

Annual Report 2020



GENERALI
PENZIJNÍ SPOLEČNOST

Generali penzijní společnost, a.s.

The largest pension savings provider in the Czech Republic



Generali penzijní společnost

With 'red', your future is secure

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



Generali penzijní společnost, the largest domestic pension company, **is number one on the market.**



We currently take care of more than **1,1** million clients.

Managed savings totalled CZK **128** billion at the 2020 year-end.



We handle employee pension savings schemes for **5 000** of companies.

For two decades now, we have maintained our unrivalled position as the strongest pension company in the Czech Republic; we control a **25 %** share of the supplementary pension insurance market.



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Company profile

Company name:	Generali penzijní společnost, a.s. (until 30 June 2020 Penzijní společnost České pojišťovny, a.s.)
Registered office:	Na Pankráci 1720/123, 140 21 Prague 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

Generali penzijní společnost has been the largest pension savings provider in the Czech Republic in the long run. The Company currently has nearly 1.1 million customers, and employers make contributions on behalf of 284,000 of them. In 2020, the Company made a profit of CZK 653 million. The total volume of customer funds under management in the same period was almost CZK 128 billion.

The Company's mission is to offer customers the best solutions related to their pension provision through tailored product offering and related services. Emphasis is placed on innovation, digital communication, clarity and human approach. Digital services and online access to accounts at www.klientskyportal.cz are provided as the main component of client service. All key savings-related factors, including the utilisation of tax breaks and information for customers on any non-payments, are automated. Financial advisers also draw on a wide range of digitised services, including "paperless" contracting, that are integrated into a dedicated business portal.

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

GENERALI PENZIJNÍ SPOLEČNOST'S RANGE OF FUNDS

Pillar III funds

Dynamický účastnický fond
Vyvážený účastnický fond
Spořicí účastnický fond
Povinný konzervativní fond

Savings schemes

Dynamic
Balanced
Conservative

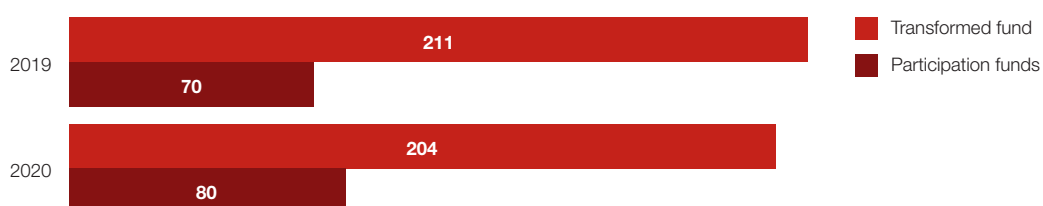
MILESTONES

- 1994** — The Company is founded.
- 1996** — Pension fund customer numbers break through the 100,000 mark.
- 1998** — Company restructuring prompts sharp growth in the fund's economic and sales performance.
- 1999** — A specialised sales unit focusing exclusively on corporate clients is formed.
- 2001** — Supplementary pension schemes become part of the integrated product range known as the ČP Program zaměstnaneckých výhod (ČP Employee Benefit Programme).
- 2002** — The volume of assets exceeds CZK 10 billion.
- 2003** — A merger with the pension fund ČP penzijní fond (formally Commercial Union Penzijní fond) further accelerates Company growth.
- 2004** — Penzijní fond České pojišťovny merges with the pension fund Nový ČP penzijní fond (formally ABN AMRO Penzijní fond) and becomes the market leader in customer numbers.
- 2005** — Customer numbers pass the 800,000 mark and the Company triumphs in its category of the MasterCard Bank of the Year competition for the first time in its history.
- 2007** — Pension fund customer numbers break through the million mark.
- 2009** — Company assets exceed CZK 50 billion.
- 2010** — The Company reports a record CZK 1.15 billion profit.
- 2011** — In response to newly passed laws, the Company officially starts preparing for the upcoming pension reform.
- 2012** — At the end of the year, the Company is transformed from Penzijní fond České pojišťovny (a pension fund) into Penzijní společnost České pojišťovny (a pension company), and the Czech National Bank grants it the licences it needs to operate in the new second and third pillars of the pension system.
- 2013** — The Company enters into a strategic merger with Generali penzijní společnost.
- 2014** — The Company takes over the customer portfolio of Raiffeisen penzijní společnost.
- 2015** — In response to newly passed laws, the Company officially starts preparing for sales of supplementary pension savings schemes to customers under the age of 18.
- 2016** — The second pillar is terminated in response to the passing of legislation scrapping the pension reform. Conversely, a raft of changes are made to the third pillar, including the possibility of taking out savings schemes for children.
- 2017** — The Company was the first on the market to offer the new Balanced Transfer service, eliminating the risks associated with client transfers from the Transformed Fund.
- 2018** — The Company earned a prestigious Superbrands award. The Superbrands title is only awarded to brands that pass a multi-round selection process, including a consumer survey.
- 2019** — The project to digitise the negotiation and amendment of customer contracts, doing away with the need to fill in paper forms, was completed. New features have been added to the portal for sales agents.
- 2020** — Penzijní společnost České pojišťovny, a.s., a subsidiary of GČP, changed its name to Generali penzijní společnost from 1 July.

Key financial figures

Results of Generali penzijní společnost	2020	2019	2018
Profit after tax (in CZK thousands)	653,230	717,466	557,489
Share capital (in CZK thousands)	50,000	50,000	50,000
Number of customers (in thousands)			
Transformed fund	825	865	909
Participation funds	272	250	219
TOTAL	1,097	1,115	1,128
Assets under management (in CZK thousands)			
Transformed fund	112,254,778	106,369,273	100,918,734
Participation funds	15,816,342	12,341,941	8,902,077
TOTAL	128,071,120	118,711,215	109,820,811

Employer's contribution (in thousands)

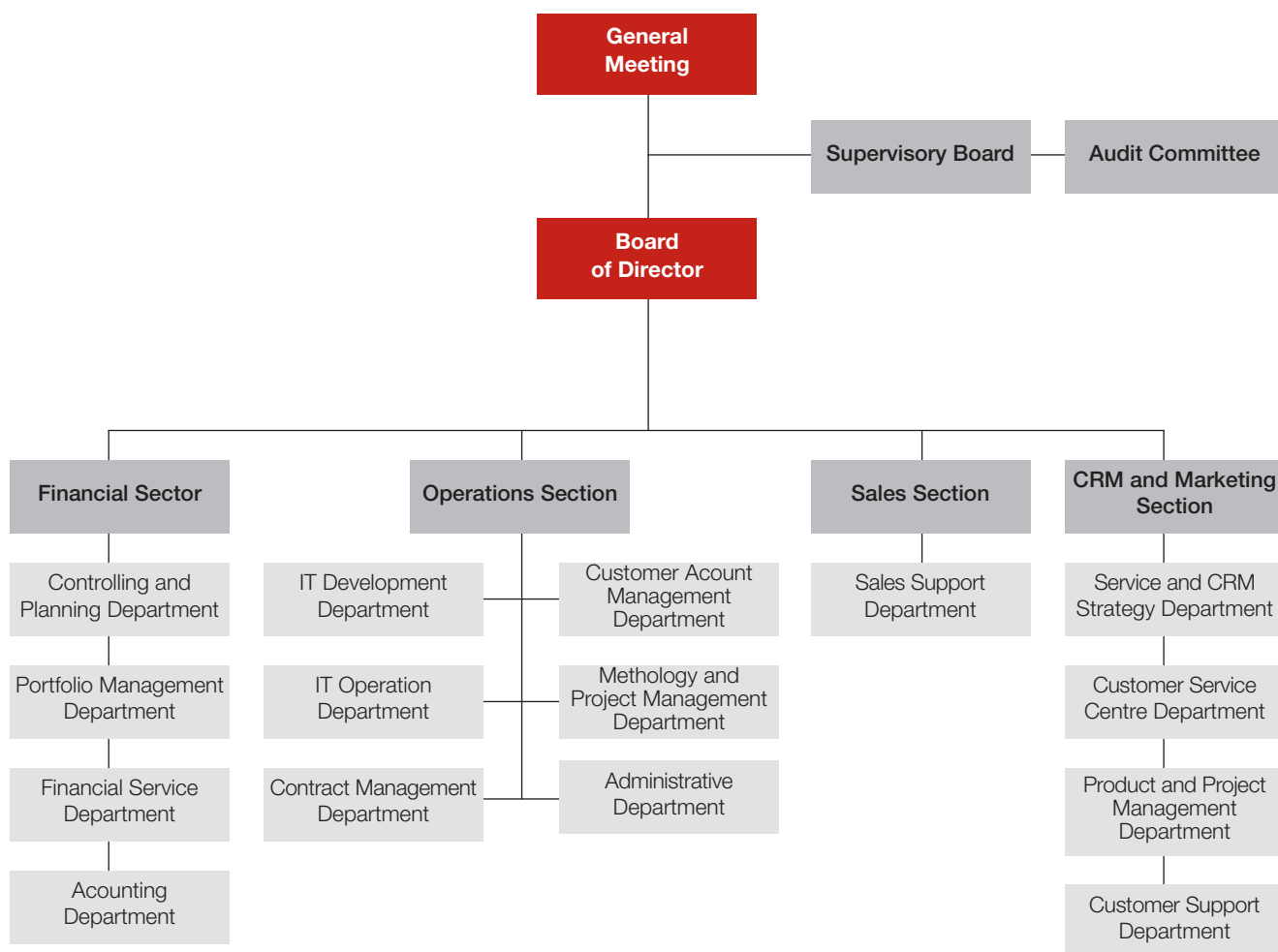


Market share



Company organisational structure

as at 31 December 2020



Statutory bodies

(as at Annual Report date)

BOARD OF DIRECTORS



Chairman of the Board of Directors
RADEK MOC
(appointed as of 1 February 2020)

CEO,
Generali penzijní společnost, a.s.



Vice-Chairman of the Board of Directors
MIROSLAV CHROMČÍK

Finance Director,
Generali penzijní společnost, a.s.



Member of the Board of Directors
MIROSLAV ŽBEL

Sales Support Director,
Generali Česká pojišťovna, a.s.

SUPERVISORY BOARD



Chairman of the Supervisory Board
JOSEF BENEŠ

CEO,
Generali Investments CEE, a.s.



Member of the Supervisory Board
PETR BOHUMSKÝ

CFO,
Generali Česká pojišťovna, a.s.



Member of the Supervisory Board
PAVOL PITOŇÁK

Chief Sales Officer,
Generali Česká Pojišťovna, a.s.

AUDIT COMMITTEE

MARTIN MANČÍK
Committee Chairman

BEÁTA PETRUŠOVÁ
Committee member

ROMAN SMETANA
Committee member

Foreword



Dear Customers, Business Partners, and Shareholders,

The events of 2020 related to the COVID-19 pandemic in the world and, subsequently, in the Czech Republic did not give anyone much cause for optimism. This makes it all the more gratifying to present our Company's annual report for 2020, which illustrates how we successfully made it through these challenging times. The extraordinary commitment of our employees, who reacted with great flexibility to the unexpected turbulent conditions, has played a major role here. The Company's strategy and the support of our parent group Generali were additional advantages. Last year, therefore, under the newly rebranded **Generali penzijní společnost**, we managed to continue to grow the Company and, together with our distribution networks, to meet planned targets, once again confirming our clear number one position on the Czech pension savings market.

Generali penzijní společnost generated a profit of CZK 653 million in 2020. Total managed deposits at year-end exceeded CZK 128 billion. Clients numbered roughly 1.1 million, a quarter of whom have their savings in mutual funds.

The state administration and the vast majority of all sectors, including finance, were (and continue to be) forced to react to the consequences of the pandemic and subsequent economic fluctuations. Despite the highly unfavourable capital markets situation in the spring, all managed funds preserved client deposits and the more dynamic portfolios generated interesting appreciation. In the past year, Dynamický účastnický fond (Dynamic Participation Fund) enjoyed a 5.4% return and Vyvážený účastnický fond (Balanced Participation Fund) 3.1%. Transformovaný fond (Transformed fund) appreciated client deposits by 1.3% p.a., which was once again the highest in this sector category.

Thanks to excellent business continuity management, virtually overnight we moved most of the Company's teams to a safe mode of home office work during the spring lockdown. At the same time, this radical change in operational functioning had no impact on the level and scope of services provided to clients or business partners. In response to external conditions, we accelerated the digitization of our internal processes and services. During the year, we developed a new online tool allowing clients to conclude paperless contracts themselves. At the same time, we strengthened the digital tools used by our consultants, including the possibility of acquiring new clients remotely.

The Company's accelerated digitization fit neatly into the mosaic of Generali Group's global strategic Lifetime Partner concept. Together with its gradual implementation, we continued to identify areas for possible synergies between its individual entities across our financial group in the Czech Republic. Last year, the pension company began using Generali Česká pojišťovna's facilities for better management of its internal sales network. At the same time, there was a similar optimization of contact centre services for clients and merchants. We will continue to streamline other activities in this manner in the near future.

More detailed information about our activities as well as our business and financial results can be found on the following pages of this annual report. Our results of Generali penzijní společnost are convincing proof of our position as a leader on the Czech pension savings market.

In conclusion, please accept my thanks for the long-term support and trust you have placed in us.

Ing. Radek Moc, Ph.D., MBA

Chief Executive Officer, Chairman of the Board of Directors

A handwritten signature in dark ink, appearing to read 'R. Moc', written in a cursive style.

Company Activity Report

We've been operating on the market since 1994, and since 2008 we've been part of the Generali Group, one of the world's leading insurance companies. In 2020, assets under management totalled CZK 128 billion. The pension company currently has almost 1.1 million clients, with employers contributing to the pension plans of 284,000 of them. We offer our clients a wide range of participation funds and savings programs. Clients are offered a number of other services together with savings, including the option of online servicing of their savings products, providing them with a constant overview of their account.

MAJOR EVENTS OF 2020

Penzijní společnost České pojišťovny, as a subsidiary of GČP, was renamed Generali penzijní společnost effective July 1st. Along with the rebranding, the visual style of Generali penzijní společnost also began to change based on the new communication concept of the parent company Generali Česká pojišťovna. The main visual feature is the colour red and all its associations, primarily the heart, the soul and energy. The Company's goal is to transcribe these brand attributes into the daily work of staff, most especially in relation to clients.

Unfortunately, another significant event of the past year was the worldwide COVID-19 pandemic. The year 2020 thoroughly tested the ability of companies to adapt to new conditions. This event required that a number of measures be taken. The absolute priority was to keep all financial and advisory services running smoothly and to protect the health of employees and clients.

However, Generali penzijní společnost was able to take full advantage of the crisis situation and, thanks to the extreme acceleration of the Company's digitization, introduce a number of innovations that supported greater client comfort, and streamlined and accelerated new contract execution as well as work with existing client accounts.

On 10 November 2020, a new fully electronic Supplementary Pension Savings contract negotiator was launched on the Generali penzijní společnost website, the purpose of which is to greatly simplify contract conclusion for potential applicants for this type of retirement savings.

MONETA Money Bank has become a strategic Company partner for the sale of savings products. Thanks to their extensive network of branches and the number of their consultants, we acquired another channel to directly reach customers.

FINANCIAL RESULTS

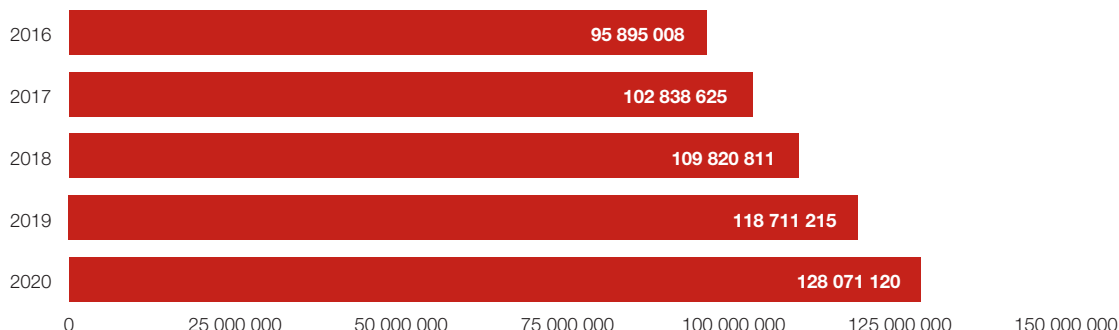
In 2020, the Company achieved a profit of CZK 653 million. In terms of profitability, Generali penzijní společnost has long been the most successful player on the market.

The volume of total managed client funds increased to CZK 128.1 billion at the end of the year, which means a year-on-year increase of 8%. Client investments (including state contributions) and employer investments together totalled CZK 15 billion in 2020 (+3.6% year-on-year).

The weight of assets in mutual funds is gradually increasing, accounting for 10.4% of deposits, while the share of funds in the transformed fund has fallen to 89.6%.

Company management is closely monitoring the situation and taking measures to minimize the impact of the global COVID-19 pandemic on Company operations. While the situation is constantly evolving, the course of the pandemic in 2020 did not have a material impact on the Company's financial results, especially on the quality of the portfolio of financial instruments, financial performance and capital adequacy.

Assets under management of Generali penzijní společnost (in CZK thousands)

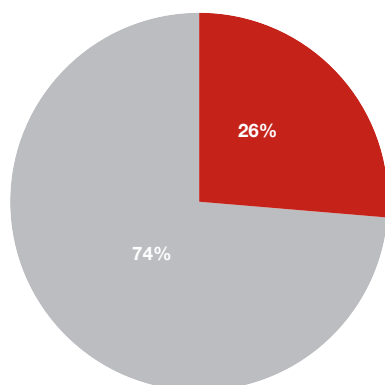


BUSINESS PERFORMANCE

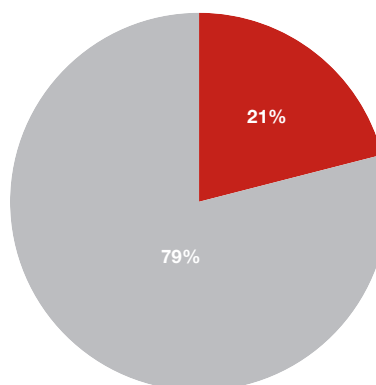
Last year, Generali penzijní společnost once again relied on a diversified distribution network capable of reaching out to a wide range of customer segments. In addition to the branches of the parent, Generali Česká pojišťovna, and the consultants at Generali Česká Distribuce, the Company made extensive use of independent external networks of financial intermediaries. In this respect, a significant role is played by cooperation with selected MLM companies and broker pools. Despite growing competitive pressure, the number of participation fund customers increased by 22,000 to a total of 272,000 (+9% year-on-year). CRM-related business activities also focused on harnessing the existing customer base and increasing deposits. In all, 53,000 customers responded to segmented business and direct marketing offers last year by raising their monthly contributions.

Company's customer share, by market segment

Transformed funds



Participation funds



■ GPS = Generali penzijní společnost
 ■ Market = funds in the Czech Republic in total

OTHER FINANCIAL AND NON-FINANCIAL INFORMATION

Events After the Balance-sheet Date

From 1 January 2021, an amendment to Decree 501/2002 Coll. entered into force for pension companies, participation funds or transformed funds under the Act regulating supplementary pension savings, which amends the reporting and valuation of financial instruments in accordance with international accounting standards regulated by directly applicable European Union rules on the application of international financial reporting standards (hereinafter "IFRS"). The effects of this change on the Company's accounting and managed funds are described in the financial statements in the financial section of the annual report. No significant events occurred between the balance-sheet date (31 December 2020) and the date on which the financial statements were prepared, and the Annual Report provides coherent, balanced and comprehensive information on the performance, activities and economic performance of the Company.

Outlook for the Company's Operations

The Company will continue as a going concern and there are no circumstances that would restrict, or prevent, the Company's ability to continue as a going concern in the following period.

Research and Development

The Company did not engage in any research and development in 2020.

Information on the Acquisition of Treasury Stock or Own Shares

In the 2020 reference period, the Company did not acquire or hold any treasury stock or own shares.

Information on Branches or Other Business Units Abroad

The Company has no organisational units outside the Czech Republic.

HUMAN RESOURCES, CSR AND THE GREEN POLICY

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

Every year, the Company applies and refines its core employee appraisal principles, focusing on positive motivation and the identification and exploitation of the strengths of individuals. Top-rated employees' benefit from systemic support in their development and are involved in the Group's development programmes. The improvements in people's skills highlight, in particular, the needs and areas that are key to the Generali Group's strategy.

The Company also arranges for their preventive health care and ensures that they have the opportunity to stay in good physical and mental shape. This is reflected in the wide and flexible range of employee benefits offered through a "cafeteria" system.

Last year, we responded to our employees' needs – mainly those expressed in a satisfaction survey – and set up a new smart working concept. The principles of smart working are drawn from the previous experience and practice of individual Company departments. The smart working concept strengthens the corporate culture, which is thus based more on the personal responsibility of the individual and also allows for a greater choice of when, where and how the employee will work. The aim is to increase the efficiency of cooperation and employee satisfaction, support work-life balance and save facility costs, as well as build a modern image that will make our company more attractive for, among others, new job seekers.

As a socially responsible company, the pension company – within the Generali Group – became involved in a number of charitable projects in 2020 and was also involved in helping medical staff who faced an unprecedented workload due to the coronavirus crisis. In the spring, a large-scale project to help nurses was established, which included not only financial and material support, but also public involvement and mediation of moral support, which was greatly appreciated by health care workers.

Active employee involvement also plays an important role in the area of social responsibility. Each employee of the Generali penzijní společnost has two days a year to volunteer for the Company.

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

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



Supervisory Board Report

Report of the Supervisory Board of Generali penzijní společnost, a.s. ("the Company") on the results of its supervisory activity, including reviews of the Company's annual financial statements for the 2020 accounting period, the Report on Related-party Transactions for the 2020 accounting period, and its opinion on the proposal made by the Company's Board of Directors for the distribution of the Company's profit for the 2020 accounting period.

In 2020, the work of the Company's Supervisory Board was carried out in accordance with the provisions of the relevant laws and the Company's Articles of Association. The Company's Supervisory Board oversaw the exercise of the responsibilities incumbent upon the Company's Board of Directors and the performance of the Company's business operations.

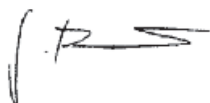
Within the limits of its competence and in accordance with the Company's Articles of Association, the Company's Supervisory Board convened three meetings in 2019. The Supervisory Board engaged primarily in the supervision and monitoring of the Company's management, its business operations and performance, the investment portfolio balance and returns, including the Company's investment strategy, and the fulfilment of the Company's 2020 financial and business plans.

The Company's Board of Directors provided the Company's Supervisory Board with the annual financial statements of the Company for the 2020 accounting period, including the audit thereof, and a proposal for the distribution of Company's profit for 2020. The Company's Supervisory Board also received, for its consideration, the Report on Related-party Transactions for 2020, drawn up in accordance with Section 82(1) of Act No. 90/2012 Coll., on companies and cooperatives, as amended (the "Business Corporations Act"), encompassing the accounting period from 1 January 2020 to 31 December 2020, which was also audited. Having assessed the Company's economic performance for the 2020 accounting period, the Company's Supervisory Board hereby submits the following opinion to the sole shareholder, acting in the capacity of the General Meeting, in accordance with Section 12(1) and Section 447(3) of the Business Corporations Act.

The Company's Supervisory Board has reviewed the annual financial statements of the Company for the 2020 accounting period, and the auditor's report. In line with the audit opinion, it found no errors. Against this background, the Company's Supervisory Board recommends that the Company's General Meeting (specifically, the Company's sole shareholder acting in the capacity of the General Meeting) approve the annual financial statements of the Company for the 2020 accounting period. The Company's Supervisory Board also recommends that a decision be taken on the distribution of the 2020 profit according to the proposal submitted by the Company's Board of Directors.

In accordance with Section 83(1) of the Business Corporations Act, the Company's Supervisory Board also reviewed the Report on Related-party Transactions for 2020, drawn up in accordance with Section 82(1) of the Business Corporations Act, which was also audited, and found no facts therein that would constitute grounds for the Company's Supervisory Board to express a negative opinion on the content thereof.

In Prague, 23 April 2021



Chairman of the Supervisory Board
Ing. Josef Beneš

Financial Section



Report on Relations between Related Parties

for the year ended 31 December 2020

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 Generali penzijní společnosti, a.s., as the statutory body of the controlled entity, has hereby prepared this Report on Relations of Generali penzijní společnosti, a.s., with its registered office at Na Pankráci 1720/123, Nusle, 140 21 Prague 4, for the accounting period from 1 January 2020 to 31 December 2020 (hereinafter the “reporting period”).

I. Company

Generali penzijní společnost, 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;
- concluding supplementary pension savings contracts on behalf and account of a pension company.

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

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

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

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

The following summary includes an overview of agreements concluded by and between the Company and other related parties; these agreements were valid and effective in the reporting period from 1 January 2020 to 31 December 2020 for the whole or part of the period (related parties include their business name as of the date of this report on relations).

Acredité s.r.o.:

- Contract for the implementation of professional examinations dated 1 September 2020.

Generali Česká Distribuce a.s.:

- Framework agreement on cost sharing dated 12 April 2017, as amended by Amendment no. 1-7 (outsourcing of selected activities).
- Sales representation agreement dated 1 July 2017, as amended by Amendment no. 1-6.

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

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

Generali Česká pojišťovna a.s.:

- Framework agreement on cost sharing dated 12 April 2017 (outsourcing of selected activities).
- Agreement on processing of personal data dated 1 July 2004, as amended by Amendment no. 1-2.
- Mandate contract dated 1 December 2012, as amended by Amendment no. 1-9 (concluding cooperation agreements).
- Insurance contract dated 29 December 2014 (movable property and liability insurance).
- Agreement on the sublease of business premises dated 31 March 2017.
- Framework agreement on cost sharing dated 1 January 2017, as amended by Amendment no. 1-3 (outsourcing of selected activities).
- Framework agreement on sharing of NON-IT and IT technologies and related operating expenses dated 1 January 2017, as amended by Amendment no. 1-3.
- Agreement on the provision of access to KPMG Helpline dated 2 January 2013.
- Agreement on the sublease of business premises dated 1 January 2020.

Nadace GCP:

- Donation agreement dated 26 October 2020.

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

- Investment management agreement dated 28 March 2019, including amendments.

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

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

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

- Agreement on performance of obligations arising from Group membership (Group VAT registration) dated 2 January 2018.

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 2020.

In Prague, 30 March 2021



Radek Moc

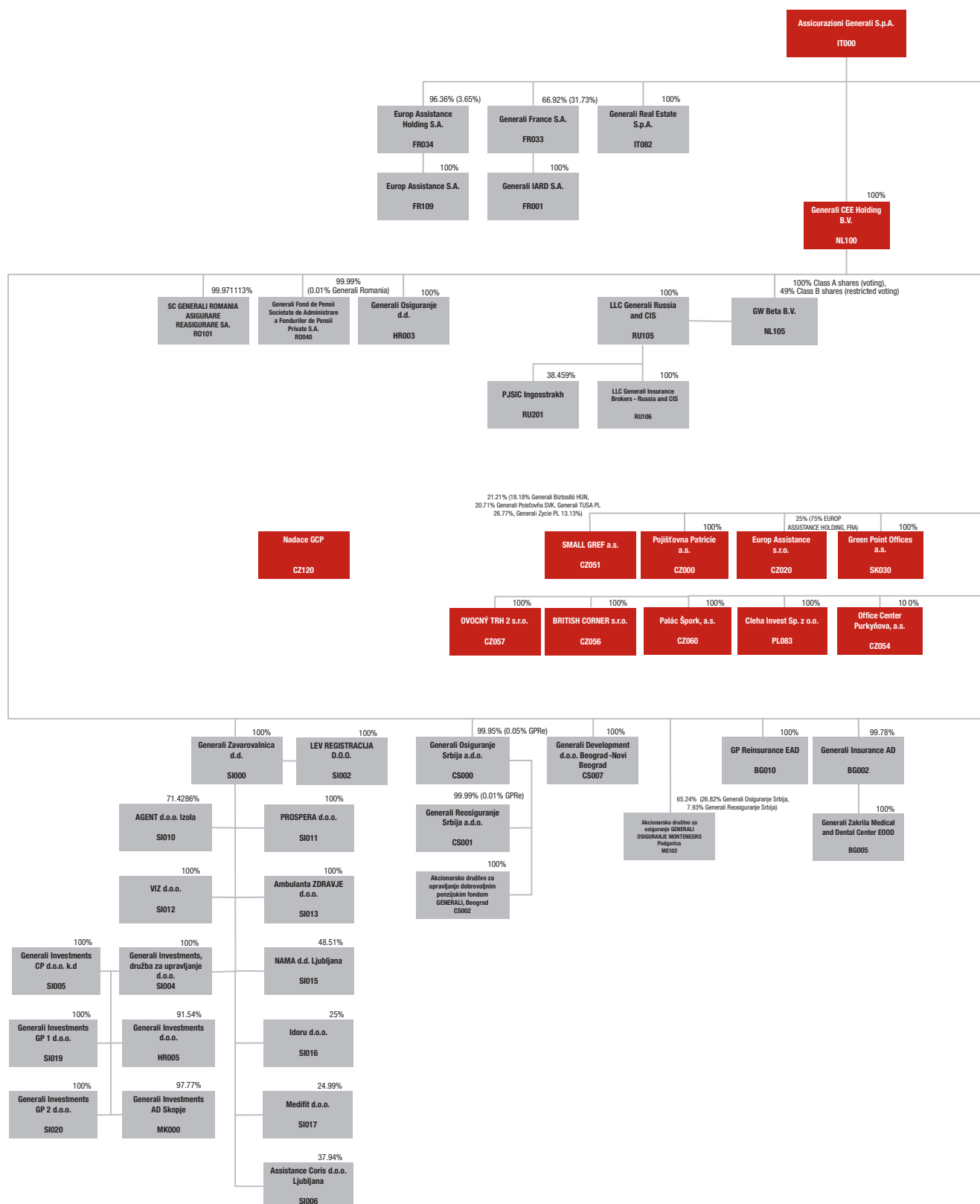
Chairman of the Board of Directors
Generali penzijní společnost, a.s.

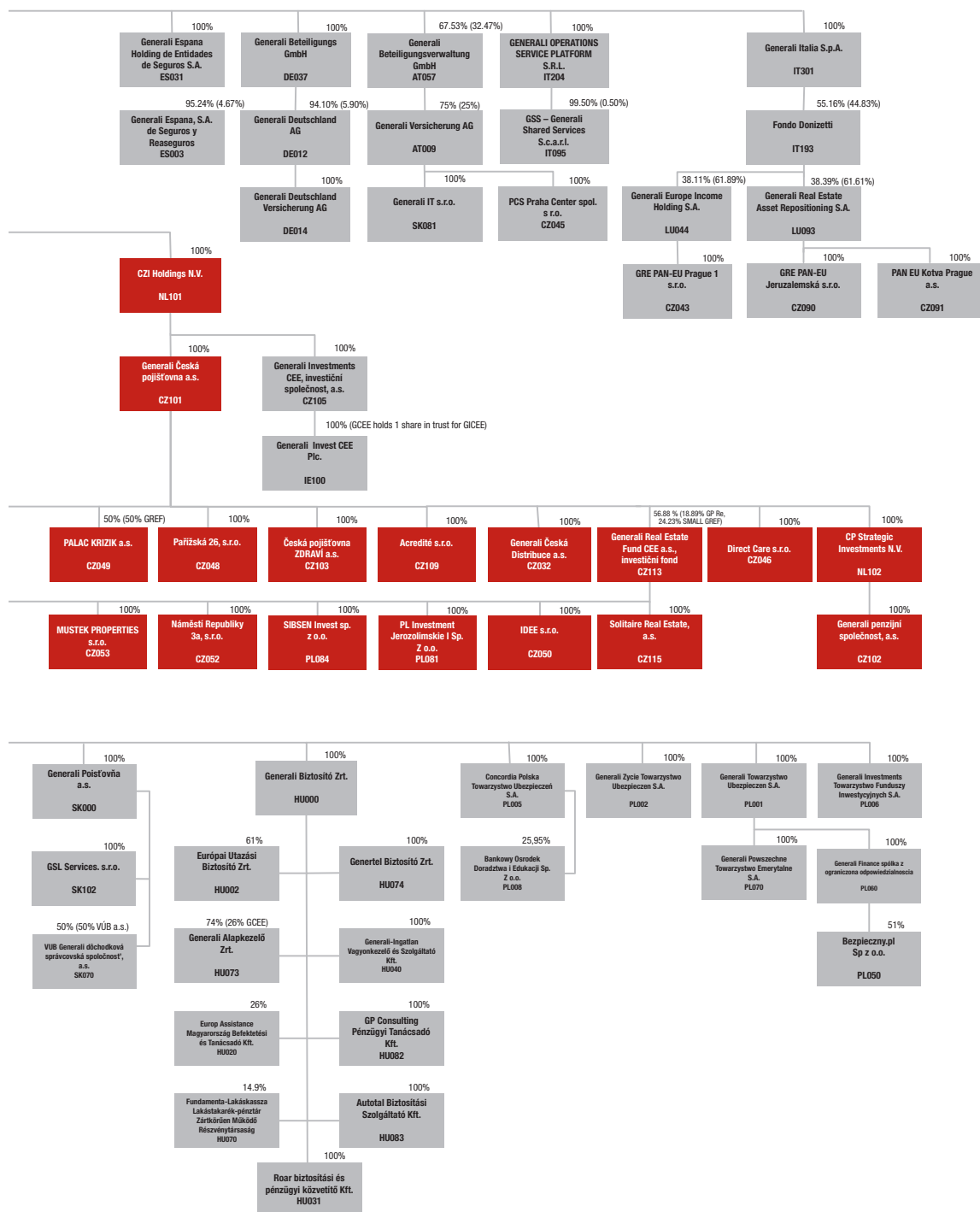


Miroslav Chromčík

Vice-Chairman of the Board of Directors
Generali penzijní společnost, a.s.

GENERALI CEE HOLDING B.V. GROUP STRUCTURE AS AT 31 DECEMBER 2020







Independent auditor's report

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Generali penzijní společnost, a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Generali penzijní společnost, 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 2020 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 2020 and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

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

Key Audit Matters

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

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



Fair value of financial instruments

Fair value measurement and associated valuation adjustments can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.

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

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

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

Out of the total value of the portfolio of the fair valued financial instruments, almost one half consists of financial instruments which are not traded on an active market. Fair values of these financial instruments are not based on quoted market prices, but are based on valuation models that use inputs and assumptions that are either observable or unobservable, as disclosed in Note 2.4 Fair Value of Securities and 2.11 Financial Derivatives and Hedging. In addition, under the current environment impacted by the pandemics of COVID-19, certain inputs and assumptions used for the valuation (e.g. market activity, credit risk, liquidity spreads, etc.) need to be revised, or require expert judgement.

We assessed the governance and process over the valuation of financial instruments. We tested design and operating effectiveness of the Company's internal controls over the valuation process including selection of the valuation method. With the assistance of valuation specialists, we reviewed the methodology applied by the Company and evaluated models, inputs and assumptions used by the Company in determining the fair values of financial instruments including the impact of the current COVID-19 environment.

For a selected sample of financial instruments across the whole financial instruments' portfolio we tested that illiquid or non-quoted financial instruments were correctly identified and an appropriate valuation method selected. For all liquid and quoted financial instruments we compared their fair value to the quoted market price.

For non-observable inputs we performed an assessment of their reasonableness using an expert judgement. For a sample of these financial instruments we compared the fair values derived from our internal valuation model to the fair values determined by the Company. We also considered the adequacy of the Company's disclosures (Note 2.4 Fair Value of Securities, Note 2.7 Securities Available-for-Sale, Note 2.11 Financial Derivatives and Hedging, Note 4.1 Securities Available-for-Sale and Note 18.3 Financial Derivatives) related to valuation of securities Available-for-Sale and financial derivatives, valuation methods and inputs used for fair value determination and compliance of disclosures with accounting principles generally accepted in the Czech Republic.



The determination of proper categorization (ie. assessment of market activity) and the determination of the fair value of these securities Available-for-Sale and financial derivatives thus involves a higher degree of the management judgment and estimate.

Due to this fact, and due to the significance of the financial instruments to the balance sheet, this area requires a significant audit effort and was assessed as a key matter for our audit.

Other Information

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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



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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 8 September 2020 and our uninterrupted engagement has lasted for 9 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 23 April 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

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

Statutory auditor responsible for the engagement

Roman Hauptfleisch is the statutory auditor responsible for the audit of the financial statements of the Company as at 31 December 2020, based on which this independent auditor's report has been prepared.

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

Roman Hauptfleisch, Auditor
License No. 2009

23 April 2021
Prague, Czech Republic

Financial Statements

Balance Sheet as at 31 December 2020

(in CZK thousands)	Note	31 December 2020	31 December 2019
ASSETS			
Cash on hand		9	20
Due from banks	3	1,415,220	918,974
of which: a) repayable on demand		189,242	91,120
b) other receivables		1,225,978	827,854
Debt securities	4	1,559,456	1,420,183
of which: a) issued by government institutions		1,263,802	1,103,159
b) issued by other entities		295,654	317,024
Intangible fixed assets	5	60,051	57,339
Tangible fixed assets	5	1,433	3,193
Other assets	6	295,373	324,537
Prepayments and accrued income	7	120,103	117,733
TOTAL ASSETS		3,451,645	2,841,979

(in CZK thousands)	Note	31 December 2020	31 December 2019
LIABILITIES			
Amounts owed to banks and cooperative saving banks		6,561	0
of which: other liabilities		6,561	0
Other liabilities	8	117,170	85,892
Accruals		20	19
Provisions		19,164	108,266
of which: a) for taxes	17	3,907	92,688
b) other provisions	16	15,257	15,578
Share capital – paid up	9.1	50,000	50,000
Reserve funds and other funds from profit		7,850	7,850
of which: other funds from profit	9.2	7,850	7,850
Capital funds	9.3	650,248	650,248
Revaluation reserve – for assets and liabilities	9.4	26,027	18,329
Retained earnings	9.5	1,921,375	1,203,909
Profit/(Loss) for the period	9.6	653,230	717,466
TOTAL LIABILITIES		3,451,645	2,841,979

(in CZK thousands)	Note	31 December 2020	31 December 2019
Off-balance sheet assets:			
Receivables from fixed-term transactions	18.3	696,870	672,617
Assets provided for management by a third party	20.2	2,836,964	2,268,071
Total off-balance sheet assets	20	3,533,834	2,940,688
Off-balance sheet liabilities:			
Payables from fixed-term transactions	18.3	708,924	672,066
Collateral and pledge received	20.1	1,036,146	666,568
Assets received for management from a third party	20.3	133,781,633	130,921,399
Total off-balance sheet liabilities	20	135,526,703	132,260,033

Income Statement for the year ended 31 December 2020

(in CZK thousands)	Note	2020	2019
Interest and similar income	10	30,065	45,514
of which: interest income from debt securities		26,476	27,690
Interest and similar expense	10	(849)	(607)
of which: interest expense from debt securities		0	0
Fee and commission income	11	1,236,435	1,197,948
Fee and commission expenses	12	(227,682)	(163,173)
Gain or loss from financial transactions	13	603	3,948
Other operating income	14	5,618	4,398
Other operating expenses	15	(20,901)	(155)
Administrative expenses	16	(195,294)	(185,353)
of which: a) staff costs		(100,978)	(93,798)
of which: aa) wages and salaries		(78,907)	(73,075)
ab) social security and health insurance		(22,071)	(20,723)
b) other administrative expenses		(94,316)	(91,555)
Write-offs, additions to, and use of, provisions for and allowances against tangible and intangible fixed assets	5	(19,122)	(18,470)
Write-offs, additions to, and use of, allowances against and provisions for receivables and guarantees		(534)	(771)
Profit on ordinary activities before tax		808,339	883,279
Income tax	17	(155,109)	(165,813)
of which: a) current tax		(154,897)	(168,482)
b) deferred tax		(212)	2,669
Profit/(Loss) for the period after tax	9.6	653,230	717,466

Statement of Changes in Equity for the year ended 31 December 2020

	Share capital	Reserve funds and other funds from profit	Capital funds	Revaluation reserve	Retained earnings	Profit (loss)	Total
(in CZK thousands)							
Balance as at 1 January 2019	50,000	7,850	650,248	(6,996)	1,203,909	557,489	2,462,500
Revaluation reserve	0	0	0	25,325	0	0	25,325
Transfers to funds	0	0	0	0	0	0	0
Use of funds	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	0	(557,489)	(557,489)
Share capital decrease	0	0	0	0	0	0	0
Net profit/(loss) for the period	0	0	0	0	0	717,466	717,466
Balance as at 31 December 2019	50,000	7,850	650,248	18,329	1,203,909	717,466	2,647,802
Balance as at 1 January 2020	50,000	7,850	650,248	18,329	1,203,909	717,466	2,647,802
Revaluation reserve	0	0	0	7,698	0	0	7,698
Transfers to funds	0	0	0	0	717,466	(717,466)	0
Use of funds	0	0	0	0	0	0	0
Dividend paid	0	0	0	0	0	0	0
Share capital decrease	0	0	0	0	0	0	0
Net profit/(loss) for the period	0	0	0	0	0	653,230	653,230
Balance as at 31 December 2020	50,000	7,850	650,248	26,027	1,921,375	653,230	3,308,730

Notes to Financial statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

Penzijní společnost České pojišťovny, a.s. (the “Company”) was incorporated on 1 January 2013 through transformation of Penzijní fond České pojišťovny, a.s., which was registered in the Commercial Register on 19 September 1994, and transformed to Penzijní společnost České pojišťovny, a.s., and Transformovaný fond Penzijní společnosti České pojišťovny, a.s. On 1 July 2020, the Company was renamed to Generali penzijní společnost, a.s., and the new name was assumed by all the funds administered by the Company.

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

In addition to Transformovaný fond Generali penzijní společnost, a.s., the Company established in 2013 participating funds as follows:

- Povinný konzervativní fond Generali penzijní společnosti, a.s.
- Spořicí účastnický fond Generali penzijní společnosti, a.s.
- Vyvážený účastnický fond Generali penzijní společnosti, a.s.
- Dynamický účastnický fond Generali penzijní společnosti, a.s.

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

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

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

Number of policyholders of administered funds:	2020	2019
Povinný konzervativní fond*)	6,681	6,902
Spořicí účastnický fond*)	162,242	163,327
Vyvážený účastnický fond*)	106,971	94,212
Dynamický účastnický fond*)	89,074	73,546
Transformovaný fond	825,261	864,749

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

Amount of benefits paid (in CZK thousands)	2020	2019
Povinný konzervativní fond	98,907	72,873
Spořicí účastnický fond	1,511,535	1,175,345
Vyvážený účastnický fond	243,419	200,670
Dynamický účastnický fond	81,833	63,508
Transformovaný fond	6,447,124	6,312,407

Number of benefits paid	2020	2019
Povinný konzervativní fond	1,428	1,353
Spořicí účastnický fond	25,181	23,278
Vyvážený účastnický fond	6,873	6,561
Dynamický účastnický fond	3,383	2,935
Transformovaný fond	83,703	101,952

Annual yield (in %)	2020	2019
Povinný konzervativní fond	0.53	1.44
Spořicí účastnický fond	0.86	3.45
Vyvážený účastnický fond	3.13	10.50
Dynamický účastnický fond	5.38	17.91
Transformovaný fond	1.3	1.7

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

Board of Directors, Supervisory Board and Audit Committee

Board of Directors as at 31 December 2020:

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

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



Supervisory Board as at 31 December 2020:

Chairman of the Supervisory Board: Ing. Josef Beneš
Member of the Supervisory Board: Mgr. Petr Bohumský, MBA
Member of the Supervisory Board: Ing. Pavol Pitoňák, MBA

Audit Committee:

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

No changes in the Audit Committee occurred in 2020.

Company name change:

On 1 July 2020, a change in the Company's name from the original Penzijní společnost České pojišťovny, a.s., to Generali penzijní společnost, a.s., was entered in the Commercial Register.

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

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

The Company's Board of Directors considered the potential impact of covid-19 on its activities (in particular the capital and liquidity position, as well as the ability to fulfill the guarantee of non-negative annual yield of the transformed fund) and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2020 were prepared on the assumption that the Company would be able to continue as a going concern.

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

Explanation Added for Translation into English

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

2.2. Tangible and Intangible Fixed Assets

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

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

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

2.3. Foreign Currency

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

2.4. Fair Value of Securities

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

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

2.5. Transaction Recognition Date

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

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

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

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

2.6. Securities at Fair Value through Profit or Loss

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

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

2.7. Securities Available-for-Sale

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

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

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

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

2.8. Impairment of Securities Available-for-Sale

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

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

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

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

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

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

2.9. Repo Agreements

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

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

2.10. Transfers between Portfolios of Securities

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

- transfers to and from the portfolio of securities at fair value through profit or loss are not allowed;
- transfers from available-for-sale securities to held-to-maturity securities are effected upon the change in the intention or after elapsing two accounting periods, in which it was not allowed to classify any securities as held-to-maturity (see below);
- transfers from held-to-maturity securities to available-for-sale securities are effected if the intention or ability to hold the held-to-maturity securities has changed;
- on the sale or transfer of any securities held-to-maturity, the Fund must transfer the rest of the portfolio of securities held-to-maturity to available-for-sale securities and no securities can be classified as held-to-maturity in the two following accounting periods.

The exceptions to this rule are permitted for sales within the last three months before maturity of the security if during the period of possession of these securities the Fund received from the issuer at least 90% of acquisition cost of these securities in addition to accrued coupons, for sales of insignificant part of portfolio, in the case of a significant deterioration in an issuer's creditworthiness, or in the case of changes in tax legislation, legal or regulatory requirements.

2.11. Financial Derivatives and Hedging

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

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

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

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

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

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

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

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

2.12. Interest Income and Expenses, Dividend Income

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

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

2.13. Receivables and Allowances

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

2.14. Income Tax

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

2.15. Value Added Tax

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

2.16. Deferred Tax

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

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

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

2.17. Provisions

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

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

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

2.18. Coverage of Supplementary Pension Claims

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

2.19. Fee and Commission Income

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

2.20. Fee and Commission Expenses

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



2.21. Expenses for Commissions to Agents

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

2.22. Staff Costs and Supplementary Pension Savings

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

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

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

2.23. Related Parties

Related parties are defined as follows:

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

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

2.24. Use of Estimates

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

2.25. Subsequent Events

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

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

3. DUE FROM BANKS

(in CZK thousands)	31 December 2020	31 December 2019
Current accounts with banks	189,242	91,120
Term deposits	149,945	140,332
Cash collateral pledged	21,521	6,607
Reverse repo agreements	1,054,512	680,915
Total amounts due from banks	1,415,220	918,974

4. SECURITIES

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

(in CZK thousands)	Debt securities	
	31 December 2020	31 December 2019
Available-for-sale	1,559,456	1,420,183
Total securities	1,559,456	1,420,183

4.1. Securities Available-for-Sale

Debt securities

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	1,195,416	1,030,340
Foreign stock exchanges	364,040	389,843
Total debt securities including zero-coupon bonds	1,559,456	1,420,183

5. INTANGIBLE AND TANGIBLE FIXED ASSETS

Intangible fixed assets

(in CZK thousands)	Software	Valuable rights	Total
As at 1 January 2020			
Cost	164,163	1,305	165,468
Accumulated amortization	(107,216)	(913)	(108,129)
Net book value	56,947	392	57,339
Year ended 31 December 2020			
Opening net book value	56,947	392	57,339
Additions	20,490	106	20,597
Disposals – Cost	(22,123)	(298)	(22,421)
Disposals – Accumulated depreciation	22,123	298	22,421
Amortization during year	(17,774)	(110)	(17,883)
Closing net book value	59,663	388	60,051
As at 31 December 2020			
Cost	162,530	1,113	163,643
Accumulated amortization	(102,867)	(725)	(103,592)
Net book value	59,663	388	60,051

Tangible fixed assets

(in CZK thousands)	Vehicles	Machinery and equipment	Furniture and fixtures and low-value assets	Total
As at 1 January 2020				
Cost	6,421	505	7,292	14,218
Accumulated depreciation	(3,879)	(505)	(6,641)	(11,025)
Net book value	2,542	0	651	3,193
Year ended 31 December 2020				
Opening net book value	2,542	0	651	3,193
Additions	0	0	27	27
Disposals – Cost	(2,178)	(203)	(2,108)	(4,489)
Disposals – Accumulated depreciation	1,645	203	2,093	3,941
Amortization during year	(1,066)	0	(173)	(1,239)
Closing net book value	943	0	490	1,433
As at 31 December 2020				
Cost	4,243	302	5,211	9,756
Accumulated amortization	(3,300)	(302)	(4,721)	(8,323)
Net book value	943	0	490	1,433

6. OTHER ASSETS

(in CZK thousands)	31 December 2020	31 December 2019
Receivable from fee for management and appreciation of assets	271,739	307,257
Financial derivatives (Note 18.3)	12,170	6,478
Other receivables	12,531	11,737
Liquid valuables	56	20
Total other assets	296,496	325,492
Allowances against impairment of other receivables	(1,123)	(955)
Net book value	295,373	324,537

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

7. PREPAYMENTS AND ACCRUED INCOME

The Company recognized prepayments and accrued income of CZK 120,103 thousand (2019: CZK 117,733 thousand), representing prepaid acquisition costs of pension contracts.

As at 31 December 2020 and 2019, the Company carried out a test of recoverability of prepaid commissions to agents. On the basis of the recoverability test, it was determined that prepaid expenses were not impaired.

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

A risk discount rate of 4.95% was used in the calculation and was based on the Company's best estimate.

8. OTHER LIABILITIES

(in CZK thousands)	31 December 2020	31 December 2019
Trade payables	19,255	21,446
<i>of which: payables to TF</i>	<i>12,244</i>	<i>12,244</i>
Payables to employees and from social insurance	6,475	6,148
Financial derivatives (Note 18.3)	24,224	5,927
Tax liabilities	12,004	9,193
<i>of which: deferred tax liability (Note 17)</i>	<i>8,164</i>	<i>6,145</i>
Payables to policyholders and MF	17,214	15,288
Estimated payables	37,998	27,890
Total other liabilities	117,170	85,892

9. EQUITY

9.1. Share capital

CP Strategic Investments N.V., with its registered office at De entree 91, 1101BH Amsterdam, the Netherlands, is the sole shareholder of the Company, holding 50,000,000 shares as at 31 December 2020 (as at 31 December 2019: 50,000,000 shares) with a nominal value of CZK 1 each.

9.2. Reserve funds and other funds from profit

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

9.3. Capital Funds

As at 31 December 2020 and 2019, the total amount of capital funds was CZK 650,248 thousand and CZK 650,248 thousand, respectively.

9.4. Revaluation Reserve

2020

(in CZK thousands)	Debt securities – government	Debt securities – other	Total
Balance as at 1 January 2020	15,541	2,788	18,329
<i>of which: deferred tax as at 1 January 2020</i>	<i>(3,645)</i>	<i>(654)</i>	<i>(4,299)</i>
Sale of securities – revaluation reserve reflected in P/L account	(13,109)	287	(12,822)
Unrealised revaluation reserve reflected in equity	21,186	1,140	22,326
<i>Deferred tax – 2020 movement</i>	<i>(1,535)</i>	<i>(271)</i>	<i>(1,806)</i>
<i>Deferred tax – balance as at 31 December 2020 (Note 17)</i>	<i>(5,180)</i>	<i>(925)</i>	<i>(6,105)</i>
Balance as at 31 December 2020	22,083	3,944	26,027

2019

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



9.5. Retained earnings

As at 31 December 2020 and 2019, retained earnings totaled CZK 1,921,375 thousand and CZK 1,203,909 thousand, respectively.

9.6. Profit for the Period

The sole shareholder approved the distribution of profit generated for the 2019 accounting period in the amount of CZK 717,466 thousand and the transfer of the whole amount to retained earnings. In 2020, profit for the current period, net of income tax, is CZK 653,230 thousand (2019: CZK 717,466 thousand).

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Company's operations. The situation is evolving constantly. However, the current course of the pandemic in 2020 did not have a material impact on the Company's financial results, in particular on the quality of the financial instruments portfolio, financial performance and capital adequacy.

10. INTEREST AND SIMILAR INCOME AND INTEREST AND SIMILAR EXPENSE

(in CZK thousands)	2020	2019
Interest on current accounts	7	2
Interest on term deposits	588	755
Interest on debt securities	26,476	28,786
Revaluation of debt securities in interest rate risk hedge	13,084	(1,096)
Interest on and revaluation of hedging derivatives	(17,120)	2,867
Interest on reverse repo agreements	7,030	14,200
Total interest and similar income	30,065	45,514
Total interest and similar expense	(849)	(607)

Interest expense represents in particular interest on repo agreements.

11. FEE AND COMMISSION INCOME

(in CZK thousands)	2020	2019
Fee for management of assets	1,054,923	975,810
Fee for appreciation of assets	180,520	220,774
Other income	992	1,364
Total fee and commission income	1,236,435	1,197,948

12. FEE AND COMMISSION EXPENSES

(in CZK thousands)	2020	2019
Commission to agents	69,374	51,561
Bank fees	15,420	14,608
Portfolio management fees (external)	132,434	87,086
Sales support	10,454	9,918
Total fee and commission expenses	227,682	163,173

13. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

(in CZK thousands)	2020	2019
Securities trading	(262)	881
Foreign exchange differences	(602)	(546)
Financial derivatives	1,467	3,613
Total gain or loss from financial transactions	603	3,948

The item “Financial derivatives” includes revaluation of currency derivatives held-for-trading.

14. OTHER OPERATING INCOME

(in CZK thousands)	2020	2019
Gains on sale of tangible and intangible assets	396	490
Other	5,222	3,908
Total other operating income	5,618	4,398

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

15. OTHER OPERATING EXPENSES

(in CZK thousands)	2020	2019
Net book value of tangible and intangible assets sold	548	0
Donations	20,025	0
Other	328	155
Total other operating expenses	20,901	155

In 2020, the Company provided a donation of CZK 20,000 thousand to Nadace GCP.

16. ADMINISTRATIVE EXPENSES

(in CZK thousands)	2020	2019
Staff costs	100,978	93,798
Rent and facility maintenance	11,410	11,401
Tax and legal advisory services, internal audit	12,097	11,544
Audit company fees – statutory audit of FS	2,231	2,173
Audit company fees – non-assurance services	0	0
Postal and telecommunication charges	11,301	12,380
Consumed material	8,730	8,742
Advertising and promotion	1,987	2,365
Equipment maintenance and software support	36,368	27,933
Employee training	433	1,343
Other administrative expenses	9,759	13,674
Total administrative expenses	195,294	185,353

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

Staff costs can be analyzed as follows:

(in CZK thousands)	2020	2019
Bonuses to members of the Board of Directors	13,437	10,282
Bonuses to members of the Supervisory Board	0	0
Salaries, personnel costs and bonuses of senior management	8,332	7,681
Salaries, personnel costs and bonuses of other employees	52,226	51,248
Other social costs	4,912	3,864
Social security and health insurance	22,071	20,723
Total staff costs	100,978	93,798

Employee statistics	2020	2019
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	89	90

Staff costs also include the creation and use of provisions for annual bonuses paid. The amount of operating provision created mainly from this title as at 31 December 2020 and 2019 amounts to CZK 15,257 thousand and CZK 15,578 thousand, respectively.

17. INCOME TAXES

(in CZK thousands)	2020	2019
Profit/(Loss) before tax	808,339	883,279
Items increasing tax base	47,391	31,207
Deductible items	(40,481)	(26,605)
Tax base	815,249	887,881
Provision for income tax (before offset)	(154,897)	(168,697)
Adjustment of the tax paid in previous years	0	215
Income tax - current	(154,897)	(168,482)
Income tax - deferred	(212)	2,669
Total income tax	(155,109)	(165,813)
Profit for the period after tax	653,230	717,466

The calculated income tax provision of CZK 154,897 thousand (2019: CZK 168,697 thousand) was offset against income tax advances of CZK 150,990 thousand (2019: CZK 76,009 thousand). The total provision for tax shown in the balance sheet was CZK 3,907 thousand (2019: CZK 92,688 thousand).

Deferred tax was calculated on the following temporary differences:

(in CZK thousands)	31.12.2020	31.12.2019
Tangible and intangible fixed assets	(4,836)	(4,724)
Allowances against receivables	36	76
Provision for bonuses	2,741	2,802
Revaluation reserve from available-for-sale securities (Note 9.4)	(6,105)	(4,299)
Total deferred tax liability (Note 8)	(8,164)	(6,145)

A tax rate of 19% was used to calculate the 2020 and 2019 deferred tax. The deferred tax calculated from securities revaluation reserve is recorded through equity, other temporary differences of deferred tax are recorded through the income statement.



18. FINANCIAL RISKS

18.1. Strategy in Using Financial Instruments

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

18.2. Market Risk

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

Geographical segmentation of financial assets

31 December 2020

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	1,415,220	0	0	0	1,415,220
Debt securities	1,210,169	246,717	0	102,570	1,559,456
Financial derivatives	12,170	0	0	0	12,170
Total financial assets	2,637,559	246,717	0	102,570	2,986,846

31 December 2019

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

Breakdown of revenues by geographic location of markets

2020

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	22,591	6,830	644	30,065
Fee and commission income	1,236,435	0	0	1,236,435
Gain or loss from financial transactions	(1,373)	822	1,154	603
Other operating income	5,618	0	0	5,618

2019

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

18.3. Financial Derivatives

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

31 December 2020

(in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Foreign currency derivatives	308,398	296,228	12,170	0
Interest rate derivatives	388,472	412,696	0	(24,224)
Total derivatives	696,870	708,924	12,170	(24,224)

31 December 2019

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

18.4. Currency Risk

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

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

31 December 2020

(in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Cash on hand	9	0	0	0	9
Due from banks	1,374,129	40,139	952	0	1,415,220
Debt securities available-for-sale	1,295,050	170,344	94,062	0	1,559,456
Tangible fixed assets	1,433	0	0	0	1,433
Intangible fixed assets	60,051	0	0	0	60,051
Other assets	261,682	29,266	4,425	0	295,373
Prepayments and accrued income	120,103	0	0	0	120,103
Total	3,112,457	239,749	99,439	0	3,451,645
Liabilities					
Amounts owed to banks	0	6,561	0	0	6,561
Other liabilities	117,170	0	0	0	117,170
Provisions	19,164	0	0	0	19,164
Equity	3,308,730	0	0	0	3,308,730
Accruals	20	0	0	0	20
Total	3,445,084	6,561	0	0	3,451,645
Net balance sheet assets / liabilities (-)	(332,627)	233,188	99,439	0	0
Net off-balance sheet currency positions	308,398	(202,174)	(94,054)	0	12,170
Net open currency position	(24,229)	31,014	5,385	0	12,170

31 December 2019

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

18.5. Interest Rate Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current accounts with banks	189,242	0	0	0	189,242
Term deposits	149,945	0	0	0	149,945
Cash collateral pledged	21,521	0	0	0	21,521
Reverse repo agreements	1,054,512	0	0	0	1,054,512
Debt securities	178,896	400,364	371,706	608,490	1,559,456
Total	1,594,116	400,364	371,706	608,490	2,974,676

31 December 2019

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

The Company did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2020 and 2019.



18.6. Liquidity Risk

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Cash on hand	9	0	0	0	0	9
Due from banks	1,415,220	0	0	0	0	1,415,220
Debt securities	16,421	229,096	530,053	783,886	0	1,559,456
Other assets	356,857	0	0	0	120,103	476,960
Total assets	1,788,507	229,096	530,053	783,886	120,103	3,451,645
Liabilities						
Amounts owed to banks	6,561	0	0	0	0	6,561
Other liabilities	92,965	0	1	24,224	0	117,190
Provisions	19,164	0	0	0	0	19,164
Equity	0	0	0	0	3,308,730	3,308,730
Total liabilities	118,690	0	1	24,224	3,308,730	3,451,645
Net assets / liabilities (-)	1,669,817	229,096	530,052	759,662	(3,188,627)	0

31 December 2019

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

19. RELATED PARTY TRANSACTIONS

(in CZK thousands)	31 December 2020	31 December 2019
Receivables		
Direct Care s.r.o.	0	5
Generali Česká Distribuce a.s. *)	405	318
Generali Česká pojišťovna a.s.	10,228	8,328
Company's Funds	271,739	307,258
Payables		
Generali CEE Holding B.V., organizační složka	75	25
Generali Česká pojišťovna a.s.	12,496	11,059
Generali Investments CEE, investiční společnost, a.s.	16,137	7,845
Transformovaný fond Generali penzijní společnosti, a.s. **)	12,244	12,244
Income		
Direct Care s.r.o.	0	7
Company's Funds	1,235,443	1,199,636
Generali Česká Distribuce a.s. *)	406	523
Generali Česká pojišťovna a.s.	233	139
Expenses		
Acreditě s.r.o.	1	0
Direct Care s.r.o.	13	146
Generali CEE Holding B.V., organizační složka	350	490
Generali Česká Distribuce a.s. *)	47,340	34,992
Generali Česká pojišťovna a.s.	20,867	19,340
Generali Investments CEE, investiční společnost, a.s.	132,434	87,109
Generali Shared Services Czech Branch, organizační složka	19,968	19,525
Nadace GCP	20,000	0

*) Merger of ČP Distribuce a.s. and Generali Distribuce into Generali Česká Distribuce a.s. (change as of 1 July 2020)

**) Originally Transformovaný fond Penzijní společnosti České pojišťovny, a.s. (change as of 1 July 2020)

These transactions were based on actual cost and profit margin.

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

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

20. OFF-BALANCE-SHEET ITEMS

20.1. Off-balance Sheet Financial Instruments

(in CZK thousands)	Fair value of underlying receivables/liabilities		Fair value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Term currency instruments				
Term transactions (receivable)	696,870	672,617	12,170	6,478
Term transactions (payable)	708,924	672,066	(24,224)	(5,927)

Term currency derivatives were agreed on the interbank market (OTC). As at 31 December 2020 and 2019, the Company had no liabilities or receivables from spot transactions.

Collateral and pledge received in the amount of CZK 1,036,146 thousand (2019: CZK 666,568 thousand) represents the value of securities received as collateral under repo agreements.

20.2. Assets provided for management by a third party

Total assets provided to be managed by a third party were CZK 2,836,964 thousand as at 31 December 2020 (CZK 2,268,071 thousand as at 31 December 2019). These assets are comprised of bank accounts, managed by Generali Investments CEE, investiční společnost, a.s., repo transactions, term deposits, net value of derivative transactions, money market papers and securities.

20.3. Assets Received for Management from a Third Party

As at 31 December 2020, the Company managed the following funds:

- Transformovaný fond Generali penzijní společnosti, a. s.
- Povinný konzervativní fond Generali penzijní společnosti, a. s.
- Spořicí účastnický fond Generali penzijní společnosti, a. s.
- Vyvážený účastnický fond Generali penzijní společnosti, a. s.
- Dynamický účastnický fond Generali penzijní společnosti, a. s.

Total managed assets were CZK 133,781,633 thousand as at 31 December 2020 (CZK 130,921,399 thousand as at 31 December 2019). These assets are comprised of the assets of the transformed fund and equity of individual participating funds.

21. SUBSEQUENT EVENTS

From 1 January 2021, an amendment to Decree 501/2002 Coll. entered into force for pension companies, participation funds or transformed funds under the Act regulating supplementary pension savings, which amends the reporting and valuation of financial instruments in accordance with international accounting standards regulated by directly applicable European Union rules on the application of international financial reporting standards (hereinafter "IFRS").

From the Company's perspective, the most significant impact of this change has been the application of IFRS 9 Financial Instruments.

The standard changes the approach to the classification of financial instruments. The financial assets of the Company will be newly classified on the basis of the financial asset management business model and contractual cash flow characteristics into the Company's new portfolios, where they will be measured at amortized cost, fair value through equity or fair value through profit or loss. The business model characterizes the way cash flows are generated from financial assets. Based on historical transactions and the method of portfolio management and administration, the Company has reclassified its financial assets into the 'Hold to collect' and 'Hold to collect and sell' business models.

Debt instruments (loans, receivables, debt securities) may newly be measured at amortized cost only if the related cash flows represent solely payments of principal and interest, or at fair value through equity only if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, the Company shall record an allowance amount to expected credit losses on a debt instrument that is measured at amortized cost or recognize an expected credit loss in the income statement on the debt instrument at fair value through equity.

The Company has decided not to adjust the comparative information as permitted by the transitional provisions of IFRS 9. Differences arising from the initial application of IFRS will be included directly in the opening balance of equity and other balance sheet items as at 1 January 2021.

The Company measures debt instruments in accordance with the requirements of IFRS 13 Fair Value Measurement.

Based on the assessments made as at the date of the financial statements for the year ended 31 December 2020, the estimated impact of the amendments to Decree 501/2002 Coll. on the Company's retained earnings caused by the expected credit loss from debt instruments totals CZK 2,500 thousand.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Company for the year ended 31 December 2020.

Date of preparation 23 April 2021



Ing. Radek Moc, Ph.D., MBA
Chairman of the Board of Directors



Ing. Miroslav Chromčík
Vice-Chairman of the Board of Directors

Obligation to disclose information

Generali penzijní společnost, a.s.

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”) Generali penzijní společnost, a.s., hereby discloses:

a) Information on changes in the information recorded in the Commercial Register that occurred in the relevant period,

pursuant to Subsection 1, Letter (a) of Annex 1 to the Decree

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

On 1 July 2020, the information on the below company name was deleted from the company name section:

Penzijní společnost České pojišťovny, a.s.

On 1 July 2020, the information on the below company name was entered in the company name section:

Generali penzijní společnost, a.s.

On 26 March 2020, the information on the below member was deleted from the Board of Directors section:

Mgr. MIROSLAV ŽBEL, born on 12 May 1979

Cajthamlova 199, Beroun-Zavadička, 266 01 Beroun

Office commencement date: 1 March 2015

Office expiration date: 1 March 2020

Appointment to office date: 1 March 2015

Membership expiration date: 1 March 2020

On 14 February 2020, the information on the below Chairman was deleted from the Board of Directors section:

MARCEL HOMOLKA, born on 9 November 1976

Kryšpínova 527/2, Dolní Měcholupy, 111 01 Prague 10

Office commencement date: 1 June 2015

Office expiration date: 31 January 2020

Appointment to office date: 1 June 2015

Membership expiration date: 31 January 2020

On 5 August 2020, the information on the below Vice-chairman was deleted from the Board of Directors section:

MIROSLAV CHROMČÍK, born on 28 February 1975

Českolipská 385/17, Střížkov, 190 00 Prague 9

Office commencement date: 1 January 2016

Office expiration date: 1 July 2020

Appointment to office date: 1 July 2015

Membership expiration date: 1 July 2020

On 14 February 2020, the information on the below Chairman was entered in the Board of Directors section:

RADEK MOC, born on 11 August 1978

Žitná 822, Liberec VI-Rochlice, 460 06 Liberec

Office commencement date: 6 February 2020

Appointment to office date: 1 February 2020

On 26 March 2020, the information on the below member was entered in the Board of Directors section:

MIROSLAV ŽBEL, born on 12 May 1979

Cajthamlova 199, Beroun-Zavadička, 266 01 Beroun

Appointment to office date: 1 March 2020

On 5 August 2020, the information on the below Vice-chairman was entered in the Board of Directors section:

MIROSLAV CHROMČÍK, born on 28 February 1975

Českolipská 385/17, Střížkov, 190 00 Prague 9

Office commencement date: 1 July 2020

Appointment to office date: 1 July 2020

On 14 February 2020, the information on the below member was deleted from the Supervisory Board section:

Mgr. PETR BOHUMSKÝ, born on 23 September 1971
Ke Kapličce 1500/4, Modřany, 143 00 Prague 4
Office commencement date: 1 February 2015
Office expiration date: 1 February 2020
Appointment to office date: 1 February 2015
Membership expiration date: 1 February 2020

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

PAVEL MENCL, born on 10 April 1968
Hoděšovice 115, 534 01 Býšť
Appointment to office date: 10 July 2019
Membership expiration date: 31 December 2019

On 21 January 2020, the information on the below member was entered in the Supervisory Board section:

PAVOL PITOŇÁK, born on 18 July 1975
Švédská 1010/15, Smíchov, 150 00 Prague 5
Appointment to office date: 1 January 2020

On 14 February 2020, the information on the below member was recorded in the Supervisory Board section:

PETR BOHUMSKÝ, born on 23 September 1971
Ke Kapličce 1500/4, Modřany, 143 00 Prague 4
Appointment to office date: 1 February 2020

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 Generali penzijní společnosti, a.s.
Povinný konzervativní fond Generali penzijní společnosti, a.s.
Spořicí účastnický fond Generali penzijní společnosti, a.s.
Vyvážený účastnický fond Generali penzijní společnosti, a.s.
Dynamický účastnický fond Generali penzijní společnosti, 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

Ing. Marcel Homolka – Chairman of the Board of Directors, term commenced as of 1 June 2015; term expired as of 31 January 2020
Ing. Radek Moc, Ph.D., MBA – Chairman of the Board of Directors, term commenced as of 1 February 2020
Ing. Miroslav Chromčík – Vice-chairman of the Board of Directors, term commenced as of 1 July 2015
Mgr. 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:

Ing. Marcel Homolka

Education: Technical University of Liberec, Faculty of Economics

Work experience:

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

Ing. Radek Moc, Ph.D., MBA

Education: Technical University of Liberec, Faculty of Economics

Work experience:

2020 – Generali penzijní společnost, a.s.; CEO and Chairman of the Board of Directors
 2020 – Generali Investments CEE, investiční společnost, a.s.; Sales Strategist
 2015 – Nadace Generali České pojišťovny, a.s.; Chairman of the Board of Directors
 2015 – 2020 Česká pojišťovna ZDRAVÍ a.s.; Member of the Board of Directors
 2015 – 2020 Generali Česká pojišťovna a.s.; Director of Customer Development and Marketing
 2015 – 2019 Generali pojišťovna a.s.; Director of Customer Development and Marketing
 2018 – 2018 ČP Distribuce s.r.o.; Member of the Supervisory Board
 2016 – 2018 Finhaus a.s.; Member of the Supervisory Board
 2013 – 2015 Generali CEE Holding; Senior Advisor
 2010 – 2013 Assicurazioni Generali S.p.A.; Advisor
 2009 – 2016 Generali Invest CEE, pld.; Director, Member of the Board of Directors
 2008 – 2010 Česká pojišťovna a.s.; Secretary
 2005 – 2008 Česká pojišťovna a.s.; Non-life Insurance Department Analyst

Ing. Miroslav Chromčík

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

Work experience:

2015 – Generali penzijní společnost, 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

Mgr. Miroslav Žbel

Education: Jan Amos Komenský University

Work experience:

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

Supervisory Board

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

Mgr. Petr Bohumský – Member of the Supervisory Board, term commenced as of 1 February 2015

Ing. Pavol Pitoňák, MBA – Member of the Supervisory Board, term commenced as of 1 January 2020

Description of experience and professional competence of Supervisory Board members:

Ing. 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

Mgr. Petr Bohumský

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

Work experience:

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

Ing. Pavol Pitoňák

Education: Slovak University of Technology in Bratislava, Faculty of Chemical and Food Technology

Work experience:

2020 – Generali Česká pojišťovna a.s.; Chief Sales Officer and member of the Board of Directors
2020 – Generali Česká Distribuce a.s.; Chairman of the Supervisory Board
2020 – Generali penzijní společnost a.s.; Member of the Supervisory Board
2018 – 2018 ČP Distribuce a.s.; Chairman of the Supervisory Board
2016 – Europ Assistance s.r.o.; Member of the Supervisory Board
2016 – 2020 Česká pojišťovna a.s.; CITO
2015 – 2020 Generali pojišťovna a.s.; CITO
2015 – 2015 Česká pojišťovna a.s.; CITO
2013 – 2015 Allianz Slovenská dôchodková správcovská spoločnosť, a.s.; Member of the Supervisory Board
2012 – 2015 Allianz Slovenská poisťovňa, a.s.; Chief Operations Officer and member of the Board of Directors
2010 – 2012 Wüstenrot poisťovňa, a.s.; Chief Sales Officer and member of the Board of Directors
2008 – 2012 Wüstenrot Servis, spol. s r.o.; Statutory Representative
2008 – 2012 Wüstenrot stavebná sporiteľňa, a.s.; Chief Sales Officer and member of the Board of Directors
2007 – 2008 Poisťovňa TATRA a.s. (Poštová poisťovňa, a. s.); CEO and Chairman 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

Ing. Michal Toufar, CFA

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

Work experience:

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

Ing. Michal Kymlička, CFA

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

Work experience:

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

Ing. Tomáš Derner, CFA

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

Work experience:

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

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

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

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

Generali penzijní společnost, 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

Ing. Radek Moc (Chairman of the Board of Directors)

Nadace GČP (Business registration No.: 290 18 200) – Chairman of the Board of Directors (for the whole relevant period)

Mgr. Miroslav Žbel (member of the Board of Directors)

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

Ing. Josef Beneš (Chairman of the Supervisory Board)

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

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

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

Mgr. Petr Bohumský (member of the Supervisory Board)

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

Pojišťovna Patricie a.s. (Business registration No.: 618 59 869) – Chairman of the Supervisory Board (from 03/2020)

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

Nadace GČP (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)

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

Ing. Pavel Pitoňák (member of the Supervisory Board)

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

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

Generali Česká Distribuce a.s. (Business registration No.: 447 95 084) – Chairman of the Supervisory Board (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

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

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

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

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

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

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

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

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

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

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

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

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

J&T banka, a.s., Business registration No.: 471 15 378, with its registered office at Pobřežní 297/14, 186 00 Prague 8, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 1731;

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

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

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

Annual Reports 2020

Funds of Generali penzijní společnost



Annual Report 2020

Transformovaný fond
Generali penzijní společnosti, a. s.





Independent auditor's report

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

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Transformovaný fond Generali penzijní společnosti, a.s.:

Opinion

We have audited the accompanying financial statements of Transformovaný fond Generali penzijní společnosti, 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 2020, 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 2020, 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 Generali penzijní společnost, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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



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

Responsibilities of the Board of Directors of Generali penzijní společnosti, a.s. for the Financial Statements

The Board of Directors of Generali penzijní společnosti, 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 Generali penzijní společnosti, 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 Generali penzijní společnosti, 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 Generali penzijní společnosti, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

Roman Hauptfleisch, Auditor
License No. 2009

Tomáš Přeček
on the basis of power of attorney

23 April 2021
Prague, Czech Republic

Financial Statements

Balance Sheet as at 31 December 2020

(in CZK thousands)	Note	31 December 2020	31 December 2019
ASSETS			
Due from banks	4	6,646,776	18,550,577
of which: a) repayable on demand		1,118,795	823,401
b) other receivables		5,527,981	17,727,176
Debt securities	5	110,642,596	96,791,300
of which: a) issued by government institutions		97,708,857	84,562,678
b) issued by other entities		12,933,739	12,228,622
Shares and mutual funds	5	0	2,674,889
Other assets	6	742,494	640,198
TOTAL ASSETS		118,031,866	118,656,964

(in CZK thousands)	Note	31 December 2020	31 December 2019
LIABILITIES			
Amounts owed to banks and cooperative saving banks		227,019	5,973,521
of which: other liabilities	7	227,019	5,973,521
Other liabilities		113,420,767	107,048,396
of which: a) policyholders' funds	8.1	112,254,778	106,369,273
b) other	8.2	1,165,989	679,123
Provisions	9	71,398	61,822
of which: a) for pensions and similar liabilities		60,813	50,509
b) other		10,585	11,313
Revaluation reserve – for assets and liabilities	10.1	2,890,879	3,775,592
Profit/(Loss) for the period	10.2	1,421,803	1,797,633
TOTAL LIABILITIES		118,031,866	118,656,964

(in CZK thousands)	Note	31 December 2020	31 December 2019
Off-balance sheet assets:			
Receivables from fixed-term transactions	15.3	41,879,700	38,268,490
Assets provided for management by a third party		118,031,866	118,656,964
Total off-balance sheet assets		159,911,566	156,925,454
Off-balance sheet liabilities:			
Payables from fixed-term transactions	15.3	42,079,410	38,040,253
Collateral and pledge received		4,104,579	15,024,270
Total off-balance sheet liabilities		46,183,989	53,064,523

Income Statement for the year ended 31 December 2020

(in CZK thousands)	Note	2020	2019
Interest and similar income	11	2,116,944	2,559,100
of which: interest income from debt securities		2,043,281	2,224,062
Interest and similar expense	11	(28,870)	(48,240)
of which: interest income from debt securities		0	0
Income from shares and mutual funds		18,013	51,140
Fee and commission expenses	12	(1,081,369)	(1,073,803)
Gain/(Loss) from financial transactions	13	387,306	315,838
Other operating income		35,902	15,891
Other operating expenses		(16,547)	(16,285)
Additions to, and use of, other provisions	9	(9,576)	(6,008)
Profit/(Loss) on ordinary activities before tax	10.2	1,421,803	1,797,633
Income tax	14	0	0
Profit/(Loss) for the period after tax	10.2	1,421,803	1,797,633

Notes to Financial statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

Transformovaný fond Generali penzijní společnosti, 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. Until 30 June 2020, the Fund’s name was Transformovaný fond Penzijní společnosti České pojišťovny, a.s.

In accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings, the assets of supplementary pension scheme participants were separated from the assets of Penzijní společnost České pojišťovny, a.s. (the “Company”) as at 1 January 2013. From 1 July 2020, the Company was renamed to Generali penzijní společnost, a.s.

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

The monies in the Fund are separated from the assets of the administrator, Generali penzijní společnosti, a.s.

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

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

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

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

The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2020 were prepared on the assumption that the Fund would be able to continue as a going concern.

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

Explanation Added for Translation into English

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

2.2. Foreign Currency

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

2.3. Fair Value of Securities

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

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

2.4. Transaction Recognition Date

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

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

A financial liability, or a part of thereof, is extinguished when the obligation specified in the contract is discharged, cancelled or expires, and the entity will no longer report the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability, or a part thereof, extinguished or transferred to another entity, and the consideration paid is recognized in profit or loss. The transaction recognition date can also be the trade date for financial derivatives, the date of payment or acceptance of cash in circulation, the date of purchase or sale of foreign exchange, foreign currency, the date of payment to or collection from a client's account, the date on which the ownership or rights to another party's assets were acquired or disposed of, the date on which a receivable or payable arose, was changed or terminated, the date on which assets moved within the entity and on which other facts that are the subject of accounting occurred or on which the necessary documentation supporting those facts is available or which result from internal conditions of the entity or from special regulations.

2.5. Securities at Fair Value through Profit or Loss

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

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

2.6. Securities Available-for-Sale

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

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

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

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



2.7. Impairment of Securities Available-for-Sale

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

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

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

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

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

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

2.8. Securities Held-to-Maturity

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

2.9. Repo Agreements

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

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

2.10. Transfers between Portfolios of Securities

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

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

2.11. Financial Derivatives and Hedging

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

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

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

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

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

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

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

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

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

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

2.12. Equity

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

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

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

2.13. Interest Income and Expenses, Dividend Income

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

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

2.14. Policyholders' Funds

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

2.15. State Contribution

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

2.16. Fee and Commission Expenses

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

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

2.17. Income Tax

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

2.18. Deferred Tax

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

2.19. Provisions

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

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

Provision for Future Pension Payments

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

2.20. Off-balance-sheet Items

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

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

2.21. Subsequent Events

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

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

2.22. Related Parties

Related parties are defined as follows:

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

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

2.23. Use of Estimates

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

3. CHANGES IN ACCOUNTING POLICIES

No changes in accounting methods occurred in 2020 and 2019.

4. DUE FROM BANKS

(in CZK thousands)	31 December 2020	31 December 2019
Current accounts with banks	1,118,795	823,401
Term deposits	999,619	1,899,466
Cash collateral pledged – OTC derivatives	399,533	492,540
Reverse repo agreements	4,128,829	15,335,170
Total amounts due from banks	6,646,776	18,550,577

5. SECURITIES

(in CZK thousands)	Debt securities as at		Shares and mutual funds as at	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Available-for-sale	71,294,667	63,379,823	0	2,674,889
Held-to-maturity	39,347,929	33,411,477	0	0
Total securities	110,642,596	96,791,300	0	2,674,889

5.1. Securities Available-for-Sale

Debt securities including zero-coupon bonds

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	52,324,015	45,771,568
Foreign stock exchanges	18,970,652	17,608,255
Total debt securities including zero-coupon bonds	71,294,667	63,379,823

Shares and mutual funds

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	0	263,435
Foreign stock exchanges	0	2,411,454
Total shares and mutual funds	0	2,674,889

In 2020, the portfolio of shares and mutual funds was sold out.

5.2. Securities Held-to-Maturity

Debt securities

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	39,347,929	33,411,477
Total debt securities	39,347,929	33,411,477

The fair value of the portfolio was CZK 40,440,405 thousand as at 31 December 2020. The fair value as at 31 December 2019 was CZK 33,597,067 thousand.

6. OTHER ASSETS

(in CZK thousands)	31 December 2020	31 December 2019
Receivables from securities transactions	14,002	8,497
Financial derivatives (Note 15.3)	716,248	619,457
Receivables from the Company (Note 16)	12,244	12,244
Total other assets	742,494	640,198

7. AMOUNTS OWED TO BANKS AND COOPERATIVE SAVING BANKS

(in CZK thousands)	31 December 2020	31 December 2019
Cash collateral received – OTC derivatives	227,019	400,655
Repo agreements	0	5,572,866
Amounts owed to banks and cooperative saving banks	227,019	5,973,521

The Fund has been using foreign currency derivatives and/or foreign currency repo agreements to hedge foreign currency exposures, depending on the current situation on financial markets.

The value of assets that have been encumbered as repo agreements hedge, shown in the “Debt securities” balance sheet item, was CZK 6,475,771 thousand as at 31 December 2019. In case of non-compliance with the obligations towards the creditor, the hedge would only be realized up to the recognized liability. As at 31 December 2020, the Fund recognizes no repo agreements.

8. OTHER LIABILITIES

8.1. Policyholders' Funds

Balance as at	31 December 2020	31 December 2019
Policyholders' funds	112,254,778	106,369,273

Portfolio of policyholders:

	31 December 2020	31 December 2019
Number of policyholders	825,261	864,749

Pension benefit payments:

	2020	2019
Number	83,703	101,952
Amount (in CZK thousands)	6,447,124	6,312,407



8.2. Other Liabilities

(in CZK thousands)	31 December 2020	31 December 2019
Tax liabilities	13,365	13,109
Financial derivatives (Note 15.3)	915,958	391,220
Fee for management and appreciation of assets (see Note 16)	236,666	274,794
Total other liabilities	1,165,989	679,123

9. PROVISIONS

(in CZK thousands)	Pension provision	Other provision	Total provisions
Balance as at 1 January 2019	43,975	11,839	55,814
Use/release	(6,694)	(526)	(7,220)
Additions	13,228	0	13,228
Balance as at 31 December 2019	50,509	11,313	61,822
Use/release	(6,926)	(728)	(7,654)
Additions	17,230	0	17,230
Balance as at 31 December 2020	60,813	10,585	71,398

For the calculation of pension provision as at 31 December 2020, 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 2020 issued by Česká společnost aktuárů on 6 January 2021. 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 2020, as modified by the tendency of lengthening of life span.
2. The percentage of participants opting for pension benefits instead of a lump-sum settlement and the percentage likelihood of participants leaving the pension fund (transfer to another pension or participation fund or cancellation) are based on the Company's experience. The simulation works with the current situation and with gradual increases in the percentage of the participants opting for pension benefits.

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

10. EQUITY

10.1. Revaluation Reserve

As at 31 December 2020

(in CZK thousands)	Shares and mutual funds	Debt securities – government	Debt securities – other	Total
Balance as at 1 January 2020	671,291	2,768,193	336,108	3,775,592
Sale of securities – revaluation reserve reflected in P/L account	(285,917)	(1,079,085)	(19,480)	(1,384,482)
Unrealised revaluation reserve reflected in equity	(385,374)	837,485	47,658	499,769
Balance as at 31 December 2020	0	2,526,593	364,286	2,890,879

As at 31 December 2019

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

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 2020	31. 12. 2019
Share in profit – policyholders	1,421,803	1,797,633
Total profit for the year	1,421,803	1,797,633
Annual yield	1.3%	1.7%

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

Based on the decision of the sole shareholder, the Company management distributed the 2019 profit of CZK 1,797,633 thousand to policyholders.

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly and at present it is still not possible to reliably quantify the potential impacts of these events on future periods. However, the current course of the pandemic in 2020 did not have a material impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the appreciation of the Fund.

11. INTEREST AND SIMILAR INCOME AND INTEREST AND SIMILAR EXPENSE

(in CZK thousands)	2020	2019
Interest on current accounts and collateral	648	198
Interest on term deposits	8,347	20,761
Interest on debt securities	2,043,281	2,220,881
Revaluation of debt securities in interest rate risk hedge	783,696	3,181
Interest on and revaluation of hedging derivatives	(850,545)	50,071
Interest on reverse repo agreements	131,517	264,008
Total interest and similar income	2,116,944	2,559,100
Total interest expense	(28,870)	(48,240)

Interest expense represents in particular interest on repo agreements.

12. FEE AND COMMISSION EXPENSES

(in CZK thousands)	2020	2019
Fee for management of assets (see Note 16)	(923,391)	(874,062)
Fee for appreciation of assets (see Note 16)	(157,978)	(199,737)
Other	0	(4)
Total fee and commission expenses	(1,081,369)	(1,073,803)

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

13. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

(tis. Kč)	2020	2019
Securities	336,130	262,743
Foreign exchange differences	(525,327)	(31,368)
Derivatives	576,503	84,463
Total gain or loss from financial transactions	387,306	315,838

The item "Derivatives" as at 31 December 2020 includes revaluation of currency derivatives and interest rate derivatives held-for-trading in the amount of CZK 576,503 thousand (2019: CZK 84,463 thousand).

14. INCOME TAXES

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

15. FINANCIAL RISKS

15.1. Strategy in Using Financial Instruments

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

15.2. Market Risk

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

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

Geographical segmentation of financial assets

31 December 2020

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	6,646,776	0	0	0	6,646,776
Debt securities	93,090,539	13,728,854	1,214,532	2,608,671	110,642,596
Shares and mutual funds	0	0	0	0	0
Financial derivatives	586,217	47,464	82,567	0	716,248
Total financial assets	100,323,532	13,776,318	1,297,099	2,608,671	118,005,620



31 December 2019

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

Breakdown of revenues by geographic location of markets

31 December 2020

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	1,851,753	166,364	98,827	2,116,944
Income from shares and mutual funds – other	7,664	9,606	743	18,013
Gain or loss from financial transactions	(45,166)	334,793	97,679	387,306
Other operating income	35,902	0	0	35,902

31 December 2019

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

15.3. Financial Derivatives

(in CZK thousands)	31 December 2020	31 December 2019
Currency swaps		
Trading derivatives	649,898	199,077
Fair value hedging agreements	0	47,403
Positive fair value of financial derivatives (Note 6)	649,898	246,480

(in CZK thousands)	31 December 2020	31 December 2019
Currency swaps		
Trading derivatives	0	(477)
Fair value hedging agreements	0	(790)
Negative fair values of financial derivatives (Note 8.2)	0	(1,267)

(in CZK thousands)	31 December 2020	31 December 2019
Interest rate swaps		
Fair value hedging derivatives	66,350	372,977
Positive fair value of financial derivatives (Note 6)	66,350	372,977



(in CZK thousands)	31 December 2020	31 December 2019
Interest rate swaps		
Trading derivatives	(18,766)	(10,238)
Fair value hedging derivatives	(897,192)	(379,715)
Negative fair values of financial derivatives (Note 8.2)	(915,958)	(389,953)

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

31 December 2020

(in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 6)	Negative (Note 8.2)
Currency swaps	18,028,812	17,378,914	649,898	0
Interest swaps	23,850,888	24,700,496	66,350	(915,958)
Total derivatives	41,879,700	42,079,410	716,248	(915,958)

31 December 2019

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

15.4. Currency Risk

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

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

31 December 2020

(in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	6,061,425	573,738	7,796	3,817	6,646,776
Debt securities available-for-sale	54,050,142	12,550,832	3,509,237	1,184,456	71,294,667
Securities held-to-maturity	39,347,929	0	0	0	39,347,929
Shares and mutual funds	0	0	0	0	0
Other assets	139,699	320,270	258,614	23,911	742,494
Total	99,599,195	13,444,840	3,775,647	1,212,184	118,031,866
Liabilities					
Amounts owed to banks	0	227,019	0	0	227,019
Policyholders' funds	112,254,778	0	0	0	112,254,778
Miscellaneous liabilities	997,785	151,399	16,805	0	1,165,989
Provisions	71,398	0	0	0	71,398
Equity	4,312,682	0	0	0	4,312,682
Total	117,636,643	378,418	16,805	0	118,031,866
Net balance sheet assets / liabilities (-)	(18,037,449)	13,066,423	3,758,842	1,212,184	0
Net off-balance sheet currency positions (Note 15.3)	18,028,812	(12,699,581)	(3,496,026)	(1,183,307)	649,898
Net open currency position	(8,637)	366,842	262,816	28,877	649,898

31 December 2019

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

15.5. Interest Rate Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current accounts	1,118,795	0	0	0	1,118,795
Term deposits	999,619	0	0	0	999,619
Cash collateral pledged	399,533	0	0	0	399,533
Reverse repo agreements	4,128,829	0	0	0	4,128,829
Debt securities	3,523,547	19,362,063	28,189,071	59,567,915	110,642,596
Total	10,170,323	19,362,063	28,189,071	59,567,915	117,289,372
Liabilities					
Amounts owed to banks	227,019	0	0	0	227,019
Total	227,019	0	0	0	227,019

31 December 2019

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

15.6. Liquidity Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	6,646,776	0	0	0	0	6,646,776
Debt securities	995,860	5,915,694	34,133,027	69,598,015	0	110,642,596
Shares and mutual funds	0	0	0	0	0	0
Other assets	676,144	0	34,696	31,654	0	742,494
Total assets	8,318,780	5,915,694	34,167,723	69,629,669	0	118,031,866
Liabilities						
Amounts owed to banks	227,019	0	0	0	0	227,019
Payables to clients	44,327,797	2,883,511	14,616,388	50,427,082	0	112,254,778
Miscellaneous liabilities	250,030	15,899	152,305	747,755	0	1,165,989
Provisions	0	71,398	0	0	0	71,398
Equity	0	0	0	0	4,312,682	4,312,682
Total liabilities	44,804,846	2,970,808	14,768,693	51,174,837	4,312,682	118,031,866
Net assets / liabilities (-)	(36,486,066)	2,944,886	19,399,030	18,454,832	(4,312,682)	0

31 December 2019

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	18,550,577	0	0	0	0	18,550,577
Debt securities	528,627	8,463,469	31,127,247	56,671,957	0	96,791,300
Shares and mutual funds	0	0	0	0	2,674,889	2,674,889
Other assets	267,221	415	0	372,562	0	640,198
Total assets	19,346,425	8,463,884	31,127,247	57,044,519	2,674,889	118,656,964
Liabilities						
Amounts owed to banks	5,973,521	0	0	0	0	5,973,521
Payables to clients	41,732,695	2,682,650	13,631,162	48,322,766	0	106,369,273
Miscellaneous liabilities	289,170	18,871	53,760	317,322	0	679,123
Provisions	0	61,822	0	0	0	61,822
Equity	0	0	0	0	5,573,225	5,573,225
Total liabilities	47,995,386	2,763,343	13,684,922	48,640,088	5,573,225	118,656,964
Net assets / liabilities (-)	(28,648,961)	5,700,541	17,442,325	8,404,431	(2,898,336)	0

16. RELATED PARTY TRANSACTIONS

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.

(in CZK thousands)	31 December 2020	31 December 2019
Generali penzijní společnost, a.s.		
Receivables from the Company (Note 6)	12,244	12,244
Payables – fee for management, fee for appreciation (Note 8.2)	236,666	274,794
Expenses – fee for management, fee for appreciation (Note 12)	(1,081,369)	(1,073,799)
Assicurazioni Generali S.p.A.		
Financial derivatives (Note 15.3)	46,245	55,483
Profit and loss from financial operations (Note 13)	85,936	(73,908)

17. SUBSEQUENT EVENTS

From 1 January 2021, an amendment to Decree 501/2002 Coll. entered into force for pension companies, participation funds or transformed funds under the Act regulating supplementary pension savings, which amends the reporting and valuation of financial instruments in accordance with international accounting standards regulated by directly applicable European Union rules on the application of international financial reporting standards (hereinafter “IFRS”).

From the Fund's perspective, the most significant impact of this change has been the application of IFRS 9 Financial Instruments.

The standard changes the approach to the classification of financial instruments. The financial assets of the Fund will be newly classified on the basis of the financial asset management business model and contractual cash flow characteristics into the Fund's new portfolios, where they will be measured at amortized cost, fair value through equity or fair value through profit or loss. The business model characterizes the way cash flows are generated from financial assets. Based on historical transactions and the method of portfolio management and administration, the Fund has reclassified its financial assets into the ‘Hold to collect’ and ‘Hold to collect and sell’ business models.

Debt instruments (loans, receivables, debt securities) may newly be measured at amortized cost only if the related cash flows represent solely payments of principal and interest, or at fair value through equity only if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In addition, the Fund shall record an allowance amount to expected credit losses on a debt instrument that is measured at amortized cost or recognize an expected credit loss in the income statement on the debt instrument at fair value through equity.

The Company has decided not to adjust the Fund's comparative information as permitted by the transitional provisions of IFRS 9. Differences arising from the initial application of IFRS will be included directly in the opening balance of equity and other balance sheet items as at 1 January 2021.

The Fund measures debt instruments in accordance with the requirements of IFRS 13 Fair Value Measurement.

Based on the assessments made as at the date of the financial statements for the year ended 31 December 2020, the estimated impact of the amendments to Decree 501/2002 Coll. on the Fund's retained earnings caused by the expected credit loss from debt instruments totals CZK 58,600 thousand; other estimated differences from the reclassification of financial assets into new measurement categories of the Fund as at 1 January 2021 represent a decrease in equity by CZK 766,500 thousand.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2020.

Date of preparation 23 April 2021



Ing. Radek Moc, Ph.D., MBA
Chairman of the Board of Directors



Ing. Miroslav Chromčík
Vice-Chairman of the Board of Directors

Obligation to disclose information

Transformovaný fond Generali penzijní společnosti, a.s.

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”) Generali penzijní společnost, a.s., hereby discloses:

- a) **Name of the Transformed Fund**, pursuant to Subsection 2, Letter (a) of Annex 1 to the Decree
Transformovaný fond Generali penzijní společnosti, 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 Generali penzijní společnost, 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): 649 48 242, 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): 649 482 42, 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.
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- 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 (if the bond or its part is included in the category of held-to-maturity debt securities, the fair value of the bond or its part is reported at amortized cost) at the end of the relevant period, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousands)	Fair value (CZK thousands)
Repo agreements	Reverse repo	4,130,000	4,128,829
CZ GB L-10 11/27	CZ0001004105	9,252,214	9,210,488
CZ GB 4.20 12/36	CZ0001001796	9,066,672	8,687,197
CZ GB 2.50 08/28	CZ0001003859	8,469,187	8,544,635
CZ GB 0.95 05/30	CZ0001004477	7,038,942	7,231,223
CZ GB 2.0 10/33	CZ0001005243	6,679,509	6,949,053
CZ GB 0.25 02/27	CZ0001005037	5,324,160	5,578,815
CZ GB 5.70 05/24	CZ0001002547	6,499,723	5,468,526
CZ GB 1.0 06/26	CZ0001004469	4,686,881	4,886,167
CZ GB L+65 04/23	CZ0001003123	4,944,860	4,873,180
CZ GB 1.2 03/31	CZ0001005888	4,710,950	4,708,072
CZ GB 3.85 09/21	CZ0001002851	4,629,207	4,309,206
CZ GB 2.4 09/25	CZ0001004253	4,343,555	4,203,532
CZ GB 4.70 09/22	CZ0001001945	4,427,667	3,779,992
CZ GB 1.5 04/40	CZ0001005920	3,020,662	3,035,360
CZ GB 1.25 02/25	CZ0001005870	2,519,968	2,562,708
CZ GB 2.75 07/29	CZ0001005375	2,300,896	2,420,711
CZ GB 4.85 11/57	CZ0001002059	1,911,753	2,094,497
CZ GB 0.05 11/29	CZ0001006076	1,277,296	1,273,984

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

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

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

This information is not subject to disclosure for the Transformed Fund.

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

This information is not subject to disclosure for the Transformed Fund.

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

ASSETS (in CZK thousands)	31/12/2018	31/12/2019	31/12/2020
Due from banks and cooperative savings banks	17,122,553	18,550,577	6,646,776
a) repayable on demand	642,769	823,401	1,118,795
b) other receivables	16,479,784	17,727,176	5,527,981
Debt securities	97,254,955	96,791,300	110,642,596
a) issued by government organizations	86,719,341	84,562,678	97,708,857
b) issued by other entities	10,535,614	12,228,622	12,933,739
Shares, participating certificates and other interests	2,825,223	2,674,889	0
Other assets	325,019	640,198	742,494
TOTAL	117,527,750	118,656,964	118,031,866

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

The consideration paid for to the pension management company for managing the assets of the Transformed Fund amounted to 0.8% of the average annual value of the Transformed Fund's balance sum, and 10% of the Transformed Fund's profits at the end of the relevant period.

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

The pension management company uses derivative instruments and repo agreements for efficient management of assets in the Transformed Fund. These instruments are primarily used to manage currency and interest rate risks. In order to reduce the risks arising from the use of financial derivatives which the Transformed Fund is to settle by means of the provision of funds, the Transformed Fund holds cash or a highly liquid asset. To maintain a low risk while efficiently managing the assets, the Transformed Fund invests funds acquired from repo agreements into highly liquid assets only. Information on the used financial derivatives, repo agreements and valuation methods are included in the notes to the financial statements.

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

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



Annual Report 2020

Povinný konzervativní fond
Generali penzijní společnosti, a. s.



Independent auditor's report

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

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Povinný konzervativní fond Generali penzijní společnosti, a.s.:

Opinion

We have audited the accompanying financial statements of Povinný konzervativní fond Generali penzijní společnosti, 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 2020, 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 2020, 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 Generali penzijní společnost, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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



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

Responsibilities of the Board of Directors of Generali penzijní společnost, a.s. for the Financial Statements

The Board of Directors of Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

We communicate with the Board of Directors of Generali penzijní společnost, 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

23 April 2021
Prague, Czech Republic

Financial Statements

Balance Sheet as at 31 December 2020

(in CZK thousands)	Note	31 December 2020	31 December 2019
ASSETS			
Due from banks	3	222,818	306,416
of which: a) repayable on demand		72,853	66,402
b) other receivables		149,965	240,014
Debt securities	4	389,099	144,095
of which: a) issued by government institutions		385,973	140,914
b) issued by other entities		3,126	3,181
TOTAL ASSETS		611,917	450,511

(in CZK thousands)	Note	31 December 2020	31 December 2019
LIABILITIES			
Other liabilities	5	2,906	10,833
Capital funds	6	600,777	433,845
Retained earnings	6	5,833	349
Profit/(Loss) for the period	6	2,401	5,484
TOTAL LIABILITIES		611,917	450,511

(in CZK thousands)	Note	31 December 2020	31 December 2019
Off-balance sheet assets:			
Assets provided for management by a third party	6	609,011	439,678
Total off-balance sheet assets		609,011	439,678
Off-balance sheet liabilities:			
Collateral and pledge received		119,017	198,871
Total off-balance sheet liabilities		119,017	198,871

Income Statement for the year ended 31 December 2020

(in CZK thousands)	Note	2020	2019
Interest and similar income	7	5,692	6,838
of which: interest income from debt securities		3,724	2,463
Interest and similar expense		(71)	(102)
of which: interest expense from debt securities		0	0
Fee and commission expenses	8	(2,644)	(1,590)
Gain/(Loss) from financial transactions	9	(576)	338
Profit/(Loss) on ordinary activities before tax	6	2,401	5,484
Income tax	10	0	0
Profit/(Loss) for the period after tax	6	2,401	5,484

Notes to Financial statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

Povinný konzervativní fond Generali penzijní společnosti, a.s. (the “Fund”) was established by Penzijní společnost České pojišťovny, a.s., 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. With effect from 1 July 2020, Penzijní společnost České pojišťovny, a.s., changed its name to Generali penzijní společnost, a.s. (the “Company”). Until 30 June 2020, the Fund’s name was Povinný konzervativní fond Penzijní společnosti České pojišťovny, a.s.

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 Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2020 were prepared on the assumption that the Fund would be able to continue as a going concern.

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

Explanation Added for Translation into English

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

2.2. Transaction Recognition Date

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

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

2.3. Securities and Their Fair Value

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

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

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

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

2.4. Foreign Currency

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

2.5. Repo Agreements

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

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

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

2.6. Financial Derivatives

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

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

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

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

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

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

2.7. Interest Income and Expenses, Dividend Income

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

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

2.8. Fee and Commission Expenses

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

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

2.9. Payables to Policyholders

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

2.10. Capital Funds

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

2.11. Provision for Pension Payments

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

2.12. Income Tax

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

2.13. Deferred Tax

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

2.14. Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include assets provided into Company's administration and payables from collateral received within reverse 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 12.

3. DUE FROM BANKS

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

(in CZK thousands)	31 December 2020	31 December 2019
Current and savings accounts	72,853	66,402
Term deposits	29,989	35,084
Reverse repo agreements	119,976	204,930
Total amounts due from banks	222,818	306,416

4. SECURITIES

All securities held by the Fund are listed.
Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	389,099	144,095
Total debt securities	389,099	144,095

5. OTHER LIABILITIES

(in CZK thousands)	31 December 2020	31 December 2019
Payables to policyholders	2,090	10,565
Fee for management and appreciation of assets (see Note 12)	816	268
Total other liabilities	2,906	10,833

6. CAPITAL FUNDS AND OTHER EQUITY COMPONENTS

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

	31 December 2020	31 December 2019
Capital funds (in CZK thousands)	600,777	433,845
Retained earnings (in CZK thousands)	5,833	349
Profit/(Loss) for the period (in CZK thousands)	2,401	5,484
Equity (in CZK thousands)	609,011	439,678
Number of units (thousands)	576,676	418,532
NAV/unit	1.0561	1.0505
Annual yield (p.a.)	0.53%	1.44%

The profit for 2020 totaling CZK 2,401 thousand will be distributed according to the Company's decision after the financial statements have been approved. The profit for 2019 totaling CZK 5,484 thousand was transferred to retained earnings.

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly. However, the current course of the pandemic in 2020 did not have a material impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the appreciation of the Fund.

Number of policyholders:

(pieces)	31 December 2020	31 December 2019
Number of policyholders	6,681	6,902

Pension benefit payments:

	2020	2019
Amount (in CZK thousands)	98,907	72,873
Number of pension benefits	1,428	1,353



7. INTEREST AND SIMILAR INCOME

(in CZK thousands)	2020	2019
Interest on debt securities	3,724	2,463
Other interest income	1,968	4,375
Total interest and similar income	5,692	6,838

8. FEE AND COMMISSION EXPENSES

(in CZK thousands)	2020	2019
Fee for management of assets	2,029	1,493
Fee for appreciation of assets	615	97
Total fee and commission expenses (Note 12)	2,644	1,590

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

9. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

(in CZK thousands)	2020	2019
Securities	(577)	338
Foreign exchange differences	1	0
Total gain or loss from financial transactions	(576)	338

As at 31 December 2020 and 2019, the Fund did not have any derivatives.

10. INCOME TAXES

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

11. FINANCIAL RISKS

11.1. Strategy in Using Financial Instruments

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

11.2. Market Risk

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

Geographical segmentation of financial assets 31 December 2020

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	222,818	0	0	0	222,818
Debt securities	389,099	0	0	0	389,099
Total financial assets	611,917	0	0	0	611,917



31 December 2019

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

Breakdown of revenues by geographic location of markets 2020

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	5,692	0	0	5,692
Gain or loss from financial transactions	(576)	0	0	(576)

2019

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

11.3. Currency Risk

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

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

31 December 2020

(in CZK thousands)	CZK	EUR	Total
Assets			
Due from banks	222,789	29	222,818
Debt securities	389,099	0	389,099
Total	611,888	29	611,917
Liabilities			
Other liabilities	2,906	0	2,906
Equity	609,011	0	609,011
Total	611,917	0	611,917
Net balance sheet assets / liabilities (-)	(29)	29	0
Net open currency position	(29)	29	0

31 December 2019

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

11.4. Interest Rate Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current and savings accounts	72,853	0	0	0	72,853
Term deposits	29,989	0	0	0	29,989
Reverse repo agreements	119,976	0	0	0	119,976
Debt securities	19,190	207,636	118,247	44,026	389,099
Total financial assets	242,008	207,636	118,247	44,026	611,917

31 December 2019

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

The Fund did not have any liabilities exposed to the effects of market interest rate fluctuations as at 31 December 2020 and 2019.

11.5. Credit Risk

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

11.6. Liquidity Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	222,818	0	0	0	0	222,818
Debt securities	19,509	40,256	136,462	192,872	0	389,099
Total financial assets	242,327	40,256	136,462	192,872	0	611,917
Liabilities						
Other liabilities	2,906	0	0	0	0	2,906
Net liquidity exposure	239,421	40,256	136,462	192,872	0	609,011

31 December 2019

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

12. RELATED PARTY TRANSACTIONS

(in CZK thousands)	31 December 2020	31 December 2019
Penzijní společnost České pojišťovny, a.s.		
Payables – fee for management, fee for appreciation (Note 5)	816	268
Expenses – fee for management, fee for appreciation (Note 8)	(2,644)	1,590

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

13. SUBSEQUENT EVENTS

From 1 January 2021, an amendment to Decree 501/2002 Coll. entered into force for pension companies, participation funds or transformed funds under the Act regulating supplementary pension savings, which amends the reporting and valuation of financial instruments in accordance with international accounting standards regulated by directly applicable European Union rules on the application of international financial reporting standards (hereinafter "IFRS").

From the Fund's perspective, the most significant impact of this change has been the application of IFRS 9 Financial Instruments.

As the standard changes the classification of financial instruments, the financial assets of the Fund will be newly classified on the basis of the financial asset management business model and contractual cash flow characteristics. The Fund's management strategy is based on maximizing the fair value of financial instruments in the portfolio of the Fund. As the Fund's overall market valuation is assessed using the NAV indicator, the Fund will continue to measure financial instruments at fair value and recognize revaluation differences in profit or loss. The Fund measures debt instruments in accordance with the requirements of IFRS 13 Fair Value Measurement.

As of the date of transition to the new reporting pursuant to the changes in Decree 501/2002 Coll. the Fund does not record significant differences.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2020.

Date of preparation 23 April 2021



Ing. Radek Moc, Ph.D., MBA
Chairman of the Board of Directors



Ing. Miroslav Chromčík
Vice-Chairman of the Board of Directors

Obligation to disclose information

Povinný konzervativní fond Generali penzijní společnosti, a.s.

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”) Generali penzijní společnost, 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 Generali penzijní společnosti, 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 Generali penzijní společnost, 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): 649 482 42, 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): 649 48 242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 - Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.
- f) **Comprehensive identification of the Participation Fund's assets, if their value exceeds 1% of the value of the Fund's assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period**, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousands)	Fair value (CZK thousands)
Current accounts	CA	72,854	72,853
Term deposits	TD	30,000	29,989
Repo agreements	Reverse repo	120,000	119,976
CZ GB L-10 11/27	CZ0001004105	149,918	149,037
CZ GB 0.45 10/23	CZ0001004600	51,266	52,766
CZ GB 2.4 09/25	CZ0001004253	38,052	37,891
CZ GB 3.85 09/21	CZ0001002851	36,494	36,465
CZ GB 0.25 02/27	CZ0001005037	28,994	28,846
CZ GB 1.25 02/25	CZ0001005870	23,208	23,763
CZ GB 0.75 02/21	CZ0001005367	18,733	19,190
CZ GB L+65 04/23	CZ0001003123	19,613	19,008
CZ GB 1.0 06/26	CZ0001004469	15,361	15,180

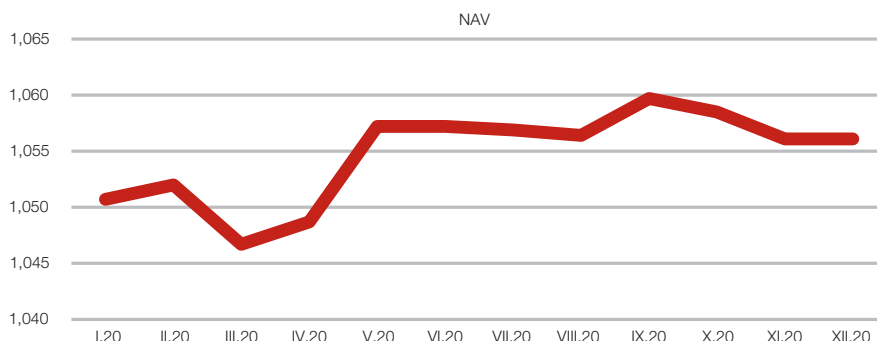
- g) Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period, pursuant to Subsection 2, Letter (g) of Annex 1 to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

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

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

Date	Equity (CZK thousand)	Equity per unit
31/12/2018	322,671	1,0356
31/12/2019	439,678	1,0505
31/12/2020	609,011	1,0561

- 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)	31/12/2018	31/12/2019	31/12/2020
Due from banks and cooperative savings banks	202,705	306,416	222,818
a) repayable on demand	53,815	66,402	72,853
b) other receivables	148,890	240,014	149,965
Debt securities	122,445	144,095	389,099
a) issued by government organizations	119,202	140,914	385,973
b) issued by other entities	3,243	3,181	3,126
Shares, participating certificates and other interests	0	0	0
Other assets	0	0	0
TOTAL	325,150	450,511	611,917

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

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

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

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

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting: Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2020

Spořicí účastnický fond
Generali penzijní společnosti, a. s.





Independent auditor's report

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

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Spořicí účastnický fond Generali penzijní společnosti, a.s.:

Opinion

We have audited the accompanying financial statements of Spořicí účastnický fond Generali penzijní společnosti, 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 2020, 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 2020, 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 Generali penzijní společnost, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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



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

Responsibilities of the Board of Directors of Generali penzijní společnost, a.s. for the Financial Statements

The Board of Directors of Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

We communicate with the Board of Directors of Generali penzijní společnost, 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

23 April 2021
Prague, Czech Republic

Financial Statements

Balance Sheet as at 31 December 2020

(in CZK thousands)	Note	31 December 2020	31 December 2019
ASSETS			
Due from banks	3	1,160,568	3,310,462
of which: a) repayable on demand		639,808	536,527
b) other receivables		520,760	2,773,935
Debt securities	4	8,140,287	4,891,895
of which: a) issued by government institutions		5,168,607	2,564,739
b) issued by other entities		2,971,680	2,327,156
Other assets	5	91,559	34,489
TOTAL ASSETS		9,392,414	8,236,846

(in CZK thousands)	Note	31 December 2020	31 December 2019
LIABILITIES			
Amounts owed to banks and cooperative saving banks	6	49,866	405,402
of which: other liabilities		49,866	405,402
Other liabilities	7	122,423	73,523
Capital funds	8	8,939,669	7,554,887
Retained earnings (+) / accumulated loss (-)	8	203,034	(24,561)
Profit/(Loss) for the period	8	77,422	227,595
TOTAL LIABILITIES		9,392,414	8,236,846

(in CZK thousands)	Note	31 December 2020	31 December 2019
Off-balance sheet assets:			
Receivables from fixed-term transactions	13.3	4,720,039	3,449,041
Assets provided for management by a third party	8	9,220,125	7,757,921
Total off-balance sheet assets		13,940,164	11,206,962
Off-balance sheet liabilities:			
Payables from fixed-term transactions	13.3	4,703,313	3,437,031
Collateral and pledge received		266,038	2,114,631
Total off-balance sheet liabilities		4,969,351	5,551,662



Income Statement for the year ended 31 December 2020

(in CZK thousands)	Note	2020	2019
Interest and similar income	9	138,425	147,884
of which: interest income from debt securities		114,408	101,005
Interest and similar expense		(1,594)	(2,327)
of which: interest expense from debt securities		0	0
Fee and commission expenses	10	(98,603)	(77,710)
Gain/(Loss) from financial transactions	11	39,194	159,748
Profit/(Loss) on ordinary activities before tax	8	77,422	227,595
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	77,422	227,595

Notes to Financial statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

Spořicí účastnický fond Generali penzijní společnosti, a.s. (the "Fund") was established by Penzijní společnost České pojišťovny, a.s., 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. With effect from 1 July 2020, Penzijní společnost České pojišťovny, a.s., changed its name to Generali penzijní společnost, a.s. (the "Company"). Until 30 June 2020, the Fund's name was Spořicí účastnický fond Penzijní společnosti České pojišťovny, a.s.

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

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

The Fund's custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the "Custodian").

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

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

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

The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2020 were prepared on the assumption that the Fund would be able to continue as a going concern.

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

Explanation Added for Translation into English

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

2.2. Transaction Recognition Date

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

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

2.3. Securities and Their Fair Value

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

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

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

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

2.4. Foreign Currency

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

2.5. Repo Agreements

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

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

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

2.6. Financial Derivatives

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

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

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

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

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

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

2.7. Interest Income and Expenses, Dividend Income

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

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

2.8. Fee and Commission Expenses

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

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

2.9. Payables to Policyholders

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

2.10. Capital Funds

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

2.11. Provision for Pension Payments

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

2.12. Income Tax

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

2.13. Deferred Tax

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

2.14. Off-balance Sheet Assets and Liabilities

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

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

2.15. Subsequent Events

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

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

2.16. Related Parties

Related parties are defined as follows:

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

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

3. DUE FROM BANKS

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

(in CZK thousands)	31 December 2020	31 December 2019
Current and savings accounts	639,808	536,527
Term deposits	199,924	601,407
Cash collateral pledged	50,900	13,215
Reverse repo agreements	269,936	2,159,313
Total amounts due from banks	1,160,568	3,310,462



4. SECURITIES

All securities held by the Fund are listed.
Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	4,551,719	2,276,016
Foreign stock exchanges	3,588,568	2,615,879
Total debt securities	8,140,287	4,891,895

5. OTHER ASSETS

(in CZK thousands)	31 December 2020	31 December 2019
Receivables from securities transactions	467	1
Financial derivatives (Note 13.3)	91,092	34,488
Total other assets	91,559	34,489

6. AMOUNTS OWED TO BANKS AND COOPERATIVE SAVING BANKS

(in CZK thousands)	31 December 2020	31 December 2019
Cash collateral received – OTC derivatives	49,866	8,640
Repo agreements	0	396,762
Amounts owed to banks and cooperative saving banks	49,866	405,402

The Fund has been using foreign currency derivatives and/or foreign currency repo agreements to hedge foreign currency exposures, depending on the current situation on financial markets.

The value of assets that have been encumbered as repo agreements hedge, included in Debt securities, was CZK 0 thousand and CZK 467,146 thousand, respectively as at 31 December 2020 and 2019. In case of non-compliance with the obligations towards the creditor, the hedge would only be realized up to the recognized liability.

7. OTHER LIABILITIES

(in CZK thousands)	31 December 2020	31 December 2019
Payables to policyholders	26,282	35,020
Financial derivatives (Note 13.3)	74,366	22,478
Fee for management and appreciation of assets (see Note 14)	21,775	16,025
Total other liabilities	122,423	73,523



8. CAPITAL FUNDS AND OTHER EQUITY COMPONENTS

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

	31 December 2020	31 December 2019
Capital funds (in CZK thousands)	8,939,669	7,554,887
Retained earnings (+) / accumulated loss (-) (in CZK thousands)	203,034	(24,561)
Profit/(Loss) for the period (in CZK thousands)	77,422	227,595
Equity (in CZK thousands)	9,220,125	7,757,921
Number of units (thousands)	8,331,375	7,069,867
NAV/unit	1.1067	1.0973
Annual yield (p.a.)	0.86%	3.45%

The profit for 2020 totaling CZK 77,422 thousand will be distributed according to the Company's decision after the financial statements have been approved. The profit for 2019 of CZK 227,595 thousand was used to compensate accumulated loss of CZK 24,561 thousand; the profit remainder of CZK 203,034 thousand was transferred to retained earnings.

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly. However, the current course of the pandemic in 2020 did not have a material impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the appreciation of the Fund.

Number of policyholders:

	31. 12. 2020	31. 12. 2019
Number of policyholders	162,242	163,327

Pension benefit payments:

	2020	2019
Amount (in CZK thousands)	1,511,535	1,175,345
Number of pension benefits	25,181	23,278

9. INTEREST AND SIMILAR INCOME

(in CZK thousands)	2020	2019
Úroky z dluhových cenných papírů	114 408	101 005
Ostatní úrokové výnosy	24 017	46 879
Výnosy z úroků a podobné výnosy celkem	138 425	147 884

10. FEE AND COMMISSION EXPENSES

(in CZK thousands)	2020	2019
Fee for management of assets	(84,505)	(69,197)
Fee for appreciation of assets	(14,098)	(8,513)
Total fee and commission expenses (Note 14)	(98,603)	(77,710)

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



11. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

(in CZK thousands)	2020	2019
Securities	86,233	136,664
Foreign exchange differences	(33,598)	(8,794)
Derivatives	(13,441)	31,878
Total gain or loss from financial transactions	39,194	159,748

As at 31 December 2020 and 2019, the item “Derivatives” includes changes in fair values of derivatives within the economic hedge of foreign currency exposures of portfolio's certain assets totaling CZK (13,441) thousand and CZK 31,878 thousand, respectively.

12. INCOME TAXES

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

13. FINANCIAL RISKS

13.1. Strategy in Using Financial Instruments

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

13.2. Market Risk

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

Geographical segmentation of financial assets 31 December 2020

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	1,160,568	0	0	0	1,160,568
Debt securities	4,904,985	2,049,391	424,090	761,821	8,140,287
Financial derivatives	22,157	0	68,935	0	91,092
Total financial assets	6,087,710	2,049,391	493,025	761,821	9,391,947

31 December 2019

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

Breakdown of revenues by geographic location of markets 2020

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	76,571	51,979	9,875	138,425
Gain or loss from financial transactions	(14,721)	50,585	3,330	39,194

2019

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

13.3. Financial Derivatives

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

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

31 December 2020

(in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	3,039,577	2,948,485	91,092	0
Interest rate derivatives	1,680,462	1,754,828	0	(74,366)
Total derivatives	4,720,039	4,703,313	91,092	(74,366)

31 December 2019

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

13.4. Currency Risk

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

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

31 December 2020

(in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	1,095,210	60,412	4,756	190	1,160,568
Debt securities	5,186,969	2,487,024	466,294	0	8,140,287
Other assets	0	61,316	30,243	0	91,559
Total	6,282,179	2,608,752	501,293	190	9,392,414
Liabilities					
Amounts owed to banks	0	49,866	0	0	49,866
Other liabilities	116,802	5,621	0	0	122,423
Equity	9,220,125	0	0	0	9,220,125
Total	9,336,927	55,487	0	0	9,392,414
Net balance sheet assets / liabilities (-)	(3,054,748)	2,553,265	501,293	190	0
Net off-balance sheet currency positions (Note 13.3)	3,039,577	(2,481,352)	(467,133)	0	91,092
Net open currency position	(15,171)	71,913	34,160	190	91,092

31 December 2019

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

13.5. Interest Rate Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current and savings accounts	639,808	0	0	0	639,808
Term deposits	199,924	0	0	0	199,924
Cash collateral pledged	50,900	0	0	0	50,900
Reverse repo agreements	269,936	0	0	0	269,936
Debt securities	1,014,591	1,483,014	2,873,885	2,768,797	8,140,287
Total	2,175,159	1,483,014	2,873,885	2,768,797	9,300,855
Liabilities					
Amounts owed to banks	49,866	0	0	0	49,866
Total	49,866	0	0	0	49,866

31 December 2019

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

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 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	1,160,568	0	0	0	0	1,160,568
Debt securities	65,928	614,018	3,731,920	3,728,421	0	8,140,287
Other assets	91,559	0	0	0	0	91,559
Total assets	1,318,055	614,018	3,731,920	3,728,421	0	9,392,414
Liabilities						
Amounts owed to banks	49,866	0	0	0	0	49,866
Other liabilities	48,057	826	4,795	68,745	0	122,423
Total liabilities	97,923	826	4,795	68,745	0	172,289
Net liquidity exposure	1,220,132	613,192	3,727,125	3,659,676	0	9,220,125

31 December 2019

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

14. RELATED PARTY TRANSACTIONS

(in CZK thousands)	31 December 2020	31 December 2019
Generali penzijní společnost, a.s.		
Payables – fee for management, fee for appreciation (Note 7)	21,775	16,025
Expenses – fee for management, fee for appreciation (Note 10)	(98,603)	77,710

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

From 1 January 2021, an amendment to Decree 501/2002 Coll. entered into force for pension companies, participation funds or transformed funds under the Act regulating supplementary pension savings, which amends the reporting and valuation of financial instruments in accordance with international accounting standards regulated by directly applicable European Union rules on the application of international financial reporting standards (hereinafter "IFRS").

From the Fund's perspective, the most significant impact of this change has been the application of IFRS 9 Financial Instruments.

As the standard changes the classification of financial instruments, the financial assets of the Fund will be newly classified on the basis of the financial asset management business model and contractual cash flow characteristics. The Fund's management strategy is based on maximizing the fair value of financial instruments in the portfolio of the Fund. As the Fund's overall market valuation is assessed using the NAV indicator, the Fund will continue to measure financial instruments at fair value and recognize revaluation differences in profit or loss. The Fund measures debt instruments in accordance with the requirements of IFRS 13 Fair Value Measurement.

As of the date of transition to the new reporting pursuant to the changes in Decree 501/2002 Coll. the Fund does not record significant differences.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2020.

Date of preparation 23 April 2021



Ing. Radek Moc, Ph.D., MBA
Chairman of the Board of Directors



Ing. Miroslav Chromčík
Vice-Chairman of the Board of Directors

Obligation to disclose information

Spořicí účastnický fond Generali penzijní společnosti, a.s.

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”) Generali penzijní společnost, 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 Generali penzijní společnosti, 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 Generali penzijní společnost, 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): 649 482 42, 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): 649 48 242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 - Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.

f) Comprehensive identification of the Participation Fund's assets, if their value exceeds 1% of the value of the Fund's assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousand)	Fair value (CZK thousand)
Current accounts	CA	639,997	639,808
Term deposits	TD	200,000	199,924
Repo agreements	Reverse repo	270,000	269,936
CZ GB L-10 11/27	CZ0001004105	756,013	754,348
CZ GB 1.0 06/26	CZ0001004469	676,659	718,531
CZ GB 0.45 10/23	CZ0001004600	494,033	506,596
CZ GB 2.4 09/25	CZ0001004253	451,839	454,694
CZ GB 2.50 08/28	CZ0001003859	380,250	400,865
CZ GB 0.95 05/30	CZ0001004477	351,265	392,209
CZ GB 1.2 03/31	CZ0001005888	231,455	226,058
CZ GB 3.85 09/21	CZ0001002851	218,500	218,792
CZ GB L+65 04/23	CZ0001003123	217,975	210,274
CZ GB 1.25 02/25	CZ0001005870	176,566	180,809
CZ GB 0.25 02/27	CZ0001005037	151,808	158,651
CGN INV L+100 07/26	XS2193733842	126,000	130,070
ALTRIA 1.7 06/25	XS1843443513	116,307	121,868
CZ GB 2.75 07/29	CZ0001005375	104,020	114,480
SIGMA ALIM 2.625 02/24	XS1562623584	109,577	114,268
MOL 2.625 04/23	XS1401114811	105,869	107,265
ID GB 2.625 6/23	XS1432493879	98,839	101,610
IMP FIN 3.375 02/26	XS1040508241	93,851	95,470

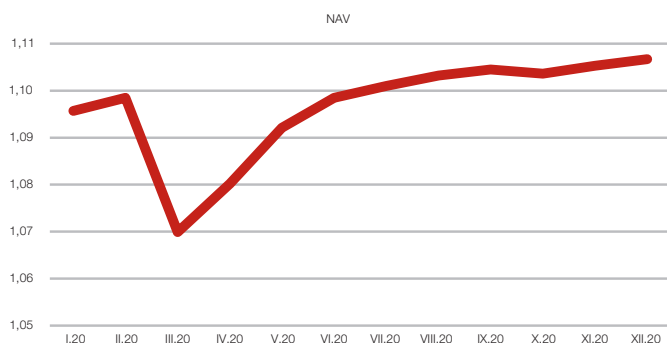
g) Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period, pursuant to Subsection 2, Letter (g) of Annex 1 to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

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

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

Date	Equity (CZK thousand)	Equity per unit
31/12/2018	6,075,414	1,0607
31/12/2019	7,757,921	1,0973
31/12/2020	9,220,125	1,1067

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)	31/12/2018	31/12/2019	31/12/2020
Due from banks and cooperative savings banks	3,064,339	3,310,462	1,160,568
a) repayable on demand	624,949	536,527	639,808
b) other receivables	2,439,390	2,773,935	520,760
Debt securities	4,355,953	4,891,895	8,140,287
a) issued by government organizations	2,412,891	2,564,739	5,168,607
b) issued by other entities	1,943,062	2,327,156	2,971,680
Shares, participating certificates and other interests	0	0	0
Other assets	2,792	34,489	91,559
TOTAL	7,423,084	8,236,846	9,392,414

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

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

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

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

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting: Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2020

Vyvážený účastnický fond
Generali penzijní společnosti, a. s.





Independent auditor's report

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

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Vyvážený účastnický fond Generali penzijní společnosti, a.s.:

Opinion

We have audited the accompanying financial statements of Vyvážený účastnický fond Generali penzijní společnosti, 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 2020, 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 2020, 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 Generali penzijní společnost, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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



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

Responsibilities of the Board of Directors of Generali penzijní společnost, a.s. for the Financial Statements

The Board of Directors of Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

We communicate with the Board of Directors of Generali penzijní společnost, 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

23 April 2021
Prague, Czech Republic

Financial Statements

Balance Sheet as at 31 December 2020

(in CZK thousands)	Note	31 December 2020	31 December 2019
ASSETS			
Due from banks	3	474,181	798,640
of which: a) repayable on demand		271,789	177,241
b) other receivables		202,392	621,399
Debt securities	4	1,872,174	931,649
of which: a) issued by government institutions		980,014	287,664
b) issued by other entities		892,160	643,985
Shares and mutual funds	4	1,314,315	855,483
Other assets	5	44,413	31,859
TOTAL ASSETS		3,705,083	2,617,631

(in CZK thousands)	Note	31 December 2020	31 December 2019
LIABILITIES			
Amounts owed to banks and cooperative saving banks	6	38,580	15,500
of which: other liabilities		38,580	15,500
Other liabilities	7	46,473	37,317
Capital funds	8	3,311,994	2,388,553
Retained earnings (+) / accumulated loss (-)	8	176,261	(21,972)
Profit/(Loss) for the period	8	131,775	198,233
TOTAL LIABILITIES		3,705,083	2,617,631

(in CZK thousands)	Note	31 December 2020	31 December 2019
Off-balance sheet assets:			
Receivables from fixed-term transactions	13.3	1,981,521	1,527,465
Assets provided for management by a third party	8	3,620,030	2,564,814
Total off-balance sheet assets		5,601,551	4,092,279
Off-balance sheet liabilities:			
Payables from fixed-term transactions	13.3	1,950,001	1,500,676
Collateral and pledge received		52,007	391,746
Total off-balance sheet liabilities		2,002,008	1,892,422



Income Statement for the year ended 31 December 2020

(in CZK thousands)	Note	2020	2019
Interest and similar income	9	38,037	34,022
of which: interest income from debt securities		32,597	25,497
Interest and similar expense		(1,256)	(397)
of which: interest expense from debt securities		0	(39)
Income from shares and mutual funds		15,922	13,698
of which: other income from shares and mutual funds		15,922	13,698
Fee and commission expenses	10	(33,348)	(27,489)
Gain/(Loss) from financial transactions	11	112,420	178,399
Profit/(Loss) on ordinary activities before tax	8	131,775	198,233
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	131,775	198,233

Notes to Financial statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

Vyvážený účastnický fond Generali penzijní společnosti, a.s. (the "Fund") was established by Penzijní společnost České pojišťovny, a.s., 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. With effect from 1 July 2020, Penzijní společnost České pojišťovny, a.s., changed its name to Generali penzijní společnost, a.s. (the "Company"). Until 30 June 2020, the Fund's name was Vyvážený účastnický fond Penzijní společnosti České pojišťovny, a.s.

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

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

The Fund's custodian is UniCredit Bank Czech Republic and Slovakia, a.s. (the "Custodian").

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

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

The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2020 were prepared on the assumption that the Fund would be able to continue as a going concern.

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

Explanation Added for Translation into English

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

2.2. Transaction Recognition Date

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

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

2.3. Securities and Their Fair Value

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

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



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

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

2.4. Foreign Currency

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

2.5. Repo Agreements

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

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

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

2.6. Financial Derivatives

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

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

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

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

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

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

2.7. Interest Income and Expenses, Dividend Income

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

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

2.8. Fee and Commission Expenses

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

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

2.9. Payables to Policyholders

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

2.10. Capital Funds

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

2.11. Provision for Pension Payments

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

2.12. Income Tax

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

2.13. Deferred Tax

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

2.14. Off-balance Sheet Assets and Liabilities

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

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

2.15. Subsequent Events

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

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

2.16. Related Parties

Related parties are defined as follows:

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

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

3. DUE FROM BANKS

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

(in CZK thousands)	31 December 2020	31 December 2019
Current and savings accounts	271,789	177,241
Term deposits	139,949	220,478
Cash collateral pledged	9,448	1,016
Reverse repo agreements	52,995	399,905
Total amounts due from banks	474,181	798,640



4. SECURITIES

All securities held by the Fund are listed.
Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	927,174	268,894
Foreign stock exchanges	945,000	662,755
Total debt securities	1,872,174	931,649

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	46,103	34,572
Foreign stock exchanges	1,268,212	820,911
Total shares and mutual funds	1,314,315	855,483

5. OTHER ASSETS

(in CZK thousands)	31 December 2020	31 December 2019
Receivables from securities transactions	768	361
Financial derivatives (Note 13.3)	43,645	31,498
Total other assets	44,413	31,859

6. AMOUNTS OWED TO BANKS AND COOPERATIVE SAVING BANKS

(in CZK thousands)	31 December 2020	31 December 2019
Cash collateral received – OTC derivatives	38,580	15,500
Amounts owed to banks and cooperative saving banks	38,580	15,500

7. OTHER LIABILITIES

(in CZK thousands)	31 December 2020	31 December 2019
Payables to policyholders	26,354	22,777
Financial derivatives (Note 13.3)	12,125	4,709
Fee for management and appreciation of assets (see Note 14)	7,994	9,831
Total other liabilities	46,473	37,317



8. CAPITAL FUNDS AND OTHER EQUITY COMPONENTS

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

	31 December 2020	31 December 2019
Capital funds (in CZK thousands)	3,311,994	2,388,553
Retained earnings (+) / accumulated loss (-) (in CZK thousands)	176,261	(21,972)
Profit/(Loss) for the period (in CZK thousands)	131,775	198,233
Equity (in CZK thousands)	3,620,030	2,564,814
Number of units (thousands)	2,903,829	2,121,784
NAV/unit	1.2467	1.2089
Annual yield (p.a.)	3.13%	10.50%

The profit for 2020 totaling CZK 131,775 thousand will be distributed according to the Company's decision after the financial statements have been approved. The profit for 2019 of CZK 198,233 thousand was used to compensate accumulated loss of CZK 21,972 thousand; the profit remainder of CZK 176,261 thousand was transferred to retained earnings.

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly. However, the current course of the pandemic in 2020 did not have a material impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the appreciation of the Fund.

Number of policyholders:

	31 December 2020	31 December 2019
Number of policyholders	106,971	94,212

Pension benefit payments:

	2020	2019
Amount (in CZK thousands)	243,419	200,670
Number of pension benefits	6,873	6,561

9. INTEREST AND SIMILAR INCOME

(in CZK thousands)	2020	2019
Interest on debt securities	32,597	25,497
Other interest income	5,440	8,525
Total interest and similar income	38,037	34,022

10. FEE AND COMMISSION EXPENSES

(in CZK thousands)	2020	2019
Fee for management of assets (see Note 14)	(28,195)	(19,959)
Fee for appreciation of assets (see Note 14)	(5,142)	(7,465)
Other	(11)	(65)
Total fee and commission expenses	(33,348)	(27,489)

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



11. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

(in CZK thousands)	2020	2019
Securities	128,813	167,936
Foreign exchange differences	(31,418)	(9,419)
Derivatives	15,025	19,882
Total gain or loss from financial transactions	112,420	178,399

As at 31 December 2020 and 2019, the item “Derivatives” includes changes in fair values of derivatives within the economic hedge of foreign currency exposures of portfolio’s certain assets totaling CZK 15,025 thousand and CZK 19,882 thousand, respectively.

12. INCOME TAXES

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

13. FINANCIAL RISKS

13.1. Financial Risks

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 2020

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	474,181	0	0	0	474,181
Debt securities	1,007,530	625,264	6,674	232,706	1,872,174
Shares and mutual funds	44,268	692,133	397,374	180,540	1,314,315
Financial derivatives	6,932	0	36,713	0	43,645
Total financial assets	1,532,911	1,317,397	440,761	413,246	3,704,315

31 December 2019

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	798,640	0	0	0	798,640
Debt securities	296,564	386,446	2,918	245,721	931,649
Shares and mutual funds	38,645	433,671	206,942	176,225	855,483
Financial derivatives	0	17,381	14,117	0	31,498
Total financial assets	1,133,849	837,498	223,977	421,946	2,617,270

Breakdown of revenues by geographic location of markets 2020

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	17,139	16,077	4,821	38,037
Income from shares and mutual funds – other	1,394	14,260	268	15,922
Gain or loss from financial transactions	(32,958)	149,050	(3,672)	112,420

2019

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	13,994	16,683	3,345	34,022
Income from shares and mutual funds – other	1,098	12,110	490	13,698
Gain or loss from financial transactions	21,939	150,393	6,067	178,399

13.3. Financial Derivatives

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

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

31 December 2020

(in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	1,803,399	1,759,847	43,645	(93)
Interest rate derivatives	178,122	190,154	0	(12,032)
Total derivatives	1,981,521	1,950,001	43,645	(12,125)

31 December 2019

(in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	1,371,761	1,340,317	31,498	(54)
Interest rate derivatives	155,704	160,359	0	(4,655)
Total derivatives	1,527,465	1,500,676	31,498	(4,709)

13.4. Currency Risk

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

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

31 December 2020

(in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	430,383	39,495	4,209	94	474,181
Debt securities	1,065,915	665,466	140,793	0	1,872,174
Shares and mutual funds	46,103	611,807	577,914	78,491	1,314,315
Other assets	359	25,658	18,063	333	44,413
Total	1,542,760	1,342,426	740,979	78,918	3,705,083
Liabilities					
Amounts owed to banks	0	38,580	0	0	38,580
Other liabilities	46,380	93	0	0	46,473
Equity	3,620,030	0	0	0	3,620,030
Total	3,666,410	38,673	0	0	3,705,083
Net balance sheet assets / liabilities (-)	(2,123,650)	1,303,753	740,979	78,918	0
Net off-balance sheet currency positions (Note 13.3)	1,803,399	(1,160,751)	(572,825)	(26,271)	43,552
Net open currency position	(320,251)	143,002	168,154	52,647	43,552

31 December 2019

(in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	730,474	26,880	24,531	16,755	798,640
Debt securities	380,476	379,103	172,070	0	931,649
Shares and mutual funds	34,572	398,449	359,949	62,513	855,483
Other assets	250	17,377	14,217	15	31,859
Total	1,145,772	821,809	570,767	79,283	2,617,631
Liabilities					
Amounts owed to banks	0	15,500	0	0	15,500
Other liabilities	37,263	0	0	54	37,317
Equity	2,564,814	0	0	0	2,564,814
Total	2,602,077	15,500	0	54	2,617,631
Net balance sheet assets / liabilities (-)	(1,456,305)	806,309	570,767	79,229	0
Net off-balance sheet currency positions (Note 13.3)	1,371,761	(780,169)	(540,608)	(19,540)	31,444
Net open currency position	(84,544)	26,140	30,159	59,689	31,444

13.5. Interest Rate Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current and savings accounts	271,789	0	0	0	271,789
Term deposits	139,949	0	0	0	139,949
Cash collateral pledged	9,448	0	0	0	9,448
Reverse repo agreements	52,995	0	0	0	52,995
Debt securities	182,270	166,625	785,609	737,670	1,872,174
Total	656,451	166,625	785,609	737,670	2,346,355
Liabilities					
Amounts owed to banks	38,580	0	0	0	38,580
Total	38,580	0	0	0	38,580

31 December 2019

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current and savings accounts	177,241	0	0	0	177,241
Term deposits	220,478	0	0	0	220,478
Cash collateral pledged	1,016	0	0	0	1,016
Reverse repo agreements	399,905	0	0	0	399,905
Debt securities	147,840	87,410	419,213	277,186	931,649
Total	946,480	87,410	419,213	277,186	1,730,289
Liabilities					
Amounts owed to banks	15,500	0	0	0	15,500
Total	15,500	0	0	0	15,500

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 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	474,181	0	0	0	0	474,181
Debt securities	22,736	89,768	920,446	839,224	0	1,872,174
Shares and mutual funds	0	0	0	0	1,314,315	1,314,315
Other assets	44,413	0	0	0	0	44,413
Total assets	541,330	89,768	920,446	839,224	1,314,315	3,705,083
Liabilities						
Amounts owed to banks	38,580	0	0	0	0	38,580
Other liabilities	34,440	0	0	12,033	0	46,473
Total liabilities	73,020	0	0	12,033	0	85,053
Net liquidity exposure	468,310	89,768	920,446	827,191	1,314,315	3,620,030

31 December 2019

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	798,640	0	0	0	0	798,640
Debt securities	20,303	33,404	549,041	328,901	0	931,649
Shares and mutual funds	0	0	0	0	855,483	855,483
Other assets	31,859	0	0	0	0	31,859
Total assets	850,802	33,404	549,041	328,901	855,483	2,617,631
Liabilities						
Amounts owed to banks	15,500	0	0	0	0	15,500
Other liabilities	32,661	0	0	4,656	0	37,317
Total liabilities	48,161	0	0	4,656	0	52,817
Net liquidity exposure	802,641	33,404	549,041	324,245	855,483	2,564,814

14. RELATED PARTY TRANSACTIONS

(in CZK thousands)	31. 12. 2020	31. 12. 2019
Generali penzijní společnost, a.s.		
Payables – fee for management, fee for appreciation (Note 7)	7,994	9,831
Expenses – fee for management, fee for appreciation (Note 10)	(33,337)	(27,424)

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

From 1 January 2021, an amendment to Decree 501/2002 Coll. entered into force for pension companies, participation funds or transformed funds under the Act regulating supplementary pension savings, which amends the reporting and valuation of financial instruments in accordance with international accounting standards regulated by directly applicable European Union rules on the application of international financial reporting standards (hereinafter "IFRS").

From the Fund's perspective, the most significant impact of this change has been the application of IFRS 9 Financial Instruments.

As the standard changes the classification of financial instruments, the financial assets of the Fund will be newly classified on the basis of the financial asset management business model and contractual cash flow characteristics. The Fund's management strategy is based on maximizing the fair value of financial instruments in the portfolio of the Fund. As the Fund's overall market valuation is assessed using the NAV indicator, the Fund will continue to measure financial instruments at fair value and recognize revaluation differences in profit or loss. The Fund measures debt instruments in accordance with the requirements of IFRS 13 Fair Value Measurement.

As of the date of transition to the new reporting pursuant to the changes in Decree 501/2002 Coll. the Fund does not record significant differences.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2020.

Date of preparation 23 April 2021



Ing. Radek Moc, Ph.D., MBA
Chairman of the Board of Directors



Ing. Miroslav Chromčík
Vice-Chairman of the Board of Directors

Obligation to disclose information

Vyvážený účastnický fond Generali penzijní společnosti, a.s.

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”) Generali penzijní společnost, a.s., hereby discloses:

- a) **Name of the Participation Fund**, pursuant to Subsection 2, Letter (a) of Annex 1 to the Decree
Vyvážený účastnický fond Generali penzijní společnosti, 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 Generali penzijní společnost, 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, 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): 649 482 42, 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): 649 48 242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 - Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.

f) Comprehensive identification of the Participation Fund's assets, if their value exceeds 1% of the value of the Fund's assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousand)	Fair value (CZK thousand)
Current accounts	CA	271,861	271,789
Term deposits	TD	140,000	139,949
Repo agreements	Reverse repo	53,000	52,995
CZ GB 1.0 06/26	CZ0001004469	234,606	237,824
CZ GB 0.45 10/23	CZ0001004600	146,917	150,474
EU STOXX50 ISHARES ETF	DE0005933956	138,124	147,289
S&P 500 VANGUARD ETF	IE00B3XXRP09	112,998	145,755
CZ GB 1.25 02/25	CZ0001005870	99,997	103,319
MSCI EM iShares ETF	IE00BKM4GZ66	69,371	88,425
EU STOXX600 ISHARES ETF	DE0002635307	76,785	82,540
NASDAQ 100 QQQ ETF	US46090E1038	55,220	69,113
S&P 500 SPDR ETF	IE00B5BMR087	51,712	66,475
CZ GB 1.2 03/31	CZ0001005888	61,494	60,282
DAX ISHARES ETF	DE0005933931	53,020	59,060
FTSE EM VANGUARD ETF	US9220428588	51,676	58,944
CZ GB 2.75 07/29	CZ0001005375	52,010	57,240
EASTERN EUROPE LYXOR ETF	LU1900066462	53,280	54,544
CZ GB 2.4 09/25	CZ0001004253	54,228	54,130
CZ GB 2.0 10/33	CZ0001005243	48,555	54,072
CZ GB L-10 11/27	CZ0001004105	50,027	50,066
S&P 500 SPDR Trust ETF	US78462F1030	41,240	49,576
CZ GB 0.95 05/30	CZ0001004477	43,535	49,026
LOUDRE 2.375 11/25	XS2264074647	42,823	43,639
EU STOXX50 DEKA ETF	DE000ETFL029	37,662	40,486
ILIAD 2.375 06/26	FR0013518420	37,580	38,636

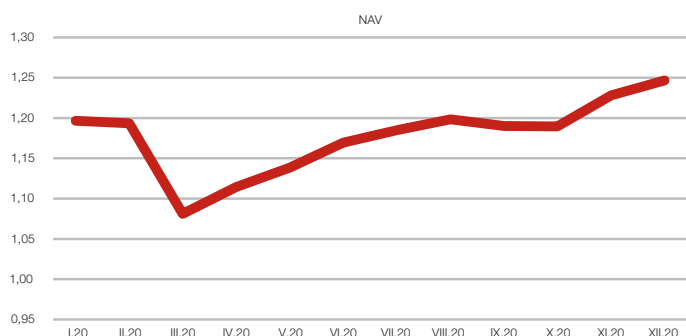
g) Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period, pursuant to Subsection 2, Letter (g) of Annex 1 to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

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

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

Date	Equity (CZK thousand)	Equity per unit
31/12/2018	1,608,596	1,0940
31/12/2019	2,564,814	1,2089
31/12/2020	3,620,030	1,2467

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)	31/12/2018	31/12/2019	31/12/2020
Due from banks and cooperative savings banks	657,972	798,640	474,181
a) repayable on demand	197,960	177,241	271,789
b) other receivables	460,012	621,399	202,392
Debt securities	598,548	931,649	1,872,174
a) issued by government organizations	226,842	287,664	980,014
b) issued by other entities	371,706	643,985	892,160
Shares, participating certificates and other interests	546,102	855,483	1,314,315
Other assets	5,925	31,859	44,413
TOTAL	1,808,547	2,617,631	3,705,083

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

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

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

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

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting: Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

Annual Report 2020

Dynamický účastnický fond
Generali penzijní společnosti, a. s.





Independent auditor's report

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

INDEPENDENT AUDITOR'S REPORT

To the Fund participants of Dynamický účastnický fond Generali penzijní společnosti, a.s.:

Opinion

We have audited the accompanying financial statements of Dynamický účastnický fond Generali penzijní společnosti, 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 2020, 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 2020, 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 Generali penzijní společnost, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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



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

Responsibilities of the Board of Directors of Generali penzijní společnost, a.s. for the Financial Statements

The Board of Directors of Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, 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 Generali penzijní společnost, a.s. either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

We communicate with the Board of Directors of Generali penzijní společnost, 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

23 April 2021
Prague, Czech Republic

Financial Statements

Balance Sheet as at 31 December 2020

(in CZK thousands)	Note	31 December 2020	31 December 2019
ASSETS			
Due from banks	3	308,538	230,095
of which: a) repayable on demand		128,574	103,989
b) other receivables		179,964	126,106
Debt securities	4	315,614	237,850
of which: a) issued by government institutions		39,205	39,045
b) issued by other entities		276,409	198,805
Shares and mutual funds	4	1,693,014	1,027,604
Other assets	5	45,262	25,314
TOTAL ASSETS		2,362,428	1,520,863

(in CZK thousands)	Note	31 December 2020	31 December 2019
LIABILITIES			
Amounts owed to banks and cooperative saving banks	6	45,404	3,303
of which: other liabilities		45,404	3,303
Other liabilities	7	16,424	15,539
Capital funds	8	2,011,227	1,360,769
Retained earnings (+) / accumulated loss (-)	8	141,252	(37,169)
Profit/(Loss) for the period	8	148,121	178,421
TOTAL LIABILITIES		2,362,428	1,520,863

(in CZK thousands)	Note	31 December 2020	31 December 2019
Off-balance sheet assets:			
Receivables from fixed-term transactions	13.3	1,520,957	1,105,168
Assets provided for management by a third party	8	2,300,600	1,502,021
Total off-balance sheet assets		3,821,557	2,607,189
Off-balance sheet liabilities:			
Payables from fixed-term transactions	13.3	1,476,580	1,080,230
Collateral and pledge received		109,015	67,956
Total off-balance sheet liabilities		1,585,595	1,148,186



Income Statement for the year ended 31 December 2020

(in CZK thousands)	Note	2020	2019
Interest and similar income	9	10,818	8,650
of which: interest income from debt securities		9,338	6,565
Interest and similar expense		(109)	(127)
of which: interest expense from debt securities		0	(22)
Income from shares and mutual funds		19,880	15,616
of which: other income from shares and mutual funds		19,880	15,616
Fee and commission expenses	10	(19,626)	(16,245)
Gain/(Loss) from financial transactions	11	137,158	170,527
Profit/(Loss) on ordinary activities before tax	8	148,121	178,421
Income tax	12	0	0
Profit/(Loss) for the period after tax	8	148,121	178,421

Notes to Financial statements

for the year ended 31 December 2020

1. GENERAL INFORMATION

Dynamický účastnický fond Generali penzijní společnosti, a.s. (the “Fund”) was established by Penzijní společnost České pojišťovny, a.s., 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. With effect from 1 July 2020, Penzijní společnost České pojišťovny, a.s., changed its name to Generali penzijní společnost, a.s. (the “Company”). Until 30 June 2020, the Fund’s name was Dynamický účastnický fond Penzijní společnosti České pojišťovny, a.s.

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

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

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

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

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

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

The Board of Directors considered the potential impact of covid-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 December 2020 were prepared on the assumption that the Fund would be able to continue as a going concern.

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

Explanation Added for Translation into English

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

2.2. Transaction Recognition Date

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

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

2.3. Securities and Their Fair Value

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

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

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

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

2.4. Foreign Currency

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

2.5. Repo Agreements

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

Repo (reverse repo) agreement is:

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

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

2.6. Financial Derivatives

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

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

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

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

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

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

2.7. Interest Income and Expenses, Dividend Income

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

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

2.8. Fee and Commission Expenses

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

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

2.9. Payables to Policyholders

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

2.10. Capital Funds

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

2.11. Provision for Pension Payments

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

2.12. Income Tax

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

2.13. Deferred Tax

586/1992 Coll. on Income Taxes, the applicable tax rate has been 0%.

2.14. Off-balance Sheet Assets and Liabilities

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

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

2.15. Subsequent Events

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

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

2.16. Related Parties

Related parties are defined as follows:

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

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

3. DUE FROM BANKS

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

(in CZK thousands)	31 December 2020	31 December 2019
Current and savings accounts	128,574	103,989
Term deposits	69,975	55,120
Cash collateral pledged	0	1,016
Reverse repo agreements	109,989	69,970
Total amounts due from banks	308,538	230,095



4. SECURITIES

All securities held by the Fund are listed.
Securities at fair value through profit or loss:

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	56,984	55,783
Foreign stock exchanges	258,630	182,067
Total debt securities	315,614	237,850

(in CZK thousands)	31 December 2020	31 December 2019
Traded on the primary or secondary PSE market	53,582	37,075
Foreign stock exchanges	1,639,432	990,529
Total shares and mutual funds	1,693,014	1,027,604

5. OTHER ASSETS

(in CZK thousands)	31 December 2020	31 December 2019
Receivables from securities transactions	798	321
Financial derivatives (Note 13.3)	44,464	24,993
Total other assets	45,262	25,314

6. AMOUNTS OWED TO BANKS AND COOPERATIVE SAVING BANKS

(in CZK thousands)	31 December 2020	31 December 2019
Cash collateral received – OTC derivatives	45,404	3,303
Amounts owed to banks and cooperative saving banks	45,404	3,303

7. OTHER LIABILITIES

(in CZK thousands)	31 December 2020	31 December 2019
Payables to policyholders	11,850	9,144
Financial derivatives (Note 13.3)	86	55
Fee for management and appreciation of assets (see Note 14)	4,488	6,340
Total other liabilities	16,424	15,539



8. CAPITAL FUNDS AND OTHER EQUITY COMPONENTS

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

	31 December 2020	31 December 2019
Capital funds (in CZK thousands)	2,011,227	1,360,769
Retained earnings (+) / accumulated loss (-) (in CZK thousands)	141,252	(37,169)
Profit/(Loss) for the period (in CZK thousands)	148,121	178,421
Equity (in CZK thousands)	2,300,600	1,502,021
Number of units (thousands)	1,684,368	1,158,825
NAV/unit	1.3660	1.2963
Annual yield (p.a.)	5.38%	17.91%

The profit for 2020 totaling CZK 148,121 thousand will be distributed according to the Company's decision after the financial statements have been approved. The profit for 2019 of CZK 178,421 thousand was used to compensate losses of CZK 37,169 thousand; the profit remainder of CZK 141,252 thousand was transferred to retained earnings.

The Company management closely monitors the situation and takes measures to minimize the impact of the worldwide covid-19 pandemic on the Fund's operations. The situation is evolving constantly. However, the current course of the pandemic in 2020 did not have a material impact on the Fund's financial results, in particular on the quality of the financial instruments portfolio and the appreciation of the Fund.

Number of policyholders:

	31 December 2020	31 December 2019
Number of policyholders	89,074	73,546

Pension benefit payments:

	31 December 2020	31 December 2019
Amount (in CZK thousands)	81,833	63,508
Number of pension benefits	3,383	2,935

9. INTEREST AND SIMILAR INCOME

(in CZK thousands)	2020	2019
Interest on debt securities	9,338	6,565
Other interest income	1,480	2,085
Total interest and similar income	10,818	8,650

10. FEE AND COMMISSION EXPENSES

(in CZK thousands)	2020	2019
Fee for management of assets (see Note 14)	(16,804)	(11,099)
Fee for appreciation of assets (see Note 14)	(2,686)	(4,963)
Other	(136)	(183)
Total fee and commission expenses	(19,626)	(16,245)

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



11. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

(in CZK thousands)	2020	2019
Securities	150,702	163,008
Foreign exchange differences	(51,379)	(5,341)
Derivatives	37,835	12,860
Total gain or loss from financial transactions	137,158	170,527

As at 31 December 2020 and 2019, the item “Derivatives” includes changes in fair values of derivatives within the economic hedge of foreign currency exposures of portfolio's certain assets totaling CZK 37,835 thousand and CZK 12,860 thousand, respectively.

12. INCOME TAXES

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

13. FINANCIAL RISKS

13.1. Strategy in Using Financial Instruments

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

13.2. Market Risk

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

Geographical segmentation of financial assets 31 December 2020

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	308,538	0	0	0	308,538
Debt securities	76,955	157,905	0	80,754	315,614
Shares and mutual funds	51,946	815,423	619,138	206,507	1,693,014
Financial derivatives	0	0	44,464	0	44,464
Total financial assets	437,439	973,328	663,602	287,261	2,361,630

31 December 2019

(in CZK thousands)	Czech Republic	European Union excl. Czech Republic	USA	Other	Total
Financial assets					
Due from banks	230,095	0	0	0	230,095
Debt securities	61,237	108,144	0	68,469	237,850
Shares and mutual funds	42,225	468,981	335,770	180,628	1,027,604
Financial derivatives	0	11,064	13,929	0	24,993
Total financial assets	333,557	588,189	349,699	249,097	1,520,542

Breakdown of revenues by geographic location of markets 2020

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	3,919	5,239	1,660	10,818
Income from shares and mutual funds – other	1,606	17,969	305	19,880
Gain or loss from financial transactions	(69,206)	204,912	1,452	137,158

2019

(in CZK thousands)	Czech Republic	OECD excl. Czech Republic	Other	Total
Interest and similar income	3,255	4,752	643	8,650
Income from shares and mutual funds – other	1,267	13,828	521	15,616
Gain or loss from financial transactions	5,543	157,117	7,867	170,527

13.3. Financial Derivatives

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

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

31 December 2020

(in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	1,520,957	1,476,580	44,464	(86)
Total derivatives	1,520,957	1,476,580	44,464	(86)

31 December 2019

(in CZK thousands)	Nominal value		Fair value	
	Assets	Liabilities	Positive (Note 5)	Negative (Note 7)
Foreign currency derivatives	1,105,168	1,080,230	24,993	(55)
Total derivatives	1,105,168	1,080,230	24,993	(55)

13.4. Currency Risk

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

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

31 December 2020

(in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	286,506	15,548	819	5,665	308,538
Debt securities	82,600	177,146	55,868	0	315,614
Shares and mutual funds	53,582	721,536	825,645	92,251	1,693,014
Other assets	269	23,142	21,493	358	45,262
Total	422,957	937,372	903,825	98,274	2,362,428
Liabilities					
Amounts owed to banks	0	45,404	0	0	45,404
Other liabilities	16,338	47	39	0	16,424
Equity	2,300,600	0	0	0	2,300,600
Total	2,316,938	45,451	39	0	2,362,428
Net balance sheet assets / liabilities (-)	(1,893,981)	891,921	903,786	98,274	0
Net off-balance sheet currency positions (Note 13.3)	1,520,957	(737,729)	(709,660)	(29,190)	44,378
Net open currency position	(373,024)	154,192	194,126	69,084	44,378

31 December 2019

(in CZK thousands)	CZK	EUR	USD	Other	Total
Assets					
Due from banks	201,611	4,031	2,089	22,364	230,095
Debt securities	71,961	115,673	50,216	0	237,850
Shares and mutual funds	37,075	413,629	506,447	70,453	1,027,604
Other assets	143	11,060	14,106	5	25,314
Total	310,790	544,393	572,858	92,822	1,520,863
Liabilities					
Amounts owed to banks	0	3,303	0	0	3,303
Other liabilities	15,484	0	0	55	15,539
Equity	1,502,021	0	0	0	1,502,021
Total	1,517,505	3,303	0	55	1,520,863
Net balance sheet assets / liabilities (-)	(1,206,715)	541,090	572,858	92,767	0
Net off-balance sheet currency positions (Note 13.3)	1,105,169	(523,497)	(536,299)	(20,435)	24,938
Net open currency position	(101,546)	17,593	36,559	72,332	24,938

13.5. Interest Rate Risk

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

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

31 December 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current and savings accounts	128,574	0	0	0	128,574
Term deposits	69,974	0	0	0	69,974
Cash collateral pledged	0	0	0	0	0
Reverse repo agreements	109,989	0	0	0	109,989
Debt securities	21,613	37,270	162,915	93,816	315,614
Total	330,150	37,270	162,915	93,816	624,151
Liabilities					
Amounts owed to banks	45,404	0	0	0	45,404
Total	45,404	0	0	0	45,404

31 December 2019

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets					
Current and savings accounts	103,989	0	0	0	103,989
Term deposits	55,120	0	0	0	55,120
Cash collateral pledged	1,016	0	0	0	1,016
Reverse repo agreements	69,970	0	0	0	69,970
Debt securities	9,081	25,549	138,526	64,694	237,850
Total	239,176	25,549	138,526	64,694	467,945
Liabilities					
Amounts owed to banks	3,303	0	0	0	3,303
Total	3,303	0	0	0	3,303

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 2020

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	308,538	0	0	0	0	308,538
Debt securities	4,625	19,142	177,045	114,802	0	315,614
Shares and mutual funds	0	0	0	0	1,693,014	1,693,014
Other assets	45,262	0	0	0	0	45,262
Total assets	358,425	19,142	177,045	114,802	1,693,014	2,362,428
Liabilities						
Amounts owed to banks	45,404	0	0	0	0	45,404
Other liabilities	16,424	0	0	0	0	16,424
Total liabilities	61,828	0	0	0	0	61,828
Net liquidity exposure	296,597	19,142	177,045	114,802	1,693,014	2,300,600

31 December 2019

(in CZK thousands)	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years	Not specified	Total
Assets						
Due from banks	230,095	0	0	0	0	230,095
Debt securities	9,735	6,062	149,411	72,642	0	237,850
Shares and mutual funds	0	0	0	0	1,027,604	1,027,604
Other assets	25,314	0	0	0	0	25,314
Total assets	265,144	6,062	149,411	72,642	1,027,604	1,520,863
Liabilities						
Amounts owed to banks	3,303	0	0	0	0	3,303
Other liabilities	15,539	0	0	0	0	15,539
Total liabilities	18,842	0	0	0	0	18,842
Net liquidity exposure	246,302	6,062	149,411	72,642	1,027,604	1,502,021

14. RELATED PARTY TRANSACTIONS

(in CZK thousands)	31 December 2020	31 December 2019
Generali penzijní společnost, a.s.		
Payables – fee for management, fee for appreciation (Note 7)	4,488	6,340
Expenses – fee for management, fee for appreciation (Note 10)	(19,490)	16,062

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

From 1 January 2021, an amendment to Decree 501/2002 Coll. entered into force for pension companies, participation funds or transformed funds under the Act regulating supplementary pension savings, which amends the reporting and valuation of financial instruments in accordance with international accounting standards regulated by directly applicable European Union rules on the application of international financial reporting standards (hereinafter "IFRS").

From the Fund's perspective, the most significant impact of this change has been the application of IFRS 9 Financial Instruments.

As the standard changes the classification of financial instruments, the financial assets of the Fund will be newly classified on the basis of the financial asset management business model and contractual cash flow characteristics. The Fund's management strategy is based on maximizing the fair value of financial instruments in the portfolio of the Fund. As the Fund's overall market valuation is assessed using the NAV indicator, the Fund will continue to measure financial instruments at fair value and recognize revaluation differences in profit or loss. The Fund measures debt instruments in accordance with the requirements of IFRS 13 Fair Value Measurement.

As of the date of transition to the new reporting pursuant to the changes in Decree 501/2002 Coll. the Fund does not record significant differences.

No other significant events occurred between the balance sheet date and the financial statements date, which would have a material impact on the financial statements of the Fund for the year ended 31 December 2020.

Date of preparation 23 April 2021



Ing. Radek Moc, Ph.D., MBA
Chairman of the Board of Directors



Ing. Miroslav Chromčík
Vice-Chairman of the Board of Directors

Obligation to disclose information

Dynamický účastnický fond Generali penzijní společnosti, a.s.

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”) Generali penzijní společnost, 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 Generali penzijní společnosti, 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 Generali penzijní společnost, 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, 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): 649 482 42, 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): 649 48 242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 - Michle, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 3608.

- f) Comprehensive identification of the Participation Fund's assets, if their value exceeds 1% of the value of the Fund's assets as at the date of the valuation performed for the purposes of this Report, with a specification of the total acquisition price and the fair value at the end of the relevant period, pursuant to Subsection 2, Letter (f) of Annex 1 to the Decree

Name	ISIN	Acquisition cost (CZK thousand)	Fair value (CZK thousand)
Current accounts	CA	128,950	128,574
Term deposits	TD	70,000	69,975
Repo agreements	Reverse repo	110,000	109,989
MSCI EM iShares ETF	IE00BKM4GZ66	76,726	96,101
EU STOXX50 iSHARES ETF	DE0005933956	82,673	88,185
S&P 500 VANGUARD ETF	IE00B3XXRP09	58,525	70,691
FTSE EM VANGUARD ETF	US9220428588	45,893	51,731
EU STOXX600 iSHARES ETF	DE0002635307	45,046	49,470
NASDAQ 100 QQQ ETF	US46090E1038	32,326	40,931
S&P 500 SPDR ETF	IE00B5BMR087	30,429	39,482
MSCI EM iSHARES ETF	US46434G1031	31,627	37,152
EASTERN EUROPE LYXOR ETF	LU1900066462	32,260	33,194
S&P 500 iShares ETF	US4642872000	30,752	31,311
S&P 500 SPDR Trust ETF	US78462F1030	27,517	30,385
DAX iSHARES ETF	DE0005933931	25,494	28,318
PAYPAL	US70450Y1038	8,685	26,196
BANK PEKAO	PLPEKA000016	26,484	25,053
AUSTRIA TECH&SYSTEM	AT0000969985	14,987	24,046

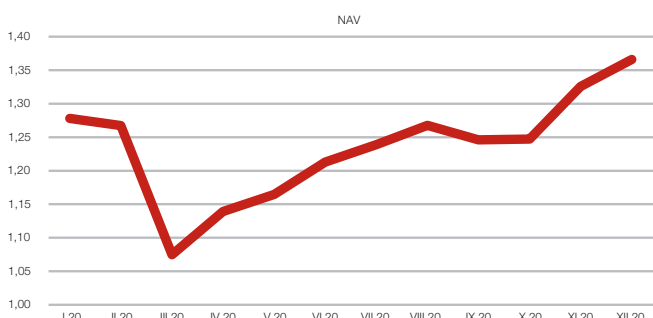
- g) Information on judicial or arbitration disputes relating to the Fund's assets or to any claim of the Participation Fund's participants, if the value of the dispute exceeds 1% of the value of the Participation Fund's assets in the relevant period, pursuant to Subsection 2, Letter (g) of Annex 1 to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

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

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

Date	Equity (CZK thousand)	Equity per unit
31/12/2018	821,884	1,0994
31/12/2019	1,502,021	1,2963
31/12/2020	2,300,600	1,3660

- 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)	31/12/2018	31/12/2019	31/12/2020
Due from banks and cooperative savings banks	157,540	230,095	308,538
a) repayable on demand	72,330	103,989	128,574
b) other receivables	85,210	126,106	179,964
Debt securities	116,115	237,850	315,614
a) issued by government organizations	22,671	39,045	39,205
b) issued by other entities	93,444	198,805	276,409
Shares, participating certificates and other interests	607,575	1,027,604	1 693,014
Other assets	5,342	25,314	45,262
TOTAL	886,572	1,520,863	2 362,428

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

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

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

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

Information on the projected development of the entity pursuant to Section 21(2) of Act No. 563/1991 Coll., on Accounting: Continued interest in supplementary pension savings programs will support growth in the number of clients and the volume of administered assets in the coming period.

CONTACTS

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