managing savings of CZK 108.9 billion. The Company has more than 1.1 million customers, and employers contribute to 260,000 of them.

Penzijní společnost České pojišťovny, through its extensive distribution network, reaches out to a wide range of customer segments. In addition to consultants and branches of the parent company, Česká pojišťovna, and Generali Pojišťovna, the Company also works extensively with independent external networks of financial intermediaries, Czech Post (Česká pošta) and partner banks.

The Company delivers a top-notch service. Secure access to www.klientskyportal.cz enables customers to control their account online. Daňový servis (Tax Service) makes it easier for them to capitalise on maximum tax concessions. The Company offers the new-generation PEPA electronic portal for business advisers.

In 2018, Penzijní společnost České pojišťovny will concentrate on sales of children's savings schemes, and on reaping the business opportunities presented to it by the increase in ceilings for drawing on tax advantages.

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.

Key Financial Figures

Company results

	2017	2016	2015	2014	2013
Profit after tax (CZK thousands)	532,335	651,898	355,903	367,183	261,080
Share capital (CZK thousands)	50,000	300,000	300,000	300,000	300,000

Number of customers (thousands)

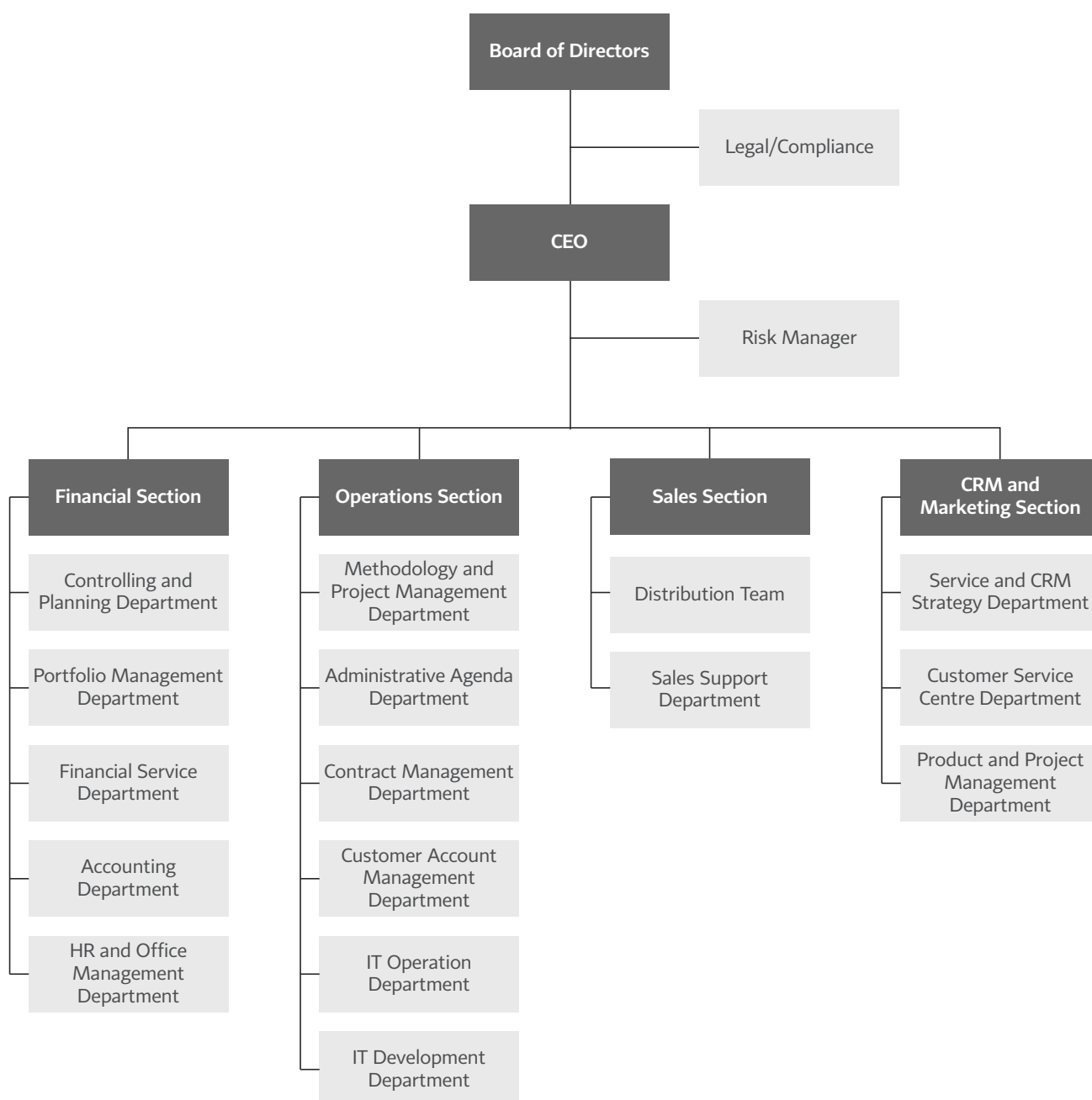
Transformed pension fund (Pillar 3)	970	1,046	1,122	1,200	1,278
Pension funds (Pillar 3)	176	130	89	57	24
Pension funds (Pillar 2)			43	42	29
TOTAL	1,146	1,176	1,253	1,299	1,330

Assets under management (CZK thousands)

Transformed pension fund (Pillar 3)	102,579,985	99,606,866	94,085,643	86,863,276	77,351,013
Pension funds (Pillar 3)	6,336,241	3,905,241	2,287,942	1,136,281	353,613
Pension funds (Pillar 2)*			1,205,321	668,833	104,558
TOTAL	108,916,226	103,512,107	97,578,906	88,668,390	77,809,184

* Pillar 2 was ended in 2016.

Company Organisational Structure



Statutory Bodies

Board of Directors



Chairman
Marcel Homolka



Vice Chairman
Miroslav Chromčík



Member
Miroslav Žbel

Supervisory Board



Chairman
Josef Beneš



Member
Petr Bohumský



Member
Tomáš Vysoudil

Foreword

Ladies and Gentlemen,

Another year has passed, and it is my pleasure once again to present you with the Annual Report of Penzijní společnost České pojišťovny and apprise you of all the results and key moments of the past year. Before you move on to the following pages to gain a deeper insight into our financial and sales indicators, I would like to dwell, at least briefly, on the highlights.

The Company's sound financial management, combined with a rise in assets under management, yielded a profit of CZK 532 million last year, ensuring we remained the sector's most profitable business. Year-end deposits were up by 7% year on year and stood at more than CZK 102 billion, with almost 94% allocated to the transformed fund.

Aside from interest rates, persistently at extremely low levels, the capital markets fared well last year, as can be seen from the results of the individual funds. Our pension funds Dynamický účastnický fond and Vyvážený účastnický fond provided customers with an above-average yield of 8.2% p.a. and 4.1% p.a., respectively. In comparison, the returns reported by the transformed fund, with a statutory guarantee of deposit values, and by the conservative participation funds hovered around zero both at our Company and across the pension market.

In 2017, our sales built on the growth trend sparked by previous legislative changes in connection with the deregulation of distribution, the scrapping of the age limit to join savings schemes, and a rise in tax concession limits for individual and corporate customers. Beyond any shadow of a doubt, a positive role in the escalating demand for pension savings plans has also been played by the upbeat macroeconomic environment we are currently witnessing in the Czech Republic. Strategic priorities included the sale of children's savings products and, in a new development, the offer to transfer customers from the transformed fund to supplementary pension participation funds, where the potential return is higher. I am confident that, in the coming year, we will see a surge in customers interested in switching from the old supplementary pension schemes to the more lucrative supplementary pension participation funds.

It is precisely this stress on communicating the benefits of jumping from the transformed fund to the participation funds that resulted in the Company's unique product innovation midway through last year, to which the competition has yet to find an answer. By introducing the "Balanced Transfer" service, we are helping customers opting for a change in the terms of their savings schemes to curtail significantly the risks associated with a one-off switch of their funds to an investment profile that, while more risky, delivers a higher yield.

This and other service innovations by the Company echo the "SIMPLER, SMARTER, FASTER" global strategy pursued by the Generali Group. In our operations and sales, we have not let up in our commitment to the digitalisation of all processes, saving the Company costs while enhancing the quality enjoyed by customers.

Last year, we also started to prepare for all steps necessary to implement the General Data Protection Regulation (GDPR) so that, come May 2018, the Company will be run in accordance with this new EU legislation.

I would like to take this opportunity to thank all our employees and colleagues from the sales networks for their professionalism. Their customer-oriented approach, enthusiasm and invention are precisely what we need to meet the challenging goals of the period ahead.



A stylized handwritten signature in black ink, appearing to read 'M. Homolka'.

Marcel Homolka
CEO
Chairman of the Board of Directors

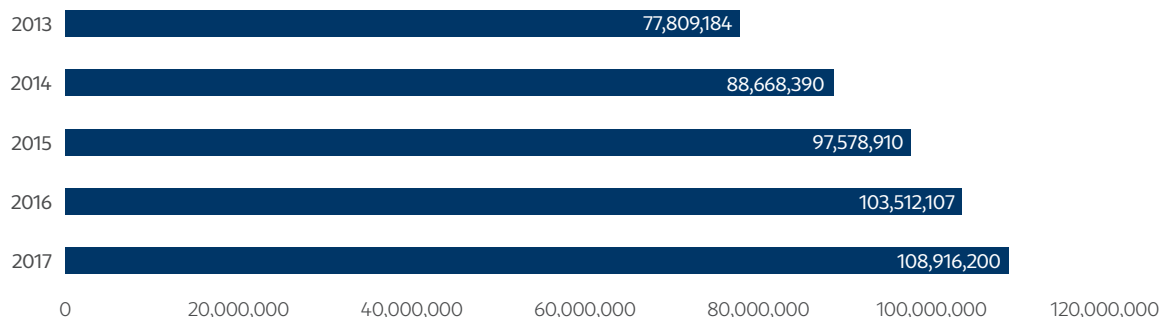
Report on Company Activities

Penzijní společnost České pojišťovny continued its dynamic growth and achieved all planned results. In 2017, the Company's total assets were above CZK 100 billion. At the end of 2017, the Company was managing a pension account for 1,146,069 customers, with employers contributing to the pensions of 260,000 of them. The Company underscored its status as the leader in the savings sector not only by its financial performance, but also by the service it provides to customers and business partners. For instance, it launched a new website (www.pfcp.cz), innovated its self-service zone, introduced the new Balanced Transfer service, and rolled out a new-generation sales portal (www.portalpepa.cz).

Financial Results

Penzijní společnost České pojišťovny's salient features are its persistently outstanding financial shape and the fact that it reports the market's highest profitability. The buoyant trends in new business and retention, accompanied by the broadly favourable situation on the capital markets, had a major impact on the growth in total assets, which climbed 5.2% year on year to close 2017 at CZK 108.9 billion. Total deposits by customers (including state subsidisation) and employers in 2017 amounted to CZK 13.6 billion (a 4.4% year-on-year rise). Of the overall assets under management, the majority (94%) was allocated to the transformed fund, while the new participation funds accounted for 6% of deposits.

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

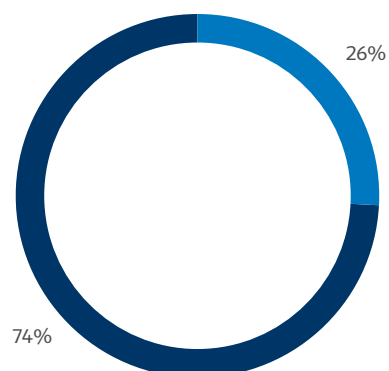


Sales Results

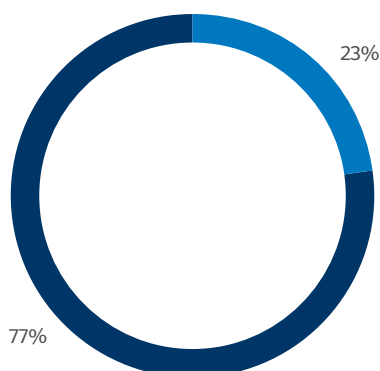
The multichannel distribution strategy, relying on Česká pojišťovna branches, ČP Distribuce advisers, Generali sales staff and an external brokerage network, pushed up the number of contracts concluded last year by 22%. As in the previous year, every tenth contract was with a customer under the age of 18. Internal CRM campaigns were hugely successful. Clients responded very well to the offer to increase their deposits when the statutory limits for tax deductions were increased. Overall, 63,000 customers increased their savings. This rise was engineered not only via the sales network, but also online and through telemarketing.

Company's Market Share in Clients in Each Market Segment

Transformed pension fund



Pension funds



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

Other financial and non-financial information

Events after the balance-sheet date

No significant events occurred between the balance-sheet date (31 December 2017) 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 entity's operations

The Company will remain a going concern. There are no circumstances which would limit it or prevent it from continuing its activities in the next accounting period.

Research and development

The Company did not engage in any research and development in 2017.

Information on the acquisition of treasury stock or own shares

In the 2017 reference period, the Company did not acquire or hold any treasury stock or own shares.

Human Resources, CSR and the Green Policy

The ongoing digitisation of customer communication and internal processes resulted in further reductions in the use of paper and energy. At the end of the year, the company had more than 400,000 registered active users of the client portal (www.klientskyportal.cz). These users have all important notifications sent to them by text or email instead of on paper.

Care for human resources, corporate social responsibility, and an environmental approach are strategic priorities of the Generali Group.

Last year, Penzijní společnost České pojišťovny's employees were actively involved in the Generali Global Engagement Survey 2017, the findings of which were reflected in management, internal communications and revised working conditions. At the same time, employees again underwent their regular appraisal, which included the calibration of middle management. Selected teambuilding activities were carried out throughout the Company during the year.

In relation to CSR, Company staff availed themselves of the opportunity to take part in volunteering projects – they are entitled to use two working days on these activities.

The employee benefit structure, mainly comprising language lessons, preventive medical care and Group product benefits, changed little from the previous year.

Information on branches or other business units abroad

The Company has no organisational units outside the Czech Republic.

Supervisory Board Report

Report of the Supervisory Board of Penzijní společnost České pojišťovny, a.s. on the results of its supervisory activity, including reviews of the Company's ordinary financial statements for 2017 and the Report on Related-party Transactions for 2017, and its opinion on the proposal made by the Company's product Board of Directors for the distribution of the Company's 2017 profit.

In 2017, the work of the Supervisory Board of Penzijní společnost České pojišťovny, a.s. (the "Company") 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 2017, 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, and the fulfilment of the Company's 2017 financial and business plans.

The Company's Board of Directors presented the Supervisory Board with the ordinary financial statements for 2017, including the auditor's report, and with a proposal for the distribution of the profit made by the Company in 2017. The Company's Supervisory Board also received, for its consideration, the Report on Related-party Transactions for 2017, drawn up in accordance with Section 82(1) of Act No 90/2012 on business corporations, as amended (the "Business Corporations Act"), encompassing the accounting period from 1 January 2017 to 31 December 2017, which was also audited. Having assessed the company's economic performance for 2017, the Company's Supervisory Board hereby submits the following opinion to the General Meeting:

The Company's Supervisory Board has reviewed the Company's annual financial statements for 2017 and the accompanying auditor's report. In line with the audit opinion, it found no impediments. Against this background, the Company's Supervisory Board recommends that the Company's General Meeting approve the Company's annual financial statements for the 2017 accounting period. The Company's Supervisory Board also recommends that the General Meeting decide on the distribution of profit for 2017 according to the proposal submitted by the Company's Board of Directors.

The Company's Supervisory Board also reviewed the Report on Related-party Transactions for 2017, drawn up in accordance with Section 82(1) of Act No 90/2012 on business corporations, as amended, 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, 25 April 2018



Josef Beneš
Chairman of the Supervisory Board Report

Financial Statements

Report on Relations between Related Parties

for the year ended 31 December 2017

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 2017 to 31 December 2017 (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 1112XN Diemen, Diemerhof 42, the Netherlands, registered in the Dutch Chamber of Commerce under the registration number 34124690; during the respective reporting period, the registered office of the Company’s sole shareholder changed from 1112XN Diemen, Diemerhof 32, the Netherlands to 1112XN Diemen, Diemerhof 42, the Netherlands.

The controlling entity of Penzijní společnost České pojišťovny, a.s., is Generali CEE Holding B.V., with its registered office in 1112XN Diemen, Amsterdam, Diemerhof 42, the Netherlands, incorporated under the laws of the Netherlands and registered in the Commercial Register maintained by the Amsterdam Chamber of Commerce 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 of Trieste, Italy, file no. 6204, 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.

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 2017 to 31 December 2017 for the whole or part of the period.

- Framework agreement on sharing of costs (for the calculation of incentives and commissions) concluded with Česká pojišťovna a.s., dated 2 January 2013, as amended;
- Framework agreement on debt assumption with Česká pojišťovna a.s., dated 2 January 2013;
- Framework agreement on cession of receivables with Česká pojišťovna a.s., dated 2 January 2013;
- Agreement on processing of personal data, concluded with Česká pojišťovna a.s., dated 1 July 2004;
- Agreement on performance of obligations arising from Group membership concluded with Česká pojišťovna a.s., dated 16 January 2009, as amended;
- Agreement on the sublease of non-residential premises concluded with Česká pojišťovna a.s., dated 22 October 2012, as amended;
- Sales representation agreement with Direct Care s.r.o., dated 2 January 2013, as amended;
- Sales representation agreement with Česká pojišťovna a.s., dated 2 January 2013, as amended;
- CALL CENTRUM sales representation agreement with Česká pojišťovna a.s., dated 22 June 2016;
- Agreement on the provision of access to KPMG Helpline with Česká pojišťovna a.s., dated 2 January 2013;
- Mandate contract with Česká pojišťovna a.s., dated 1 December 2012, as amended;
- Contract for management of the funds of Penzijní společnost České pojišťovny, a.s., concluded with Generali Investments CEE, investiční společnost, a.s., dated 20 December 2012, as amended;
- Sales representation agreement with FINHAUS a.s., dated 1 July 2016, as amended;
- Framework agreement on cost sharing with Generali pojišťovna a.s., dated 2 January 2013;
- Insurance contract with Česká pojišťovna a.s., dated 29 December 2014;
- Framework agreement on sharing of NON-IT and IT technologies and related operating expenses, concluded with Česká pojišťovna, a.s., dated 1 January 2017;
- Agreement on performance of obligations arising from Group membership, concluded on 2 January 2017 with the following entities: Česká pojišťovna a. s., Generali CEE Holding B.V. (through Generali CEE Holding B.V. organizační složka), Generali Pojišťovna, a.s., Generali Investments CEE, investiční společnost a.s., FINHAUS, a.s., Česká pojišťovna ZDRAVÍ a.s., Direct Care s.r.o., ČP Distribuce s.r.o. (currently 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 change in the commissions conditions with Česká pojišťovna a.s., dated 27 February 2017;
- Agreement on the sublease of business premises with Česká pojišťovna a.s. dated 31 March 2017;
- Agreement on cooperation and provision of services with Acredité s.r.o. dated 1 November 2016;
- Framework agreement on cost sharing with Česká pojišťovna a.s. (for calculating incentives and commissions and terminating the previous framework agreement), dated 12 April 2017;
- Framework agreement with ČP Distribuce s.r.o. dated 12 April 2017, as amended;
- Framework agreement on cost sharing (allocation of costs for individual activities) with Česká pojišťovna a.s. dated 1 January 2017, as amended;
- Contract for the assignment of the sales representation agreement between Česká pojišťovna a.s. and ČP Distribuce s.r.o., including PSČP a.s. as the intervener, dated 12 April 2017;
- Contract for participation with FNHAUS a.s., dated 1. July 2016, as amended;
- Contract for participation with Direct Care, s.r.o., dated 1. February 2014, as amended;
- Contract for participation on the GDPR project with Česká pojišťovna a.s., dated 26 May 2017, as amended by Amendment no. 1;
- Sales representation agreement with ČP Distribuce s.r.o., dated 1 July 2017;
- Agreement with Česká pojišťovna ZDRAVÍ a.s. on free insurance campaign for FINHAUS a.s., dated 26 October 2017;
- Agreement with Česká pojišťovna ZDRAVÍ a.s. on free insurance campaign for FINHAUS a.s., dated 26 October 2017;
- Confidentiality agreement with Generali Shared Services S.C.A.R.L. (through Generali Shared Services Czech Branch, organizační složka), dated 1 December 2017; and
- Agreement on expert examinations with Acredité s.r.o., dated 26 October 2017.

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 2017.

In Prague, 30 March 2018

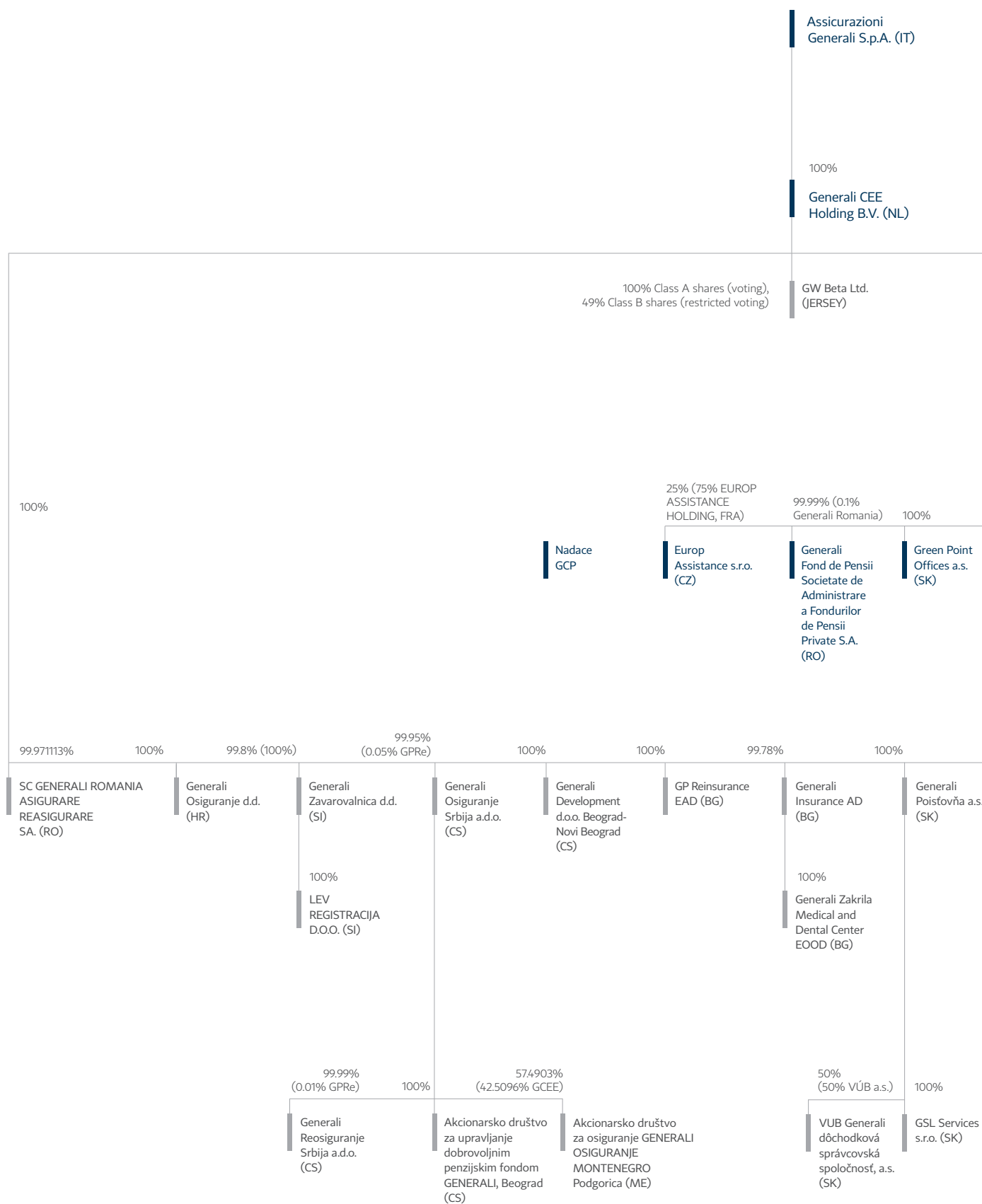


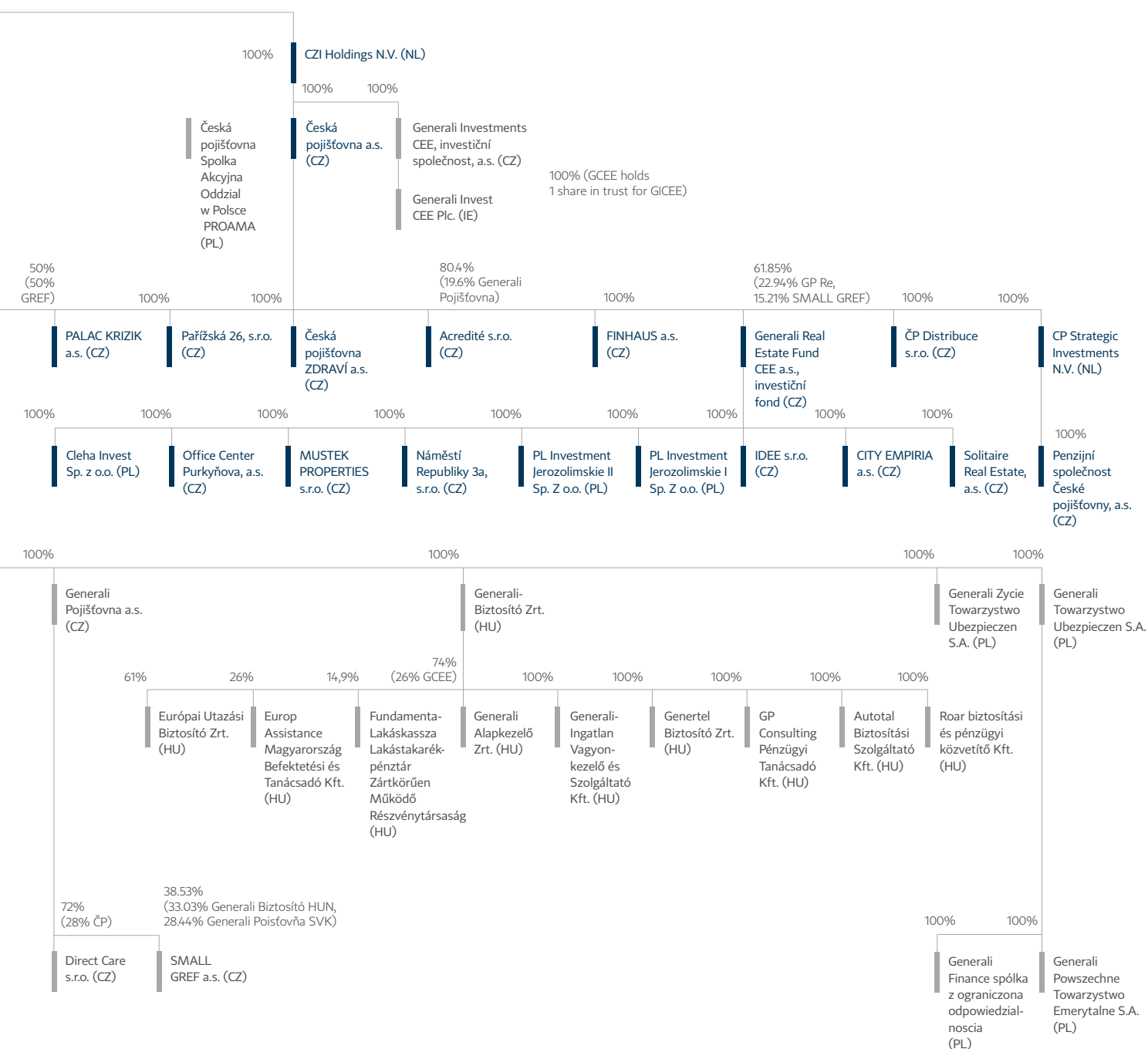
Marcel Homolka
Chairman of the Board of Directors
Penzijní společnost České pojišťovny, a.s.



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 2017
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



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

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 2017 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 2017 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 each 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 these matters. 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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

Fair value of illiquid and non-quoted securities Available-for-Sale

The Company's portfolio of securities Available-for-Sale, disclosed in Note 4 to the financial statements, represents a major part of the Company's total assets. These 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 to the financial statements.

A significant part of the portfolio of securities Available-for-Sale consists of securities which are not traded on active market. Fair values of these securities 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. The determination of the fair value of these securities Available-for-Sale involves higher degree of the Company's judgment and estimate applied in the valuation models. Due to this fact 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 illiquid or non-quoted securities Available-for-Sale. We tested design and operating effectiveness of the Company's internal controls over the valuation process.

With the assistance of valuation specialists we evaluated the models, inputs and assumptions used by the Company in determining of fair values. We reviewed the methodology applied by the Company to assess the market activity of securities in its portfolio.

In case of non-observable inputs we performed an assessment of their reasonableness using an expert judgement. For a sample of these securities Available-for-Sale we compared the fair values derived from our internal valuation model to the fair values determined by the Company. We also considered the adequacy of the Company's disclosures related to valuation of securities, 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 Audit Committee 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 Audit Committee 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 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 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 ISAs:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 12 December 2017 and our uninterrupted engagement has lasted for 6 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 17 April 2018 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.

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



Roman Hauptfleisch, Auditor
License No. 2009

25 April 2018
Prague, Czech Republic

Penzijní společnost České pojišťovny, a.s. – Financial statements for the year ended 31 December 2017

Balance Sheet as at 31 December 2017

ASSETS (in CZK thousands)	Note	31 December 2017	31 December 2016
Cash on hand		26	5
Due from banks	3	1,530,878	931,052
of which: a) repayable on demand		421,433	616,052
b) other receivables		1,109,445	315,000
Debt securities	4	715,432	1,626,386
of which: a) issued by government institutions		414,083	811,023
b) issued by other entities		301,349	815,363
Intangible fixed assets	5	56,928	61,467
Tangible fixed assets	5	4,243	7,342
Other assets	6	187,123	295,027
Prepayments and accrued income	7	86,598	69,188
TOTAL ASSETS		2,581,228	2,990,467
EQUITY AND LIABILITIES (in CZK thousands)			
Other liabilities	8	84,930	196,370
Deferred income and accruals		0	66
Provisions		33,214	20,764
of which: a) for taxes	17	18,250	0
b) other provisions		14,964	20,764
Share capital – paid up	9.1	50,000	300,000
Reserve funds and other funds from profit	9.2	7,850	67,850
of which: a) statutory reserve funds and risk funds		0	60,000
b) other funds from profit		7,850	7,850
Capital funds	9.3	650,248	650,248
Revaluation reserve	9.4	18,742	43,433
of which: for assets and liabilities		18,742	43,433
Retained earnings	9.5	1,203,909	1,059,838
Profit/(Loss) for the period	9.6	532,335	651,898
TOTAL EQUITY AND LIABILITIES		2,581,228	2,990,467
OFF-BALANCE SHEET ITEMS (in CZK thousands)			
Off-balance sheet assets			
Receivables from fixed-term transactions	18.3	89,552	314,227
Assets provided for management by a third party		1,937,740	1,944,579
Receivables from spot transactions		8,723	0
Total off-balance sheet assets	20	2,036,015	2,258,806
Off-balance sheet liabilities			
Payables from fixed-term transactions	18.3	88,889	313,175
Payables from spot transactions		8,653	0
Commitments and guarantees received		20,000	20,000
Collateral and pledge received		1,109,445	200,000
Assets received for management from a third party		123,597,911	103,467,644
Total off-balance sheet liabilities	20	124,824,898	104,000,819

Income Statement for the year ended 31 December 2017

(in CZK thousands)	Note	31 December 2017	31 December 2016
Interest and similar income	10	32,849	39,388
of which: interest income from debt securities		31,930	39,298
Interest and similar expense	10	(20,106)	(22,137)
of which: interest expense from debt securities		(19,551)	(22,137)
Fee and commission income	11	959,532	887,584
Fee and commission expense	12	(132,189)	(164,171)
Gain or loss from financial transactions	13	10,837	(821)
Other operating income	14	11,687	11,783
Other operating expense	15	(1,177)	(1,195)
Administrative expense	16	(186,233)	(186,600)
of which: a) staff costs		(94,829)	(98,951)
of which: aa) wages and salaries		(73,385)	(73,688)
ab) social security and health insurance		(21,444)	(22,695)
b) other administrative expenses		(91,404)	(87,649)
Write-offs, additions to, and use of, provisions for and allowances against tangible and intangible fixed assets		(21,181)	(17,329)
Write-offs, additions to, and use of, allowances against and provisions for receivables and guarantees		1,908	54
Additions to, and use of, other provisions		0	0
Profit on ordinary activities before tax		655,927	546,556
Income tax	17	(123,592)	105,342
of which: a) current tax		(18,250)	0
b) deferred tax		(105,342)	105,342
Profit/(Loss) for the period after tax	9.6	532,335	651,898

Statement of Changes in Equity for the year ended 31 December 2017

(in CZK thousands)	Share capital	Reserve funds and other funds from profit	Capital funds	Revaluation reserve	Retained earnings	Profit for the period	Total
Balance at 1 January 2016	300,000	67,850	650,248	34,377	989,266	355,903	2,397,644
Foreign exchange differences and revaluation reserve	0	0	0	9,056	0	0	9,056
Transfers to funds	0	0	0	0	355,903	(355,903)	0
Use of funds	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	(285,331)	0	(285,331)
Share capital decrease	0	0	0	0	0	0	0
Net profit/(loss) for the period	0	0	0	0	0	651,898	651,898
Balance at 31 December 2016	300,000	67,850	650,248	43,433	1,059,838	651,898	2,773,267
Balance at 1 January 2017	300,000	67,850	650,248	43,433	1,059,838	651,898	2,773,267
Foreign exchange differences and revaluation reserve	0	0	0	(24,691)	0	0	(24,691)
Transfers to funds	0	(60,000)	0	0	711,898	(651,898)	0
Use of funds	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	(567,827)	0	(567,827)
Share capital decrease	(250,000)	0	0	0	0	0	(250,000)
Net profit/(loss) for the period	0	0	0	0	0	532,335	532,335
Balance at 31 December 2017	50,000	7,850	650,248	18,742	1,203,909	532,335	2,463,084

Financial statements for the year ended 31 December 2017

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.

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

Based on the transformation project approved on 6 September 2012 by the Czech National Bank, Penzijní společnost České pojišťovny, a.s. and Transformovaný fond Penzijní společnosti České pojišťovny, a.s. were incorporated. The incorporation of the companies took effect as of 1 January 2013, which was the effective date stipulated by the transformation project.

The assets of supplementary pension scheme participants were separated from the assets of the joint stock company (pension fund) as at the same date. In accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings, Penzijní společnost České pojišťovny, a.s. allocated the assets and liabilities related to the supplementary pension scheme into Transformovaný fond Penzijní společnosti České pojišťovny, a.s. and, through this fund, began to operate supplementary pension schemes for supplementary pension schemes participants and benefit recipients the liabilities to whom were allocated to the fund.

As at 1 January 2013, the Company merged with Generali penzijní společnost a.s. (business registration number of the dissolving company was 639 98 475).

In 2013 the Company established four pension funds and four participating funds as follows:

- Důchodový fond státních dluhopisů Penzijní společnosti České pojišťovny, a. s.
- Konzervativní důchodový fond Penzijní společnosti České pojišťovny, a. s.
- Vyvážený důchodový fond Penzijní společnosti České pojišťovny, a. s.
- Dynamický důchodový 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.

On 10 June 2014 the transfer of management of all pension and participating funds took place between Raiffeisen penzijní společnost a.s. and Penzijní společnost České pojišťovny, a.s., being the acquiring company, followed by a subsequent merger of pension and participating funds on 16 June 2014. The transfer of funds was authorized by decision of the Czech National Bank (“ČNB”) dated 23 May 2014 and the subsequent merger of the funds was authorized by the ČNB authorization dated 16 June 2014.

On 1 January 2016 Act No. 376/2015 Coll. on Pension Savings Termination (the “Pension Savings Termination Act”) became effective, as well as the related Act No. 377/2015 Coll., which amends certain acts in connection with adoption of the Pension Savings Termination Act. The Pension Savings Termination Act repeals Act No. 426/2011 Coll. on Retirement Savings, as amended (the “Retirement Savings Act”) with effect from 1 January 2018. Pursuant to Section 10 of the Pension Savings Termination Act, the authorization to establish pension funds terminated on 30 June 2016. Upon the termination of authorization to establish pension funds, the pension funds entered into liquidation on 30 June 2016 and ceased to exist as of 30 November 2016.

The sole shareholder of the Company is CP Strategic Investments N.V., with its registered office at Diemerhof 42, 1112XN Diemen, the Netherlands. The information disclosed in the Company's financial statements is included in the consolidated financial statements of Česká pojišťovna a.s., with its registered office at Spálená 75/16, 113 04 Prague 1, which prepares the consolidated financial statements of the narrowest group of entities, in the consolidated financial statements of the group Generali CEE Holding B. V., with its registered office at Diemerhof 42, 1112 XN, Diemen, the Netherlands, and Assicurazioni Generali S.p.A., Piazza Duca degli Abruzzi 2, 34 132 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.ceskapojistovna.cz, 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, which is subsidiary of Česká pojišťovna, 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 depository of managed funds and portfolio of the Company is UniCredit Bank Czech Republic and Slovakia, a.s. (the "Depository").

Board of Directors, Supervisory Board and Audit Committee

Board of Directors:

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

No changes in the Board of Directors occurred in 2017.

Supervisory Board:

Chairman of the Supervisory Board:	Josef Beneš
Member of the Supervisory Board:	Petr Bohumský
Member of the Supervisory Board:	Tomáš Vysoudil

No changes in the Supervisory Board occurred in 2017.

Audit Committee:

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

Changes in the Audit Committee in 2017:

- 9 February 2017 – Gianluca Colocci ceased to be chairman
- 10 February 2017 – Beáta Petrušová became member
- 2 March 2017 – Martin Mančík, FCCA became chairman

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 amortised cost. The financial statements are based on assumption that the Company will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Company'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 bid price quoted by a relevant stock exchange or other active public market. 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. Judgements and estimates made by Company management are required to a significant extent to determine the assumptions and inputs for valuation models serving for determining the fair value of non-liquid securities.

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 reviewed these 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 following rules apply to recognition of financial assets and liabilities:

The transaction recognition date for purchase and sale of financial assets is a date on which a spot transaction is settled (settlement date). 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 following rules apply to derecognition of financial assets and liabilities:

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 or interest and similar expense, as appropriate. Foreign exchange differences on 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.

2.8. 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 in the long run or decreased by more than 30% compared to their acquisition cost and it can be reasonably assumed that the status will not change in a foreseeable future;
- 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 credit unions 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 credit unions 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 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.

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 Expense, Dividend Income

Interest income and expense 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 expense 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.

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.

2.18. 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.

2.19. Fee and Commission Expense

Fee and commission expense include fee and commission expense 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.

2.20. 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 amortised over 48 months are observed. A test of recoverability of prepaid commissions to agents is carried out as at the balance sheet date.

2.21. Staff Costs and Supplementary Pension Savings

Staff costs are included in administrative expense 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.

2.22. 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
- 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 expense related to calculated commissions associated with the acquisition of contracts in the managed funds.

2.23. 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.

2.24. 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 2017	31 December 2016
Current accounts with banks	421,433	616,052
Term deposits with banks	0	115,000
Reverse repo agreements	1,109,445	200,000
Total amounts due from banks	1,530,878	931,052

4. Securities

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

(in CZK thousands)	Debt securities	
	31 December 2017	31 December 2016
Available-for-sale	715,432	1,626,386
Total securities	715,432	1,626,386

4.1. Securities Available-for-Sale

(in CZK thousands)	Debt securities	
	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	406,869	1,044,275
Foreign stock exchanges	308,563	582,111
Total debt securities including zero-coupon bonds	715,432	1,626,386

5. Intangible and Tangible Fixed Assets

Intangible fixed assets

(in CZK thousands)	Software	Valuable rights	Total
As at 1 January 2017			
Cost	118,994	10,459	129,453
Accumulated amortization	(58,010)	(9,976)	(67,986)
Net book value	60,984	483	61,467
Year ended 31 December 2017			
Opening net book value	60,984	483	61,467
Additions	12,365	346	12,711
Disposals	0	(24)	(24)
Amortization during year	(17,045)	(181)	(17,226)
Closing net book value	56,304	624	56,928
As at 31 December 2017			
Cost	131,359	1,194	132,553
Accumulated amortization	(75,055)	(570)	(75,625)
Net book value	56,304	624	56,928

Tangible fixed assets

(in CZK thousands)	Vehicles	Machinery and equipment	Furniture and fixtures and low-value assets	Total
As at 1 January 2017				
Cost	9,413	696	6,943	17,052
Accumulated depreciation	(4,153)	(696)	(4,861)	(9,710)
Net book value	5,260	0	2,082	7,342
Year ended 31 December 2017				
Opening net book value	5,260	0	2,082	7,342
Additions	759	27	70	856
Disposals	0	0	0	0
Depreciation during year	(2,904)	0	(1,051)	(3,955)
Closing net book value	3,115	27	1,101	4,243
As at 31 December 2017				
Cost	8,474	617	6,905	15,996
Accumulated depreciation	(5,359)	(590)	(5,804)	(11,753)
Net book value	3,115	27	1,101	4,243

6. Other Assets

(in CZK thousands)	31 December 2017	31 December 2016
Receivable from fee for management and appreciation of assets	174,112	165,674
Deferred tax asset (Note 17)	0	105,342
Financial derivatives (Note 18.3)	663	1,059
Other receivables	26,460	38,959
Other cash equivalents	18	31
Total other assets	201,253	311,065
Allowances against impairment of other receivables	(14,130)	(16,038)
Net book value	187,123	295,027

Item "Other receivables" mainly include estimated receivables, provided meal vouchers, receivables from clients and state contribution, receivables from commission debits, granted operating advances, and receivables from clients due to covering the payments and adjustments of settlement in the operating system.

7. Prepayments and Accrued Income

The Company recognized prepayments and accrued income of CZK 86,598 thousand (2016: CZK 69,188 thousand), representing prepaid acquisition costs of pension contracts.

As at 31 December 2017 and 2016, 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 expense 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 5.7% was used in the calculation and was based on the Company's best estimate.

8. Other Liabilities

(in CZK thousands)	31 December 2017	31 December 2016
Trade payables	35,789	35,829
of which: payables to TF	22,766	26,563
Payables to employees and from social insurance	7,677	5,627
Financial derivatives (Note 18.3)	0	6
Tax liabilities	6,321	11,291
of which: deferred tax liability	4,396	10,188
Payables to policyholders and MF	12,137	109,743
Estimated payables	23,006	33,874
Total other liabilities	84,930	196,370

9. Equity

9.1. Share Capital

CP Strategic Investments N.V., with its registered office at Diemerhof 42, 1112XN Diemen, the Netherlands, is the sole shareholder of the Company, holding 50,000,000 shares as at 31 December 2017 (as at 31 December 2016: 300,000,000 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. In 2017, pursuant to decision of the sole shareholder executing the powers of the general meeting, the share capital was decreased from CZK 300,000 thousand to CZK 50,000 thousand due to termination of pension savings scheme in accordance with Act No. 376/2015 Coll. on Pension Savings Termination, as amended; based on this Act, an obligation to maintain the share capital at the original amount extinguished.

9.2. Reserve Funds and Other Funds from Profit

Reserve funds and other funds from profit are comprised of statutory reserve fund and fund for corporate clients support. The fund for corporate clients support has no specific purpose and is particularly used to support other business activities of the Company.

In 2017, pursuant to the Board of Directors' proposal approved by the sole shareholder, the Company released the statutory reserve fund totaling CZK 60,000 thousand, which had been created in an amount of 20% of the share capital. The fund's monies were transferred to retained earnings.

9.3. Capital Funds

As at 31 December 2017, the capital fund of CZK 650,248 thousand is comprised of the Company's contribution, the merged company ABN AMRO Penzijní fond, a.s.'s contribution, the merged company Generali penzijní společnost a.s.'s contribution and the monies transferred from the statutory reserve fund.

9.4. Revaluation Reserve

(in CZK thousands)	31 December 2017	31 December 2016
Debt securities – government	17,899	43,759
Debt securities – other	5,239	9,862
Deferred tax (Note 17)	(4,396)	(10,188)
Total revaluation reserve	18,742	43,433

9.5. Retain Earnings

The sole shareholder approved the distribution of profit generated for the 2016 accounting period in the amount of CZK 651,898 thousand. Part of the profit in the amount of CZK 84,070 thousand was distributed to retained earnings and the remaining CZK 567,828 thousand was paid out as dividend.

As at 31 December 2017, the retained earnings is CZK 1,203,909 thousand (31 December 2016: CZK 1,059,838 thousand).

9.6. Profit for the Period

As at 31 December 2017, profit for the current period, net of income tax, is CZK 532,335 thousand (31 December 2016: CZK 651,898 thousand).

10. Interest and Similar Income and Interest and Similar Expense

(in CZK thousands)	2017	2016
Interest on term deposits	17	30
Interest on debt securities	31,930	39,298
Interest on reverse repo agreements	902	60
Total interest and similar income	32,849	39,388

Item "Interest and similar expense" totaling CZK 20,106 thousand (2016: CZK 22,137 thousand) comprises amortization of positive difference totaling CZK 19,551 thousand (2016: CZK 22,137 thousand) between the debt securities' acquisition cost and nominal value. Interest expense on sell-buy transactions is CZK 555 thousand (2016: CZK 0).

11. Fee and Commission Income

(in CZK thousands)	2017	2016
Fee for management of assets	853,979	786,091
Fee for appreciation of assets	100,332	96,369
Other income	5,221	5,124
Total fee and commission income	959,532	887,584

12. Fee and Commission Expense

(in CZK thousands)	2017	2016
Commission to agents	38,711	74,292
Bank fees	13,169	12,458
Portfolio management fees (external)	76,738	74,619
Commissions – motivation	3,571	2,802
Total fee and commission expense	132,189	164,171

13. Gain or Loss from Financial Transactions

(in CZK thousands)	2017	2016
Securities trading	12,373	0
Foreign exchange differences	(10,293)	1,408
Derivatives	8,757	(2,229)
Total gain or loss from financial transactions	10,837	(821)

As at 31 December 2017 and 2016, 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 8,757 thousand and CZK (2,229) thousand, respectively.

14. Other Operating Income

(in CZK thousands)	2017	2016
Insurance benefits	(46)	167
Gains on sale of tangible and intangible assets	434	390
Rebilling of expenses	214	231
Other	11,085	10,995
Total other operating income	11,687	11,783

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

15. Other Operating Expense

(in CZK thousands)	2017	2016
Net book value of tangible and intangible assets sold	0	36
Other	1,177	1,159
Total other operating expense	1,177	1,195

16. Administrative Expense

(in CZK thousands)	2017	2016
Staff costs	94,829	98,951
Rent and facility maintenance	9,980	9,833
Tax and legal advisory services, internal audit	12,775	10,878
Audit company fees – statutory audit of FS	2,474	3,126
Audit company fees – non-audit services	78	0
Postal and telecommunication charges	15,020	17,200
Consumed material	12,060	12,496
Advertising and promotion	853	682
Equipment maintenance and software support	21,006	21,687
Employee training	14,333	1,508
Other administrative expense	15,725	10,239
Total administrative expense	186,233	186,600

Staff costs can be analyzed as follows:

(in CZK thousands)	2017	2016
Bonuses to members of the Board of Directors	9,399	9,878
Bonuses to members of the Supervisory Board	0	0
Salaries, personnel costs and bonuses of senior management	6,857	7,093
Salaries, personnel costs and bonuses of other employees	54,496	56,717
Other social costs	2,633	2,568
Social security and health insurance	21,444	22,695
Total staff costs	94,829	98,951

Employee statistics	2017	2016
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	100	101

17. Income Tax

(in CZK thousands)	2017	2016
Profit/(Loss) before tax	655,927	546,556
Items increasing tax base	27,927	8,174
Deductible items	(26,928)	(9,793)
Tax base	656,926	544,937
Tax loss carryforward used	(560,876)	(544,937)
Adjusted tax base	96,050	0
Current income tax	18,250	0

Deferred tax was calculated at 19% rate of tax (rate of tax for 2016 and the years after) in 2016 and 2017.

Deferred tax was calculated as follows:

(in CZK thousands)	31 December 2017	31 December 2016
Deferred tax on the carryforward of unused tax losses	0	105,342
Total deferred assets (Note 6)	0	105,342
Revaluation reserve for available-for-sale securities (Note 9.4)	4,396	10,188
Total deferred tax liability (Note 8)	4,396	10,188

In 2017 deferred tax asset was not recognized (in 2016 deferred tax asset was CZK 105,342 thousand and was calculated from the carryforward of unused tax losses).

Under Act No. 586/1992 Coll. on Income Taxes, the Company can carry forward tax losses generated since 2010 for up to five years. The tax loss from the years 2011 through 2012, which was carried forward from the year 2016, amounted to CZK 560,876 thousand. No tax loss will be carried forward in the financial statements for the year ended 31 December 2017.

(in CZK thousands)	2017	2016
Profit/(Loss) before tax	655,927	546,556
Deferred tax	(105,342)	105,342
Current income tax	(18,250)	0
Total income tax	(123,592)	105,342
Profit for the period after tax	532,335	651,898

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 Company's 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 2017 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	1,530,878	0	0	0	1,530,878
Debt securities	412,788	297,662	0	4,982	715,432
Financial derivatives	0	68	595	0	663
Total financial assets	1,943,666	297,730	595	4,982	2,246,973

31 December 2016 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	931,052	0	0	0	931,052
Debt securities	1,059,641	519,785	40,967	5,993	1,626,386
Financial derivatives	0	409	650	0	1,059
Total financial assets	1,990,693	520,194	41,617	5,993	2,558,497

18.3. Financial Derivatives

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

31 December 2017 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	89,552	88,889	663	0
Total derivatives	89,552	88,889	663	0

31 December 2016 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	314,227	313,175	1,059	(6)
Total derivatives	314,227	313,175	1,059	(6)

Derivatives include currency swaps for trading.

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 Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, 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 2017 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Cash on hand	26	0	0	0	26
Due from banks	1,521,986	99	8,793	0	1,530,878
Debt securities available-for-sale	632,262	43,704	39,466	0	715,432
Tangible fixed assets	4,243	0	0	0	4,243
Intangible fixed assets	56,928	0	0	0	56,928
Other assets	186,459	69	595	0	187,123
Prepayments and accrued income	86,598	0	0	0	86,598
Total	2,488,502	43,872	48,854	0	2,581,228
Liabilities					
Other liabilities	84,930	0	0	0	84,930
Provisions	33,214	0	0	0	33,214
Equity	2,463,084	0	0	0	2,463,084
Deferred income and accruals	0	0	0	0	0
Total	2,581,228	0	0	0	2,581,228
Net balance sheet assets (+) / liabilities (-)	(92,726)	43,872	48,854	0	0
Net off-balance sheet currency positions	89,552	(42,105)	(46,784)	0	663
Net open currency position	(3,174)	1,767	2,070	0	663

31 December 2016 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Cash on hand	5	0	0	0	5
Due from banks	929,565	1,165	322	0	931,052
Debt securities available-for-sale	1,270,439	309,736	46,211	0	1,626,386
Tangible fixed assets	7,342	0	0	0	7,342
Intangible fixed assets	61,467	0	0	0	61,467
Other assets	293,969	409	649	0	295,027
Prepayments and accrued income	69,188	0	0	0	69,188
Total	2,631,975	311,310	47,182	0	2,990,467
Liabilities					
Other liabilities	196,364	6	0	0	196,370
Provisions	20,764	0	0	0	20,764
Equity	2,773,267	0	0	0	2,773,267
Deferred income and accruals	66	0	0	0	66
Total	2,990,461	6	0	0	2,990,467
Net balance sheet assets (+) / liabilities (-)	(358,486)	311,304	47,182	0	0
Net off-balance sheet currency positions	314,228	(267,581)	(45,594)	0	1,053
Net open currency position	(44,258)	43,723	1,588	0	1,053

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. As a result of such changes, interest margins may increase, decrease or generate losses in the event of unexpected movements. The Board of Directors 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 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	421,433	0	0	0	421,433
Reverse repo agreements	1,109,445	0	0	0	1,109,445
Debt securities	35,092	0	361,106	319,234	715,432
Total assets	1,565,970	0	361,106	319,234	2,246,310

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	731,052	0	0	0	731,052
Reverse repo agreements	200,000	0	0	0	200,000
Debt securities	18,265	367,074	830,223	410,824	1,626,386
Total assets	949,317	367,074	830,223	410,824	2,557,438

The Company did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2017 and 2016.

18.6. Liquidity Risk

Penzijní společnost 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 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Cash on hand	26	0	0	0	0	26
Due from banks	1,530,878	0	0	0	0	1,530,878
Debt securities	36,267	2,681	358,648	317,836	0	715,432
Other assets	334,892	0	0	0	0	334,892
Total assets	1,902,063	2,681	358,648	317,836	0	2,581,228
Liabilities						
Other liabilities	84,930	0	0	0	0	84,930
Provisions	33,214	0	0	0	0	33,214
Deferred income and accruals	0	0	0	0	0	0
Equity	0	0	0	0	2,463,084	2,463,084
Total liabilities	118,144	0	0	0	2,463,084	2,581,228
Net assets (+) / liabilities (-)	1,783,919	2,681	358,648	317,836	(2,463,084)	0

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Cash on hand	5	0	0	0	0	5
Due from banks	931,052	0	0	0	0	931,052
Debt securities	22,122	370,615	825,156	408,493	0	1,626,386
Other assets	433,024	0	0	0	0	433,024
Total assets	1,386,203	370,615	825,156	408,493	0	2,990,467
Liabilities						
Other liabilities	196,370	0	0	0	0	196,370
Provisions	20,764	0	0	0	0	20,764
Deferred income and accruals	66	0	0	0	0	66
Equity	0	0	0	0	2,773,267	2,773,267
Total liabilities	217,200	0	0	0	2,773,267	2,990,467
Net assets (+) / liabilities (-)	1,169,003	370,615	825,156	408,493	(2,773,267)	0

19. Related Party Transactions

(in CZK thousands)	31 December 2017	31 December 2016
Receivables		
Česká pojišťovna, a.s.	7,661	3,367
PSČP Funds	174,112	165,675
Generali Shared Services Czech Branch, organizační složka	0	14,408
Acredité s.r.o.	0	723
Payables		
Česká pojišťovna, a.s.	9,815	5,553
Generali Investments CEE, investiční společnost, a.s.	6,648	6,412
Generali CEE Holding B.V., organizační složka	31	63
Generali Shared Services Czech Branch, organizační složka	0	13,454
Direct Care s.r.o.	0	7
Transformovaný fond Penzijní společnosti České pojišťovny, a. s.	22,766	26,563
Income		
Česká pojišťovna, a.s.	145	231
PSČP Funds	954,311	882,461
Česká pojišťovna ZDRAVÍ a.s.	0	30
Expenses		
Česká pojišťovna, a.s.	27,180	33,630
Česká pojišťovna ZDRAVÍ a.s.	200	0
Generali Shared Services Czech Branch, organizační složka	12,428	13,454
Generali Investments CEE, investiční společnost, a.s.	76,757	74,619
Generali CEE Holding B.V., organizační složka	375	754
FINHAUS a.s.	(94)	6,561
Direct Care s.r.o.	1,732	1,167
Acredité s.r.o.	0	(723)
ČP Distribuce a.s.	17,526	0

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

20.1. Off-balance Sheet Financial Instruments

(in CZK thousands)	Fair value of underlying receivables/liabilities		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Term currency instruments				
Term currency transactions (receivable)	89,552	314,227	663	1,059
Term currency transactions (payable)	88,889	313,175	0	(6)

Term currency derivatives were agreed on the interbank market (OTC). As at 31 December 2017, the Company had payables from spot transactions totaling CZK 8,723 thousand.

20.2. Assets Provided for Management by a Third Party

Total assets provided to be managed by a third party were CZK 1,937,740 thousand as at 31 December 2017 (CZK 1,944,579 thousand as at 31 December 2016). These assets are comprised of bank accounts, managed by Generali Investments CEE, investiční společnost, a.s., repo transactions, term deposits and securities.

20.3. Assets Received for Management from a Third Party

As at 31 December 2017, 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 123,597,911 thousand as at 31 December 2017 (CZK 103,467,644 thousand as at 31 December 2016). These assets are comprised of the assets of Transformovaný fond and equity of individual participating funds.

21. Subsequent Events

No 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 2017.

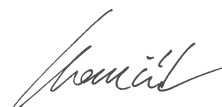
Date of preparation
20 April 2018

Signature of the statutory representative



Marcel Homolka
Chairman of the Board of Directors

Signature of the statutory representative



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:

In the Shares section, the entry on 300,000,000 pieces of ordinary registered shares with a nominal value of CZK 1 (dematerialized shares) was deleted as at 25 September 2017; an entry on 50,000,000 pieces of ordinary registered shares with a nominal value of CZK 1 (dematerialized shares) was recorded as at 25 September 2017.

In the Registered Capital section, the entry on registered capital of CZK 300,000,000, including the information on a 100% pay-up, was deleted as at 25 September 2017; an entry on registered capital of CZK 50,000,000, including the information on a 100% pay-up, was recorded as at 25 September 2017.

Changes in the Other Information section recorded on 5 May 2017:

DECISION OF THE SOLE SHAREHOLDER exercising the powers of the General Meeting pursuant to the provisions of Section 12 (1) and Section 4:21 (2) of Act No. 90/2012 Sb., on Business Corporations, as amended, on the reduction in the registered capital:

1. The reason for the reduction in the registered capital is that due to the termination of the pension savings scheme pursuant to Act No. 376/2015 Coll., on the Termination of the Pension Savings Scheme, as amended, the obligation of pension management companies to hold registered capital pursuant to Act No. 426/2001 Coll., on Pension Savings, in the amount of CZK 300,000,000 (in words: three hundred million Czech crowns) expired, therefore there is no reason for the Company to continue to hold the registered capital in the previously required amount.
2. The Company's registered capital shall be reduced to comply with the minimum amount of registered capital stipulated in Act No. 427/2011 Coll., on Supplementary Pension Savings, as amended.
3. The Company's registered capital shall be reduced from CZK 300,000,000 ((in words: three hundred million Czech crowns) to CZK 50,000,000 (in words: fifty million Czech crowns).
4. The amount of CZK 250,000,000 (in words: two hundred fifty million Czech crowns), corresponding to the reduction in the registered capital, shall be transferred to the account of the Sole Shareholder after the reduction in the registered capital has been recorded in the Commercial Register.
5. The reduction in the registered capital of the Company shall be executed on the basis of a proposal submitted to the shareholder for a gratuitous withdrawal of the shares; the registered capital shall be reduced by the fixed amount specified in Article 4 of the Decision hereof; 250,000,000 pieces of registered ordinary shares with a nominal value of CZK 1 per share issued by the Company as a dematerialized security, issue label CZ0008039443, shall be withdrawn.
6. A draft agreement on a gratuitous withdrawal of shares shall be submitted to the shareholder and published on the Company's website; the proposal shall be binding for the period of one month of the date of its publication.
7. The Board of Directors of the Company shall issue an order for the cancellation of the dematerialized securities in the Central Securities Depository after the amount of the registered capital following its reduction has been recorded in the Commercial Register.
8. The Board of Directors of the Company is required to prepare a complete draft of the Articles of Association, which have been changed due to the reduction in the Company's registered capital.

In the Sole Shareholder section, the sole shareholder CP Strategic Investments N.V., 1112XN Diemen, Diemerhof 32, The Netherlands, registration No.: 34124690, was deleted as at 28 April 2017; the sole shareholder CP Strategic Investments N.V., 1112XN Diemen, Diemerhof 42, The Netherlands, registration No.: 34124690, was recorded as at 28 April 2017.

- 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– 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
2008–2008 Provident Financial s.r.o.; Project Manager
2007–2007 MobilKom, a.s., Customer Care & Telesales & Back Office Manager
2004–2007 Živnostenská banka, a.s.; Liberec Client Center Manager
2002–2004 Komerční banka, a.s., Team Manager
1999–2002 Technical University of Liberec; Foreign Department Officer

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
2000–2007 Penzijní fond České pojišťovny, a.s.; Finance Controller
1999–1999 Kabel Plus, a.s.; Accountant
1997–1998 Česká pojišťovna a.s.; Analyst

Miroslav Žbel

Education: Jan Amos Komenský University

Work experience: 2015– Česká pojišťovna a.s.; Sales Support Director
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
2006–2008 Česká pojišťovna a.s.; Sales Manager
2002–2006 Česká pojišťovna a.s.; Trainer (mentoring)
2001–2002 Česká pojišťovna a.s.; Insurance Advisor
1998–2000 Koma, spol. s.r.o.; Head of Procurement

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

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
2000–2002 Standard Bank Ltd; Head of CEE and Middle East Markets
1996–2000 Investiční a poštovní banka, a.s.; Head of Treasury
1995–1995 World Bank; Bank Advisor
1992–1994 Czech National Bank; Junior Analyst

Petr Bohumský

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

Work experience: 2013– Česká pojišťovna a.s.; CFO, 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
2005–2006 PPF a.s.; Chief Actuary
2003–2005 Česká pojišťovna a.s.; Director of Life Portfolio Analyses
2001–2003 Self-employed – Actuary
1998–2001 Česká pojišťovna ZDRAVÍ a.s.; Deputy CEO, Vice-chairman of the Board of Directors
1994–1998 Česká pojišťovna ZDRAVÍ a.s.; Actuary
1994–1994 Ministry of Labor and Social Affairs; Actuary

Tomáš Vysoudil

Education: Jan Amos Komenský University

Work experience: 2015– Česká pojišťovna a.s.; Chief Retail Sales Officer, member of the Board of Directors
2012–2015 Allianz pojišťovna, a.s.; member of the Board of Directors responsible for Sales
2010–2012 Allianz pojišťovna, a.s.; Advisor to CEO for Strategy and Sales Director
2008–2010 Česká pojišťovna a.s.; Chief Retail Sales Director
2005–2008 Česká pojišťovna a.s.; Regional Sales Director
2001–2005 Česká pojišťovna a.s.; Regional Sales Manager
1999–2001 Česká pojišťovna ZDRAVÍ a.s.; Sales Director and 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: Charles University, Faculty of Mathematics and Physics
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
2003–2004 ČSOB Asset Management; a.s. (KBC Group), Deputy Head of Portfolio Management
2000–2003 Patria Asset Management; a.s., Portfolio Manager
1999–2000 Česká pojišťovna a.s.; Risk Manager

Michal Kymlička, CFA

Education: Charles University, Faculty of Mathematics and Physics
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
2010–2010 Generali PPF Asset Management a.s.; Financial Analyst
2008–2010 Generali PPF Asset Management a.s.; Middle Office Specialist

Tomáš Derner

Education: Charles University, Faculty of Mathematics and Physics

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
2012–2013 Allianz pojišťovna, a.s.; Junior Reinsurance Specialist

- 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 Diemerhof 42, 1112XN Diemen, 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)

FINHAUS a.s. (Business registration No.: 271 08 562) – member of the Board of Directors (until 11/2017)
ČP Distribuce s.r.o. (Business registration No.: 447 95 084) – Statutory Representative (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 (Business registration No.: 247 36 694) – member of the Board of Directors (for the whole relevant period)
City Empiria a.s. (Business registration No.: 274 52 573) – Chairman of the Supervisory Board (until 6/2017)
Solitaire Real Estate, a.s. (Business registration No.: 274 11 109) – Chairman of the Supervisory Board (until 6/2017)
IDEE s.r.o. (Business registration No.: 276 27 977) – member of the Supervisory Board (until 6/2017)
MUSTEK PROPERTIES, s.r.o. (Business registration No.: 267 56 471) – Chairman of the Supervisory Board (until 6/2017)
Náměstí Republiky 3a, s.r.o. (Business registration No.: 048 79 899) – Chairman of the Supervisory Board (until 6/2017)
Office Center Purkyňova, a.s. (Business registration No.: 052 99 446) – Chairman of the Supervisory Board (from 3/2017 to 6/2017)
PALAC KRIZIK a.s. (Business registration No.: 268 64 614) – Chairman of the Supervisory Board (until 6/2017)
SMALL GREF a.s. (Business registration No.: 048 80 404) – Chairman of the Board of Directors (until 6/2017)
The Czech Capital Market Association (Business registration No.: 653 99 501) – member of the Executive Committee (for the whole relevant period)
and other company bodies across the Generali CEE Group in the CEE region.

Petr Bohumský (member of the Supervisory Board)

Česká pojišťovna a.s. (Business registration No.: 452 72 956) – Vice-chairman of the Board of Directors (for the whole relevant period)
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)
FINHAUS a.s. (Business registration No.: 271 08 562) – 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 s.r.o. (Business registration No.: 447 95 084) – Statutory Representative (for the whole relevant period)

Tomáš Vysoudil (member of the Supervisory Board)

FINHAUS a.s. (Business registration No.: 271 08 562) – Chairman of the Board of Directors (for the whole relevant period)
Česká pojišťovna a.s. (Business registration No.: 452 72 956) – member of the Board of Directors (for the whole relevant period)
Česká pojišťovna ZDRAVÍ a.s. (Business registration No.: 492 40 749) – member of the Board of Directors (for the whole relevant period)
Nadace GCP (Business registration No.: 290 18 200) – Chairman of the Supervisory Board (for the whole relevant period)
ČP Distribuce s.r.o. (Business registration No.: 447 95 084) – Statutory Representative (for the whole relevant period)

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

There were no entities acting in concert with the pension management company in the relevant period.

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 (the entity has performed this activity as of 1 March 2017);

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 (the entity has performed this activity as of 28 December 2017).

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 pertains.

Annual Report 2017

Transformovaný fond
Penzijní společnosti České pojišťovny, a. s.

Transformovaný fond Penzijní společnosti České pojišťovny, a. s. – 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 2017, 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 2017, 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 and the Audit Committee 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.

The Audit Committee of Penzijní společnost České pojišťovny, a.s. is responsible for overseeing the Fund'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 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 Audit committee 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

25 April 2018
Praha, Česká republika

Transformovaný fond Penzijní společnosti České pojišťovny, a.s. – Financial statements for the year ended 31 December 2017

Balance Sheet as at 31 December 2017

ASSETS (in CZK thousands)	Note	31 December 2017	31 December 2016
Due from banks	4	20,786,135	2,364,848
of which: a) repayable on demand		2,675,623	357,657
b) other receivables		18,110,512	2,007,191
Debt securities	5	92,919,786	94,076,648
of which: a) issued by government institutions		81,935,315	82,555,062
b) issued by other entities		10,984,471	11,521,586
Shares and mutual funds	5	3,079,289	3,041,595
Other assets	6	587,763	123,775
TOTAL ASSETS		117,372,973	99,606,866
EQUITY AND LIABILITIES (in CZK thousands)	Note	31 December 2017	31 December 2016
Amounts owed to banks and cooperative saving banks		14,792,988	0
of which: other liabilities	7	14,792,988	0
Other liabilities	8	96,973,232	93,202,481
of which: a) policyholders' funds		96,564,822	92,001,410
b) other		408,410	1,201,071
Provisions	9	56,361	68,540
of which: a) for pensions and similar liabilities		43,849	55,446
b) other		12,512	13,094
Revaluation reserve – for assets and liabilities	10.1	4,766,775	5,502,640
of which: a) for assets and liabilities		3,806,001	5,339,286
b) for hedging derivatives		960,774	163,354
Profit/(Loss) for the period	10.2	783,617	833,205
TOTAL EQUITY AND LIABILITIES		117,372,973	99,606,866
OFF-BALANCE SHEET ITEMS (in CZK thousands)	Note	31 December 2017	31 December 2016
Off-balance sheet assets			
Receivables from fixed-term transactions	15.3	27,418,720	33,200,084
Assets provided for management by a third party		117,372,974	99,606,866
Receivables from spot transactions		119,948	0
Total off-balance sheet assets		144,911,642	132,806,950
Off-balance sheet liabilities			
Payables from fixed-term transactions	15.3	27,136,571	34,145,069
Payables from spot transactions		118,974	0
Payables from collateral received		17,987,398	400,000
Total off-balance sheet liabilities		45,242,943	34,545,069

Income Statement for the year ended 31 December 2017

(in CZK thousands)	Note	2017	2016
Interest and similar income	11	3,749,734	3,050,000
of which: interest income from debt securities		2,767,395	2,931,381
Interest and similar expense	11	(2,096,808)	(1,338,708)
of which: interest income from debt securities		(1,828,916)	(1,091,184)
Income from shares and mutual funds		62,416	52,143
Fee and commission expense	12	(893,322)	(846,952)
Gain/(Loss) from financial transactions	13	(52,298)	(83,152)
Other operating income		14,645	15,585
Other operating expense		(12,929)	(14,441)
Additions to, and use of, other provisions	9	12,179	(1,270)
Profit/(Loss) for the period on ordinary activities before tax	10.2	783,617	833,205
Income tax	14	0	0
Profit/(Loss) for the period after tax	10.2	783,617	833,205

Financial statements for the year ended 31 December 2017

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.

The assets of supplementary pension scheme participants were separated from the assets of the joint stock company (former pension fund) as at 1 January 2013. In accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings, Penzijní společnost České pojišťovny, a.s. (the "Company") allocated the assets and liabilities related to the supplementary pension scheme into Transformovaný fond Penzijní společnosti České pojišťovny, a.s. and, through this fund, began to operate supplementary pension schemes for supplementary pension schemes participants and benefit recipients the liabilities to whom were allocated to the fund.

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 transformed 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 Company will continue as a going concern and that there are no circumstances that would restrict, or prevent, the Company'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. All realized and unrealized exchange rate gains and losses arising from monetary items are recognized in gain or loss from financial transactions.

2.3. Fair Value of Securities

The fair value of a security is determined by the market mid-price quoted by a relevant stock exchange or other active public market. 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 reviewed these 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 following rules apply to recognition of financial assets and liabilities:

The transaction recognition date for purchase and sale of financial assets is a date on which a spot transaction is settled (settlement date). 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 following rules apply to derecognition of financial assets and liabilities:

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, including incidental acquisition costs, 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.

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.

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 or interest and similar expense, as appropriate. Foreign exchange differences on 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 in the long run or decreased by more than 30% compared to their acquisition cost and it can be reasonably assumed that the status will not change in a foreseeable future;
- 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 recorded at acquisition cost, including direct transaction costs. 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 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.

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.

Changes in the fair value of available-for-sale securities 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 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, the loss must be covered by transfer of the Company's assets to the Fund's capital fund. 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 Expense, Dividend Income

Interest income and expense 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. The invested funds are recognized in equity.

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 Expense

The fee and commission expense 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

The applicable income tax rate is zero.

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

Assets provided into Company's administration, foreign currency and interest rate derivatives at nominal value and receivables from spot transactions represent off-balance sheet assets of the Fund.

The Fund's off-balance sheet liabilities include payables from collateral received within repo transactions, foreign currency and interest rate derivatives at nominal value and payables from spot transactions.

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 2017.

4. Due from Banks

(in CZK thousands)	31 December 2017	31 December 2016
Current accounts with banks	2,675,623	357,657
Term deposits with banks	0	1,267,000
Cash collateral pledged – OTC derivatives	123,114	340,191
Reverse repo agreements	17,987,398	400,000
Total amounts due from banks	20,786,135	2,364,848

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 2017	31 December 2016	31 December 2017	31 December 2016
FVTPL	0	1,536,663	0	0
Available-for-sale	61,339,260	64,506,408	3,079,289	3,041,595
Held-to-maturity	31,580,526	28,033,577	0	0
Total securities	92,919,786	94,076,648	3,079,289	3,041,595

5.1. Securities at Fair Value through Profit or Loss (FVTPL)

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	0	1,536,663
Total debt securities including zero-coupon bonds	0	1,536,663

5.2. Securities Available-for-Sale

Debt securities including zero-coupon bonds

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	44,351,077	46,616,661
Foreign stock exchanges	16,988,183	17,889,747
Total debt securities including zero-coupon bonds	61,339,260	64,506,408

Shares and mutual funds

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	278,144	197,194
Foreign stock exchanges	2,801,145	2,844,401
Total shares and mutual funds	3,079,289	3,041,595

5.3. Securities Held-to-Maturity

Debt securities

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	31,580,526	28,033,577
Total debt securities	31,580,526	28,033,577

The fair value of the portfolio was CZK 31,359,021 thousand as at 31 December 2017. The fair value as at 31 December 2016 was CZK 30,647,028 thousand.

6. Other Assets

(in CZK thousands)	31 December 2017	31 December 2016
Receivables from securities transactions	42,930	14,708
Financial derivatives (Note 15.3)	522,067	82,504
Receivables from the Company	22,766	26,563
Total other assets	587,763	123,775

7. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2017	31 December 2016
Cash collateral received – OTC derivatives	331,183	0
Repo agreements	14,461,805	0
Amounts owed to banks and cooperative saving banks	14,792,988	0

The Fund has been using mainly foreign currency repo agreements to hedge foreign currency exposures since 2017.

8. Other Liabilities

8.1. Policyholders' Funds

Balance as at	31 December 2017	31 December 2016
Policyholders' funds	96,564,822	92,001,410

Due to change in reporting, the above mentioned amount of policyholders' funds does not include the estimate of state contribution from 2016.

Portfolio of policyholders:

	31. 12. 2017	31. 12. 2016
Number of policyholders	969,713	1,046,135

Pension benefit payments:

	2017	2016
Number	76,422	74,864
Amount (in CZK thousands)	7,125,557	6,244,909

8.2. Other Liabilities

(in CZK thousands)	31 December 2017	31 December 2016
Payables to MF	12,694	14,449
Financial derivatives (Note 15.3)	239,918	1,027,489
Fee for management and appreciation of assets (see Note 16)	155,387	158,723
Payables to the Company	411	410
Total other liabilities	408,410	1,201,071

9. Provisions

(in CZK thousands)	Pension provision	Other provision	Total provisions
Balance at 1 January 2016	50,021	17,249	67,270
Use/release	(6,123)	(4,155)	(10,278)
Additions	11,548	0	11,548
Balance at 31 December 2016	55,446	13,094	68,540
Use/release	(17,424)	(582)	(18,006)
Additions	5,827	0	5,827
Balance at 31 December 2017	43,849	12,512	56,361

For the calculation of pension provision as at 31 December 2017, 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 2017 issued by Česká společnost aktuárů on 4 January 2018. 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 2017, 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. As at 31 December 2017, the Fund had other provisions of CZK 12,512 thousand. Other provisions as at 31 December 2016 were CZK 13,094 thousand.

10. Equity

10.1. Revaluation Reserve

(in CZK thousands)	31 December 2017	31 December 2016
Shares and mutual funds	726,452	249,141
Debt securities – government	3,677,620	4,942,360
Debt securities – other	362,703	311,139
Total revaluation reserve	4,766,775	5,502,640

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 2017	2016
Share in profit – policyholders	783,617	833,205
Total profit for the year	783,617	833,205
Annual yield	0.8%	0.9%

The Company proposed that 100% of the profit for the current accounting period should be allocated in favor of the policyholders; however, the decision on allocation has not yet been made. The annual yield is calculated on the basis of the methodology approved by the Association of Pension Funds of the Czech Republic.

The annual yield in 2017 is based on the assumption that the proposed distribution of profit shall be approved by the General Meeting of the Company.

Based on the decision of the sole shareholder, the Company management distributed the 2016 profit of CZK 833,205 thousand to policyholders.

11. Interest and Similar Income and Interest and Similar Expense

(in CZK thousands)	2017	2016
Interest on debt securities	2,767,395	2,931,381
Income on hedging derivatives	94,018	117,547
Other interest income	42,151	1,072
Total interest and similar income	3,749,734	3,050,000

(in CZK thousands)	2017	2016
Interest on debt securities	(1,828,916)	(1,091,184)
Cost of hedging derivatives	(200,661)	(247,524)
Other interest expense	(67,231)	0
Total interest and similar expense	(2,096,808)	(1,338,708)

12. Fee and Commission Expense

(in CZK thousands)	2017	2016
Fee for management of assets	(806,254)	(754,374)
Fee for appreciation of assets	(87,068)	(92,578)
Total fee and commission expense (Note 16)	(893,322)	(846,952)

13. Gain or Loss from Financial Transactions

(in CZK thousands)	2017	2016
Securities	90,457	6,748
Foreign exchange differences	(656,610)	192,089
Derivatives	513,855	(281,989)
Total gain or loss from financial transactions	(52,298)	(83,152)

As at 31 December 2017 and 2016, the item "Derivatives" includes changes in fair values of derivatives within the economic hedge of interest rate risk and foreign currency risk exposures of portfolio's certain assets totaling CZK 513,855 thousand and CZK (281,989) thousand, respectively.

14. Income Tax

Since 2015 the income tax rate applicable to the funds managed by pension company is zero per cent.

Unused tax loss carryforward is CZK 1,361,610 thousand as at 31 December 2017 (2016: CZK 1,361,610 thousand).

15. Financial Risks

15.1. Strategy in Using Financial Instruments

The Fund'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 Fund's portfolio as defined by Act No. 42/1994 Coll. on State-contributory Supplementary Pension Insurance, as amended, and the Fund's investment strategy, which is set in accordance with legal requirements.

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 2017 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	20,786,135	0	0	0	20,786,135
Debt securities	76,802,147	12,638,900	763,402	2,715,337	92,919,786
Shares and mutual funds	248,847	1,827,159	1,003,283	0	3,079,289
Financial derivatives	436,330	21,257	64,480	0	522,067
Total financial assets	98,273,459	14,487,316	1,831,165	2,715,337	117,307,277

31 December 2016 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	2,364,848	0	0	0	2,364,848
Debt securities	77,493,172	12,011,222	805,507	3,766,747	94,076,648
Shares and mutual funds	175,353	1,719,244	1,146,998	0	3,041,595
Financial derivatives	51,313	4,439	26,752	0	82,504
Total financial assets	80,084,686	13,734,905	1,979,257	3,766,747	99,565,595

15.3. Financial Derivatives

(in CZK thousands)	31 December 2017	31 December 2016
Currency swaps		
Trading derivatives	0	4,439
Fair value hedging agreements	41,027	9,840
Positive fair value of financial derivatives (Note 6)	41,027	14,279

(in CZK thousands)	31 December 2017	31 December 2016
Currency swaps		
Trading derivatives	(3,370)	(240,172)
Fair value hedging agreements	(2,578)	(68,306)
Negative fair values of financial derivatives (Note 8.2)	(5,948)	(308,478)

(in CZK thousands)	31 December 2017	31 December 2016
Interest rate swaps		
Trading derivatives	0	6,935
Fair value hedging derivatives	481,040	61,290
Positive fair value of financial derivatives (Note 6)	481,040	68,225

(in CZK thousands)	31 December 2017	31 December 2016
Interest rate swaps		
Trading derivatives	(15,324)	(42,132)
Fair value hedging derivatives	(218,646)	(676,879)
Negative fair values of financial derivatives (Note 8.2)	(233,970)	(719,011)

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

31 December 2017 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Currency swaps	3,009,111	2,974,032	41,027	(5,948)
Interest swaps	24,409,609	24,162,539	481,040	(233,970)
Total derivatives	27,418,720	27,136,571	522,067	(239,918)

31 December 2016 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Currency swaps	15,792,951	16,087,150	14,279	(308,478)
Interest swaps	17,407,133	18,057,919	68,225	(719,011)
Total derivatives	33,200,084	34,145,069	82,504	(1,027,489)

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 Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, 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 2017 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	20,393,065	250,800	134,717	7,553	20,786,135
FVTPL	0	0	0	0	0
Debt securities available-for-sale	46,371,968	9,881,887	3,782,410	1,302,995	61,339,260
Securities held-to-maturity	31,580,526	0	0	0	31,580,526
Shares and mutual funds	278,144	1,075,553	1,654,607	70,985	3,079,289
Other assets	461,882	21,257	104,624	0	587,763
Total	99,085,585	11,229,497	5,676,358	1,381,533	117,372,973
Liabilities					
Amounts owed to banks	194,800	9,986,269	4,152,900	459,019	14,792,988
Policyholders' funds	96,564,822	0	0	0	96,564,822
Other liabilities	339,081	57,365	10,989	975	408,410
Provisions	56,361	0	0	0	56,361
Equity	5,550,392	0	0	0	5,550,392
Total	102,705,456	10,043,634	4,163,889	459,994	117,372,973
Net balance sheet assets (+) / liabilities (-)	(3,619,871)	1,185,863	1,512,469	921,539	0
Net off-balance sheet currency positions	2,580,279	(1,108,022)	(1,370,307)	(66,871)	35,079
Net open currency position	(1,039,592)	77,841	142,162	854,668	35,079

31 December 2016 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	2,254,135	86,435	21,126	3,152	2,364,848
FVTPL	1,536,663	0	0	0	1,536,663
Debt securities available-for-sale	48,558,171	9,689,864	5,202,949	1,055,424	64,506,408
Securities held-to-maturity	28,033,577	0	0	0	28,033,577
Shares and mutual funds	197,194	1,092,515	1,714,879	37,007	3,041,595
Other assets	90,746	0	26,752	6,277	123,775
Total	80,670,486	10,868,814	6,965,706	1,101,860	99,606,866
Liabilities					
Policyholders' funds	92,001,410	0	0	0	92,001,410
Other liabilities	789,537	94,466	316,670	398	1,201,071
Provisions	68,540	0	0	0	68,540
Equity	6,335,845	0	0	0	6,335,845
Total	99,195,332	94,466	316,670	398	99,606,866
Net balance sheet assets (+) / liabilities (-)	(18,524,846)	10,774,348	6,649,036	1,101,462	0
Net off-balance sheet currency positions	15,792,951	(8,951,590)	(6,859,120)	(276,440)	(294,199)
Net open currency position	(2,731,895)	1,822,758	(210,084)	825,022	(294,199)

15.5. Interest Rate Risk

The Fund takes on exposure resulting from fluctuations in market interest rates to its financial position and cash flows. As a result of such changes, interest margins may increase, decrease or generate losses in the event of unexpected movements. The Board of Directors 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 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	2,675,623	0	0	0	2,675,623
Term deposits	0	0	0	0	0
Reverse repo agreements	17,987,398	0	0	0	17,987,398
Debt securities	1,974,476	16,472,766	35,238,927	39,233,617	92,919,786
Total assets	22,637,497	16,472,766	35,238,927	39,233,617	113,582,807
Liabilities					
Amounts owed to banks	14,792,988	0	0	0	14,792,988
Total liabilities	14,792,988	0	0	0	14,792,988

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	357,657	0	0	0	357,657
Term deposits	1,267,000	0	0	0	1,267,000
Reverse repo agreements	400,000	0	0	0	400,000
Debt securities	4,063,129	20,547,298	32,366,346	37,099,875	94,076,648
Total assets	6,087,786	20,547,298	32,366,346	37,099,875	96,101,305

The Fund did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2016.

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 government treasury bills and similar government bonds.

31 December 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	20,786,135	0	0	0	0	20,786,135
Debt securities	913,453	1,972,532	36,303,085	53,730,716	0	92,919,786
Shares and mutual funds	0	0	0	0	3,079,289	3,079,289
Other assets	106,723	2,448	27,714	450,878	0	587,763
Total assets	21,806,311	1,974,980	36,330,799	54,181,594	3,079,289	117,372,973
Liabilities						
Amounts owed to banks	14,792,988	0	0	0	0	14,792,988
Payables to clients	36,433,907	2,684,502	11,858,160	45,588,253	0	96,564,822
Other liabilities	174,440	5,713	80,246	148,011	0	408,410
Provisions	0	56,361	0	0	0	56,361
Equity	0	0	0	0	5,550,392	5,550,392
Total liabilities	51,401,335	2,746,576	11,938,406	45,736,264	5,550,392	117,372,973
Net assets (+) / liabilities (-)	(29,595,024)	(771,596)	24,392,393	8,445,330	(2,471,103)	0

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	2,364,848	0	0	0	0	2,364,848
Debt securities	516,959	7,895,910	31,693,109	53,970,670	0	94,076,648
Shares and mutual funds	0	0	0	0	3,041,595	3,041,595
Other assets	55,550	0	21,516	46,709	0	123,775
Total assets	2,937,357	7,895,910	31,714,625	54,017,379	3,041,595	99,606,866
Liabilities						
Payables to clients	31,181,475	5,945,098	11,485,452	43,389,385	0	92,001,410
Other liabilities	482,060	10,549	154,157	554,305	0	1,201,071
Provisions	0	68,540	0	0	0	68,540
Equity	0	0	0	0	6,335,845	6,335,845
Total liabilities	31,663,535	6,024,187	11,639,609	43,943,690	6,335,845	99,606,866
Net assets (+) / liabilities (-)	(28,726,178)	1,871,723	20,075,016	10,073,689	(3,294,250)	0

16. Related Party Transactions

(in CZK thousands)	31 December 2017	31 December 2016
Penzijní společnost České pojišťovny, a.s.		
Receivables from the Company	22,766	26,563
Payables – fee for management, fee for appreciation	155,387	158,723
Expenses – fee for management, fee for appreciation	(893,322)	(846,952)

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

No 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 2017.

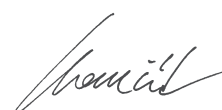
Date of preparation
20 April 2018

Signature of the statutory representative



Marcel Homolka
Chairman of the Board of Directors

Signature of the statutory representative



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 Ing. 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 price (CZK thousand)	Fair value (CZK thousand)
Current accounts	BU	2,678,690	2,675,623
Repo agreements	Reverse repo	18,000,000	17,987,398
CZ GB L-10 11/27	CZ0001004105	8,540,996	8,947,338
CZ GB 4.20 12/36	CZ0001001796	9,066,672	8,854,869
CZ GB 2.50 08/28	CZ0001003859	7,885,533	7,670,708
CZ GB 3.75 09/20	CZ0001001317	7,120,533	6,975,892
CZ GB 5.00 04/19	CZ0001002471	7,619,535	6,895,740
CZ GB 5.70 05/24	CZ0001002547	6,499,723	5,947,616
CZ GB L+65 04/23	CZ0001003123	5,260,180	5,433,008
CZ GB 3.85 09/21	CZ0001002851	4,861,701	4,896,038
CZ GB 4.70 09/22	CZ0001001945	4,427,667	4,146,117
CZ GB 0.95 05/30	CZ0001004477	4,206,759	4,000,604
CZ GB 2.4 09/25	CZ0001004253	3,281,422	3,055,503
CZ GB 4.85 11/57	CZ0001002059	1,911,753	2,014,618
CZ GB 2.0 10/33	CZ0001005243	1,691,961	1,701,184
CZ GB 1.5 10/19	CZ0001003834	1,342,125	1,386,506

- 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 thousand)	31 December 2015	31 December 2016	31 December 2017
Due from banks and cooperative savings banks	3,636,938	2,364,848	20,786,135
a) repayable on demand	397,425	357,657	2,675,623
b) other receivables	3,239,513	2,007,191	18,110,512
Debt securities	87,227,237	94,076,648	92,919,786
a) issued by government organizations	76,098,875	82,555,062	81,935,315
b) issued by other entities	11,128,362	11,521,586	10,984,471
Shares, participating certificates and other interests	2,673,272	3,041,595	3,079,289
Other assets	548,196	123,775	587,763
TOTAL	94,085,643	99,606,866	117,372,973

- 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.

Pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting, Penzijní společnost České pojišťovny, a.s. discloses information on the projected development of the entity:

Assets administered by the Transformed Fund 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 2017

Povinný konzervativní fond
Penzijní společnosti České pojišťovny a. s.

Povinný konzervativní fond Penzijní společnosti České pojišťovny a. s. – 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 2017, 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 2017, 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 and the Audit Committee 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.

The Audit Committee of Penzijní společnost České pojišťovny, a.s. is responsible for overseeing the Fund'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 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 Audit committee 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

25 April 2018
Prague, Czech Republic

Povinný konzervativní fond Penzijní společnosti České pojišťovny a. s. – Financial statements for the year ended 31 December 2017

Balance Sheet as at 31 December 2017

ASSETS (in CZK thousands)	Note	31 December 2017	31 December 2016
Due from banks	3	162,588	70,905
of which: a) repayable on demand		22,675	10,902
b) other receivables		139,913	60,003
Debt securities	4	81,753	87,608
of which: a) issued by government institutions		73,380	81,383
b) issued by other entities		8,373	6,225
Other assets	5	0	36
TOTAL ASSETS		244,341	158,549
LIABILITIES (in CZK thousands)	Note	31 December 2017	31 December 2016
Other liabilities	6	6,478	4,938
Capital funds	7	236,928	152,212
Retained earnings	7	1,399	1,362
Profit/(Loss) for the period	7	(464)	37
TOTAL LIABILITIES		244,341	158,549
OFF-BALANCE SHEET ITEMS (in CZK thousands)	Note	31 December 2017	31 December 2016
Off-balance sheet assets			
Assets provided for management by a third party		237,863	153,611
Total off-balance sheet assets		237,863	153,611
Off-balance sheet liabilities			
Payables from collateral received		139,913	40,000
Total off-balance sheet liabilities		139,913	40,000

Income Statement for the year ended 31 December 2017

(in CZK thousands)	Note	2017	2016
Interest and similar income	8	793	1,007
of which: interest income from debt securities		655	1,000
Interest and similar expense		(94)	0
of which: interest expense from debt securities		0	0
Fee and commission expense	9	(793)	(517)
Gain/(Loss) from financial transactions	10	(370)	(453)
Profit/(Loss) on ordinary activities before tax	7	(464)	37
Income tax	11	0	0
Profit/(Loss) for the period after tax	7	(464)	37

Financial statements for the year ended 31 December 2017

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 following rules apply to recognition of financial assets and liabilities:

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a spot contract is executed) provided that the period between the trade date and the settlement date does not exceed a period typical for the relevant type of transaction.

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 mid-price quoted by a relevant stock exchange or other active public market. 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 exposures.

2.7. Interest Income and Expense, Dividend Income

Interest income and expense 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 Expense

The fee and commission expense 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 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
- 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.

2.9. 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

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

2.13. Deferred Tax

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

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 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 13.

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 2017	31 December 2016
Current accounts with banks	22,675	10,902
Term deposits with banks	0	20,003
Reverse repo agreements	139,913	40,000
Total amounts due from banks	162,588	70,905

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	76,740	82,559
Foreign stock exchanges	5,013	5,049
Total debt securities	81,753	87,608

5. Other Assets

(in CZK thousands)	31 December 2017	31 December 2016
Receivables from securities transactions	0	36
Total other assets	0	36

6. Other Liabilities

(in CZK thousands)	31 December 2017	31 December 2016
Payables to policyholders	6,391	4,856
Fee for management and appreciation of assets (see Note 13)	87	82
Total other liabilities	6,478	4,938

7. Capital Funds and Profit for the Period

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 2017	31 December 2016
Equity (in CZK thousands)	237,863	153,611
Number of units	228,919,300.5759	147,416,540.6060
NAV/unit	1.0391	1.0420
Annual yield (p.a.)	(0.28%)	(0.14%)

The Board of Directors has proposed to allocate the loss for 2017 totaling CZK 464 thousand to retained earnings; however, a decision on settlement has not yet been made. The profit for 2016 totaling CZK 37 thousand was allocated to retained earnings.

Number of policyholders:

(pieces)	31 December 2017	31 December 2016
Number of policyholders	4,397	3,284

Pension benefit payments:

	2017	2016
Amount (in CZK thousands)	26,250	18,229
Number of pension benefits	509	1,673

8. Interest and Similar Income

(in CZK thousands)	2017	2016
Interest on debt securities	655	1,000
Other interest income	138	7
Total interest and similar income	793	1,007

9. Fee and Commission Expense

(in CZK thousands)	2017	2016
Fee for management of assets	(793)	(488)
Fee for appreciation of assets	0	(29)
Total fee and commission expense (Note 13)	(793)	(517)

10. Gain or Loss from Financial Transactions

(in CZK thousands)	2017	2016
Securities	(368)	(456)
Foreign exchange differences	(2)	(1)
Derivatives	0	4
Total gain or loss from financial transactions	(370)	(453)

As at 31 December 2017, the Fund did not have any derivatives. As at 31 December 2016, 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 4 thousand.

11. Income Tax

Since 1 January 2015 the applicable tax rate has been zero. The tax expense is zero, accordingly.

12. Financial Risks

12.1. 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.

12.2. 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 2017 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	162,588	0	0	0	162,588
Debt securities	76,740	3,008	2,005	0	81,753
Total financial assets	239,328	3,008	2,005	0	244,341

31 December 2016 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	70,905	0	0	0	70,905
Debt securities	82,559	3,031	2,018	0	87,608
Total financial assets	153,464	3,031	2,018	0	158,513

12.3. Financial Derivatives

The Fund uses the financial derivatives for effective management of the assets. Derivative contracts for hedging foreign currency risk are typically agreed for a period of less than one moth. 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 Fund had no financial derivatives at 31 December 2017 and 2016.

12.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the prevailing 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 2017 (in CZK thousands)	CZK	EUR	Total
Assets			
Due from banks	162,560	28	162,588
Debt securities	81,753	0	81,753
Other assets	0	0	0
Total	244,313	28	244,341
Liabilities			
Other liabilities	6,478	0	6,478
Equity	237,863	0	237,863
Total	244,341	0	244,341
Net balance sheet assets (+) / liabilities (-)	(28)	28	0
Net off-balance sheet currency positions	0	0	0
Net open currency position	(28)	28	0

31 December 2016 (in CZK thousands)	CZK	EUR	Total
Assets			
Due from banks	70,875	30	70,905
Debt securities	87,608	0	87,608
Other assets	36	0	36
Total	158,519	30	158,549
Liabilities			
Other liabilities	4,938	0	4,938
Equity	153,611	0	153,611
Total	158,549	0	158,549
Net balance sheet assets (+) / liabilities (-)	(30)	30	0
Net off-balance sheet currency positions	0	0	0
Net open currency position	(30)	30	0

12.5. Interest Rate Risk

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

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

31 December 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	22,675	0	0	0	22,675
Term deposits	0	0	0	0	0
Reverse repo agreements	139,913	0	0	0	139,913
Debt securities	5,517	68,553	7,586	97	81,753
Total assets	168,105	68,553	7,586	97	244,341

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	10,902	0	0	0	10,902
Term deposits	8,003	12,000	0	0	20,003
Reverse repo agreements	40,000	0	0	0	40,000
Debt securities	11,021	60,587	11,480	4,520	87,608
Total assets	69,926	72,587	11,480	4,520	158,513

The Fund did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2017 and 2016.

12.6. 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.

12.7. 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 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	162,588	0	0	0	0	162,588
Debt securities	5,517	312	7,456	68,468	0	81,753
Other assets	0	0	0	0	0	0
Total assets	168,105	312	7,456	68,468	0	244,341
Liabilities						
Other liabilities	6,478	0	0	0	0	6,478
Total liabilities	6,478	0	0	0	0	6,478
Net liquidity exposure	161,627	312	7,456	68,468	0	237,863

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	70,905	0	0	0	0	70,905
Debt securities	67	12,623	16,427	58,491	0	87,608
Other assets	36	0	0	0	0	36
Total assets	71,008	12,623	16,427	58,491	0	158,549
Liabilities						
Other liabilities	4,938	0	0	0	0	4,938
Total liabilities	4,938	0	0	0	0	4,938
Net liquidity exposure	66,070	12,623	16,427	58,491	0	153,611

13. Related Party Transactions

(in CZK thousands)	31 December 2017	31 December 2016
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation	87	82
Expenses – fee for management, fee for appreciation	(793)	(517)

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.

14. Subsequent Events

No 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 2017.

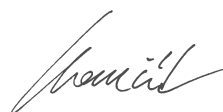
Date of preparation
20 April 2018

Signature of the statutory representative



Marcel Homolka
Chairman of the Board of Directors

Signature of the statutory representative



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 Ing. 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

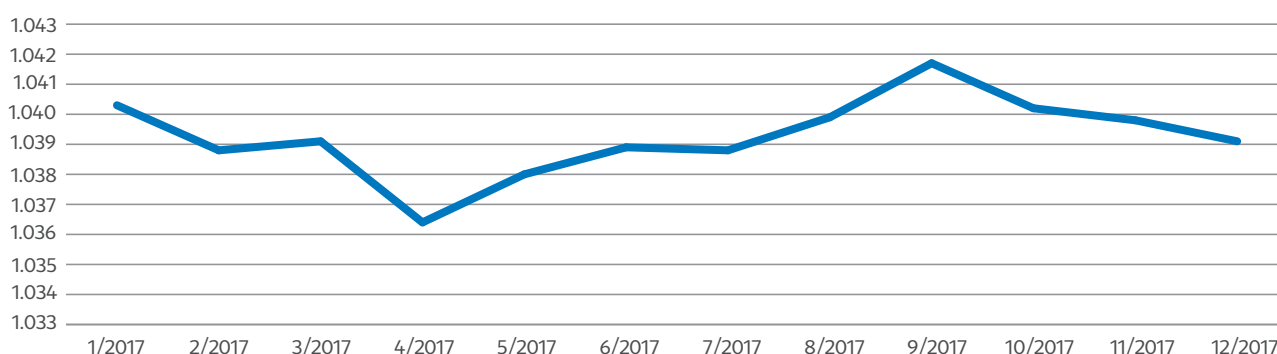
Name	ISIN	Acquisition price (CZK thousand)	Fair value (CZK thousand)
Current accounts	BU	22,677	22,675
Repo agreements	Reverse repo	140,000	139,913
CZ GB L-10 11/27	CZ0001004105	47,769	48,632
CZ GB L+65 04/23	CZ0001003123	19,613	19,921
CZ GB 4.70 09/22	CZ0001001945	4,571	4,226
CITY OF PRAGUE 4.25 5/21	CZ0001500110	3,450	3,361
BNP PARIBAS L+65 01/18	XS0877209188	3,025	3,008

- 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 December 2015	92,304	1.0435
31 December 2016	153,611	1.0420
31 December 2017	237,863	1.0391

- 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 2015	31 December 2016	31 December 2017
Due from banks and cooperative savings banks	10,946	70,905	162,588
a) repayable on demand	4,946	10,902	22,675
b) other receivables	6,000	60,003	139,913
Debt securities	83,149	87,608	81,753
a) issued by government organizations	76,885	81,383	73,380
b) issued by other entities	6,264	6,225	8,373
Shares, participating certificates and other interests	0	0	0
Other assets	1,130	36	0
TOTAL	95,225	158,549	244,341

- 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.

Pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting, Penzijní společnost České pojišťovny, a.s. discloses information on the projected development of the entity:

Increased interest in supplementary pension savings programs will boost dynamic growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2017

Spořicí účastnický fond
Penzijní společnosti České pojišťovny a. s.

Spořicí účastnický fond Penzijní společnosti České pojišťovny a. s. – 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 2017, 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 2017, 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 and the Audit Committee 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.

The Audit Committee of Penzijní společnost České pojišťovny, a.s. is responsible for overseeing the Fund'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 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 Audit committee 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

25. dubna 2018
Prague, Czech Republic

Spořicí účastnický fond Penzijní společnosti České pojišťovny a. s. – Financial statements for the year ended 31 December 2017

Balance Sheet as at 31 December 2017

ASSETS (in CZK thousands)	Note	31 December 2017	31 December 2016
Due from banks	3	3,527,960	789,206
of which: a) repayable on demand		419,591	89,206
b) other receivables		3,108,369	700,000
Debt securities	4	2,119,207	2,101,446
of which: a) issued by government institutions		903,557	992,543
b) issued by other entities		1,215,650	1,108,903
Other assets	5	834	782
TOTAL ASSETS		5,648,001	2,891,434
LIABILITIES (in CZK thousands)	Note	31 December 2017	31 December 2016
Amounts owed to banks and cooperative saving banks	6	1,125,354	0
of which: other liabilities		1,125,354	0
Other liabilities	7	68,717	24,035
Capital funds	8	4,405,584	2,818,615
Retained earnings	8	48,784	31,452
Profit/(Loss) for the period	8	(438)	17,332
TOTAL LIABILITIES		5,648,001	2,891,434
OFF-BALANCE SHEET ITEMS (in CZK thousands)	Note	31 December 2017	31 December 2016
Off-balance sheet assets			
Receivables from fixed-term transactions	13.3	0	1,082,814
Assets provided for management by a third party		4,453,930	2,867,399
Total off-balance sheet assets		4,453,930	3,950,213
Off-balance sheet liabilities			
Payables from fixed-term transactions	13.3	0	1,086,075
Payables from collateral received		3,108,369	700,000
Total off-balance sheet liabilities		3,108,369	1,786,075

Income Statement for the year ended 31 December 2017

(in CZK thousands)	Note	2017	2016
Interest and similar income	9	44,121	43,105
of which: interest income from debt securities		39,656	43,063
Interest and similar expense		(4,453)	0
of which: interest expense from debt securities		(6)	0
Fee and commission expense	10	(38,066)	(25,999)
Gain/(Loss) from financial transactions	11	(2,040)	226
Profit/(Loss) on ordinary activities before tax	8	(438)	17,332
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	(438)	17,332

Financial statements for the year ended 31 December 2017

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.

In 2015 the Fund's Statute changed and, as a result, fees for management and fees for appreciation have been calculated using a higher percentage rate since 1 February 2016.

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 following rules apply to recognition of financial assets and liabilities:

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a spot contract is executed) provided that the period between the trade date and the settlement date does not exceed a period typical for the relevant type of transaction.

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 mid-price quoted by a relevant stock exchange or other active public market. 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 exposures.

2.7. Interest Income and Expense, Dividend Income

Interest income and expense 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 Expense

The fee and commission expense 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 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 15% 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.

2.9. 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

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

2.13. Deferred Tax

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

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 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 2017	31 December 2016
Current accounts with banks	419,591	89,206
Reverse repo agreements	3,108,369	700,000
Total amounts due from banks	3,527,960	789,206

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	642,250	788,919
Foreign stock exchanges	1,476,957	1,312,527
Total debt securities	2,119,207	2,101,446

5. Other Assets

(in CZK thousands)	31 December 2017	31 December 2016
Receivables from securities transactions	834	330
Financial derivatives (Note 13.3)	0	452
Total other assets	834	782

6. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2017	31 December 2016
Repo agreements	1,125,354	0
Amounts owed to banks and cooperative saving banks	1,125,354	0

The Fund has been using mainly foreign currency repo agreements to hedge foreign currency exposures since 2017.

7. Other Liabilities

(in CZK thousands)	31 December 2017	31 December 2016
Payables to policyholders	18,984	14,143
Liabilities from securities transactions	43,617	0
Financial derivatives (Note 13.3)	0	3,713
Fee for management and appreciation of assets (see Note 14)	6,116	6,179
Total other liabilities	68,717	24,035

Liabilities from securities transactions include purchases of securities already traded but not yet settled.

8. Capital Funds and Profit for the Period

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.

(in CZK thousands)	31 December 2017	31 December 2016
Equity (in CZK thousands)	4,453,930	2,867,399
Number of units	4,142,194,103.5012	2,667,102,288.1579
NAV/unit	1.0752	1.0751
Annual yield (p.a.)	0.01%	0.80%

The Board of Directors has proposed to allocate the loss for 2017 totaling CZK 438 thousand to retained earnings; however, a decision on settlement has not yet been made. The profit for 2016 totaling CZK 17,332 thousand was allocated to retained earnings.

Number of policyholders:

(pieces)	31 December 2017	31 December 2016
Number of policyholders:	128,622	88,403

Pension benefit payments:

	2017	2016
Amount (in CZK thousands)	187,218	105,441
Number of pension benefits	6,190	8,875

9. Interest and Similar Income

(in CZK thousands)	2017	2016
Interest on debt securities	39,656	43,063
Other interest income	4,465	42
Total interest and similar income	44,121	43,105

10. Fee and Commission Expense

(in CZK thousands)	2017	2016
Fee for management of assets	(36,008)	(22,300)
Fee for appreciation of assets	(2,058)	(3,699)
Total fee and commission expense (Note 14)	(38,066)	(25,999)

11. Gain or Loss from Financial Transactions

(in CZK thousands)	31 December 2017	31 December 2016
Securities	3,012	5,729
Foreign exchange differences	(11,506)	8,853
Derivatives	6,454	(14,356)
Total gain or loss from financial transactions	(2,040)	226

As at 31 December 2017 and 2016, 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 6,454 thousand and CZK (14,356) thousand, respectively.

12. Income Tax

Since 1 January 2015 the applicable tax rate has been zero. 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 2017 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	3,527,960	0	0	0	3,527,960
Debt securities	795,336	1,129,721	34,541	159,609	2,119,207
Total financial assets	4,323,296	1,129,721	34,541	159,609	5,647,167

31 December 2016 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	789,206	0	0	0	789,206
Debt securities	965,882	869,819	88,924	176,821	2,101,446
Total financial assets	1,755,088	869,819	88,924	176,821	2,890,652

13.3. Financial Derivatives

The Fund uses the financial derivatives for effective management of the assets. Derivative contracts for hedging foreign currency risk are typically agreed for a period of less than one moth. 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 2017 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	0	0	0	0
Total derivatives	0	0	0	0

31 December 2016 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	1,082,814	1,086,075	452	(3,713)
Total derivatives	1,082,814	1,086,075	452	(3,713)

13.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the prevailing 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 2017 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	3,479,572	3,133	45,113	142	3,527,960
Debt securities	969,668	853,048	285,207	11,284	2,119,207
Other assets	42	0	792	0	834
Total	4,449,282	856,181	331,112	11,426	5,648,001
Liabilities					
Amounts owed to banks	0	834,382	280,242	10,730	1,125,354
Other liabilities	68,717	0	0	0	68,717
Equity	4,453,930	0	0	0	4,453,930
Total	4,522,647	834,382	280,242	10,730	5,648,001
Net balance sheet assets (+) / liabilities (-)	(73,365)	21,799	50,870	696	0
Net off-balance sheet currency positions	0	0	0	0	0
Net open currency position	(73,365)	21,799	50,870	696	0

31 December 2016 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	788,766	94	45	301	789,206
Debt securities	1,008,698	849,486	205,531	37,731	2,101,446
Other assets	330	0	369	83	782
Total	1,797,794	849,580	205,945	38,115	2,891,434
Liabilities					
Amounts owed to banks	0	0	0	0	0
Other liabilities	20,322	1,835	1,878	0	24,035
Equity	2,867,399	0	0	0	2,867,399
Total	2,887,721	1,835	1,878	0	2,891,434
Net balance sheet assets (+) / liabilities (-)	(1,089,927)	847,745	204,067	38,115	0
Net off-balance sheet currency positions	1,082,814	(846,275)	(204,111)	(35,689)	(3,261)
Net open currency position	(7,113)	1,470	(44)	2,426	(3,261)

13.5. Interest Rate Risk

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

The tables below summarize 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, interest rate change or maturity dates.

31 December 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	419,591	0	0	0	419,591
Reverse repo agreements	3,108,369	0	0	0	3,108,369
Debt securities	221,002	528,390	968,517	401,298	2,119,207
Total assets	3,748,962	528,390	968,517	401,298	5,647,167
Liabilities					
Amounts owed to banks	1,125,354	0	0	0	1,125,354
Total liabilities	1,125,354	0	0	0	1,125,354

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	89,206	0	0	0	89,206
Reverse repo agreements	700,000	0	0	0	700,000
Debt securities	302,857	538,341	914,527	345,721	2,101,446
Total assets	1,092,063	538,341	914,527	345,721	2,890,652

The Fund did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2016.

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 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	3,527,960	0	0	0	0	3,527,960
Debt securities	24,269	15,691	1,010,304	1,068,943	0	2,119,207
Other assets	834	0	0	0	0	834
Total assets	3,553,063	15,691	1,010,304	1,068,943	0	5,648,001
Liabilities						
Amounts owed to banks	1,125,354	0	0	0	0	1,125,354
Other liabilities	68,717	0	0	0	0	68,717
Total liabilities	1,194,071	0	0	0	0	1,194,071
Net liquidity exposure	2,358,992	15,691	1,010,304	1,068,943	0	4,453,930

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	789,206	0	0	0	0	789,206
Debt securities	5,455	86,995	1,035,580	973,416	0	2,101,446
Other assets	782	0	0	0	0	782
Total assets	795,443	86,995	1,035,580	973,416	0	2,891,434
Liabilities						
Amounts owed to banks	0	0	0	0	0	0
Other liabilities	24,035	0	0	0	0	24,035
Total liabilities	24,035	0	0	0	0	24,035
Net liquidity exposure	771,408	86,995	1,035,580	973,416	0	2,867,399

14. Related Party Transactions

(in CZK thousands)	31 December 2017	31 December 2016
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation	6,116	6,178
Expenses – fee for management, fee for appreciation	(38,066)	(25,999)

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

No 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 2017.


Date of preparation
20 April 2018

Signature of the statutory representative



Marcel Homolka
Chairman of the Board of Directors

Signature of the statutory representative



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 Ing. 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 price (CZK thousand)	Fair value (CZK thousand)
Current accounts	BU	420,086	419,591
Repo agreements	Reverse repo	3,110,000	3,108,369
CZ GB L-10 11/27	CZ0001004105	265,471	276,246
CZ GB L+65 04/23	CZ0001003123	217,975	220,377
MOL 2.625 04/23	XS1401114811	78,588	78,855
CETIN FIN 1.25 12/23	XS1529936335	79,321	76,786
NE Property 3.75 02/21	XS1325078308	72,680	74,139
RB ZERO 08/22	AT000B014055	69,908	67,627
RO GB 3.625 04/24	XS1060842975	61,418	61,910
ORLEN CAP 2.5 06/21	XS1082660744	60,465	60,495
MBANK FIN 2.375 04/19	XS1050665386	61,363	58,860
ALSTRIA REIT 2.125 04/23	XS1346695437	58,689	58,357

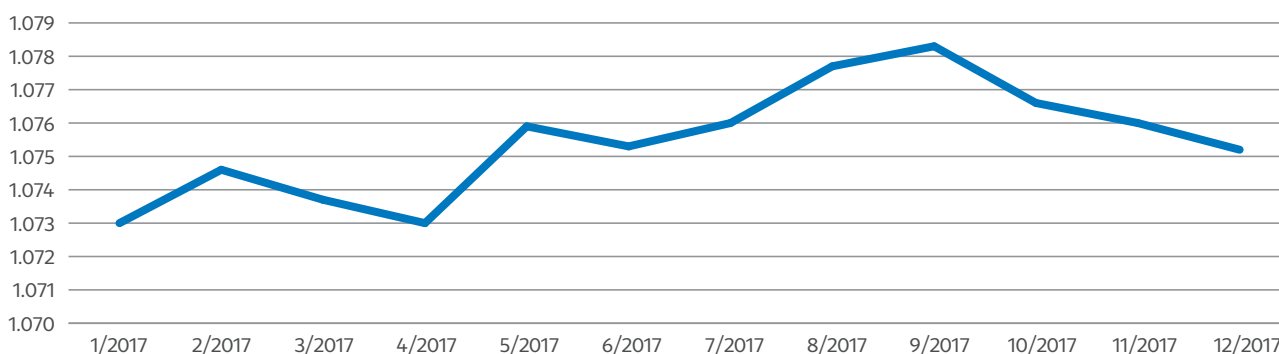
- g) **Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period,** pursuant to Subsection 2, Letter (g) of Annex 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 December 2015	1,686,816	1.0666
31 December 2016	2,867,399	1.0751
31 December 2017	4,453,930	1.0752

- 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 2015	31 December 2016	31 December 2017
Due from banks and cooperative savings banks	189,119	789,206	3,527,960
a) repayable on demand	89,119	89,206	419,591
b) other receivables	100,000	700,000	3,108,369
Debt securities	1,518,940	2,101,446	2,119,207
a) issued by government organizations	1,068,141	992,543	903,557
b) issued by other entities	450,799	1,108,903	1,215,650
Shares, participating certificates and other interests	0	0	0
Other assets	32,671	782	834
TOTAL	1,740,730	2,891,434	5,648,001

- 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.

Pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting, Penzijní společnost České pojišťovny, a.s. discloses information on the projected development of the entity:

Increased interest in supplementary pension savings programs will boost dynamic growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2017

Vyvážený účastnický fond
Penzijní společnosti České pojišťovny a. s.

Vyvážení účastnický fond Penzijní společnosti České pojišťovny a. s. – 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 2017, 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 2017, 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 and the Audit Committee 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.

The Audit Committee of Penzijní společnost České pojišťovny, a.s. is responsible for overseeing the Fund'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 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 Audit committee 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

25 April 2018
Prague, Czech Republic

Vyvážení účastnický fond Penzijní společnosti České pojišťovny a. s. – Financial statements for the year ended 31 December 2017

Balance Sheet as at 31 December 2017

ASSETS (in CZK thousands)	Note	31 December 2017	31 December 2016
Due from banks	3	524,037	126,631
of which: a) repayable on demand		99,081	34,199
b) other receivables		424,956	92,432
Debt securities	4	353,598	299,838
of which: a) issued by government institutions		87,572	94,396
b) issued by other entities		266,026	205,442
Shares and mutual funds	4	356,070	193,212
Other assets	5	2,762	589
TOTAL ASSETS		1,236,467	620,270
LIABILITIES (in CZK thousands)	Note	31 December 2017	31 December 2016
Amounts owed to banks and cooperative saving banks	6	162,956	0
of which: other liabilities		162,956	0
Other liabilities	7	24,774	12,522
Capital funds	8	997,307	585,954
Retained earnings	8	21,794	1,997
Profit/(Loss) for the period	8	29,636	19,797
TOTAL LIABILITIES		1,236,467	620,270
OFF-BALANCE SHEET ITEMS (in CZK thousands)	Note	31 December 2017	31 December 2016
Off-balance sheet assets			
Receivables from fixed-term transactions	13.3	330,792	327,621
Assets provided for management by a third party		1,048,737	607,748
Total off-balance sheet assets		1,379,529	935,369
Off-balance sheet liabilities			
Payables from fixed-term transactions	13.3	328,996	327,770
Payables from collateral received		424,701	90,000
Total off-balance sheet liabilities		753,697	417,770

Income Statement for the year ended 31 December 2017

(in CZK thousands)	Note	2017	2016
Interest and similar income	9	8,880	8,082
of which: interest income from debt securities		8,269	8,078
Interest and similar expense		(1,097)	0
of which: interest expense from debt securities		0	0
Income from shares and mutual funds		5,687	3,417
of which: other income from shares and mutual funds		5,687	3,417
Fee and commission expense	10	(13,844)	(4,179)
Gain/(Loss) from financial transactions	11	30,010	12,477
Profit/(Loss) on ordinary activities before tax	8	29,636	19,797
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	29,636	19,797

Financial statements for the year ended 31 December 2017

1. General Information

Vyvážený 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”).

In 2015 the Fund's Statute changed and, as a result, fees for management and fees for appreciation have been calculated using a higher percentage rate since 1 February 2016.

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 following rules apply to recognition of financial assets and liabilities:

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a spot contract is executed) provided that the period between the trade date and the settlement date does not exceed a period typical for the relevant type of transaction.

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 mid-price quoted by a relevant stock exchange or other active public market. 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 exposures.

2.7. Interest Income and Expense, Dividend Income

Interest income and expense 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 Expense

The fee and commission expense 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 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 15% 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.

2.9. 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

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

2.13. Deferred Tax

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

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 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 2017	31 December 2016
Current accounts with banks	99,081	34,199
Cash collateral pledged	255	2,432
Reverse repo agreements	424,701	90,000
Total amounts due from banks	524,037	126,631

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	82,375	44,876
Foreign stock exchanges	271,223	254,962
Total debt securities	353,598	299,838

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	14,192	0
Foreign stock exchanges	341,878	193,212
Total shares and mutual funds	356,070	193,212

5. Other Assets

(in CZK thousands)	31 December 2017	31 December 2016
Receivables from securities transactions	916	17
Financial derivatives (Note 13.3)	1,846	572
Total other assets	2,762	589

6. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2017	31 December 2016
Cash collateral received – OTC derivatives	766	0
Repo agreements	162,190	0
Amounts owed to banks and cooperative saving banks	162,956	0

The Fund has been using mainly foreign currency repo agreements to hedge foreign currency exposures since 2017.

7. Other Liabilities

(in CZK thousands)	31 December 2017	31 December 2016
Payables to policyholders	17,657	11,299
Financial derivatives (Note 13.3)	50	720
Fee for management and appreciation of assets (see Note 14)	7,067	503
Total other liabilities	24,774	12,522

8. Capital Funds and Profit for the Period

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 2017	31 December 2016
Equity (in CZK thousands)	1,048,737	607,748
Number of units	912,117,474.2079	550,416,967.8968
NAV/unit	1.1498	1.1042
Annual yield (p.a)	4.13%	3.48%

The Board of Directors has proposed to allocate the profit for 2017 totaling CZK 29,636 thousand to retained earnings; however, a decision on allocation has not yet been made. The profit for 2016 totaling CZK 19,797 thousand was allocated to retained earnings.

Number of policyholders:

(pieces)	31 December 2017	31 December 2016
Number of policyholders:	54,843	27,265

Pension benefit payments:

	2017	2016
Amount (in CZK thousands)	112,259	55,783
Number of pension benefits	3,689	3,419

9. Interest and Similar Income

(in CZK thousands)	2017	2016
Interest on debt securities	8,269	8,077
Other interest income	611	5
Total interest and similar income	8,880	8,082

10. Fee and Commission Expense

(in CZK thousands)	2017	2016
Fee for management of assets	(7,681)	(4,177)
Fee for appreciation of assets	(6,163)	(2)
Total fee and commission expense (Note 14)	(13,844)	(4,179)

11. Gain or Loss from Financial Transactions

(in CZK thousands)	2017	2016
Securities	37,292	12,421
Foreign exchange differences	(28,933)	3,295
Derivatives	21,651	(3,239)
Total gain or loss from financial transactions	30,010	12,477

As at 31 December 2017 and 2016, 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 21,651 thousand and CZK (3,239) thousand, respectively.

12. Income Tax

Since 1 January 2015 the applicable tax rate has been zero. 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 2017 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	524,037	0	0	0	524,037
Debt securities	93,986	201,089	6,320	52,203	353,598
Shares and mutual funds	10,875	206,879	69,087	69,229	356,070
Financial derivatives	0	1,101	745	0	1,846
Total financial assets	628,898	409,069	76,152	121,432	1,235,551
31 December 2016 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	126,631	0	0	0	126,631
Debt securities	70,138	178,635	6,756	44,309	299,838
Shares and mutual funds	0	127,478	35,215	30,519	193,212
Financial derivatives	0	6	566	0	572
Total financial assets	196,769	306,119	42,537	74,828	620,253

13.3. Financial Derivatives

The Fund uses the financial derivatives for effective management of the assets. Derivative contracts for hedging foreign currency risk are typically agreed for a period of less than one moth. 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 2017 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	330,792	328,996	1,846	(50)
Total derivatives	330,792	328,996	1,846	(50)

31 December 2016 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	327,621	327,770	572	(720)
Total derivatives	327,621	327,770	572	(720)

13.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the prevailing 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 2017 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	521,692	1,811	288	246	524,037
Debt securities	134,565	160,903	48,990	9,140	353,598
Shares and mutual funds	14,192	201,619	138,316	1,943	356,070
Other assets	0	1,545	1,204	13	2,762
Total	670,449	365,878	188,798	11,342	1,236,467
Liabilities					
Amounts owed to banks	0	91,837	71,119	0	162,956
Other liabilities	24,724	50	0	0	24,774
Equity	1,048,737	0	0	0	1,048,737
Total	1,073,461	91,887	71,119	0	1,236,467
Net balance sheet assets (+) / liabilities (-)	(403,012)	273,991	117,679	11,342	0
Net off-balance sheet currency positions	330,792	(283,884)	(42,522)	(2,590)	1,796
Net open currency position	(72,220)	(9,893)	75,157	8,752	1,796

31 December 2016 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	123,465	2,588	226	352	126,631
Debt securities	80,236	162,174	42,722	14,706	299,838
Shares and mutual funds	0	127,478	65,734	0	193,212
Other assets	17	0	566	6	589
Total	203,718	292,240	109,248	15,064	620,270
Liabilities					
Amounts owed to banks	0	0	0	0	0
Other liabilities	11,802	667	53	0	12,522
Equity	607,748	0	0	0	607,748
Total	619,550	667	53	0	620,270
Net balance sheet assets (+) / liabilities (-)	(415,832)	291,573	109,195	15,064	0
Net off-balance sheet currency positions	327,621	(236,636)	(83,237)	(7,896)	(148)
Net open currency position	(88,211)	54,937	25,958	7,168	(148)

13.5. Interest Rate Risk

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

The tables below summarize 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, interest rate change or maturity dates.

31 December 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	99,081	0	0	0	99,081
Reverse repo agreements	424,701	0	0	0	424,701
Debt securities	37,199	44,055	208,506	63,838	353,598
Total assets	560,981	44,055	208,506	63,838	877,380
Liabilities					
Amounts owed to banks	162,956	0	0	0	162,956
Total liabilities	162,956	0	0	0	162,956

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	34,199	0	0	0	34,199
Reverse repo agreements	90,000	0	0	0	90,000
Debt securities	20,832	27,436	181,577	69,993	299,838
Total assets	145,031	27,436	181,577	69,993	424,037

The Fund did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2016.

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 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	524,037	0	0	0	0	524,037
Debt securities	3,574	13,066	197,609	139,349	0	353,598
Shares and mutual funds	0	0	0	0	356,070	356,070
Other assets	2,762	0	0	0	0	2,762
Total assets	530,373	13,066	197,609	139,349	356,070	1,236,467
Liabilities						
Amounts owed to banks	162,956	0	0	0	0	162,956
Other liabilities	24,774	0	0	0	0	24,774
Total liabilities	187,730	0	0	0	0	187,730
Net liquidity exposure	342,643	13,066	197,609	139,349	356,070	1,048,737

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	126,631	0	0	0	0	126,631
Debt securities	1,159	2,602	188,752	107,325	0	299,838
Shares and mutual funds	0	0	0	0	193,212	193,212
Other assets	589	0	0	0	0	589
Total assets	128,379	2,602	188,752	107,325	193,212	620,270
Liabilities						
Amounts owed to banks	0	0	0	0	0	0
Other liabilities	12,522	0	0	0	0	12,522
Total liabilities	12,522	0	0	0	0	12,522
Net liquidity exposure	115,857	2,602	188,752	107,325	193,212	607,748

14. Related Party Transactions

(in CZK thousands)	31 December 2017	31 December 2016
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation	7,067	502
Expenses – fee for management, fee for appreciation	(13,844)	(4,179)

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

No 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 2017.

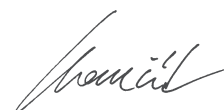
Date of preparation
20 April 2018

Signature of the statutory representative



Marcel Homolka
Chairman of the Board of Directors

Signature of the statutory representative



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 Ing. Tomáš Derner.
- 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 price (CZK thousand)	Fair value (CZK thousand)
Current accounts	BU	99,086	99,081
Repo agreements	Reverse repo	425,000	424,701
EU STOXX50 ISHARES ETF	DE0005933956	55,335	55,453
S&P 500 VANGUARD ETF	IE00B3XXRP09	37,368	41,255
MSCI EM iShares ETF	IE00BKM4GZ66	35,999	39,667
EU STOXX600 ISHARES ETF	DE0002635307	38,300	37,903
EU STOXX50 DB-X ETF	LU0274211217	29,137	30,171
EU STOXX50 DEKA ETF	DE000ETFL029	29,564	29,359
DAX ISHARES ETF	DE0005933931	24,817	25,526
CZ GB L+65 04/23	CZ0001003123	18,646	19,107
HOME CREDIT 3.75 03/20	CZ0000000831	18,000	18,294
J&T GLOBAL FIN 3.0 11/19	CZ0003515199	18,005	18,110

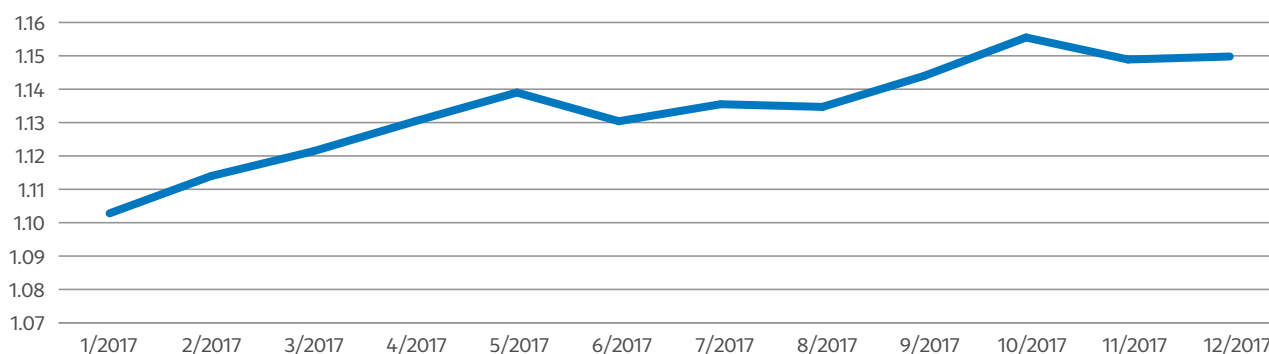
Name	ISIN	Acquisition price (CZK thousand)	Fair value (CZK thousand)
MOL 2.625 04/23	XS1401114811	16,614	16,898
FTSE EM VANGUARD ETF	US9220428588	14,877	15,933
EU STOXX50 AMUNDI ETF	FR0010654913	13,422	15,183
MSCI EM ISHARES ETF	US46434G1031	11,573	13,629
NASDAQ BIOTECH ISHARES ETF	US4642875565	12,990	13,367
ORLEN CAP 2.5 06/21	XS1082660744	13,048	13,042

- 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 December 2015	321,552	1.0671
31 December 2016	607,748	1.1042
31 December 2017	1,048,737	1.1498

- 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 2015	31 December 2016	31 December 2017
Due from banks and cooperative savings banks	39,025	126,631	524,037
a) repayable on demand	19,025	34,199	99,081
b) other receivables	20,000	92,432	424,956
Debt securities	186,083	299,838	353,598
a) issued by government organizations	84,870	94,396	87,572
b) issued by other entities	101,213	205,442	266,026
Shares, participating certificates and other interests	101,885	193,212	356,070
Other assets	6,911	589	2,762
TOTAL	333,904	620,270	1,236,467

- 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.

Pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting, Penzijní společnost České pojišťovny, a.s. discloses information on the projected development of the entity:

Increased interest in supplementary pension savings programs will boost dynamic growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2017

Dynamický účastnický fond
Penzijní společnosti České pojišťovny a. s.

Dynamický účastnický fond Penzijní společnosti České pojišťovny a. s. – 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 2017, 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 2017, 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 and the Audit Committee 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.

The Audit Committee of Penzijní společnost České pojišťovny, a.s. is responsible for overseeing the Fund'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 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 Audit committee 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

25 April 2018
Prague, Czech Republic

Dynamický účastnický fond Penzijní společnosti České pojišťovny a. s. – Financial statements for the year ended 31 December 2017

Balance Sheet as at 31 December 2017

ASSETS (in CZK thousands)	Note	31 December 2017	31 December 2016
Due from banks	3	116,408	34,222
of which: a) repayable on demand		44,219	9,222
b) other receivables		72,189	25,000
Debt securities	4	102,701	58,867
of which: a) issued by government institutions		17,688	11,825
b) issued by other entities		85,013	47,042
Shares and mutual funds	4	329,064	141,599
Other assets	5	2,248	299
TOTAL ASSETS		550,421	234,987
LIABILITIES (in CZK thousands)	Note	31 December 2017	31 December 2016
Amounts owed to banks and cooperative saving banks	6	54,679	0
of which: other liabilities		54,679	0
Other liabilities	7	11,334	2,968
Capital funds	8	447,728	219,347
Retained earnings	8	12,672	(352)
Profit/(Loss) for the period	8	24,008	13,024
TOTAL LIABILITIES		550,421	234,987
OFF-BALANCE SHEET ITEMS (in CZK thousands)	Note	31 December 2017	31 December 2016
Off-balance sheet assets			
Receivables from fixed-term transactions	13.3	241,949	118,016
Assets provided for management by a third party		484,408	232,019
Total off-balance sheet assets		726,357	350,035
Off-balance sheet liabilities			
Payables from fixed-term transactions	13.3	240,084	118,007
Payables from collateral received		71,934	25,000
Total off-balance sheet liabilities		312,018	143,007

Income Statement for the year ended 31 December 2017

(in CZK thousands)	Note	2017	2016
Interest and similar income	9	2,618	1,476
of which: interest income from debt securities		2,475	1,475
Interest and similar expense		(286)	0
of which: interest expense from debt securities		0	0
Income from shares and mutual funds		4,295	2,231
of which: other income from shares and mutual funds		4,295	2,231
Fee and commission expense	10	(8,318)	(1,526)
Gain/(Loss) from financial transactions	11	25,699	10,843
Profit/(Loss) on ordinary activities before tax	8	24,008	13,024
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	24,008	13,024

Financial statements for the year ended 31 December 2017

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.

In 2015 the Fund's Statute changed and, as a result, fees for management and fees for appreciation have been calculated using a higher percentage rate since 1 February 2016.

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 following rules apply to recognition of financial assets and liabilities:

The transaction recognition date for purchase and sale of financial assets is a trade date (date on which a spot contract is executed) provided that the period between the trade date and the settlement date does not exceed a period typical for the relevant type of transaction.

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 mid-price quoted by a relevant stock exchange or other active public market. 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 exposures.

2.7. Interest Income and Expense, Dividend Income

Interest income and expense 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 Expense

The fee and commission expense 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 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 15% 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.

2.9. 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

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

2.13. Deferred Tax

Since 1 January 2015, the applicable tax rate has been zero per cent based on an amendment to Act No. 586/1992 Coll. on Income Taxes Act.

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 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 2017	31 December 2016
Current accounts with banks	44,219	9,222
Cash collateral pledged	255	0
Reverse repo agreements	71,934	25,000
Total amounts due from banks	116,408	34,222

4. Securities

All securities held by the Fund are listed.

Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	28,551	3,566
Foreign stock exchanges	74,150	55,301
Total debt securities	102,701	58,867

(in CZK thousands)	31 December 2017	31 December 2016
Traded on the primary or secondary PSE market	18,279	4,774
Foreign stock exchanges	310,785	136,825
Total shares and mutual funds	329,064	141,599

5. Other Assets

(in CZK thousands)	31 December 2017	31 December 2016
Receivables from securities transactions	337	32
Financial derivatives (Note 13.3)	1,911	267
Total other assets	2,248	299

6. Amounts Owed to Banks and Cooperative Saving Banks

(in CZK thousands)	31 December 2017	31 December 2016
Cash collateral received – OTC derivatives	1,277	0
Repo agreements	53,402	0
Amounts owed to banks and cooperative saving banks	54,679	0

The Fund has been using mainly foreign currency repo agreements to hedge foreign currency exposures since 2017.

7. Other Liabilities

(in CZK thousands)	31 December 2017	31 December 2016
Payables to policyholders	5,833	2,521
Financial derivatives (Note 13.3)	46	258
Fee for management and appreciation of assets (see Note 14)	5,455	189
Total other liabilities	11,334	2,968

8. Capital Funds and Profit for the Period

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 2017	31 December 2016
Equity (in CZK thousands)	484,408	232,019
Number of units	400,404,256.2057	207,562,074.7080
NAV/unit	1.2099	1.1178
Annual yield (p.a.)	8.24%	6.36%

The Board of Directors has proposed to allocate the profit for 2017 totaling CZK 24,008 thousand to retained earnings; however, a decision on allocation has not yet been made. The profit for 2016 totaling CZK 13,024 thousand was allocated to retained earnings.

Number of policyholders:

(pieces)	31 December 2017	31 December 2016
Number of policyholders:	34,019	10,773

Pension benefit payments:

	2017	2016
Amount (in CZK thousands)	31,672	14,117
Number of pension benefits	1,426	1,111

9. Interest and Similar Income

(in CZK thousands)	2017	2016
Interest on debt securities	2,475	1,475
Other interest income	143	1
Total interest and similar income	2,618	1,476

10. Fee and Commission Expense

(in CZK thousands)	2017	2016
Fee for management of assets	(3,243)	(1,520)
Fee for appreciation of assets	(5,042)	1
Other	(33)	(7)
Total fee and commission expense (Note 14)	(8,318)	(1,526)

11. Gain or Loss from Financial Transactions

(in CZK thousands)	2017	2016
Securities	33,597	9,605
Foreign exchange differences	(25,093)	2,788
Derivatives	17,195	(1,550)
Total gain or loss from financial transactions	25,699	10,843

As at 31 December 2017 and 2016, 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 17,195 thousand and CZK (1,550) thousand, respectively.

12. Income Tax

Since 1 January 2015 the applicable tax rate has been zero. 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 2017 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	116,408	0	0	0	116,408
Debt securities	33,889	48,402	0	20,410	102,701
Shares and mutual funds	15,359	161,432	98,751	53,522	329,064
Financial derivatives	0	635	1,276	0	1,911
Total financial assets	165,656	210,469	100,027	73,932	550,084

31 December 2016 (in CZK thousands)	Czech Republic	European Union excluding Czech Republic	USA	Other	Total
Financial assets					
Due from banks	34,222	0	0	0	34,222
Debt securities	13,733	31,226	0	13,908	58,867
Shares and mutual funds	4,774	73,725	42,831	20,269	141,599
Financial derivatives	0	1	266	0	267
Total financial assets	52,729	104,952	43,097	34,177	234,955

13.3. Financial Derivatives

The Fund uses the financial derivatives for effective management of the assets. Derivative contracts for hedging foreign currency risk are typically agreed for a period of less than one moth. 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 2017 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	241,949	240,084	1,911	(46)
Total derivatives	241,949	240,084	1,911	(46)

31 December 2016 (in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	118,016	118,007	267	(258)
Total derivatives	118,016	118,007	267	(258)

13.4. Currency Risk

The Fund takes on exposure resulting from fluctuations in the prevailing 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 2017 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	115,804	285	229	90	116,408
Debt securities	35,731	46,930	20,040	0	102,701
Shares and mutual funds	18,279	160,284	148,930	1,571	329,064
Other assets	0	728	1,520	0	2,248
Total	169,814	208,227	170,719	1,661	550,421
Liabilities					
Amounts owed to banks	0	30,959	23,720	0	54,679
Other liabilities	11,288	45	1	0	11,334
Equity	484,408	0	0	0	484,408
Total	495,696	31,004	23,721	0	550,421
Net balance sheet assets (+) / liabilities (-)	(325,882)	177,223	146,998	1,661	0
Net off-balance sheet currency positions	241,949	(184,587)	(55,497)	0	1,865
Net open currency position	(83,933)	(7,364)	91,501	1,661	1,865

31 December 2016 (in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	33,521	42	434	225	34,222
Debt securities	10,901	37,932	8,187	1,847	58,867
Shares and mutual funds	4,774	75,346	61,479	0	141,599
Other assets	0	0	298	1	299
Total	49,196	113,320	70,398	2,073	234,987
Liabilities					
Amounts owed to banks	0	0	0	0	0
Other liabilities	2,710	205	53	0	2,968
Equity	232,019	0	0	0	232,019
Total	234,729	205	53	0	234,987
Net balance sheet assets (+) / liabilities (-)	(185,533)	113,115	70,345	2,073	0
Net off-balance sheet currency positions	118,016	(75,646)	(40,466)	(1,895)	9
Net open currency position	(67,517)	37,469	29,879	178	9

13.5. Interest Rate Risk

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

The tables below summarize 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, interest rate change or maturity dates.

31 December 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	44,219	0	0	0	44,219
Reverse repo agreements	71,934	0	0	0	71,934
Debt securities	0	7,033	75,278	20,390	102,701
Total assets	116,153	7,033	75,278	20,390	218,854
Liabilities					
Amounts owed to banks	54,679	0	0	0	54,679
Total liabilities	54,679	0	0	0	54,679

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets					
Due from banks	9,222	0	0	0	9,222
Reverse repo agreements	25,000	0	0	0	25,000
Debt securities	5,409	2,700	34,456	16,302	58,867
Total assets	39,631	2,700	34,456	16,302	93,089

The Fund did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2016.

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 2017 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	116,408	0	0	0	0	116,408
Debt securities	116	3,215	55,931	43,439	0	102,701
Shares and mutual funds	0	0	0	0	329,064	329,064
Other assets	2,248	0	0	0	0	2,248
Total assets	118,772	3,215	55,931	43,439	329,064	550,421
Liabilities						
Amounts owed to banks	54,679	0	0	0	0	54,679
Other liabilities	11,334	0	0	0	0	11,334
Total liabilities	66,013	0	0	0	0	66,013
Net liquidity exposure	52,759	3,215	55,931	43,439	329,064	484,408

31 December 2016 (in CZK thousands)	Within 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	34,222	0	0	0	0	34,222
Debt securities	149	5,952	33,911	18,855	0	58,867
Shares and mutual funds	0	0	0	0	141,599	141,599
Other assets	299	0	0	0	0	299
Total assets	34,670	5,952	33,911	18,855	141,599	234,987
Liabilities						
Amounts owed to banks	0	0	0	0	0	0
Other liabilities	2,968	0	0	0	0	2,968
Total liabilities	2,968	0	0	0	0	2,968
Net liquidity exposure	31,702	5,952	33,911	18,855	141,599	232,019

14. Related Party Transactions

(in CZK thousands)	31 December 2017	31 December 2016
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation	5,455	189
Expenses – fee for management, fee for appreciation	(8,318)	(1,526)

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

No 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 2017.

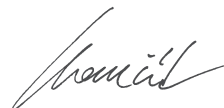
Date of preparation
20 April 2018

Signature of the statutory representative



Marcel Homolka
Chairman of the Board of Directors

Signature of the statutory representative



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 Ing. Tomáš Derner.
- 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 price (CZK thousand)	Fair value (CZK thousand)
Current accounts	BU	44,228	44,219
Repo agreements	Reverse repo	72,000	71,934
MSCI EM iShares ETF	IE00BKM4GZ66	29,673	32,461
EU STOXX50 ISHARES ETF	DE0005933956	23,115	23,478
DAX ISHARES ETF	DE0005933931	20,845	21,429
EU STOXX600 ISHARES ETF	DE0002635307	19,764	19,652
S&P 500 VANGUARD ETF	IE00B3XXRP09	12,120	13,108
FTSE EM VANGUARD ETF	US9220428588	11,911	12,629
EU STOXX50 DB-X ETF	LU0274211217	11,584	11,888
NASDAQ BIOTECH ISHARES ETF	US4642875565	11,063	11,355
MOL 2.625 04/23	XS1401114811	11,118	11,265
HOME CREDIT 3.75 03/20	CZ0000000831	9,000	9,147
J&T GLOBAL FIN 3.0 11/19	CZ0003515199	9,003	9,055
EU STOXX50 AMUNDI ETF	FR0010654913	6,904	7,713

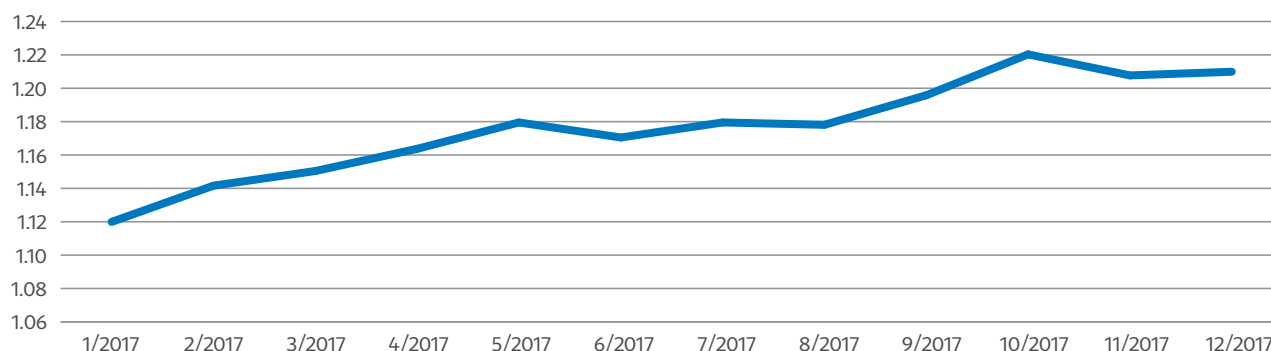
- g) **Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period,** pursuant to Subsection 2, Letter (g) of Annex 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 December 2015	114,524	1.0510
31 December 2016	232,019	1.1178
31 December 2017	484,408	1.2099

- 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 2015	31 December 2016	31 December 2017
Due from banks and cooperative savings banks	7 296	34 222	116 408
a) repayable on demand	7 296	9 222	44 219
b) other receivables	0	25 000	72 189
Debt securities	40 232	58 867	102 701
a) issued by government organizations	14 020	11 825	17 688
b) issued by other entities	26 212	47 042	85 013
Shares, participating certificates and other interests	68 332	141 599	329 064
Other assets	2 222	299	2 248
TOTAL	118 082	234 987	550 421

- 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.

Pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting, Penzijní společnost České pojišťovny, a.s. discloses information on the projected development of the entity:

Increased interest in supplementary pension savings programs will boost dynamic growth in the number of clients and the volume of administered assets in the coming period.

Contacts

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Depository:	UniCredit Bank Czech Republic and Slovakia a.s., Želetavská 1525/1, 140 92 Praha 4, Česká republika