

# Annual Report 2013

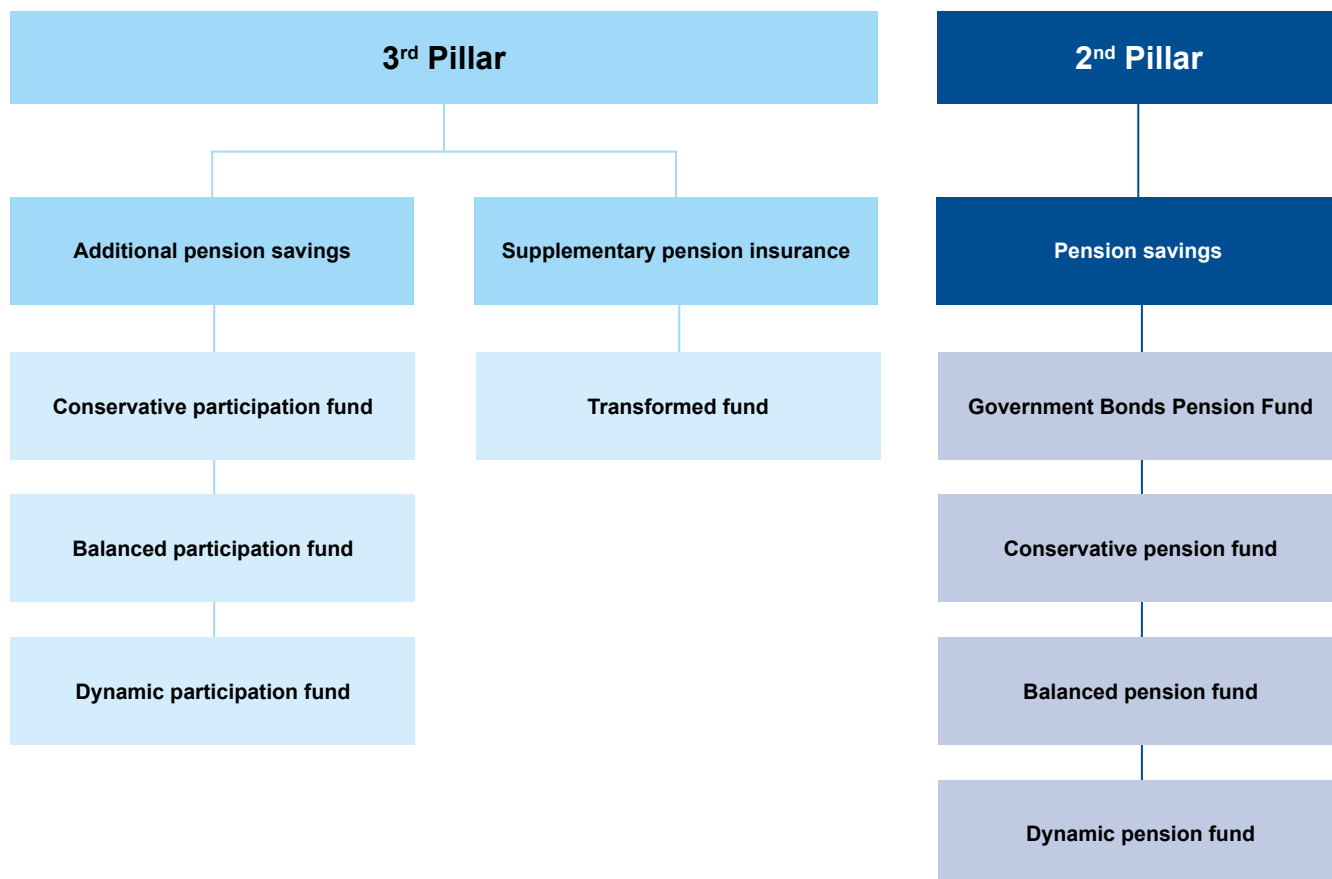
Part B

Funds Administered by Česká spořitelna –  
penzijní společnost, a. s.

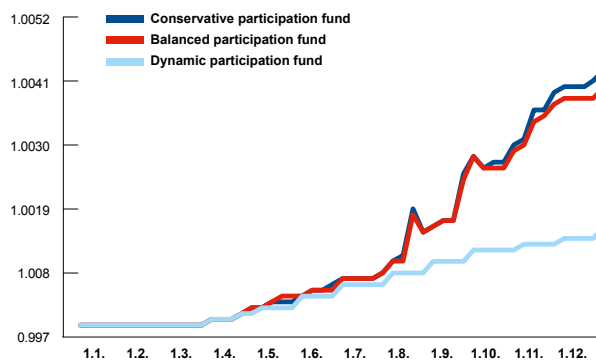
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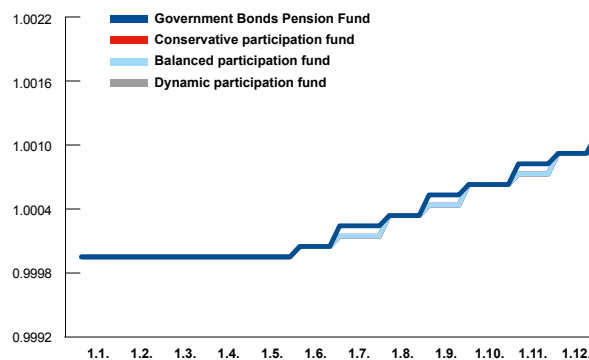
# List of funds



**Development of pension unit of the additional pension savings (2013)**



**Development of pension unit of the pension savings (2013)**



# Compulsory Conservative participation fund of additional pension savings with government contribution Česká spořitelna – penzijní společnost, a. s.

## Basic information

Compulsory Conservative participation fund of additional pension savings with government contribution Česká spořitelna – penzijní společnost, a. s.

The Czech National Bank (CNB) issued a decision which permitted to establish the participation fund on 17th December, 2013, reference number 2012/12485/570. The decision came into effect on 18th December, 2012.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

## Funds characteristics

Investment into a conservative participation fund is suitable for those participants who are neither interested nor informed about events on capital markets and at the same time they are looking for the complex solution of their investment divided between currency and bond market. The Conservative participation fund is designed for those participants who prefer fixed-rate financial instruments and for less-experienced investors with minimum investment horizon of one year. The goal of the investment policy is to provide to participants a long-term appreciation of the funds invested placed mainly into the instruments of currency market, government bonds, and other debt securities rated at the investment level permitted by law on additional pension savings. The interest rate risk is actively controlled, the investment denominated in foreign exchange are fully secured.

## Depository

The depository of the participation fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

## Person responsible for safeguarding and control of assets of the participation fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Remuneration for managing assets

**Until 31<sup>st</sup> Dec 2013 Penzijní společnost does not charge remuneration for managing and appreciation of assets (Fee holidays).**

The remuneration for assets managing of the Compulsory conservative fund is 0.4 % per year from the average yearly value of the fund equity.

The remuneration for appreciation of assets of the Compulsory conservative fund is 10 % from the difference of the average yearly value of the pension unit in the period and the highest average yearly value of the pension unit in years previous to the period starting establishing the fund multiplied by average yearly number of pension units.

The amount of remuneration abides by the act on additional pension savings no. 427/2011 Col., Article 60 Remuneration of the pension society.

With regard to the fact that the participation funds came into existence on 1st Jan 2013 along with pension reform based on the act on additional pension savings no. 427/2011 Col., there are no accessible comparable data on equity of the participation fund for previous three periods.

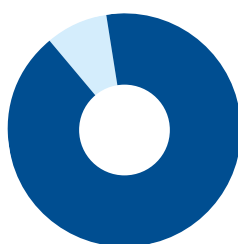
**To obtain further information on the participation fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

**Assets of the Compulsory conservative participation fund as at 31st December 2013**

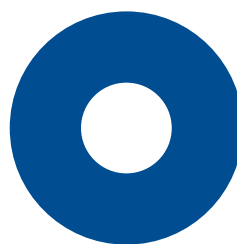
Name	Currency	Purchase price Total in thousands	Real value Total in thousands	Share
GOVERNMENT BOND 0.5 07/28/16	CZK	34,610	35,294	8.5%
Currency market	CZK	378,272	378,472	91.5%
<b>Total</b>		<b>412,882</b>	<b>413,766</b>	<b>100%</b>

**Fund equity and fund equity per one pension unit as at 31st Dec 2013**

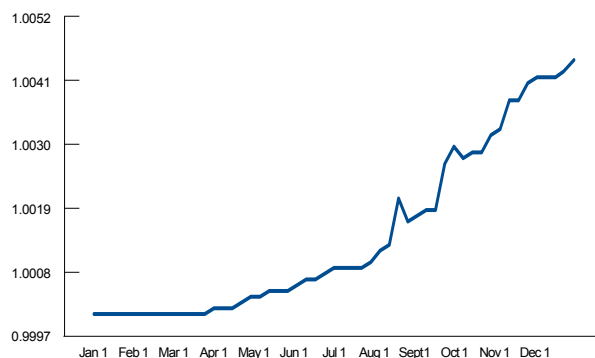
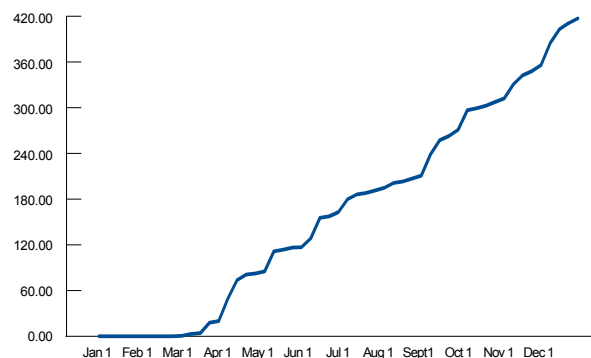
Name	Value
Value of fund equity in thousands CZK	413,737
Equity per unit of fund in CZK	1.0044

**Assets structure of the participation fund as at 31st Dec 2013**

■ Currency market 91,5 %  
■ Bonds 8,5 %



■ CZK 100 %

**The development of pension unit of the Additional pension savings (2013)****Value development of the fund equity in million CZK (2013)**

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

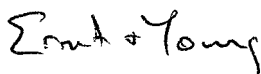
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

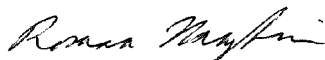
II. We have also audited the consistency of the annual report with the financial statements described above. The management is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



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



Roman Hauptfleisch  
Auditor, License No. 2009

28 April 2014  
Prague, Czech Republic

# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	385,576	
of which: a/ on demand: aa/ current accounts	02	315,376	
ab/ term deposits	03	70,200	
5 Debt securities	10	35,294	
of which: a/ issued by the government	11	35,294	
11 Other assets	15	6,749	
d/ other assets	19	6,749	
<b>Total assets</b>	<b>23</b>	<b>427,619</b>	
4 Other liabilities	30	13,882	
c/ liabilities from taxes	33	42	
d/ other liabilities	34	13,840	
12 Capital funds	43	412,668	
15 Profit or loss for the accounting period	49	1,069	
<b>Total liabilities</b>	<b>50</b>	<b>427,619</b>	
of which: Equity	51	413,737	
<b>Off balance sheet accounts</b>	<b>52</b>		
8 Values provided for management	62	105,494	
a/ securities	63	35,294	
c/ other values	64	70,200	



# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	505	
of which: a/ interest income from bonds	02	78	
6 Profit or loss on financial operations	12	606	
a/ profit or loss on transactions with securities	13	606	
19 Ordinary profit or loss for the accounting period before tax	24	1,111	
23 Income tax	28	42	
24 Profit or loss for the accounting period after tax	29	1,069	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14	422,808	
repurchase of unit certificates	15	(10,140)	
transfers to funds	16		
other changes	17		
closing balance	18	412,668	
4 Gains or losses from revaluation	19		
opening balance	20		
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21		
closing balance	22		
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28		
profit (loss)	29	1,069	
transfers to funds, dividends	30		
closing balance	31	1,069	
<b>7 Total</b>	<b>32</b>	<b>413,737</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and description of business

### Formation and Description of the Business

Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (the “Fund” or “Účastnický fond – CSPS, a. s.” or the “Participation Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“Penzijní společnost” or “CS-PS”) in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 17 December 2012 under Ref. No. 2012/12485/570. The decision came into force on 18 December 2012. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Supplementary Pension Savings Act” or the “Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a. s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a. s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the Company subsequently created participation funds and pension funds.

Pursuant to a concluded contract, Komerční banka, a. s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a. s. In compliance with the Act, the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

Pursuant to the classification which is binding for the members of the Czech Pension Management Companies Association (“APS CR”), the Fund may be designated as a participation fund as at the date of approval of the Statute.

### Registered Office

Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.

Česká spořitelna – penzijní společnost, a. s.  
Praha 4, Poláčkova 1976/2

### Principal Business

CS PS collects participants’ contributions, employers’ contributions and state contributions under the Act to place them in participation funds, to manage the assets of participation funds and to pay out supplementary pension savings benefits.

The number of issued pension units (“penzijní jednotky”) or the period for which the Fund has been formed has not been restricted.

Pension units of the Fund are offered in the Czech Republic.

### Investment Policy of the Fund

The objective of the investment policy is to seek a long-term appreciation of the participants’ funds investing primarily in money market instruments, state bonds and other debt securities with rating on investment level allowed by the Act. The interest rate risk is actively managed, the investments denominated in foreign currencies are fully hedged.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, money market funds, bonds or discount certificates. The Fund may invest in securities in compliance with Section 98 of the Act.

The Participation Fund is not permitted to invest in investment securities issued by CS PS, which manages the Fund, or by any entity belonging to the same group.

The Participatory Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective management of the assets. In using the techniques and instruments, the Participatory Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

The Fund could use financial derivatives to hedge against interest rate risk and currency risk.

Assets of the Fund must be fully secured against the currency risk.

The underlying instrument of a financial derivative must correspond to the Fund's investment policy and risk profile.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund's Statute in compliance with the Act.

### The Fund's operation principles

The Fund's operating results arise as the difference between income and expenses relating to the management of the Fund's assets.

The full amount of the generated profit is retained in the Participation Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from CS PS's management of the Pension Fund's assets, the reinvestment fund created from previous years' profits is used to cover the loss. If the reinvestment fund is not sufficient to cover the loss, the loss shall be covered by reducing the capital fund.

The Fund's assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund pursuant to § 108 of the Act.

Upon managing the Fund's assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund's assets.

The Participation Fund may accept a bank loan or another loan with maturity not exceeding 6 months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, article 3(29). The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

A summary of all received loans must not exceed 5% of the value of the Fund's assets.

Pursuant to Section 36(2) of the Act, CS PS is required to establish a mandatory conservative fund (Section 94(1)) not later than one year from the date of issuance of the authorization to carry on the activities of a pension company. CS PS must have at least 10,000 thousand participants upon the expiration of a period of 24 months from the date when the authorization to establish a mandatory conservative fund was granted.

### The Fund's Statute and Management Fees

The Fund's Statute is the key binding document of the Fund.

The Participatory Fund's Statute stipulates, in a clear manner, the following:

- a) information concerning the manner of investing the Participatory fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the Participatory fund,
- c) explanation of the risks connected with pension savings,

- d) periods and deadlines for valuation of assets and liabilities pursuant to Section 115 of the Act,
- e) other information required by implementing regulations.

The Fund's Statute is approved by the Czech National Bank. The Statute is binding for CS PS.

The information stipulated in the Fund's Statute must be regularly updated.

Penzijní společnost is entitled to a fee from the assets in the Participatory Fund; the amount of the fee must be stipulated in the Fund's Statute. The fee consists of the following:

- a) fee for the management of the Participatory funds' assets,
- b) fee for appreciation of the Participatory funds' assets. i.e. performance fee.

Any and all expenses owing to third parties by Penzijní společnost in connection with pension savings schemes shall be covered from the fee, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost for the exercise of activities pursuant to Section 74 of the Act and for the administration of pension savings contracts and related activities,
- fees paid to the person responsible for the settlement of investment instruments transactions, transfer points, securities brokers,
- promotion and advertising costs,

The fee pursuant to Paragraph a) above must not exceed 0.4 % of the average annual value of the Fund's equity; such fee shall be reduced by the costs of purchase, sale and holding of the securities issued by the collective investment fund.

The average annual value of each Participatory fund's equity is determined as at the last day of the relevant period as a simple arithmetic average of the values of a particular fund's equity for each day of the relevant period.

The fee pursuant to Paragraph b) above must not exceed 10% of the difference between the average value of a pension unit in the relevant period and the highest average annual value of pension units in previous years since the formation of the Participatory fund, multiplied by the average number of pension units in the relevant period.

Penzijní společnost is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the Participatory fund's pension unit in the relevant period is lower than or equal to the highest average annual value of the pension unit in previous years since the formation of the Participatory fund.

The average value of a Participatory fund's pension unit is determined as at the last day of the relevant period as a simple arithmetic average of the values of the fund's pension units for each day of the relevant period.

For the purposes of determining the fee, the costs of holding the securities issued by the collective investment fund shall particularly include the proportion of total costs covered from the collective investment fund's assets that is adequate to the investment in such fund.

### Change in the Fund's Statute

There were no changes to the Fund's statute in 2013.

### Česká spořitelna – penzijní společnost, a. s. Board of Directors and Supervisory Board

#### Board of Directors:

Ing. Aleš Poklop, Chairman of the Board  
Ing. Martin Kopejtko, Deputy Chairman of the Board  
Ing. Jakub Krkoška, MBA, Member of the Board

#### Supervisory Board:

RNDr. Monika Laušmanová CSc., Chairperson of the Board  
Ing. Aleš Sedlák, Deputy Chairman of the Board  
Ing. Pavel Kráčmar, Member of the Board  
Ing. Jiří Škorvaga CSc., Member of the Board  
Renáta Kováčová, Member of the Board  
Ing. Pavel Matějčiek, Member of the Board

## 2. Basis of preparation of the financial statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which these financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which

they relate as to timing and content. The financial statements are presented in compliance with the general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund was established on 1 January 2013. As a result, the data contained in the financial statements and in the notes to the financial statements are recorded for the current accounting period.

### 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.

## 3. Accounting policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities valued at fair value against expense or revenue accounts. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Regulation has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

In the Fund's accounting, securities are recorded at fair value against expense and revenues accounts. The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included in the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the corporate income tax rate applicable to the funds managed by Penzijní společnost is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are sold to the pension savings scheme participants for the selling price set on a weekly basis.

### Interest Income and Expense and Dividend Income

Interest income and interest expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

Credit risk was insignificant for the Fund in 2013.

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

Market risk was insignificant for the Fund in 2013. Quantitative information on interest risk is given in section 5.12.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term deposit portfolios.



Participant's funds will cover the following benefits:

- a) retirement pension benefits paid for a specified period,
- b) disability pension benefits paid for a specified period,
- c) one-off settlement,
- d) surrender values,
- e) single premiums – whole life, or
- f) single premiums – variable life (fixed term and fixed pension benefit).

Supplementary pension savings benefits are paid following a written request by a participant, beneficiary or heir. A participant may request the payment of a benefit as soon as their entitlement arises.

The benefits specified under Section 19 a) through d) of the Act are required to be paid by CS PS within the time limits and in a manner agreed with the recipient of the benefit, unless the Act provides otherwise.

If requested in writing by a participant or beneficiary, benefits are paid to a participant or beneficiary to abroad.

Penzijní společnost agrees to pay the amount for deducted pension units within the periods and by the deadlines stipulated in the Act.

### One-off settlement

If a participant is entitled to a one-off settlement, CS PS shall pay the one-off settlement following the receipt of their written request, no later than by the end of the calendar quarter immediately following the month for which the last contribution was made.

If a beneficiary or heir is entitled to a one-off settlement, CS PS shall pay the one-off settlement within one month of the receipt of their written request, provided the death of the participant has been proven.

A participant that is entitled to a one-off settlement and who, prior to submitting the request for the one-off settlement, ceased the payment of contributions in compliance with Section 11 of the Act, shall receive the one-off settlement within one month of the receipt of their written request.

### Surrender values

Surrender values shall be paid by CS PS within one month of the receipt of the beneficiary's request for the payment of surrender values.

### Retirement and disability pension benefits paid for a specified period

Retirement pension benefits for a specified period and disability pension benefits for a specified period shall be paid either through installments of a specified amount or through a specified number of installments, until all the participant's funds are withdrawn; payments shall be made on a regular basis at least four times per calendar year, provided the installment is at least CZK 500. If it is not the case, CS PS may reduce the number of installments to one annually.

### Single premiums – whole life and variable life

CS PS shall, no later than within seven business days of the receipt of a request for a single premium for whole life insurance or variable life insurance (fixed term and fixed pension benefit), inform a participant of the level of the participant's funds as at the date of the receipt of the request.

Quantitative information on the remaining maturity of assets and liabilities is given in Note 5.13.

## 5. Additional information on the financial statements

### 5.1 Receivables from Banks

Receivables from banks	31. 12. 2013
Current accounts	315,376
Term deposits	70,200
<b>Total</b>	<b>385,576</b>

Balances on current accounts are payable on demand.

### 5.2 Securities

All securities in the Fund's assets are quoted on the Prague Stock Exchange or foreign stock markets.

Debt securities	31. 12. 2013
Purchase price (cost)	34,615
Market revaluation	605
Aliquot interest income	74
<b>Total</b>	<b>35,294</b>



Fixed interest debt securities with maturity over one year represented 100% of the securities portfolio in 2013.

### 5.3 Other assets

Other assets	31. 12. 2013
Estimated state contribution	6,749
<b>Total</b>	<b>6,749</b>

Estimated state contribution represents the estimated amount of state contribution that will be transferred to the Fund's account by Penzijní společnost in April 2014.

### 5.4 Equity

The Fund has no registered capital. The initial value of a pension unit is CZK 1. The total value of all pension units is recorded in the 'Capital Funds' account.

The selling price of a pension unit is determined by dividing the Fund's equity by the number of issued pension units.

As at the last business day of 2013, the value of a pension unit was CZK 1.0044 being the last published value of a pension unit in the year in which purchases and buyouts of the Fund's pension units were realized.

In compliance with the Statute, the 2013 profit of CZK 1,069 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

### 5.5 Changes in Capital Fund

	Number of pension units (items)	Total capital funds
<b>Balance at 1 Jan 2013</b>	<b>–</b>	<b>–</b>
Pension units sold	422,060,141	422,808
Pension units purchased	10,115,706	10,140
<b>Balance at 31 Dec 2013</b>	<b>411,944,435</b>	<b>412,668</b>

### 5.6 Other liabilities

Other liabilities	31 Dec 2013
Liabilities from contributions by pension insurance scheme participants	4,679
Deduction of pension units	2,412
Settlement with State budget	42
Liability – state contribution	6,749
<b>Total</b>	<b>13,882</b>

Liabilities from deposits from pension insurance participants represent invested funds prior to their matching against the book of pension units.

Liability – state contribution represents the estimated amount of state contribution. After the amount is credited to the Fund's account, the contribution is credited to pension savings participants as part of the matching against the book of pension units.

### 5.7 Interest Income

Income	2013
Interest on bank deposits	227
Interest on debt securities	78
Interest on term deposits	200
<b>Total</b>	<b>505</b>

## 5.8 Management fee, performance fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to CS PS by the Fund amounts to 0.4 per cent of the average annual value of the Fund's equity. The performance fee amounts to 10 per cent of the difference between the average annual value of a pension unit in the relevant period and the highest average annual value of the pension unit in previous years since the formation of the Fund multiplied by the average annual number of pension units.

Based on the decision of CS PS, the 2013 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

## 5.9 Profit or loss from financial operations

	2013
Profit or loss from securities valued at fair value against income and expense accounts	606
<b>Total</b>	<b>606</b>

Gain or loss from securities at fair value through profit or loss represents mainly the daily revaluation of securities at fair value.

## 5.10 Income Tax

The principal income tax components are as follows:

	2013
Tax due – current year	42
<b>Total income tax</b>	<b>42</b>

Current income tax – analysis:

	2013
Profit (Loss) before tax	1 111
Items to add	–
Deductible items	279
Tax base	832
Tax (5 %) on tax base	42
<b>Total tax</b>	<b>42</b>

## Deferred tax

As at 31 December 2013, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.11 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a. s.

	31. 12. 2013
<b>Receivables from related parties</b>	
Estimated state contribution – ČSPS	6,749
<b>Total</b>	<b>6,749</b>

The Fund will obtain the state contribution from Penzijní společnost. No related party costs were recorded in the Fund's accounting records in 2013.

## 5.12 Interest risk

The following tables show the interest rate risk the Fund is exposed to. Assets and liabilities that bear no interest are included in the "No interest" column.

## 2013

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>No interest</b>	<b>Total</b>
Receivables from banks	360,576	25,000	–	–	–	385,576
Debt securities	–	–	35,294	–	–	35,294
Other assets	–	–	–	–	6,749	6,749
<b>Total assets</b>	<b>360,576</b>	<b>25,000</b>	<b>35,294</b>	<b>–</b>	<b>6,749</b>	<b>427,619</b>
<b>Liabilities</b>						
Other liabilities	–	–	–	–	(13,882)	(13,882)
<b>Net assets</b>	<b>360,576</b>	<b>25,000</b>	<b>35,294</b>	<b>–</b>	<b>(7,133)</b>	<b>413,737</b>

### 5.13 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given the fact that all securities are marketable on public markets, sales can be realized within 3 months period.

## 2013

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	360,576	25,000	–	–	–	385,576
Debt securities	–	–	35,294	–	–	35,294
Other assets	6,749	–	–	–	–	6,749
<b>Total assets</b>	<b>367,325</b>	<b>25,000</b>	<b>35,294</b>	<b>–</b>	<b>–</b>	<b>427,619</b>
<b>Liabilities</b>						
Other liabilities	(13,840)	(42)	–	–	–	(13,882)
<b>Net assets</b>	<b>353,485</b>	<b>24,958</b>	<b>35,294</b>	<b>–</b>	<b>–</b>	<b>413,737</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

### 5.14 Off-balance Sheet Assets and Liabilities

The off-balance sheet of the Fund contains values provided for management. Item “values provided for management” contains domestic securities administrated by Komerční banka, a. s. and other values (term deposits).

### 5.15 Contingent Assets and Liabilities

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

### 5.16 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund’s financial statements.

# Balanced participation fund of additional pension savings with government contribution Česká spořitelna – penzijní společnost, a. s.

## Basic information

Balanced participation fund of the additional pension savings with government contribution Česká spořitelna – penzijní společnost, a. s.

CNB issued a decision which permitted to establish the participation fund on 17th December, 2012, reference number 2012/12487/570. The decision came into effect on 18th December, 2012.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

## Fund characteristics

Investment into a balanced participation fund is suitable for those participants who seek a long-term solution for their investment, evenly distributed among currency, bond, and share market. With regard to the nature of investment, the participant should be aware of the fact that the value of the investment can – in the medium term – decrease under the initial value. The Balanced fund is thus suitable for rather experienced investors, who prefer fixed-rate financial instruments, yet want to invest also on share market with minimum investment horizon of three years. The investment into the balanced participation fund is also suitable for less-experienced investors as part of broadly diversified portfolio. The goal of the investment policy is to provide to the participants long-term appreciation of funds invested placed mainly into the instruments of currency market, government bonds, and other debt securities and shares or similar securities representing the share on a legal entity. The credit and interest risk is actively controlled; unsecured investment denominated in foreign exchanges can make 25 % maximum of the value of fund assets.

## Depository

The depository of the participation fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

## Person responsible for safeguarding and control of assets of the participation fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Remuneration for managing assets

**Penzijní společnost has not charged any remuneration for assets administration and appreciation during 2013. Fee holiday with the Balanced participation fund is until 31<sup>st</sup> December, 2014 as in the valid rate book.**

The remuneration for assets managing of the Balanced participation fund is 0.8 % per year from the average yearly value of the fund equity.

The remuneration for appreciation of assets of the Balanced participation fund is 10 % from the difference of the average yearly value of the pension unit in the period and the highest average yearly value of the pension unit in years previous to the period starting establishing the fund multiplied by average yearly number of pension units.

The amount of remuneration abides by the act on additional pension savings no. 427/2011 Col., Article 60 Remuneration of the pension society.

With regard to the fact that the participation funds came into existence on 1st Jan 2013 along with pension reform based on the act on additional pension savings no. 427/2011 Col., there are no accessible comparable data on equity of the participation fund for previous three periods.

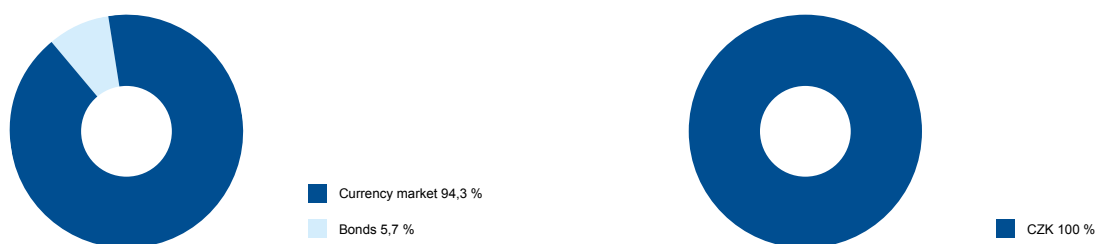
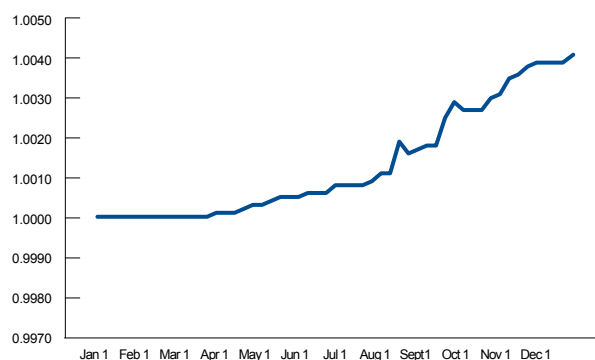
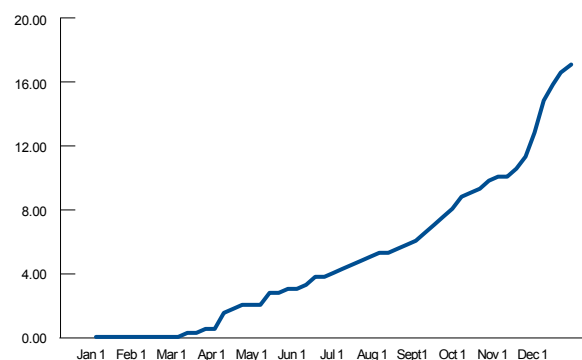
**To obtain further information on the participation fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

**Assets of the Balanced participation fund as at 31st Dec 2013**

Name	Currency	Purchase price Total in thousands	Real value Total in thousands	Share
GOVERNMENT BOND 0.5 07/28/16	CZK	989	1,008	5.7%
Currency market	CZK	16,710	16,715	94.3%
<b>Total</b>		<b>17,699</b>	<b>17,723</b>	<b>100%</b>

**Fund equity and fund equity per pension unit as at 31st Dec 2013**

Name	Value
Value of fund equity in thousands CZK	17,723
<b>Equity per fund unit in CZK</b>	<b>1.0041</b>

**Assets structure of the participation fund as at 31st Dec 2013****The development of pension unit of the Additional pension savings (2013)****Value development of the fund equity in million CZK (2013)**

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

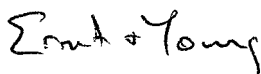
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

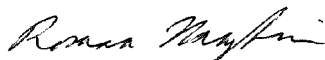
II. We have also audited the consistency of the annual report with the financial statements described above. The management is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



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



Roman Hauptfleisch  
Auditor, License No. 2009

28 April 2014

Prague, Czech Republic

# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	17,066	
of which: a/ on demand: aa/ current accounts	02	15,361	
ab/ term deposits	03	1,705	
5 Debt securities	10	1,008	
of which: a/ issued by the government	11	1,008	
11 Other assets	15	593	
d/ other assets	19	593	
<b>Total assets</b>	<b>23</b>	<b>18,667</b>	
4 Other liabilities	30	945	
c/ liabilities from taxes	33	1	
d/ other liabilities	34	944	
12 Capital funds	43	17,691	
15 Profit or loss for the accounting period	49	31	
<b>Total liabilities</b>	<b>50</b>	<b>18,667</b>	
of which: Equity	51	17,722	
<b>Off balance sheet accounts</b>	<b>52</b>		
8 Values provided for management	62	2,713	
a/ securities	63	1,008	
c/ other values	64	1,705	



# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	15	
of which: a/ interest income from bonds	02	2	
6 Profit or loss on financial operations	15	17	
a/ profit or loss on transactions with securities	16	17	
19 Ordinary profit or loss for the accounting period before tax	26	32	
23 Income tax	30	1	
24 Profit or loss for the accounting period after tax	31	31	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14	18,299	
repurchase of unit certificates	15	(608)	
transfers to funds	16		
other changes	17		
closing balance	18	17,691	
4 Gains or losses from revaluation	19		
opening balance	20		
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21		
closing balance	22		
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28		
profit (loss)	29	31	
transfers to funds, dividends	30		
closing balance	31	31	
<b>7 Total</b>	<b>32</b>	<b>17,722</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and Description of Business

### Formation and Description of the Business

Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (the “Fund” or “Účastnický fond – CSPS, a.s.” or the “Participation Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a.s. (“Penzijní společnost” or “CS-PS”) in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 17 December 2012 under Ref. No. 2012/12487/570. The decision came into force on 18 December 2012. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Supplementary Pension Savings Act” or the “Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a.s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a.s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the Company subsequently created participation funds and pension funds.

Pursuant to a concluded contract, Komerční banka, a.s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a.s. In compliance with the Act, the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

Pursuant to the classification which is binding for the members of the Czech Pension Management Companies Association (“APS CR”), the Fund may be designated as a participation fund as at the date of approval of the Statute.

### Registered Office

Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem

Česká spořitelna – penzijní společnost, a.s.

Praha 4, Poláčkova 1976/2

### Principal Business

CS PS collects participants’ contributions, employers’ contributions and state contributions under the Act to place them in participation funds, to manage the assets of participation funds and to pay out supplementary pension savings benefits.

The number of issued pension units (“penzijní jednotky”) or the period for which the Fund has been formed has not been restricted.

Pension units of the Fund are offered in the Czech Republic.

### Investment Policy of the Fund

The objective of the investment policy is to seek a long-term appreciation of the participants’ funds investing primarily in money market instruments, state bonds and other debt securities and shares or similar securities representing shares on legal persons. The credit and interest rate risks are actively managed; the unsecured investments denominated in foreign currencies cannot represent more than 25 per cent of the value of Fund’s assets.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, money market funds, bonds, bonds funds or discount certificates, shares and equity funds. The Fund may invest in securities in compliance with Section 100 of the Act.

The Participation Fund is not permitted to invest in investment securities issued by CS PS, which manages the Fund, or by any entity belonging to the same group.

The Participatory Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective management of the assets. In using the techniques and instruments, the Participatory Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

The Participatory Fund uses techniques and tools for efficient management of assets in accordance with the Statute to decrease the risk, decrease the expenses or to reach additional income for the Fund provided that the risk undergone is demonstrably low. Participatory Fund’s assets that are not secured against currency

risk cannot represent more than 25 per cent of the value of the Fund's assets.

The underlying instrument of a financial derivative must correspond to the Fund's investment policy and risk profile.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund's Statute in compliance with the Act.

### The Fund's operation principles

The Fund's operating results arise as the difference between income and expenses relating to the management of the Fund's assets.

The full amount of the generated profit is retained in the Participation Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from CS PS's management of the Participatory Fund's assets, the reinvestment fund created from previous years' profits is used to cover the loss. If the reinvestment fund is not sufficient to cover the loss, the loss shall be covered by reducing the capital fund.

The Fund's assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund pursuant to § 108 of the Act.

Upon managing the Fund's assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund's assets.

The Participation Fund may accept a bank loan or another loan with maturity not exceeding 6 months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, Section 3(36). The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

A summary of all received loans must not exceed 5 per cent of the value of the Fund's assets.

Pursuant to Section 36(2) of the Act, CS PS is required to establish a mandatory conservative fund (Section 94(1)) not later than one year from the date of issuance of the authorization to carry on the activities of a pension company. CS PS must have at least 10,000 thousand participants upon the expiration of a period of 24 months from the date when the authorization to establish a mandatory conservative fund was granted. The value of Fund's assets managed by Penzijní společnost must reach at least CZK 50 million.

### The Fund's Statute and Management Fees

The Fund's Statute is the key binding document of the Fund.

The Participatory Fund's Statute stipulates, in a clear manner, the following:

- a) information concerning the manner of investing the Participatory fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the Participatory fund,
- c) explanation of the risks connected with pension savings,
- d) periods and deadlines for valuation of assets and liabilities pursuant to Section 115 of the Act,
- e) other information required by implementing regulations.

The Fund's Statute is approved by the Czech National Bank. The Statute is binding for CS PS.

The information stipulated in the Fund's Statute must be regularly updated.

Penzijní společnost is entitled to a fee from the assets in the Participatory Fund; the amount of the fee must be stipulated in the Fund's Statute. The fee consists of the following:

- a) fee for the management of the Participatory funds' assets,
- b) fee for appreciation of the Participatory funds' assets. i.e. performance fee.

Any and all expenses owing to third parties by Penzijní společnost in connection with pension savings schemes shall be covered from the fee, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost for the exercise of activities pursuant to Section 74 of the Act and for the administration of pension savings contracts and related activities,
- fees paid to the person responsible for the settlement of investment instruments transactions, transfer points, securities brokers,
- promotion and advertising costs.

The fee pursuant to Paragraph a) above must not exceed 0.8 % of the average annual value of the Fund's equity; such fee shall be reduced by the costs of purchase, sale and holding of the securities issued by the collective investment fund.

The average annual value of each Participatory fund's equity is determined as at the last day of the relevant period as a simple arithmetic average of the values of a particular fund's equity for each day of the relevant period.

The fee pursuant to Paragraph b) above must not exceed 10% of the difference between the average value of a pension unit in the relevant period and the highest average annual value of pension units in previous years since the formation of the Participatory fund, multiplied by the average number of pension units in the relevant period.

Penzijní společnost is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the Participatory fund's pension unit in the relevant period is lower than or equal to the highest average annual value of the pension unit in previous years since the formation of the Participatory fund.

The average value of a Participatory fund's pension unit is determined as at the last day of the relevant period as a simple arithmetic average of the values of the fund's pension units for each day of the relevant period.

For the purposes of determining the fee, the costs of holding the securities issued by the collective investment fund shall particularly include the proportion of total costs covered from the collective investment fund's assets that is adequate to the investment in such fund.

### Change in the Fund's Statute

There were no changes to the Fund's statute in 2013.

### Česká spořitelna – penzijní společnost, a.s. Board of Directors and Supervisory Board

#### Board of Directors:

Chairman of the Board: Ing. Aleš Poklop

Deputy Chairman of the Board: Ing. Martin Kopejtko

Member of the Board: Ing. Jakub Krkoška, MBA

#### Supervisory Board:

Chairperson of the Board: RNDr. Monika Laušmanová CSc

Deputy Chairman of the Board: Ing. Aleš Sedlák

Member of the Board: Ing. Pavel Kráčmar

Member of the Board: Ing. Jiří Škorvaga CSc.

Member of the Board: Renáta Kováčová

Member of the Board: Ing. Pavel Matějčíček

## 2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which these financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which they relate as to timing and content. The financial statements are presented in compliance with the general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund was established on 1 January 2013. As a result, the data contained in the financial statements and in the notes to the financial statements are recorded for the current accounting period.

### 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.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

## Securities

In accordance with the Fund's strategy, all securities are classified as securities valued at fair value against expense or revenue accounts. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Regulation has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

In the Fund's accounting, securities are recorded at fair value against expense and revenues accounts. The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included in the total balance of these assets.

## Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are

recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

## Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 per cent to 125 per cent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within

expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the corporate income tax rate applicable to the funds managed by Penzijní společnost is 5 per cent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are sold to the pension savings scheme participants for the selling price set on a weekly basis.

### Interest Income and Expense and Dividend Income

Interest income and interest expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

Credit risk was insignificant for the Fund in 2013.

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

Market risk was insignificant for the Fund in 2013.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term deposit portfolios.

Participant's funds will cover the following benefits:

- a) retirement pension benefits paid for a specified period,
- b) disability pension benefits paid for a specified period,
- c) one-off settlement,



- d) surrender values,
- e) single premiums – whole life, or
- f) single premiums – variable life (fixed term and fixed pension benefit).

Supplementary pension savings benefits are paid following a written request by a participant, beneficiary or heir. A participant may request the payment of a benefit as soon as their entitlement arises.

The benefits specified under Section 19 a) through d) of the Act are required to be paid by CS PS within the time limits and in a manner agreed with the recipient of the benefit, unless the Act provides otherwise.

If requested in writing by a participant or beneficiary, benefits are paid to a participant or beneficiary to abroad.

Penzijní společnost agrees to pay the amount for deducted pension units within the periods and by the deadlines stipulated in the Act.

#### One-off settlement

If a participant is entitled to a one-off settlement, CS PS shall pay the one-off settlement following the receipt of their written request, no later than by the end of the calendar quarter immediately following the month for which the last contribution was made.

If a beneficiary or heir is entitled to a one-off settlement, CS PS shall pay the one-off settlement within one month of the receipt of their written request, provided the death of the participant has been proven.

A participant that is entitled to a one-off settlement and who, prior to submitting the request for the one-off settlement, ceased the payment of contributions in compliance with Section 11 of the Act, shall receive the one-off settlement within one month of the receipt of their written request.

#### Surrender values

Surrender values shall be paid by CS PS within one month of the receipt of the beneficiary's request for the payment of surrender values.

Retirement and disability pension benefits paid for a specified period

Retirement pension benefits for a specified period and disability pension benefits for a specified period shall be paid either through installments of a specified amount or through a specified number of installments, until all the participant's funds are withdrawn; payments shall be made on a regular basis at least four times per calendar year, provided the installment is at least CZK 500. If it is not the case, CS PS may reduce the number of installments to one annually.

#### Single premiums – whole life and variable life

CS PS shall, no later than within seven business days of the receipt of a request for a single premium for whole life insurance or variable life insurance (fixed term and fixed pension benefit), inform a participant of the level of the participant's funds as at the date of the receipt of the request.

Quantitative information on the remaining maturity of assets and liabilities is given in Note 5.12.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31. 12. 2013
Current accounts	15,361
Term deposits	1,705
<b>Total</b>	<b>17,066</b>

Balances on current accounts are payable on demand.

### 5.2 Securities

All securities in the Fund's assets are quoted on the Prague Stock Exchange or foreign stock markets.

Debt securities	31. 12. 2013
Purchase price (cost)	989
Market revaluation	17
Aliquot interest income	2
<b>Total</b>	<b>1,008</b>

Fixed interest debt securities with maturity over one year represented 100 per cent of the securities portfolio in 2013.



### 5.3 Other assets

Other assets	31. 12. 2013
Estimated state contribution	593
<b>Total</b>	<b>593</b>

Estimated state contribution represents the estimated amount of state contribution that will be transferred to the Fund's account by Penzijní společnost in April 2014.

### 5.4 Equity

The Fund has no registered capital. The initial value of a pension unit is CZK 1. The total value of all pension units is recorded in the 'Capital Funds' account.

The selling price of a pension unit is determined by dividing the Fund's equity by the number of issued pension units.

As at the last business day of 2013, the value of a pension unit was CZK 1.0041 being the last published value of a pension unit in the year in which purchases and buyouts of the Fund's pension units were realized.

In compliance with the Statute, the 2013 profit of CZK 31 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

### 5.5 Changes in Capital Fund

	Number of pension units (items)	Total capital funds
<b>Balance at 1 Jan 2013</b>	-	-
Pension units sold	18,255,765	18,299
Pension units purchased	605,861	608
<b>Balance at 31 Dec 2013</b>		<b>17,691</b>

### 5.6 Other liabilities

Other liabilities	31 Dec 2013
Liabilities from contributions by pension insurance scheme participants	285
Deduction of pension units	66
Settlement with State budget	1
Liability – state contribution	593
<b>Total</b>	<b>945</b>

Liabilities from deposits from pension insurance participants represent invested funds prior to their matching against the book of pension units.

Liability – state contribution represents the estimated amount of state contribution. After the amount is credited to the Fund's account, the contribution is credited to pension savings participants as part of the matching against the book of pension units.

### 5.7 Interest Income

Income	2013
Interest on bank deposits	8
Interest on debt securities	2
Interest on term deposits	5
<b>Total</b>	<b>15</b>

### 5.8 Management fee, performance fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to CS PS by the Fund amounts to 0.8 per cent of the average annual value of the Fund's equity. The performance fee amounts to 10 per cent of the difference between the average annual value of a pension unit in the relevant period and the highest average annual value of the pension unit in previous years since the formation of the Fund multiplied by the average annual number of pension units.

Based on the decision of CS PS, the 2013 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

## 5.9 Profit or loss from financial operations

	2013
Profit or loss from securities valued at fair value against income and expense accounts	17
<b>Total</b>	<b>17</b>

Gain or loss from securities at fair value through profit or loss represents mainly the daily revaluation of securities at fair value.

## 5.10 Income Tax

The principal income tax components are as follows:

	2013
Tax due – current year	1
<b>Total income tax</b>	<b>1</b>

Current income tax – analysis:

	2013
Profit (Loss) before tax	32
Items to add	-
Deductible items	7
Tax base	25
Tax (5 %) on tax base	1
<b>Total tax</b>	<b>1</b>

## Deferred tax

As at 31 December 2013, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.11 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a.s.

Receivables from related parties	31. 12. 2013
Estimated state contribution – ČSPS	593
<b>Total</b>	<b>593</b>

The Fund will obtain the state contribution from Penzijní společnost. No related party costs were recorded in the Fund's accounting records in 2013.

## 5.12 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given the fact that all securities are marketable on public markets, sales can be realized within 3 months period.

2013

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	16,366	700	-	-	-	17,066
Debt securities	-	-	1,008	-	-	1,008
Other assets	593	-	-	-	-	593
<b>Total assets</b>	<b>16,959</b>	<b>700</b>	<b>1,008</b>	<b>-</b>	<b>-</b>	<b>18,667</b>

<b>Liabilities</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Other liabilities	(944)	(1)	-	-	-	(945)
<b>Net assets</b>	<b>16,015</b>	<b>699</b>	<b>1,008</b>	<b>-</b>	<b>-</b>	<b>17,722</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

## 5.13 Off-balance Sheet Assets and Liabilities

The off-balance sheet of the Fund contains values provided for management. Item “values provided for management” contains domestic securities administrated by Komerční banka, a.s. and other values (term deposits).

## 5.14 Contingent Assets and Liabilities

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

## 5.15 Other significant information

The Fund is governed by the regulatory requirements of Act No. 427/2011 Coll., on Supplementary Pension Savings, valid from 1 January 2013, as amended. Section 36(4) of the Act stipulates that the value of assets in the participation fund managed by a pension management company must reach a minimum of CZK 50,000,000 after the expiry of 24 months from the approval to form the participation fund. Should the pension management company fail to meet the requirement of Section 36, the Czech National Bank will initiate administrative proceedings that may, pursuant to Section 153, result in a withdrawal of the granted approval to form the participation fund. As at the date of preparation of the financial statements, the Company’s management does not have available a sufficient reliable description of the actual measures to be adopted by the Czech National Bank vis-à-vis the Company if the requirement of the Act is not met.

As at the date of preparation of the financial statements, the Fund’s assets were CZK 18,635,643. The Company’s management expects the Fund’s assets to reach the required value by the deadline stipulated by the Act. The reaching of the fund’s required size depends on the level of savings of the Fund’s current clients, the history of recorded sales and, particularly, the plan and implementation of business activities for the subsequent accounting period in the area of optimization of the savings strategy for both new and current clients. In the period under review, special business activities were used to support the motivation of both clients and distributors in order to reach the above goal. For savings in the Fund, the fee holidays for clients were extended till 2014. Taking account of the above, the Fund will continue to operate as a going concern and the Fund’s financial statements were prepared on this basis.

## 5.16 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund’s financial statements.

# Dynamic participation fund of additional pension savings with government contribution Česká spořitelna – penzijní společnost, a. s.

## Basic information

Dynamic participation fund of the additional pension savings with government contribution Česká spořitelna – penzijní společnost, a. s.

CNB issued a decision which permitted to establish the participation fund on 17th December, 2012, reference number 2012/12486/570. The decision came into effect on 18th December, 2012.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

## Fund characteristics

Investment into a dynamic participation fund is suitable for those investors who want to reach as high appreciation as possible, are experienced on capital market and are able to accept dramatic fluctuations. The portfolio of the Dynamic fund is distributed among share, bond, and currency market. The dynamic participation fund is suitable for experienced investors who are able to accept longer periods of negative development of the pension unit value and who can afford to invest funds with minimum investment horizon of five years. The investment into the dynamic participation fund is also suitable for less-experienced as part of broadly diversified portfolio. The goal of the investment policy is to provide to the participants long-term appreciation of the funds invested placed mainly into the currency market instruments, government bonds, and other debt securities and shares or similar securities representing a share on a legal entity. The credit and interest risk is actively controlled; unsecured investment denominated in foreign exchanges can make 50 % maximum of the value of dynamic participation fund assets.

## Depository

The depository of the participation fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

## Person responsible for safeguarding and control of assets of the participation fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Remuneration for managing assets

**Penzijní společnost has not charged any remuneration for assets administration and appreciation during 2013. Fee holiday with the Dynamic participation fund is until 31<sup>st</sup> December, 2014 as in the valid rate book.**

The remuneration for assets managing of the Dynamic participation fund is 0.8 % per year from the average yearly value of the fund equity.

The remuneration for appreciation of assets of the Dynamic participation fund is 10 % from the difference of the average yearly value of the pension unit in the period and the highest average yearly value of the pension unit in years previous to the period starting establishing the fund multiplied by average yearly number of pension units.

The amount of remuneration abides by the act on additional pension savings no. 427/2011 Col., Article 60 Remuneration of the pension society.

With regard to the fact that the participation funds came into existence on 1st Jan 2013 along with pension reform based on the act on additional pension savings no. 427/2011 Col., there are no accessible comparable data on equity of the participation fund for previous three periods.

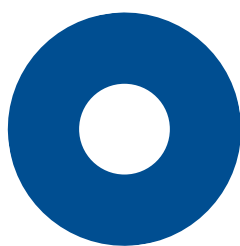
**To obtain further information on the participation fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

**Assets of Dynamic participation fund as at 31st Dec 2013**

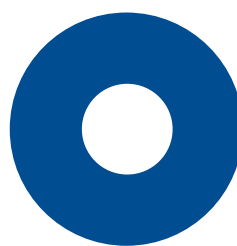
Name	Currency	Purchase value Total in thousands	Real value Total in thousands	Share
Currency market	CZK	7,812	7,812	100%
<b>Total</b>		<b>7,812</b>	<b>7,812</b>	<b>100%</b>

**Fund equity and fund equity per pension unit as at 31st Dec 2013**

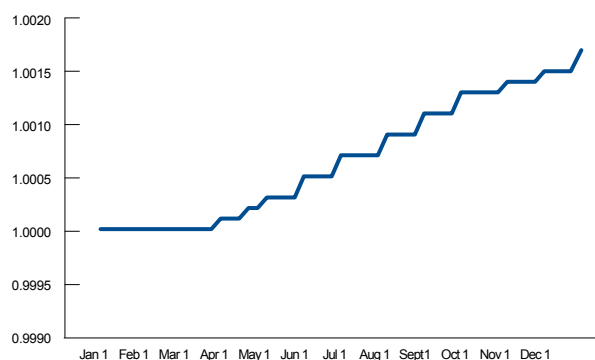
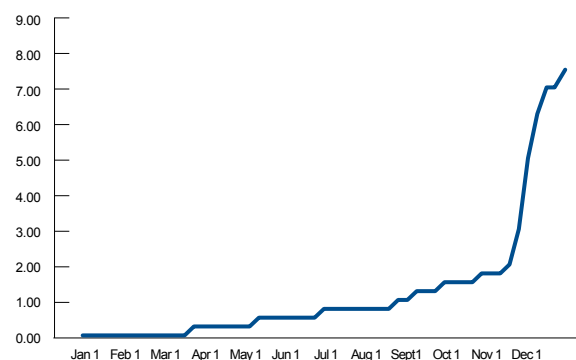
Name	Value
Value of fund equity in thousands CZK	7,812
<b>Equity per fund unit in CZK</b>	<b>1.0017</b>

**Assets structure of the participation fund as at 31st Dec 2013**

■ Currency market 100 %



■ CZK 100 %

**The development of pension unit of the Additional pension savings (2013)****Value development of the fund equity in million CZK (2013)**

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s., which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

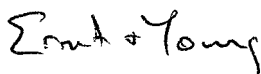
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

II. We have also audited the consistency of the annual report with the financial statements described above. The management is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

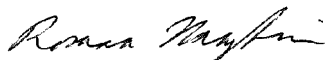
In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



Ernst & Young Audit, s.r.o.

License No. 401

Represented by Partner



Roman Hauptfleisch

Auditor, License No. 2009

28 April 2014

Prague, Czech Republic

# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	7 892	
of which: a/ on demand: aa/ current accounts	02	7 772	
ab/ term deposits	03	120	
11 Other assets	15	134	
d/ other assets	19	134	
<b>Total assets</b>	<b>23</b>	<b>8 026</b>	
4 Other liabilities	30	214	
d/ other liabilities	34	214	
12 Capital funds	43	7 809	
15 Profit or loss for the accounting period	49	3	
<b>Total liabilities</b>	<b>50</b>	<b>8 026</b>	
of which: Equity	51	7 812	
<b>Off balance sheet accounts</b>	<b>52</b>		
8 Values provided for management	62	120	
c/ other values	64	120	



# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	3	
19 Ordinary profit or loss for the accounting period before tax	24	3	
24 Profit or loss for the accounting period after tax	31	3	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14	7,892	
repurchase of unit certificates	15	(20)	
transfers to funds	16		
other changes	17		
closing balance	18	7,809	
4 Gains or losses from revaluation	19		
opening balance	20		
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21		
closing balance	22		
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28		
profit (loss)	29	3	
transfers to funds, dividends	30		
closing balance	31	3	
<b>7 Total</b>	<b>32</b>	<b>7,812</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and description of business

### Formation and Description of the Business

Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (the “Fund” or “Účastnický fond – CSPS, a. s.” or the “Participation Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“Penzijní společnost” or “CS-PS”) in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 17 December 2012 under Ref. No. 2012/12486/570. The decision came into force on 18 December 2012. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Supplementary Pension Savings Act” or the “Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a. s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a. s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the Company subsequently created participation funds and pension funds.

Pursuant to a concluded contract, Komerční banka, a. s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a. s. In compliance with the Act, the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

Pursuant to the classification which is binding for the members of the Czech Pension Management Companies Association (“APS CR”), the Fund may be designated as a participation fund as at the date of approval of the Statute.

### Registered Office

Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem

Česká spořitelna – penzijní společnost, a. s.

Praha 4, Poláčkova 1976/2

### Principal Business

CS PS collects participants’ contributions, employers’ contributions and state contributions under the Act to place them in participation funds, to manage the assets of participation funds and to pay out supplementary pension savings benefits.

The number of issued pension units (“penzijní jednotky”) or the period for which the Fund has been formed has not been restricted.

Pension units of the Fund are offered in the Czech Republic.

### Investment Policy of the Fund

The objective of the investment policy is to seek a long-term appreciation of the participants’ funds investing primarily in money market instruments, state bonds and other debt securities and shares or similar securities representing shares on legal persons. The credit and interest rate risks are actively managed; the unsecured investments denominated in foreign currencies cannot represent more than 50 per cent of the value of Fund’s assets.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, money market funds, bonds, bonds funds or discount certificates, shares and equity funds. The Fund may invest in securities in compliance with Section 100 of the Act.

The Participation Fund is not permitted to invest in investment securities issued by CS PS, which manages the Fund, or by any entity belonging to the same group.

The Participatory Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective market management of the assets. In using the techniques and instruments, the Participatory Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

The Fund can use financial derivatives to hedge the interest and currency risks.

The Participatory Fund uses techniques and tools for efficient management of assets in accordance with the Statute to decrease the risk, decrease the expenses or to reach additional income for the Fund provided that the risk undergone is demonstrably low. Participatory Fund's assets that are not secured against currency risk cannot represent more than 50 per cent of the value of the Fund's assets.

The underlying instrument of a financial derivative must correspond to the Fund's investment policy and risk profile.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund's Statute in compliance with the Act.

### The Fund's operation principles

The Fund's operating results arise as the difference between income and expenses relating to the management of the Fund's assets.

The full amount of the generated profit is retained in the Participation Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from CS PS's management of the Participatory Fund's assets, the reinvestment fund created from previous years' profits is used to cover the loss. If the reinvestment fund is not sufficient to cover the loss, the loss shall be covered by reducing the capital fund.

The Fund's assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund pursuant to § 108 of the Act.

Upon managing the Fund's assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund's assets.

The Participation Fund may accept a bank loan or another loan with maturity not exceeding 6 months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, Section 3(36). The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

A summary of all received loans must not exceed 5 per cent of the value of the Fund's assets.

Pursuant to Section 36(2) of the Act, CS PS is required to establish a mandatory conservative fund (Section 94(1)) not later than one year from the date of issuance of the authorization to carry on the activities of a pension company. CS PS must have at least 10,000 thousand participants upon the expiration of a period of 24 months from the date when the authorization to establish a mandatory conservative fund was granted and the value of Fund's assets managed by Penzijní společnost must reach at least CZK 50 million.

### The Fund's Statute and Management Fees

The Fund's Statute is the key binding document of the Fund.

The Participatory Fund's Statute stipulates, in a clear manner, the following:

- a) information concerning the manner of investing the Participatory fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the Participatory fund,
- c) explanation of the risks connected with pension savings,
- d) periods and deadlines for valuation of assets and liabilities pursuant to Section 115 of the Act,
- e) other information required by implementing regulations.

The Fund's Statute is approved by the Czech National Bank. The Statute is binding for CS PS.

The information stipulated in the Fund's Statute must be regularly updated.

Penzijní společnost is entitled to a fee from the assets in the Participatory Fund; the amount of the fee must be stipulated in the Fund's Statute. The fee consists of the following:

- a) fee for the management of the Participatory funds' assets,
- b) fee for appreciation of the Participatory funds' assets. i.e. performance fee.

Any and all expenses owing to third parties by Penzijní společnost in connection with pension savings schemes shall be covered from the fee, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost for the exercise of activities pursuant to Section 74 of the Act and for the administration of pension savings contracts and related activities,
- fees paid to the person responsible for the settlement of investment instruments transactions, transfer points, securities brokers,
- promotion and advertising costs.

The fee pursuant to Paragraph a) above must not exceed 0.8 % of the average annual value of the Fund's equity; such fee shall be reduced by the costs of purchase, sale and holding of the securities issued by the collective investment fund.

The average annual value of each Participatory fund's equity is determined as at the last day of the relevant period as a simple arithmetic average of the values of a particular fund's equity for each day of the relevant period.

The fee pursuant to Paragraph b) above must not exceed 10% of the difference between the average value of a pension unit in the relevant period and the highest average annual value of pension units in previous years since the formation of the Participatory fund, multiplied by the average number of pension units in the relevant period.

Penzijní společnost is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the Participatory fund's pension unit in the relevant period is lower than or equal to the highest average annual value of the pension unit in previous years since the formation of the Participatory fund.

The average value of a Participatory fund's pension unit is determined as at the last day of the relevant period as a simple arithmetic average of the values of the fund's pension units for each day of the relevant period.

For the purposes of determining the fee, the costs of holding the securities issued by the collective investment fund shall particularly include the proportion of total costs covered from the collective investment fund's assets that is adequate to the investment in such fund.

### **Change in the Fund's Statute**

There were no changes to the Fund's statute in 2013.

## **Česká spořitelna – penzijní společnost, a. s. Board of Directors and Supervisory Board**

### **Board of Directors:**

Ing. Aleš Poklop, Chairman of the Board  
Ing. Martin Kopejtko, Deputy Chairman of the Board  
Ing. Jakub Krkoška, MBA, Member of the Board

### **Supervisory Board:**

RNDr. Monika Laušmanová CSc., Chairperson of the Board  
Ing. Aleš Sedlák, Deputy Chairman of the Board  
Ing. Pavel Kráčmar, Member of the Board  
Ing. Jiří Škorvaga CSc., Member of the Board  
Renáta Kováčová, Member of the Board  
Ing. Pavel Matějčík, Member of the Board

## **2. Basis of preparation of the financial statements**

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the

content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which these financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which they relate as to timing and content. The financial statements are presented in compliance with the general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund was established on 1 January 2013. As a result, the data contained in the financial statements and in the notes to the financial statements are recorded for the current accounting period.

### **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.

### 3. Accounting policies

#### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

#### Securities

In accordance with the Fund's strategy, all securities are classified as securities valued at fair value against expense or revenue accounts. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Regulation has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

In the Fund's accounting, securities are recorded at fair value against expense and revenues accounts. The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included in the total balance of these assets.

#### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

#### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 per cent to 125 per cent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### **Income Tax**

Under effective tax regulations, the corporate income tax rate applicable to the funds managed by Penzijní společnost is 5 per cent.

### **Deferred Tax**

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### **Foreign Currency Translations**

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### **Capital Funds**

The selling price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are sold to the pension savings scheme participants for the selling price set on a weekly basis.

### **Interest Income and Expense and Dividend Income**

Interest income and interest expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### **Subsequent Events**

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## **4. Risk management**

### **Credit Risk**

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

Credit risk was insignificant for the Fund in 2013.

### **Market Risk**

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.



Market risk was insignificant for the Fund in 2013. Quantitative information on interest rate risk is given in section 5.10.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term deposit portfolios.

Participant's funds will cover the following benefits:

- a) retirement pension benefits paid for a specified period,
- b) disability pension benefits paid for a specified period,
- c) one-off settlement,
- d) surrender values,
- e) single premiums – whole life, or
- f) single premiums – variable life (fixed term and fixed pension benefit).

Supplementary pension savings benefits are paid following a written request by a participant, beneficiary or heir. A participant may request the payment of a benefit as soon as their entitlement arises.

The benefits specified under Section 19 a) through d) of the Act are required to be paid by CS PS within the time limits and in a manner agreed with the recipient of the benefit, unless the Act provides otherwise.

If requested in writing by a participant or beneficiary, benefits are paid to a participant or beneficiary to abroad.

Penzijní společnost agrees to pay the amount for deducted pension units within the periods and by the deadlines stipulated in the Act.

### One-off settlement

If a participant is entitled to a one-off settlement, CS PS shall pay the one-off settlement following the receipt of their written request, no later than by the end of the calendar quarter immediately following the month for which the last contribution was made.

If a beneficiary or heir is entitled to a one-off settlement, CS PS shall pay the one-off settlement within one month of the receipt of their written request, provided the death of the participant has been proven.

A participant that is entitled to a one-off settlement and who, prior to submitting the request for the one-off settlement, ceased the payment of contributions in compliance with Section 11 of the Act, shall receive the one-off settlement within one month of the receipt of their written request.

### Surrender values

Surrender values shall be paid by CS PS within one month of the receipt of the beneficiary's request for the payment of surrender values.

### Retirement and disability pension benefits paid for a specified period

Retirement pension benefits for a specified period and disability pension benefits for a specified period shall be paid either through installments of a specified amount or through a specified number of installments, until all the participant's funds are withdrawn; payments shall be made on a regular basis at least four times per calendar year, provided the installment is at least CZK 500. If it is not the case, CS PS may reduce the number of installments to one annually.

### Single premiums – whole life and variable life

CS PS shall, no later than within seven business days of the receipt of a request for a single premium for whole life insurance or variable life insurance (fixed term and fixed pension benefit), inform a participant of the level of the participant's funds as at the date of the receipt of the request.

Quantitative information on the remaining maturity of assets and liabilities is given in Note 5.11.

## 5. Additional information on the financial statements

### 5.1 Receivables from Banks

Receivables from banks	31. 12. 2013
Current accounts	7,772
Term deposits	120
<b>Total</b>	<b>7,892</b>

Balances on current accounts are payable on demand.



## 5.2 Other assets

Other assets	31. 12. 2013
Estimated state contribution	134
<b>Total</b>	<b>134</b>

Estimated state contribution represents the estimated amount of state contribution that will be transferred to the Fund's account by Penzijní společnost in April 2014.

## 5.3 Equity

The Fund has no registered capital. The initial value of a pension unit is CZK 1. The total value of all pension units is recorded in the 'Capital Funds' account.

The selling price of a pension unit is determined by dividing the Fund's equity by the number of issued pension units.

As at the last business day of 2013, the value of a pension unit was CZK 1.0017 being the last published value of a pension unit in the year in which purchases and buyouts of the Fund's pension units were realized.

In compliance with the Statute, the 2013 profit of CZK 3 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

## 5.4 Changes in Capital Fund

	Number of pension units (items)	Total capital funds
<b>Balance at 1 Jan 2013</b>	<b>–</b>	<b>–</b>
Pension units sold	7,818,506	7,829
Pension units purchased	19,832	20
<b>Balance at 31 Dec 2013</b>		<b>7,809</b>

## 5.5 Other liabilities

Other liabilities	31 Dec 2013
Liabilities from contributions by pension insurance scheme participants	80
Liability – state contribution	134
<b>Total</b>	<b>214</b>

Liabilities from deposits from pension insurance participants represent invested funds prior to their matching against the book of pension units.

Liability – state contribution represents the estimated amount of state contribution. After the amount is credited to the Fund's account, the contribution is credited to pension savings participants as part of the matching against the book of pension units.

## 5.6 Interest Income

Income	2013
Interest on bank deposits	3
<b>Total</b>	<b>3</b>

## 5.7 Management fee, performance fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to CS PS by the Fund amounts to 0.8 per cent of the average annual value of the Fund's equity. The performance fee amounts to 10 per cent of the difference between the average annual value of a pension unit in the relevant period and the highest average annual value of the pension unit in previous years since the formation of the Fund multiplied by the average annual number of pension units.

Based on the decision of CS PS, the 2013 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

## 5.8 Income Tax

The principal income tax components are as follows:

	2013
Tax due – current year	0
<b>Total income tax</b>	<b>0</b>

Current income tax – analysis:

	2013
Profit (Loss) before tax	3
Items to add	–
Deductible items	–
Tax base	2
Tax (5 %) on tax base	0
<b>Total tax</b>	<b>0</b>

## Deferred tax

As at 31 December 2013, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.9 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a. s.

Receivables from related parties	31. 12. 2013
Estimated state contribution – ČSPS	134
<b>Total</b>	<b>134</b>

The Fund will obtain the state contribution from Penzijní společnost. No related party expenses were recorded in the Fund's accounting records in 2013.

## 5.10 Interest risk

The following tables show the interest rate risk that the Fund is exposed to. Assets and liabilities that bear no interest are included in the “No interest” column.

2013

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	No interest	Total
Receivables from banks	7,852	40	–	–	–	7,892
Other assets	–	–	–	–	134	134
<b>Total assets</b>	<b>7,852</b>	<b>40</b>			<b>134</b>	<b>8,026</b>
<b>Liabilities</b>						
Other liabilities	–	–	–	–	(214)	(214)
<b>Net assets</b>	<b>7,852</b>	<b>40</b>	<b>–</b>	<b>–</b>	<b>(80)</b>	<b>7,812</b>

## 5.11 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

2013

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	7,852	40	–	–	–	7,892
Other assets	134	–	–	–	–	134
<b>Total assets</b>	<b>7,986</b>	<b>40</b>				<b>8,026</b>
<b>Liabilities</b>						
Other liabilities	(214)	–	–	–	–	(214)
<b>Net assets</b>	<b>7,772</b>	<b>40</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,812</b>

Liquidity risk, to which the Fund is exposed, is very low as all the Fund's assets are cash that allows paying realized buyouts to the Fund's Participants in the shortest time possible.

## 5.12 Off-balance Sheet Assets and Liabilities

The off-balance sheet of the Fund contains values provided for management. Item "values provided for management" contains other values (term deposits).

## 5.13 Contingent Assets and Liabilities

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

## 5.14 Other significant information

The Fund is governed by the regulatory requirements of Act No. 427/2011 Coll., on Supplementary Pension Savings, valid from 1 January 2013, as amended. Section 36(4) of the Act stipulates that the value of assets in the participation fund managed by a pension management company must reach a minimum of CZK 50,000,000 after the expiry of 24 months from the approval to form the participation fund. Should the pension management company fail to meet the requirement of Section 36, the Czech National Bank will initiate administrative proceedings that may, pursuant to Section 153, result in a withdrawal of the granted approval to form the participation fund. As at the date of preparation of the financial statements, the Company's management does not have available a sufficient reliable description of the actual measures to be adopted by the Czech National Bank vis-à-vis the Company if the requirement of the Act is not met.

As at the date of preparation of the financial statements, the Fund's assets were CZK 8,023,043. The Company's management expects the Fund's assets to reach the required value by the deadline stipulated by the Act. The reaching of the fund's required size depends on the level of savings of the Fund's current clients, the history of recorded sales and, particularly, the plan and implementation of business activities for the subsequent accounting period in the area of optimization of the savings strategy for both new and current clients. In the period under review, special business activities were used to support the motivation of both clients and distributors in order to reach the above goal. For savings in the Fund, the fee holidays for clients were extended till 2014. Taking account of the above, the Fund will continue to operate as a going concern and the Fund's financial statements were prepared on this basis.

## 5.15 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Transformed fund of additional pension savings with government contribution

## Česká spořitelna – penzijní společnost, a. s.

### Basic information

Transformed fund of the additional pension savings with government contribution Česká spořitelna – penzijní společnost, a. s.

The permit to operate the supplementary pension insurance through the transformed fund was granted by CNB on 3rd September, 2013, with effect from 1st January, 2013.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

### Fund characteristics

The goal of the investment policy is securing stable and long-term return from finances collected in the transformed fund while investing them and securing covering claims for supplementary pension insurance. While investing the assets, it is acted in such a way that it is possible to pay out the contributions from the transformed fund to the participants in time limits set by law and pension plan. The funds collected in the CS transformed fund by the pension society have to be placed with diligence care so that the security, high quality, liquidity, and return of the whole were secured.

### Depository

The depository of the pension fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

### Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

### Person responsible for safeguarding and control of assets of the pension fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

### Remuneration for managing assets

The remuneration for assets managing of the Transformed fund is 0.6 % per year from the average yearly value of the total assets.

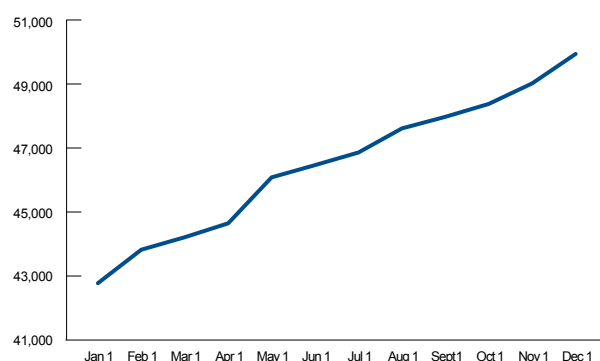
The remuneration for appreciation of assets of the Transformed fund is 15 % from the profit shown in the financial statement of the transformed fund.

The amount of remuneration abides by the act on additional pension savings no. 427/2011 Col., Article 192 Remuneration.

**To obtain further information on the transformed fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

**Securities with more than 1 % share of the transformed fund portfolio as at 31st Dec 2013**

Issued by	Currency	Purchase price Thousands CZK	Real value Thousands CZK	Share
Treasury Bills of the Czech National Bank	CZK	18,698,173	18,699,087	37.1%
GOVERNMENT BOND VAR 10/27/16	CZK	6,338,319	6,345,581	12.6%
GOVERNMENT BOND 5.7 05/25/24	CZK	2,752,097	2,752,097	5.5%
ERSTE GROUP BANK 6.375 03/28/23	USD	2,543,324	2,676,943	5.3%
GOVERNMENT BOND 2.75 03/31/14	CZK	2,005,405	2,005,405	4%
GOVERNMENT BOND VAR 07/23/17	CZK	1,963,984	1,963,320	3.9%
GOVERNMENT BOND 4.7 09/12/22	CZK	1,587,226	1,587,226	3.2%
GOVERNMENT BOND 4.6 08/18/18	CZK	1,433,822	1,435,473	2.9%
GOVERNMENT BOND 3.85 09/29/21	CZK	999,057	999,057	2%
ERSTE BANK VAR 07/19/17	EUR	814,599	904,552	1.8%
GOVERNMENT BOND 5.0 04/11/19	CZK	866,973	866,973	1.7%
CESKA EXP. BANKA VAR 06/14/18	CZK	700,000	700,000	1.4%
GOVERNMENT BOND 3.75 09/12/20	CZK	634,532	634,532	1.3%
GOVERNMENT B. 3.625 04/14/21	EUR	601,814	663,435	1.3%
GOVERNMENT BOND 2.5 08/25/28	CZK	596,984	596,984	1.2%
TURKEY 9 03/08/17	TRY	747,558	586,609	1.2%
CEZ 6.0 07/18/14	EUR	514,105	530,779	1.1%
ERSTE KOS FIR. DLUHOPISU 2016 II	CZK	440,000	497,684	1%

**Assets structure of the pension fund****Value development of the fund equity  
in million CZK (2013)**

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

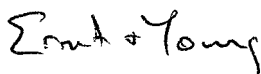
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

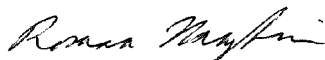
II. We have also audited the consistency of the annual report with the financial statements described above. The management is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



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



Roman Hauptfleisch  
Auditor, License No. 2009

28 April 2014  
Prague, Czech Republic

# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	19,797,428	12,642,381
of which: a/ on demand: aa/ current accounts	02	776,037	918,953
ab/ term deposits	03	323,251	5,707,768
ac/ repo operations	04	18,698,140	5,997,660
5 Debt securities	10	30,473,820	29,338,541
of which: a/ issued by the government	11	24,513,809	24,038,555
b/ issued by other institutions	12	5,960,011	5,229,986
6 Shares, participation certificates and other holdings	13	497,684	1,477,087
11 Other assets	15	435,253	387,025
a/ financial derivatives	16	49,759	45,375
d/ other assets	19	385,494	341,650
<b>Total assets</b>	<b>23</b>	<b>51,204,185</b>	<b>43,827,034</b>
4 Other liabilities	30	50,326,439	42,609,653
a/ financial derivatives	31	52,408	61,784
c/ liabilities from taxes	33	7,723	
d/ other liabilities	34	50,256,593	42,521,479
e/ deferred tax liability	35	9,715	26,390
5 Accrued liabilities and deferred income	36	20,025	
6 Provisions	37	40,525	37,272
13 Gains or losses from revaluation	44	223,083	536,829
of which: a/ of assets and liabilities	45	223,083	536,829
14 Retained earnings or accumulated losses brought forward	48		643,280
15 Profit or loss for the accounting period	49	594,113	
<b>Total liabilities</b>	<b>50</b>	<b>51,204,185</b>	<b>43,827,034</b>
of which: Equity	51	817,196	1,180,109
<b>Off balance sheet accounts</b>	<b>52</b>		
4 Amounts due from fixed term transactions	54	7,229,329	5,407,630
a/ with interest instruments	55	450,000	450,000
b/ with currency instruments	56	6,779,329	4,957,630
8 Values provided for management	62	31,292,106	36,506,987
a/ securities	63	30,971,504	30,815,628
c/ other values	64	320,602	5,691,360
10 Received collaterals	66	18,699,087	5,995,314
12 Amounts owed from fixed term transactions	67	7,231,978	5,364,159
a/ with interest instruments	68	495,734	450,000
b/ with currency instruments	69	6,736,244	4,914,159



# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	817,307	
of which: a/ interest income from bonds	02	788,074	
b/ interest from repo operations	03	902	
2 Interest expense and other similar expense	05	629	
3 Income from shares and holdings	07	17,500	
5 Fees and commissions expense	08	385,800	
a/ management fee	09	280,957	
c/ fee from profit	11	104,843	
6 Profit or loss on financial operations	12	142,256	
a/ profit or loss on transactions with securities	13	326,813	
b/ profit or loss from FX differences	14	275,134	
c/ profit or loss from fixed term transactions and options	15	(459,691)	
7 Other operating income	16	6,777	
8 Other operating expense	17	207	
17 Additions to and use of other provisions	23	3,253	
19 Ordinary profit or loss for the accounting period before tax	24	593,951	
23 Income tax	28	(162)	
24 Profit or loss for the accounting period after tax	29	594,113	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14		
repurchase of unit certificates	15		
transfers to funds	16		
other changes	17		
closing balance	18		
4 Gains or losses from revaluation	19		
opening balance	20	536,829	
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	(313,746)	
closing balance	22	223,083	
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28	643,280	
profit (loss)	29	594,113	
transfers to funds, dividends	30	(643,280)	
closing balance	31	594,113	
<b>7 Total</b>	<b>32</b>	<b>817,196</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and description of business

### Formation and Description of the Business

Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (the “Fund” or “Transformovaný fond – CSPS, a. s.” or the “Transformed Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“CS – penzijní společnost” or “Penzijní společnost” or “CS PS”) in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 3 September 2012 under Ref. No. 2012/7679/570. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a. s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a. s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

Pursuant to a concluded contract, Komerční banka, a. s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a. s. In compliance with Act No. 427/2011 Coll. on Supplementary Pension Savings, the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

### Registered Office

Transformovaný fond penzijního připojištění se státním příspěvkem  
Česká spořitelna – penzijní společnost, a. s.  
Praha 4, Poláčkova 1976/2

### Principal Business

CS PS collects funds from the supplementary pension insurance scheme participants (hereinafter the “Participant”) and state contributions made in the benefit of the Participants, manages the collected funds and pays out supplementary pension insurance allowances depending on the scheme.

### Investment Policy of the Fund

The objective of the investment policy is to ensure a long-term stable yield from investing the funds collected in the Transformed Fund and to cover the supplementary pension insurance allowance entitlements. The investment policy must allow for the payment of allowances to the Participants out of the Transformed Fund within the deadlines stipulated by law and the corresponding pension plan.

The funds collected in the Transformed Fund of CS PS must be placed with due professional care in order to ensure safety, quality, liquidity and return on the financial placement portfolio as a whole.

CS PS is not allowed to manage the assets in the Transformed Fund in a manner that would contradict or harm the interests of the Participants. Assets in the Transformed Fund may exclusively be used to meet the liabilities related to supplementary pension insurance.

The Transformed Fund’s investment plan contains two key elements:

- a) maintaining the fair value of assets that represent liabilities to supplementary pension insurance participants,
- b) increasing the fair value of these assets.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, money market funds, bonds, bond funds, bond indices, shares, share indices, share funds, real estate, commodities, commodity funds, hedge funds, hedge fund funds. The Fund may invest in securities in compliance with Section 100 of the Act.

The Fund must not invest in investment securities issued by the pension management company managing the Fund or by a person that is a member of the same holding as such pension management company.

In investing its financial assets, the Fund uses a “market-neutral investment strategy”. The market-neutral investment strategy (that determines the allocation of assets and, compared to the investment policy, is only short-term) is stipulated by CS PS Board of Directors and depends on the development of the economic cycle, interest rate cycle and the level of market risk aversion in the Transformed Fund. The market-neutral investment strategy may change depending on the expected development of the financial market.

The assets in the Transformed Fund are always invested in compliance with the applicable legal rules and regulations and internal guidelines.

The Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective management of the assets. In using the techniques and instruments, the Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

Hedge transactions, particularly derivative and option transactions, are agreed by CS PS in respect of the assets of the Transformed Fund on condition that they are used to mitigate the risks arising from securities rates, interest rates and forex rates of asset in the Fund’s portfolio.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

### **The Fund’s operation principles**

The Fund’s operating results arise from the difference between income and expenses connected with the management of the Fund’s assets.

CS PS must manage the assets in the Transformed Fund with due professional care with the aim of ensuring a reliable yield. Liabilities arising from the supplementary pension insurance are satisfied by CS PS from the Fund’s assets. If the Fund’s assets are not sufficient to satisfy the above liabilities, CS PS shall satisfy the same from its other assets.

If the Fund’s liabilities exceed the Fund’s assets, CS PS is obliged to transfer to the Fund the assets necessary to compensate the difference within thirty days from the end of the calendar quarter in which the difference was revealed, at the latest; such transferred assets constitute the capital fund of the Transformed Fund. Upon such transfers, CS PS shall observe the rules governing the Transformed Fund’s asset portfolio.

The capital fund shall be primarily used to cover the loss for the current accounting period or accumulated losses from previous years. CS PS must not manage the Fund’s assets in a manner that would contradict the interests of the Participants.

CS PS is obliged to regularly record the contributions made for the benefit of each Participant as follows: Participants’ contributions, Participants’ contributions eligible for deduction from the income tax base by Participants who are tax payers, contributions made by employers and other contributions made for the benefit of Participants in the Transformed Fund. CS PS is further obliged to separately record the balance of state contributions of the Participants and their shares in the Transformed Fund’s proceeds.

The Fund may accept a loan with maturity not exceeding 6 months. The aggregate of all accepted bank loans and other loans must not exceed 5% of the value of the assets in the Fund. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument. The Fund’s assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund.

The Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of such mutual fund’s assets.

Upon managing the Fund’s assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund’s assets.

### **The Fund’s Statute and management fees**

The Fund’s Statute is approved by the Czech National Bank. The Statute is binding for CS PS. The information stipulated in the Fund’s Statute must be regularly updated.

Penzijní společnost is entitled to a fee for operating the scheme of supplementary pension insurance through the Transformed Fund. The fee shall not exceed the following amounts:

- a) 0.6% of the average annual balance sheet amount in the Transformed Fund,
- b) 15% of profit recorded in the Transformed Fund’s financial statements.

The current percentage amount of the fee is determined by the Board of Directors of Penzijní společnost.

The average annual balance sheet amount in the Transformed Fund shall be determined as a simple arithmetical average of the balance sheet amounts of the Transformed Fund for each day of the relevant period as at the last day of the period. Each day of the relevant period shall mean each day on which the balance sheet amount of the Transformed Fund was determined. The Fund’s balance sheet amount shall be determined monthly, always as at the last day of the relevant month.

The fee pursuant to Paragraph a) above shall be paid to Penzijní společnost from the Transformed Fund's assets in the form of a monthly advance payment. The amount of the advance payment shall be calculated every month of the relevant accounting period as one twelfth of the product of the average balance sheet amount and the fee rate.

The annual settlement of the advance payments for the fee shall be completed and paid by the end of the first month of the following accounting period.

Any and all expenses owing to third parties by Penzijní společnost in connection with the operation of the Transformed Fund shall be covered from the fee pursuant to Paragraph a) above, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Transformed Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost offering and mediating supplementary pension savings,
- fees paid to the person responsible for the settlement of investment instruments transactions,
- transfer points, securities brokers,
- promotion and advertising costs.

### Change in the Fund's Statute

There were no changes to the Fund's statute in 2013.

### Česká spořitelna – penzijní společnost, a. s. Board of Directors and Supervisory Board

#### Board of Directors:

Ing. Aleš Poklop, Chairman of the Board  
Ing. Martin Kopejtko, Deputy Chairman of the Board  
Ing. Jakub Krkoška, MBA, Member of the Board

#### Supervisory Board:

RNDr. Monika Laušmanová CSc., Chairperson of the Board  
Ing. Aleš Sedlák, Deputy Chairman of the Board  
Ing. Pavel Kráčmar, Member of the Board  
Ing. Jiří Škorvaga CSc., Member of the Board  
Renáta Kováčová, Member of the Board  
Ing. Pavel Matějčík, Member of the Board

## 2. Basis of preparation of the financial statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements,

and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which the financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which they relate as to time and content. The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise. The Fund was established on 1 January 2013 through transformation. As a result, the data contained in the current financial statements are not fully comparable with the data for the previous accounting period which, in the balance sheet, contain opening balances as at 1 January 2013 (referred to as the previous period in the balance sheet). The previous period is not stated in the income statement.

### 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.

### 3. Accounting policies

#### Transaction Recognition Date

Purchases and sales of securities are recognised using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

#### Securities

In accordance with the Fund's strategy, securities are classified as 'securities held to maturity and securities available for sale'.

Changes in the fair value of securities held for sale are reported in the 'equity' section of the balance sheet (class of accounts 56) with the exception of their impairment (see Regulation No. 501/2002 Coll. implementing certain provisions of Act No. 563/1991 Coll., on accounting, as amended, for accounting entities that are banks and other financial institutions, as amended), dividends, exchange rate differences on debt securities and interest income from coupon, discount or bonus that are recorded directly in the relevant expense or revenue accounts while observing the accrual principle.

When the security is realized (particularly when it is sold), the gain or loss on revaluation is transferred to the relevant expense or revenue account of class of accounts 61 or 71, respectively. The profit or loss, if any, from the sale of securities, i.e. the difference (net) between the book value and the selling price of the security as at the transaction date, is also recorded in the relevant accounts of class of accounts 61 or 71.

If the loss arising from a change in the fair value of securities held for sale is recorded in equity (class of accounts 56) and there is reasonable evidence of impairment of the value of a security (the fair value of the security has been lower than 100% of its acquisition cost for a period of 18 months or the fair value is lower than the acquisition cost by more than 30% as at the assessment date), the loss is released from equity against the expense account in class of accounts 61. The amount of the loss corresponds to the difference between the acquisition cost (reduced by the payments of prin-

cipal and amortization, if any) and the current fair value, taking into account the previous impairment losses recorded in expense accounts. Such expense is irreversible in case of impairment losses pertaining to equity securities; impairment losses pertaining to debt securities may be reversed if, after being recorded in the expense account, the fair value increases for a sound reason that can be identified by the accounting unit.

The value of securities held to maturity and debt securities acquired in a primary issue and not designated for sale increases (decreases) progressively by the accrued interest income (interest expense) from the date of settlement of acquisition to their maturity or settlement of sale.

If securities held to maturity or debt securities acquired in a primary issue and not designated for sale are sold, the difference between the accrued value not adjusted by provisions and the selling price on the day on which the transaction is agreed, or on the date of settlement of the sale, is recorded in revenues or expenses as a gain or loss on the sale of securities.

During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Decree has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

For debt securities, aliquot interest yield ("AIY") accrued and the amount known as interest yield ("IY") are recorded. AIY is the coupon yield owing to the bond holder on the day of maturity. IY on debt securities is the difference between the cost and the nominal value, using the effective interest rate to express amortization, discount and bonus.

## Reverse Repurchase Transactions

Bonds or equity securities received as a security for a provided loan (“reverse repo operations”) are not reflected in the Fund’s balance sheet and the provided loan is recorded as “Due from banks and cooperative saving banks” or “Due from non-banking entities”. Interest is accrued over the validity of the underlying contract.

The market value of the relevant security is recorded off-balance sheet in “Collateral Payables”.

## Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

## Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognised in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognised in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

## State Contribution

At the end of the accounting period, state contributions are recorded on an accrual basis, on the date on which the Participant’s entitlement to state contribution arises, i.e. 31 December 2013.

## Income Tax

Under effective tax regulations, the corporate income tax rate applicable to the “Transformed Fund” is 5 percent.

## Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

## Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

## Provisions

Provisions are created for future annuities and pension options.

The amount of provision is determined on the basis of the present actuarial value of committed supplementary pension insurance benefits to be paid and decreased to reflect the amount of funds recorded on behalf of pension recipients.



Provisions are recorded if the Fund is obliged (under a contract or otherwise) to perform, the obligation is the result of past events and the performance is probable and will require an outflow of funds representing economic benefits and the amount of performance can be reliably estimated.

The Fund creates provisions for future liabilities arising from supplementary pension insurance policies. The amount of provisions is determined on the basis of the Participants' funds adequacy test.

The method used for testing adequacy of provisions is the discounted cash flow model. The cash flows particularly mean the Participants' contributions, benefits paid out and the Company's costs. The result of the adequacy test is the minimum amount of liabilities to Participants calculated as the best estimate using assumptions concerning the future development of input parameters.

The Company accounts for a provision if the minimum amount of liabilities to Participants is higher than the current value of Participants' accounts. The provision amounts to the ascertained difference.

### Equity of the Fund

The Fund's equity consists of gains/losses from revaluation of assets and liabilities relating to securities held for sale (see chapter "Securities") including a deferred tax liability.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized based on a confirmation that the Fund's account was credited with the corresponding amount. Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). The VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2013	Average VaR
Global VaR	0.23%	0.27%
Foreign currency VaR	0.03%	0.07%
Interest rate VaR	0.23%	0.21%
Equity VaR	0.00%	0.02%

The average VaR is calculated as the average of daily VaR values in the given year.



The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trad-

ing of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.19.

## 5. Additional information on the financial statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2013	1 Jan 2013
Current accounts	776,037	918,953
Term deposits	323,251	5,707,768
Repo operations	18,698,140	5,997,660
<b>Total</b>	<b>19,797,428</b>	<b>12,624,381</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the company Investiční společnost.

Shares, participation certificates and other holdings held for sale (AFS)	31 Dec 2013	1 Jan 2013
Acquisition cost	440,000	1,422,310
Market revaluation	57,684	54,777
<b>Total</b>	<b>497,684</b>	<b>1,477,087</b>

Debt securities held for sale (AFS)	31 Dec 2013	1 Jan 2013
Acquisition cost	19,956,276	19,201,715
Market revaluation	295,426	411,415
Aliquot interest yield	170,266	190,250
Interest yield	(33,292)	(19,151)
<b>Total</b>	<b>20,388,676</b>	<b>19,784,229</b>

The proportion of debt securities due within 1 year in the total volume of debt securities was 6.41% in 2013.

The proportion of debt securities due in more than one year with a variable coupon in the total volume of debt securities was 54.14% in 2013.

The proportion of debt securities due in more than one year with a fixed coupon was 39.45% in 2013.

<b>Debt securities held to maturity (HTM)</b>	<b>31 Dec 2013</b>	<b>1 Jan 2013</b>
Acquisition cost	10,087,376	9,490,823
Aliquot interest yield	205,040	199,572
Interest yield	(207,272)	(136,083)
<b>Total</b>	<b>10,085,144</b>	<b>9,554,312</b>

The proportion of debt securities due within 1 year in the total volume of debt securities was 20.29% in 2013.

The proportion of debt securities due in more than 1 year with a fixed coupon was 79.71% in 2013.

### 5.3 Other Assets

<b>Other assets</b>	<b>31 Dec 2013</b>	<b>1 Jan 2013</b>
Receivables – domestic coupons	13,940	–
Positive fair values of financial derivatives	49,759	45,375
Unbilled revenue – state contribution	371,554	341,145
Unbilled revenue – loyalty bonus for PL	–	505
<b>Total</b>	<b>435,253</b>	<b>387,025</b>

The caption ‘Receivables – domestic coupons’ includes a receivable from domestic coupons (CP CZ0001003438 GOVERNMENT BOND) due in January next year.

### 5.4 Equity

The Fund has no share capital.

2013 profit of CZK 594,113 thousand will be distributed among the Participants of the Transformed Fund.

#### Gains/losses on revaluation of assets

<b>Gains/losses on revaluation</b>	<b>31 Dec 2013</b>	<b>1 Jan 2013</b>
Gains/losses on revaluation of assets and liabilities	223,083	536,829
<b>Total</b>	<b>223,083</b>	<b>536,829</b>

### 5.5 Other liabilities

<b>Other liabilities</b>	<b>31 Dec 2013</b>	<b>1 Jan 2013</b>
Negative fair values of financial derivatives	52,408	61,784
Liabilities to pension insurance scheme participants	50,151,749	42,521,479
Unbilled deliveries – fee from profit	104,844	–
Settlement with state budget	7,723	–
Deferred tax liability	9,715	26,390
<b>Total</b>	<b>50,326,439</b>	<b>42,609,653</b>

The deferred tax liability consists of the deferred tax liability of CZK 11,741 thousand (as at 1 January 2013: CZK 28,254 thousand) which is reduced by the deferred tax asset of CZK 2,026 thousand (as at 1 January 2013: CZK 1,864 thousand). The deferred tax liability arises from gains /losses on revaluation of securities valued using the AFS method. The deferred tax receivable arises from the insurance technical reserve for liabilities under pension insurance policies.

Unbilled deliveries – fee from profit are recorded at 15% of profit in compliance with the Fund’s Statute and are due to Penzijní společnost pursuant to the Act.

## 5.6 Provisions

Other liabilities	Balance as at 1/1/ 2013	Additions	Use	Balance as at 31/12/2013
Insurance technical reserve for liabilities under pension insurance policies	37,272	3,253	–	40,525
<b>Total</b>	<b>37,272</b>	<b>3,253</b>	<b>–</b>	<b>40,525</b>

The Company creates a provision for the payment of retirement benefits in compliance with the methods stipulated in Paragraph 3. The adequacy test showed that, based on the adopted assumptions, the value of the provision for the payment of retirement benefits and the provision for pension options as at 31 December 2013 was sufficient to cover all future liabilities of the Company related to the payment of retirement benefits.

## 5.7 Accrued liabilities and Deferred Income

Accrued liabilities consist of the custody fee of CZK 20,025 thousand for December.

## 5.8 Financial Derivatives Designated as Hedging Derivatives

Nominal value of the derivatives:

	31 Dec 2013		1 Jan 2013	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	6,779,329	6,736,244	4,957,630	4,914,159
Interest swaps	450,000	495,734	450,000	450,000
<b>Total</b>	<b>7,229,329</b>	<b>7,231,978</b>	<b>5,407,630</b>	<b>5,364,159</b>

Open derivative positions accounted off-balance sheet are daily converted to fair value in absolute amounts.

Fair value of the derivatives:

	31 Dec 2013		1 Jan 2013	
	Positive	Negative	Positive	Negative
Currency swaps	49,759	6,674	43,284	–
Interest swaps	–	45,734	2,091	61,784
<b>Total</b>	<b>49,759</b>	<b>52,408</b>	<b>45,375</b>	<b>61,784</b>

All financial derivatives recognized as hedging derivatives are due within one year.

## 5.9 Residual maturity of interest rate derivatives

2013

Interest rate derivatives as at 31 Dec 2013	Nominal value		Fair value	
	Asset	Liability	Positive	Negative
Due in 1 – 5 years	450,000	495,734	–	45,734
<b>Total</b>	<b>450,000</b>	<b>495,734</b>	<b>–</b>	<b>45,734</b>

**5.10 Interest Income and Interest Expense**

<b>Income</b>	<b>2013</b>
Interest on bank deposits	4,766
Interest on term deposits	19,287
Interest on debt securities	788,074
Interest on repo transactions	902
Income from interest rate hedging derivatives	4,278
<b>Total</b>	<b>817,307</b>

<b>Expenses</b>	<b>2013</b>
Interest on hedging derivatives	629
<b>Total</b>	<b>629</b>

**5.11 Income from Shares and interests**

	<b>2013</b>
Income from shares and interests – foreign dividends – AFS	17,500
<b>Total</b>	<b>17,500</b>

**5.12 Fees and Commissions**

	<b>2013</b>
Management fee (flat fee)	280,957
Fee from profit	104,843
<b>Total</b>	<b>385,800</b>

In compliance with the Statute of the Fund, the management fee (“flat fee”) paid to CS PS by the Fund amounts to 0.60 percent of the average annual net asset value. The performance fee amounts to 15 percent of the profit recorded in the financial statements of the Fund. The depository’s fee is included in the management fee.

**5.13 Profit or Loss from Financial Operations**

	<b>2013</b>
Profit or loss from securities transactions	326,813
Profit or loss from FX differences	275,134
Profit or loss from futures, forwards, swaps	(459,691)
<b>Total</b>	<b>142,256</b>

Profit or loss from securities primarily comprises the profit or loss from realized sales of securities, from securities due.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions (futures, forwards, swaps) with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realized FX gains or losses from foreign currency accounts and from the settlement of foreign currency receivables and payables as well as gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value, FX gains or losses from the valuation of the shell and aliquot interest yield on bonds held for sale.

**5.14 Other Operating Income and Expenses**

<b>Income</b>	<b>2013</b>
Settlement of account – due to Participants	6,777
<b>Total</b>	<b>6,777</b>

This account serves to record e.g. revenues from state contributions upon the payment of surrender value and additional surrender value, remaining life-long pensions after the client's death, settlement of hedges differences on all types of payments and items subject to statute of limitations.

<b>Expenses</b>	<b>2013</b>
Settlement of account – subsidies for payments to Participants	207
<b>Total</b>	<b>207</b>

This account serves to record subsidies for the payment of life-long pension, where the client's own funds have already been used up.

### 5.15 Additions to and Use of Other Provisions

<b>Expenses</b>	<b>2013</b>
Insurance technical reserve for liabilities under pension insurance policies	3,253
<b>Total</b>	<b>3,253</b>

### 5.16 Income Tax

The principal income tax components are as follows:

	<b>2013</b>
Tax due – current year	0
<b>Total income tax</b>	<b>0</b>

Current income tax – analysis:

	<b>2013</b>
Profit (Loss) before tax	593,951
Items to add	108,096
Deductible items	1,007,485
Tax base	0
Tax (5%) on tax base	0
<b>Total tax</b>	<b>0</b>

### Deferred tax

As at 31 December 2013, the Fund determined a deferred tax asset of CZK 2,026 thousand arising from the insurance technical reserve under the pension insurance policies. As at 1 January 2013, the Fund determined a deferred tax asset of CZK 1,864 thousand. The year-on-year difference of CZK 162 thousand was recorded in the Fund's revenues. The deferred tax asset of CZK 15,272 thousand arising from the tax loss for the current accounting period was not recorded on the basis that its recovery was uncertain.

In compliance with the Income Taxes Act, The Company can carry forward tax losses generated and assessed in the previous accounting periods or part thereof for up to five years immediately following the period for which the loss was assessed. The benefit of the tax loss from 2013 (CZK 227,424 thousand) was not recognized in the 2013 financial statements and will be carried forward.

### 5.17 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a. s.

<b>Payables to related parties</b>	<b>31 Dec 2013</b>	<b>1 Jan 2013</b>
Expenditures – management fee – ČSPS, a. s.	20,025	–
Unbilled deliveries – fee from profit – ČSPS, a. s.	104,843	–
Negative fair value of interest rate derivatives	45,734	59,693
<b>Total payables to related parties</b>	<b>170,602</b>	<b>59,693</b>

The costs charged by CS PS amounted to CZK 385,800 thousand in 2013, i.e. the annual flat fee and performance fee – 15% of the Fund's profit.

<b>Receivables from related parties</b>	<b>31 Dec 2013</b>	<b>1 Jan 2013</b>
Accrued income – state contribution-ČSPS	371,554	341,145
Accrued income – loyalty bonus for holding PL	–	505
Term deposit ČS	300,000	5,707,768
<b>Total receivables from related parties</b>	<b>671,554</b>	<b>341,650</b>

## 5.18 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

2013

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	19,797,428	–	–	–	–	19,797,428
Debt securities	2,046,655	1,307,707	14,104,702	13,014,756	–	30,473,820
Shares and participation certificates	–	–	–	–	497,684	497,684
Prepaid expenses	–	–	–	–	–	–
Derivatives	49,759	–	–	–	–	49,759
Other assets	385,494	–	–	–	–	385,494
<b>Total assets</b>	<b>22,279,336</b>	<b>1,307,707</b>	<b>14,104,702</b>	<b>13,014,756</b>	<b>497,684</b>	<b>51,204,185</b>
<b>Liabilities</b>						
Other liabilities	(148,981)	–	(45,734)	–	(50,151,749)	(50,346,464)
Net assets	22,130,355	1,307,707	14,058,968	13,014,756	(49,654,065)	857,721
Available capital	(857,721)	–	–	–	–	(857,721)
<b>Difference</b>	<b>21,272,634</b>	<b>1,307,707</b>	<b>14,058,968</b>	<b>13,014,756</b>	<b>(49,654,065)</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases by the Fund's Participants.

## 5.19 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets transferred for management. The item 'Assets provided for management' shows foreign and domestic securities administered by Česká spořitelna, a. s. and other values (term deposits and derivatives).

## 5.20 Contingent Assets and Liabilities

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

## 5.21 Subsequent Events

On 31 March 2014, the Czech National Bank approved the change in the Statute of the Fund concerning the investment policy. By this Statute change, the Transformed fund became a conservative fund, transparently to its participants. The adjustment to the Statute does not contradict the existing structure and condition of the Fund's portfolio or the approved long-term strategic allocation of the Fund's assets. The new wording of the Statute is available on the website and in the office of the Company and then at each branch of Česká spořitelna.

# Government bonds pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

## Basic information

Government bonds pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

CNB issued a decision which permitted to establish the pension fund on 17th December, 2012, reference number 2012/12421/570. The decision came into effect on 18th December, 2012.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

## Fund characteristics

Investment into the pension fund of government bonds is suitable for those participants who are neither interested nor informed about events on capital markets and are looking for the complex solution of their investment distributed between the currency and bond market with as low risk as possible. The Pension fund of government bonds is designed for those participants who prefer fixed-rate financial instruments and for less-experienced investors with minimum investment horizon of one year. The goal of the investment policy is to provide to the participants long-term appreciation of the funds invested placed mainly into the currency market instruments, government bonds, and other debt securities of international financial institutions. The interest risk is actively controlled, the investment denominated in foreign exchanges are fully secured.

## Depository

The depository of the pension fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

## Person responsible for safeguarding and control of assets of the pension fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Remuneration for managing assets

**Until 31st Dec 2013 Penzijní společnost does not charge remuneration for managing and appreciation of assets (Fee holidays).**

The remuneration for appreciation of assets of the Government bonds pension fund is 0.3 % per year from the average yearly value of the fund equity.

The remuneration for appreciation of assets of the Government bonds pension fund is not charged by the ČS penzijní společnost.

The amount of remuneration abides by the act on pension savings no. 426/2011 Col., Article 32 Remuneration of the pension society.

With regard to the fact that the pension funds came into existence on 1st Jan 2013 along with pension reform based on the Act on Pension savings no. 426/2011 Col., there are no accessible comparable data on equity of the pension fund for previous three periods.

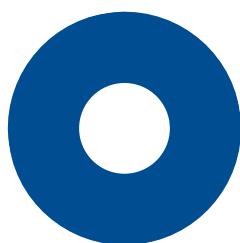
**To obtain further information on the pension fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

**Assets of the Government bonds pension fund as at 31st Dec 2013**

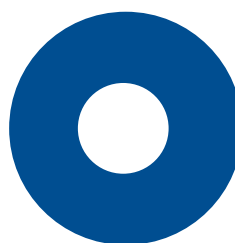
Name	Currency	Purchase price Total in thousands	Real value Total in thousands	Share
Currency market	CZK	1,048	1,048	100%

**Fund equity and fund equity per pension unit as at 31st Dec 2013**

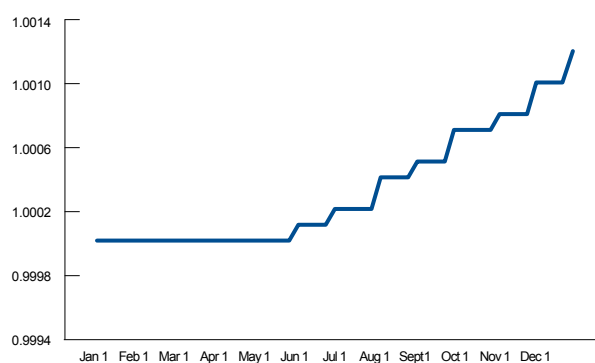
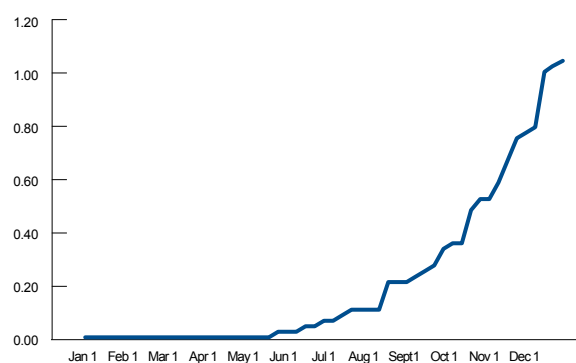
Name	Value
Value of fund equity in thousand CZK	1,048
Equity per fund unit in CZK	1.0012

**Assets structure of the pension fund**

■ Currency market 100 %



■ CZK 100 %

**The development of pension unit of Pension savings (2013)****Value development of the fund equity in million CZK (2013)**



(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

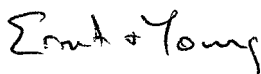
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

II. We have also audited the consistency of the annual report with the financial statements described above. The management of is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

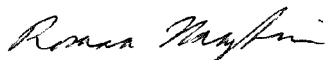
In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



Ernst & Young Audit, s.r.o.

License No. 401

Represented by Partner



Roman Hauptfleisch

Auditor, License No. 2009

28 April 2014

Prague, Czech Republic

# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	1,068	
of which: a/ on demand: aa/ current accounts	02	1,068	
<b>Total assets</b>	<b>23</b>	<b>1,068</b>	
4 Other liabilities	30	19	
d/ other liabilities	34	19	
12 Capital funds	43	1,048	
15 Profit or loss for the accounting period	49	1	
<b>Total liabilities</b>	<b>50</b>	<b>1,068</b>	
of which: Equity	51	1,049	
<b>Off balance sheet accounts</b>	<b>52</b>		

# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	1	
19 Ordinary profit or loss for the accounting period before tax	24	1	
24 Profit or loss for the accounting period after tax	29	1	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14	1,048	
repurchase of unit certificates	15		
transfers to funds	16		
other changes	17		
closing balance	18	1,048	
4 Gains or losses from revaluation	19		
opening balance	20		
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21		
closing balance	22		
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28		
profit (loss)	29	1	
transfers to funds, dividends	30		
closing balance	31	1	
<b>7 Total</b>	<b>32</b>	<b>1,049</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and description of business

### Formation and Description of the Business

Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a. s. (the “Fund” or “Důchodový fond – CSPS, a. s.” or the “Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“Penzijní společnost” or “CS PS” or the “Company”) in accordance with Act No. 426/2011 Coll. on Retirement Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 17 December 2012 under Ref. No. 2012/12421/570. The decision came into force on 18 December 2012. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Supplementary Pension Savings Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a. s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a. s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the Company subsequently created participation funds and pension funds.

Pursuant to a concluded contract, Komerční banka, a. s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a. s. In compliance with Act No. 426/2011 Coll. on Retirement Savings (the “Act”), the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

Pursuant to the classification which is binding for the members of the Czech Pension Management Companies Association (“APS CR”), the Fund may be designated as a pension fund as at the date of approval of the Statute.

### Registered Office

Důchodový fond státních dluhopisů důchodového spoření  
Česká spořitelna – penzijní společnost, a. s.  
Praha 4, Poláčkova 1976/2

### Principal Business

Penzijní společnost collects funds to the Pension Fund from the following sources:

- a) parts of income from insurance premiums assignable to participants and transferred to the account that serves for acceptance of insurance premiums, transfer of participants’ funds and making of payments,
- b) participants’ funds transferred from another pension fund.

The number of issued pension units (“důchodové jednotky”) or the period for which the Fund has been formed has not been restricted.

Pension units of the Fund are offered in the Czech Republic.

### Investment Policy of the Fund

The objective of the investment policy is to seek a long-term appreciation of the participants’ funds investing primarily in money market instruments, state bonds and other debt securities of international financial institutions. The interest rate risk is actively managed; investments in foreign currencies are fully hedged.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, bonds or discount certificates.. The Fund may invest in securities in compliance with Section 46 of the Act.

The Pension Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective management of the assets. In using the techniques and instruments, the Pension Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

The Fund could use financial derivatives to hedge against interest rate risk and currency risk.

Fund’s assets must be fully secured against the currency risk.

The underlying instrument of a financial derivative must correspond to the Fund’s investment policy and risk profile.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

## The Fund's operation principles

The Fund's operating results arise as the difference between income and expenses relating to the management of the Fund's assets.

The full amount of the generated profit is retained in the Pension Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from CS PS's management of the Pension Fund's assets, the reinvestment fund created from previous years' profits is used to cover the loss. If the reinvestment fund is not sufficient to cover the loss, the loss shall be covered by reducing the capital fund.

The Fund's assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund pursuant to Section 57(2) of the Act on Pension Savings.

Upon managing the Fund's assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund's assets.

The Pension Fund may accept a bank loan or another loan with maturity not exceeding 6 months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, paragraph 21. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

A summary of all received loans must not exceed 5 % of the value of the Fund's assets.

Pursuant to Section 29(2), the equity of Penzijní společnost that is a pension savings scheme operator pursuant to the Act must equal a minimum of the aggregate of CZK 300 million and 0.05% of the value of assets in the operated pension funds, participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings exceeding CZK 500 million; after the aggregate reaches CZK 700 million, it is no longer increased. The calculation shall include the entire value of assets in all pension funds, all participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings managed by CS PS. Pursuant to Section 30, after the expiry of 24 months from the approval to form the pension funds, the number of participants in the pension funds managed by CS PS must reach at least 50 thousand participants.

## The Fund's Statute and Management Fees

The Fund's Statute is the key binding document of the Fund.

The Pension Fund's Statute stipulates, in a clear manner, the following:

- a) information concerning the manner of investing the pension fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the pension fund,
- c) explanation of the risks connected with pension savings,

d) periods and deadlines for valuation of assets and liabilities pursuant to Section 63 of the Act,

e) other information required by implementing regulations.

The Fund's Statute is approved by the Czech National Bank. The Statute is binding for CS PS.

The information stipulated in the Fund's Statute must be regularly updated.

Penzijní společnost is entitled to a fee from the assets in the Pension Fund; the amount of the fee must be stipulated in the Fund's Statute. The fee consists of the fee for the management of the pension funds' assets.

Any and all expenses owing to third parties by Penzijní společnost in connection with pension savings schemes shall be covered from the fee, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost for the exercise of activities pursuant to Section 91 of the Act and for the administration of pension savings contracts and related activities,
- fees paid to the person responsible for the settlement of investment instruments transactions, transfer points, securities brokers,
- promotion and advertising costs,
- costs of mediating pension savings contracts.

The fee pursuant to Paragraph a) above must not exceed 0.3 % of the average annual value of the Fund's equity.

The average annual value of each pension fund's equity is determined as at the last day of the relevant period as a simple arithmetic average of the values of a particular fund's equity for each day of the relevant period.

The fee pursuant to Paragraph b) above must not exceed 10 % of the difference between the average value of a pension unit in the relevant period and the highest average annual value of pension units in previous years since the formation of the pension fund, multiplied by the average number of pension units in the relevant period.

Penzijní společnost is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the pension fund's pension unit in the relevant period is lower than or equal to the highest average annual value of the pension unit in previous years since the formation of the pension fund.

The average value of a pension fund's pension unit is determined as at the last day of the relevant period as a simple arithmetic average of the values of the fund's pension units for each day of the relevant period.

For the purposes of determining the fee, the costs of holding the securities issued by the collective investment fund shall particularly include the proportion of total costs covered from the collective investment fund's assets that is adequate to the investment in such fund.

### Change in the Fund's Statute

There were no changes to the Fund's statute in 2013.

## Česká spořitelna – penzijní společnost, a. s. Board of Directors and Supervisory Board

### Board of Directors:

Ing. Aleš Poklop, Chairman of the Board  
Ing. Martin Kopejtko, Deputy Chairman of the Board  
Ing. Jakub Krkoška, MBA, Member of the Board

### Supervisory Board:

RNDr. Monika Laušmanová CSc., Chairperson of the Board  
Ing. Aleš Sedlák, Deputy Chairman of the Board  
Ing. Pavel Kráčmar, Member of the Board  
Ing. Jiří Škorvaga CSc., Member of the Board  
Renáta Kováčová, Member of the Board  
Ing. Pavel Matějčiek, Member of the Board

## 2. Basis of preparation of the financial statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which these financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which

they relate as to timing and content. The financial statements are presented in compliance with the general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund was established on 1 January 2013. As a result, the data contained in the financial statements and in the notes to the financial statements are recorded for the current accounting period.

### 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.

## 3. Accounting policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.



The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities valued at fair value against expense or revenue accounts.

During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Regulation has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

In the Fund's accounting, securities are recorded at fair value against expense and revenues accounts. The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included in the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet

date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the corporate income tax rate applicable to the funds managed by Penzijní společnost is 5 per cent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are sold to the pension savings scheme participants for the selling price set on a weekly basis.

### Interest Income and Expense and Dividend Income

Interest income and interest expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

Credit risk was insignificant for the Fund in 2013.

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

Market risk was insignificant for the Fund in 2013.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term deposit portfolios.

Pursuant to the Act, Penzijní společnost is obliged to purchase a pension unit and credit the relevant account with cash as at the following dates:

- a) the date of receipt of an application to pay one-off insurance premium for pension insurance pursuant to Section 14 of the Act,
- b) the date of receipt of a request to transfer 60 % of the participant's funds to state budget pursuant to Section 15 of the Act,
- c) the date of receipt of an application to transfer funds or make payment pursuant to Section 16 of the Act,
- d) the date of receipt of an application to transfer the participant's funds to another pension management company's pension fund,

e) the date of receipt of the Central Register Administrator's notice of registration of another pension savings contract.

Penzijní společnost agrees to pay the amount for deducted pension units within the periods and by the deadlines stipulated in the Act.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.9.

## 5. Additional information on the financial statements

### 5.1 Receivables from Banks

Receivables from banks	31. 12. 2013
Current accounts	1,068
<b>Total</b>	<b>1,068</b>

Balances on current accounts are payable on demand.

### 5.2 Equity

The Fund has no registered capital. The initial value of a pension unit is CZK 1. The total value of all pension units is recorded in the 'Capital Funds' account.

The selling price of a pension unit is determined by dividing the Fund's equity by the number of issued pension units.

As at the last business day of 2013, the value of a pension unit was CZK 1.0012 being the last published value of a pension unit in the year in which purchases and buyouts of the Fund's pension units were realized.

In compliance with the Statute, the 2013 profit of CZK 1 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

### 5.3 Changes in Capital Fund

	Number of pension units (items)	Total capital funds
<b>Balance at 1 Jan 2013</b>	–	–
Pension units sold	1,047,172	1,048
Pension units purchased	–	–
<b>Balance at 31 Dec 2013</b>	<b>1,047,172</b>	<b>1,048</b>

### 5.4 Other liabilities

Other liabilities	31 Dec 2013
Liabilities from contributions by pension insurance scheme participants	19
<b>Total</b>	<b>19</b>

Liabilities from deposits from pension insurance participants represent invested funds prior to their matching against the book of pension units.

## 5.5 Interest Income

Income	2013
Interest on bank deposits	1
<b>Total</b>	<b>1</b>

## 5.6 Management fee, performance fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to CS PS by the Fund amounts to 0.3 percent of the average annual value of the Fund's equity.

Based on the decision of CS PS, the 2013 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

## 5.7 Income Tax

The principal income tax components are as follows:

	2013
Tax due – current year	0
<b>Total income tax</b>	<b>0</b>

Current income tax – analysis:

	2013
Profit (Loss) before tax	1
Items to add	0
Deductible items	0
Tax base	0
Tax (5%) on tax base	0
<b>Total tax</b>	<b>0</b>

## Deferred tax

As at 31 December 2013, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.8 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a. s.

No related party costs were recorded in the Fund's accounting records in 2013.

## 5.9 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

2013

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	1,068	–	–	–	–	1,068
<b>Total assets</b>	<b>1,068</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,068</b>
<b>Liabilities</b>						
Other liabilities	19	–	–	–	–	19
<b>Net assets</b>	<b>1,049</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,049</b>

Liquidity risk, to which the Fund is exposed, is very low as all the Fund's assets are cash that allows to pay realized buyouts to the Fund's Participants in the shortest time possible.

### **5.10 Off-balance Sheet Assets and Liabilities**

The Fund has no off-balance sheet assets or liabilities as at 31 December 2013.

### **5.11 Contingent Assets and Liabilities**

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

### **5.12 Other Material Disclosures**

The Company finds it important to emphasize the continuing political uncertainty regarding the future of the second pillar of the pension reform. As at the date of the approval of the financial statements, no information is available to Company management, apart from official government communications, that would describe the contents, timetable or probability of the preparation of new legislation with sufficient reliability. As at the reporting date, the Company managed 13,818 participants of pension funds and, considering the political and regulatory uncertainty, it is not probable that the Company will be able to attain the required number of participants within the time limit stipulated by the Act.

The Fund is subject to the regulatory requirements of Act No. 426/2011 Coll. on Retirement Savings, as amended, which is in force from 1 January 2013. Under Section 30 of the Act, the number of participants in pension funds managed by a pension company must be at least 50,000 thousand upon the expiration of a period of 24 months from the date when the authorization to establish pension funds was granted. If the requirements of Section 30 are not met, the Czech National Bank may launch administrative proceedings against a pension company and may order, under Section 99, the transfer of managed pension funds to another pension company. As at the date of the approval of the financial statements, no information is available to Company management that would describe with sufficient reliability the measures that the Czech National Bank may take against the Company in the case of non-compliance with the Act. The transfer, if any, of managed pension funds to another pension company would affect neither the Fund's management nor the funds contributed by participants. Consequently, the Fund will continue as a going concern and the accompanying financial statements have been prepared on a going concern basis.

### **5.13 Subsequent Events**

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Conservative pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

## Basic information

Conservative pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

CNB issued a decision which permitted to establish the pension fund on 17th December, 2012, reference number 2012/12421/570. The decision came into effect on 18th December, 2012.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

## Fund characteristics

Investment into a conservative fund is suitable for those participants who are neither interested nor informed on events on capital markets and at the same time are looking for the complex solution for their investment distributed among currency and bond market. The Conservative pension fund is designed for the participants who prefer fixed-rate financial instruments and for less-experienced investors with minimum investment horizon of one year. The goal of the investment policy is to provide to the participants a long-term appreciation of the funds invested allocated especially into the currency market instruments, government bonds and other debt securities rated on the investment level permitted by law on pension savings. The interest rate risk is actively controlled, investment denominated in foreign exchanges are fully secured.

## Depository

The depository of the pension fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

## Person responsible for safeguarding and control of assets of the pension fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Remuneration for managing assets

**Until 31st Dec 2013 Penzijní společnost does not charge remuneration for managing and appreciation of assets (Fee holidays).**

The remuneration for assets managing of the Conservative pension fund is 0.4 % per year from the average yearly value of the fund equity.

The remuneration for appreciation of assets of the Conservative pension fund is 10 % from the difference of the average yearly value of the pension unit in the period and the highest average yearly value of the pension unit in years previous to the period starting establishing the fund multiplied by average yearly number of pension units.

The amount of remuneration abides by the act on pension savings no. 426/2011 Col., Article 32 Remuneration of the pension society.

With regard to the fact that the pension funds came into existence on 1st Jan 2013 along with pension reform based on the Act on Pension savings no. 426/2011 Col., there are no accessible comparable data on equity of the pension fund for previous three periods.

**To obtain further information on the pension fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

### Assets of the Conservative pension fund as at 31st Dec 2013

Name	Currency	Purchase price Total in thousands	Real value Total in thousands	Share
Currency market	CZK	21,433	21,433	100%

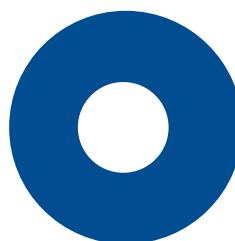
### Fund equity and fund equity per pension unit as at 31st Dec 2013

Name	Value
Value of fund equity in thousands CZK	21,433
Equity per fund unit in CZK	1.0012

### Assets structure of the pension fund

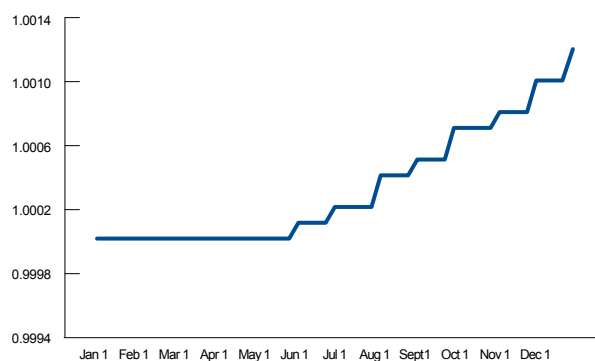


■ Currency market 100 %

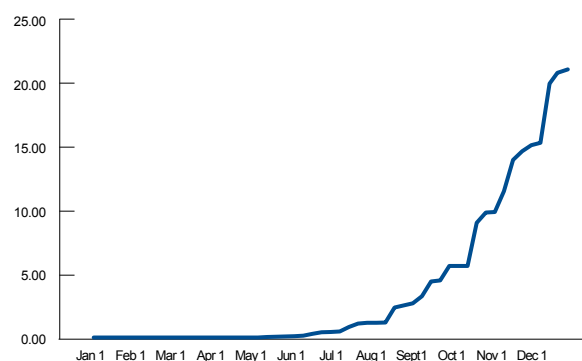


■ CZK 100 %

### The development of pension unit of Pension savings (2013)



### Value development of the fund equity in million CZK (2013)



(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



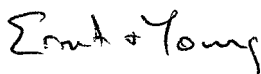
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

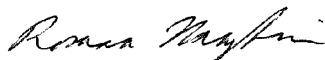
II. We have also audited the consistency of the annual report with the financial statements described above. The management is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



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



Roman Hauptfleisch  
Auditor, License No. 2009

28 April 2014  
Prague, Czech Republic

# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	21,728	
of which: a/ on demand: aa/ current accounts	02	21,728	
<b>Total assets</b>	<b>23</b>	<b>21,728</b>	
4 Other liabilities	30	295	
d/ other liabilities	34	295	
12 Capital funds	43	21,424	
15 Profit or loss for the accounting period	49	9	
<b>Total liabilities</b>	<b>50</b>	<b>21,728</b>	
of which: Equity	51	21,433	
<b>Off balance sheet accounts</b>	<b>52</b>		

# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	9	
19 Ordinary profit or loss for the accounting period before tax	24	9	
24 Profit or loss for the accounting period after tax	29	9	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14	21,464	
repurchase of unit certificates	15	(40)	
transfers to funds	16		
other changes	17		
closing balance	18	21,424	
4 Gains or losses from revaluation	19		
opening balance	20		
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21		
closing balance	22		
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28		
profit (loss)	29	9	
transfers to funds, dividends	30		
closing balance	31	9	
<b>7 Total</b>	<b>32</b>	<b>21,433</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and description of business

### Formation and Description of the Business

Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. (the “Fund” or “Důchodový fond – CSPS, a. s.” or the “Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“Penzijní společnost” or “CS PS” or the “Company”) in accordance with Act No. 426/2011 Coll. on Retirement Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 17 December 2012 under Ref. No. 2012/12421/570. The decision came into force on 18 December 2012. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Supplementary Pension Savings Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a. s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a. s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the Company subsequently created participation funds and pension funds.

Pursuant to a concluded contract, Komerční banka, a. s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a. s. In compliance with Act No. 426/2011 Coll. on Retirement Savings (the “Act”), the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

Pursuant to the classification which is binding for the members of the Czech Pension Management Companies Association (“APS CR”), the Fund may be designated as a pension fund as at the date of approval of the Statute.

### Registered Office

Konzervativní důchodový fond důchodového spoření  
Česká spořitelna – penzijní společnost, a. s.  
Praha 4, Poláčkova 1976/2

### Principal Business

Penzijní společnost collects funds to the Pension Fund from the following sources:

- a) parts of income from insurance premiums assignable to participants and transferred to the account that serves for acceptance of insurance premiums, transfer of participants’ funds and making of payments,
- b) participants’ funds transferred from another pension fund.

The number of issued pension units (“důchodové jednotky”) or the period for which the Fund has been formed has not been restricted.

Pension units of the Fund are offered in the Czech Republic.

### Investment Policy of the Fund

The objective of the investment policy is to seek a long-term appreciation of the participants’ funds investing primarily in money market instruments, state bonds and other debt securities with investment grade ratings endorsed by the Act on Pension Savings. The interest rate risk is actively managed, investments denominated in foreign currencies are fully hedged.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, money market funds, bonds or discount certificates. The Fund may invest in securities in compliance with Section 47 of the Act.

The Pension Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective management of the assets. In using the techniques and instruments, the Pension Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

The Fund uses financial derivatives to hedge against interest rate risk and currency risk. Assets in the Fund must be fully secured against currency risk. The underlying instrument of a financial derivative must correspond to the Fund’s investment policy and risk profile.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund's Statute in compliance with the Act.

### The Fund's operation principles

The Fund's operating results arise as the difference between income and expenses relating to the management of the Fund's assets.

The full amount of the generated profit is retained in the Pension Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from CS PS's management of the Pension Fund's assets, the reinvestment fund created from previous years' profits is used to cover the loss. If the reinvestment fund is not sufficient to cover the loss, the loss shall be covered by reducing the capital fund.

The Fund's assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund pursuant to Section 57(2) of the Act on Pension Savings.

Upon managing the Fund's assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund's assets.

The Pension Fund may accept a bank loan or another loan with maturity not exceeding 6 months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, paragraph 31. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

A summary of all received loans must not exceed 5% of the value of the Fund's assets.

Pursuant to Section 29(2), the equity of Penzijní společnost that is a pension savings scheme operator pursuant to the Act must equal a minimum of the aggregate of CZK 300 million and 0.05% of the value of assets in the operated pension funds, participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings exceeding CZK 500 million; after the aggregate reaches CZK 700 million, it is no longer increased. The calculation shall include the entire value of assets in all pension funds, all participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings managed by CS PS. Pursuant to Section 30, after the expiry of 24 months from the approval to form the pension funds, the number of participants in the pension funds managed by CS PS must reach at least 50 thousand participants.

### The Fund's Statute and Management Fees

The Fund's Statute is the key binding document of the Fund.

The Pension Fund's Statute stipulates, in a clear manner, the following:

a) information concerning the manner of investing the pension fund,

- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the pension fund,
- c) explanation of the risks connected with pension savings,
- d) periods and deadlines for valuation of assets and liabilities pursuant to Section 63 of the Act,
- e) other information required by implementing regulations.

The Fund's Statute is approved by the Czech National Bank. The Statute is binding for CS PS.

The information stipulated in the Fund's Statute must be regularly updated.

Penzijní společnost is entitled to a fee from the assets in the Pension Fund; the amount of the fee must be stipulated in the Fund's Statute. The fee consists of the following:

- a) fee for the management of the pension funds' assets,
- b) fee for appreciation of the pension funds' assets, i.e. performance fee.

Any and all expenses owing to third parties by Penzijní společnost in connection with pension savings schemes shall be covered from the fee, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost for the exercise of activities pursuant to Section 91 of the Act and for the administration of pension savings contracts and related activities,
- fees paid to the person responsible for the settlement of investment instruments transactions, transfer points, securities brokers,
- promotion and advertising costs,
- costs of mediating pension savings contracts.

The fee pursuant to Paragraph a) above must not exceed 0.4% of the average annual value of the Fund's equity; such fee shall be reduced by the costs of purchase, sale and holding of the securities issued by the collective investment fund.

The average annual value of each pension fund's equity is determined as at the last day of the relevant period as a simple arithmetic average of the values of a particular fund's equity for each day of the relevant period.

The fee pursuant to Paragraph b) above must not exceed 10% of the difference between the average value of a pension unit in the relevant period and the highest average annual value of pension units in previous years since the formation of the pension fund, multiplied by the average number of pension units in the relevant period.

Penzijní společnost is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the pension fund's pension unit in the relevant period is lower than or equal to the highest average annual value of the pension unit in previous years since the formation of the pension fund.

The average value of a pension fund's pension unit is determined as at the last day of the relevant period as a simple arithmetic average of the values of the fund's pension units for each day of the relevant period.

For the purposes of determining the fee, the costs of holding the securities issued by the collective investment fund shall particularly include the proportion of total costs covered from the collective investment fund's assets that is adequate to the investment in such fund.

### **Change in the Fund's Statute**

There were no changes to the Fund's statute in 2013.

### **Česká spořitelna – penzijní společnost, a. s. Board of Directors and Supervisory Board**

#### **Board of Directors:**

Ing. Aleš Poklop, Chairman of the Board  
Ing. Martin Kopejtko, Deputy Chairman of the Board  
Ing. Jakub Krkoška, MBA, Member of the Board

#### **Supervisory Board:**

RNDr. Monika Laušmanová CSc., Chairperson of the Board  
Ing. Aleš Sedlák, Deputy Chairman of the Board  
Ing. Pavel Kráčmar, Member of the Board  
Ing. Jiří Škorvaga CSc., Member of the Board  
Renáta Kováčová, Member of the Board  
Ing. Pavel Matějčiek, Member of the Board

## **2. Basis of preparation of the financial statements**

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which these financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which they relate as to timing and content. The financial statements are presented in compliance with the general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund was established on 1 January 2013. As a result, the data contained in the financial statements and in the notes to the financial statements are recorded for the current accounting period.

### **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.

## **3. Accounting policies**

### **Transaction Recognition Date**

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

## Securities

In accordance with the Fund's strategy, all securities are classified as securities valued at fair value against expense or revenue accounts. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Regulation has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

In the Fund's accounting, securities are recorded at fair value against expense and revenues accounts. The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included in the total balance of these assets.

## Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value,

while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

## Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are



valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the corporate income tax rate applicable to the funds managed by Penzijní společnost is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are sold to the pension savings scheme participants for the selling price set on a weekly basis.

### Interest Income and Expense and Dividend Income

Interest income and interest expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

Credit risk was insignificant for the Fund in 2013.

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

Market risk was insignificant for the Fund in 2013.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term deposit portfolios.

Pursuant to the Act, Penzijní společnost is obliged to purchase a pension unit and credit the relevant account with cash as at the following dates:

- a) the date of receipt of an application to pay one-off insurance premium for pension insurance pursuant to Section 14 of the Act,
- b) the date of receipt of a request to transfer 60% of the participant's funds to state budget pursuant to Section 15 of the Act,
- c) the date of receipt of an application to transfer funds or make payment pursuant to Section 16 of the Act,

- d) the date of receipt of an application to transfer the participant's funds to another pension management company's pension fund,
- e) the date of receipt of the Central Register Administrator's notice of registration of another pension savings contract.

Penzijní společnost agrees to pay the amount for deducted pension units within the periods and by the deadlines stipulated in the Act.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.9.

## 5. Additional information on the financial statements

### 5.1 Receivables from Banks

Receivables from banks	31. 12. 2013
Current accounts	21,728
<b>Total</b>	<b>21,728</b>

Balances on current accounts are payable on demand.

### 5.2 Equity

The Fund has no registered capital. The initial value of a pension unit is CZK 1. The total value of all pension units is recorded in the 'Capital Funds' account.

The selling price of a pension unit is determined by dividing the Fund's equity by the number of issued pension units.

As at the last business day of 2013, the value of a pension unit was CZK 1.0012 being the last published value of a pension unit in the year in which purchases and buyouts of the Fund's pension units were realized.

In compliance with the Statute, the 2013 profit of CZK 9 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

### 5.3 Changes in Capital Fund

	Number of pension units (items)	Total capital funds
<b>Balance at 1 Jan 2013</b>	–	–
Pension units sold	21,448,264	21,464
Pension units purchased	40,018	40
<b>Balance at 31 Dec 2013</b>	–	<b>21,424</b>

### 5.4 Other liabilities

Other liabilities	31 Dec 2013
Liabilities from contributions by pension insurance scheme participants	295
<b>Total</b>	<b>295</b>

Liabilities from deposits from pension insurance participants represent invested funds prior to their matching against the book of pension units.

## 5.5 Interest Income

Income	2013
Interest on bank deposits	9
<b>Total</b>	<b>9</b>

## 5.6 Management fee, performance fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to CS PS by the Fund amounts to 0.4 percent of the average annual value of the Fund's equity. The performance fee amounts to 10 percent of the difference between the average annual value of a pension unit in the relevant period and the highest average annual value of the pension unit in previous years since the formation of the Fund multiplied by the average annual number of pension units.

Based on the decision of CS PS, the 2013 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

## 5.7 Income Tax

The principal income tax components are as follows:

	2013
Tax due – current year	0
<b>Total income tax</b>	<b>0</b>

Current income tax – analysis:

	2013
Profit (Loss) before tax	9
Items to add	–
Deductible items	–
Tax base	9
Tax (5%) on tax base	–
<b>Total tax</b>	<b>0</b>

## Deferred tax

As at 31 December 2013, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.8 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a. s.

No related party costs were recorded in the Fund's accounting records in 2013.

## 5.9 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

### 2013

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	21,728	–	–	–	–	21,728
<b>Total assets</b>	<b>21,728</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,728</b>
<b>Liabilities</b>						
Other liabilities	(295)	–	–	–	–	(295)
<b>Net assets</b>	<b>21,433</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,433</b>

Liquidity risk, to which the Fund is exposed, is very low as all the Fund's assets are cash that allows paying the realized buyouts to the Fund's Participants in the shortest time possible.

#### **5.10 Off-balance Sheet Assets and Liabilities**

The Fund has no off-balance sheet assets or liabilities as at 31 December 2013.

#### **5.11 Contingent Assets and Liabilities**

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

#### **5.12 Other Material Disclosures**

The Company finds it important to emphasize the continuing political uncertainty regarding the future of the second pillar of the pension reform. As at the date of the approval of the financial statements, no information is available to Company management, apart from official government communications, that would describe the contents, timetable or probability of the preparation of new legislation with sufficient reliability. As at the reporting date, the Company managed 13,818 participants of pension funds and, considering the political and regulatory uncertainty, it is not probable that the Company will be able to attain the required number of participants within the time limit stipulated by the Act.

The Fund is subject to the regulatory requirements of Act No. 426/2011 Coll. on Retirement Savings, as amended, which is in force from 1 January 2013. Under Section 30 of the Act, the number of participants in pension funds managed by a pension company must be at least 50,000 thousand upon the expiration of a period of 24 months from the date when the authorization to establish pension funds was granted. If the requirements of Section 30 are not met, the Czech National Bank may launch administrative proceedings against a pension company and may order, under Section 99, the transfer of managed pension funds to another pension company. As at the date of the approval of the financial statements, no information is available to Company management that would describe with sufficient reliability the measures that the Czech National Bank may take against the Company in the case of non-compliance with the Act. The transfer, if any, of managed pension funds to another pension company would affect neither the Fund's management nor the funds contributed by participants. Consequently, the Fund will continue as a going concern and the accompanying financial statements have been prepared on a going concern basis.

#### **5.13 Subsequent Events**

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Balanced pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

## Basic information

Balanced pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

CNB issued a decision which permitted to establish the pension fund on 17th December, 2012, reference number 2012/12421/570. The decision came into effect on 18th December, 2012.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

## Fund characteristics

Investment into the pension fund is suitable for those participants who are looking for the complex and long-term solution for their investment, distributed in the ratio among currency, bond, and share market. With regard to the nature of the investment, the participants should be aware of the fact that their investment can drop under the initial value in the medium term. The Balanced pension fund is thus suitable for rather experienced investors who prefer fixed-rate financial instruments, yet want to invest also on share markets with minimum investment horizon of three years. The investment into the balanced pension fund is also suitable for less-experienced participants as part of broadly diversified portfolio. The goal of the investment policy is to provide to the participants long-term appreciation of the funds invested allocated mainly into the currency market instruments, government bonds, and other debt securities or shares or similar securities representing a share on a legal entity. The credit and interest risk is actively controlled; unsecured investment denominated in foreign exchanges can make at most 25 % of the value of the fund assets.

## Depository

The depository of the pension fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

## Person responsible for safeguarding and control of assets of the pension fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Remuneration for managing assets

**Until 31st Dec 2013 Penzijní společnost does not charge remuneration for managing and appreciation of assets (Fee holidays).**

The remuneration for assets managing of the Balanced pension fund is 0.5 % per year from the average yearly value of the fund equity.

The remuneration for appreciation of assets of the Balanced pension fund is 10 % from the difference of the average yearly value of the pension unit in the period and the highest average yearly value of the pension unit in years previous to the period starting establishing the fund multiplied by average yearly number of pension units.

The amount of remuneration abides by the act on pension savings no. 426/2011 Col., Article 32 Remuneration of the pension society.

With regard to the fact that the pension funds came into existence on 1st Jan 2013 along with pension reform based on the Act on Pension savings no. 426/2011 Col., there are no accessible comparable data on equity of the pension fund for previous three periods.

**To obtain further information on the pension fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

## Assets of Balance pension fund as at 31st Dec 2013

Name	Currency	Purchase price Total in thousands	Real value Total in thousands	Share
Currency market	CZK	27,149	27,149	100%

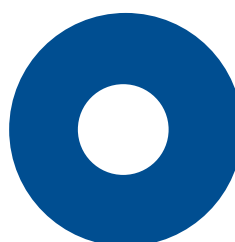
## Fund equity and und fund equity per pension unit as at 31st Dec 2013

Name	Value
Value of fund equity in thousands CZK	27,149
Equity per fund unit in CZK	1.0012

## Assets structure of the pension fund

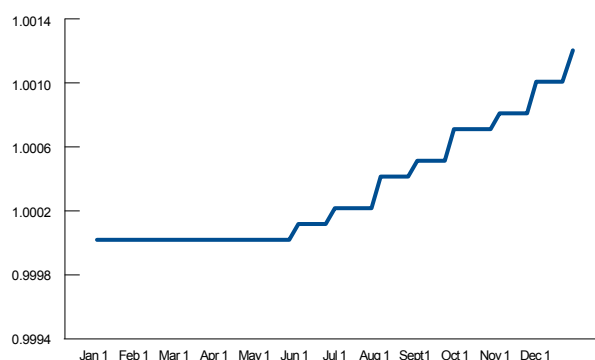


■ Currency market 100 %

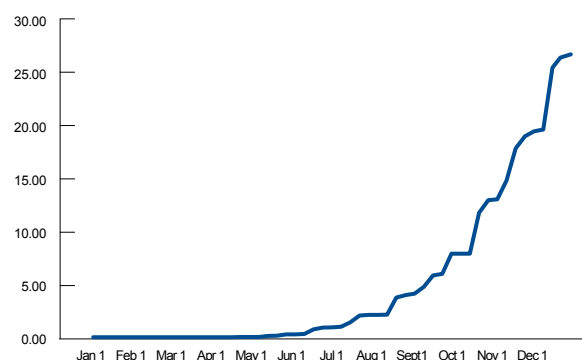


■ CZK 100 %

## The development of pension unit of Pension savings (2013)



## Value development of the fund equity in million CZK (2013)



(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

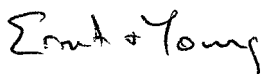
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

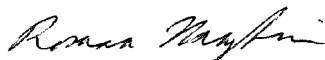
II. We have also audited the consistency of the annual report with the financial statements described above. The management is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



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



Roman Hauptfleisch  
Auditor, License No. 2009

28 April 2014  
Prague, Czech Republic



# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	27,651	
of which: a/ on demand: aa/ current accounts	02	27,651	
<b>Total assets</b>	<b>23</b>	<b>27,651</b>	
4 Other liabilities	30	502	
c/ liabilities from taxes	33	1	
d/ other liabilities	34	501	
12 Capital funds	43	27,137	
15 Profit or loss for the accounting period	49	12	
<b>Total liabilities</b>	<b>50</b>	<b>27,651</b>	
of which: Equity	51	27,149	
<b>Off balance sheet accounts</b>	<b>52</b>		

# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	13	
19 Ordinary profit or loss for the accounting period before tax	26	13	
23 Income tax	30	1	
24 Profit or loss for the accounting period after tax	31	12	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14	27,177	
repurchase of unit certificates	15	(40)	
transfers to funds	16		
other changes	17		
closing balance	18	27,137	
4 Gains or losses from revaluation	19		
opening balance	20		
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21		
closing balance	22		
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28		
profit (loss)	29	12	
transfers to funds, dividends	30		
closing balance	31	12	
<b>7 Total</b>	<b>32</b>	<b>27,149</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and Description of Business

### Formation and Description of the Business

Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s. (the “Fund” or “Důchodový fond – CSPS, a.s.” or the “Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a.s. (“Penzijní společnost” or “CS PS” or the “Company”) in accordance with Act No. 426/2011 Coll. on Retirement Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 17 December 2012 under Ref. No. 2012/12421/570. The decision came into force on 18 December 2012. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Supplementary Pension Savings Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a.s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a.s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the Company subsequently created participation funds and pension funds.

Pursuant to a concluded contract, Komerční banka, a.s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a.s. In compliance with Act No. 426/2011 Coll. on Retirement Savings (the “Act”), the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

Pursuant to the classification which is binding for the members of the Czech Pension Management Companies Association (“APS CR”), the Fund may be designated as a pension fund as at the date of approval of the Statute.

### Registered Office

Vyvážený důchodový fond důchodového spoření  
Česká spořitelna – penzijní společnost, a.s.  
Praha 4, Poláčkova 1976/2

### Principal Business

Penzijní společnost collects funds to the Pension Fund from the following sources:

- parts of income from insurance premiums assignable to participants and transferred to the account that serves for acceptance of insurance premiums, transfer of participants’ funds and making of payments,
- participants’ funds transferred from another pension fund.

The number of issued pension units (“**důchodové jednotky**”) or the period for which the Fund has been formed has not been restricted.

Pension units of the Fund are offered in the Czech Republic.

### Investment Policy of the Fund

The objective of the investment policy is to seek a long-term appreciation of the participants’ funds investing primarily in money market instruments, state bonds and other debt securities, shares or other securities representing share in company. The credit and interest rate risk is actively managed; the unhedged investments denominated in foreign currencies can form maximum 25 per cent of the value of the Fund’s assets.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, money market funds, bonds, bond funds, discount certificates, shares and equity funds. The Fund may invest in securities in compliance with Section 48 of the Act.

The Pension Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective management of the assets. In using the techniques and instruments, the Pension Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

The Pension Fund uses techniques and tools for efficient management of assets in accordance with the Statute only to manage interest rate risk and currency risk. Pension Fund’s assets that are not secured against currency risk cannot represent more than 25 per cent of the value of the Fund’s assets.

The underlying instrument of a financial derivative must correspond to the Fund's investment policy and risk profile.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund's Statute in compliance with the Act.

### The Fund's operation principles

The Fund's operating results arise as the difference between income and expenses relating to the management of the Fund's assets.

The full amount of the generated profit is retained in the Pension Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from CS PS's management of the Pension Fund's assets, the reinvestment fund created from previous years' profits is used to cover the loss. If the reinvestment fund is not sufficient to cover the loss, the loss shall be covered by reducing the capital fund.

The Fund's assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund pursuant to Section 57(2) of the Act on Pension Savings.

Upon managing the Fund's assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund's assets.

The Pension Fund may accept a bank loan or another loan with maturity not exceeding 6 months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, paragraph 31. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

A summary of all received loans must not exceed 5 % of the value of the Fund's assets.

Pursuant to Section 29(2), the equity of Penzijní společnost that is a pension savings scheme operator pursuant to the Act must equal a minimum of the aggregate of CZK 300 million and 0.05% of the value of assets in the operated pension funds, participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings exceeding CZK 500 million; after the aggregate reaches CZK 700 million, it is no longer increased. The calculation shall include the entire value of assets in all pension funds, all participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings managed by CS PS. Pursuant to Section 30, after the expiry of 24 months from the approval to form the pension funds, the number of participants in the pension funds managed by CS PS must reach at least 50 thousand participants.

### The Fund's Statute and Management Fees

The Fund's Statute is the key binding document of the Fund.

The Pension Fund's Statute stipulates, in a clear manner, the following:

- a) information concerning the manner of investing the pension fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the pension fund,
- c) explanation of the risks connected with pension savings,
- d) periods and deadlines for valuation of assets and liabilities pursuant to Section 63 of the Act,
- e) other information required by implementing regulations.

The Fund's Statute is approved by the Czech National Bank. The Statute is binding for CS PS.

The information stipulated in the Fund's Statute must be regularly updated.

Penzijní společnost is entitled to a fee from the assets in the Pension Fund; the amount of the fee must be stipulated in the Fund's Statute. The fee consists of the following:

- a) fee for the management of the pension funds' assets,
- b) fee for appreciation of the pension funds' assets. i.e. performance fee.

Any and all expenses owing to third parties by Penzijní společnost in connection with pension savings schemes shall be covered from the fee, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost for the exercise of activities pursuant to Section 91 of the Act and for the administration of pension savings contracts and related activities,
- fees paid to the person responsible for the settlement of investment instruments transactions, transfer points, securities brokers,
- promotion and advertising costs,
- costs of mediating pension savings contracts.

The fee pursuant to Paragraph a) above must not exceed 0.5 % of the average annual value of the Fund's equity; such fee shall be reduced by the costs of purchase, sale and holding of the securities issued by the collective investment fund.

The average annual value of each pension fund's equity is determined as at the last day of the relevant period as a simple arithmetic average of the values of a particular fund's equity for each day of the relevant period.

The fee pursuant to Paragraph b) above must not exceed 10% of the difference between the average value of a pension unit in the relevant period and the highest average annual value of pension units in previous years since the formation of the pension fund, multiplied by the average number of pension units in the relevant period.

Penzijní společnost is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the pension fund's pension unit in the relevant period is lower than or equal to the highest average annual value of the pension unit in previous years since the formation of the pension fund.

The average value of a pension fund's pension unit is determined as at the last day of the relevant period as a simple arithmetic average of the values of the fund's pension units for each day of the relevant period.

For the purposes of determining the fee, the costs of holding the securities issued by the collective investment fund shall particularly include the proportion of total costs covered from the collective investment fund's assets that is adequate to the investment in such fund.

### Change in the Fund's Statute

There were no changes to the Fund's statute in 2013.

## Česká spořitelna – penzijní společnost, a.s. Board of Directors and Supervisory Board

### Board of Directors:

Chairman of the Board: Ing. Aleš Poklop

Deputy Chairman of the Board: Ing. Martin Kopejtko

Member of the Board: Ing. Jakub Krkoška, MBA

### Supervisory Board:

Chairperson of the Board: RNDr. Monika Laušmanová CSc

Deputy Chairman of the Board: Ing. Aleš Sedlák

Member of the Board: Ing. Pavel Kráčmar

Member of the Board: Ing. Jiří Škorvaga CSc.

Member of the Board: Renáta Kováčová

Member of the Board: Ing. Pavel Matějčík

## 2. Basis of Preparation of the Financial Statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which these financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which they relate as to timing and content. The financial statements are presented in compliance with the general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund was established on 1 January 2013. As a result, the data contained in the financial statements and in the notes to the financial statements are recorded for the current accounting period.

### 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.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities valued at fair value against expense or revenue accounts. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Regulation has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

In the Fund's accounting, securities are recorded at fair value against expense and revenues accounts. The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included in the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value,

while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 per cent to 125 per cent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are

valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the corporate income tax rate applicable to the funds managed by Penzijní společnost is 5 per cent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are sold to the pension savings scheme participants for the selling price set on a weekly basis.

### Interest Income and Expense and Dividend Income

Interest income and interest expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

Credit risk was insignificant for the Fund in 2013.

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

Market risk was insignificant for the Fund in 2013.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term deposit portfolios.

Pursuant to the Act, Penzijní společnost is obliged to purchase a pension unit and credit the relevant account with cash as at the following dates:



- a) the date of receipt of an application to pay one-off insurance premium for pension insurance pursuant to Section 14 of the Act,
- b) the date of receipt of a request to transfer 60% of the participant's funds to state budget pursuant to Section 15 of the Act,
- c) the date of receipt of an application to transfer funds or make payment pursuant to Section 16 of the Act,
- d) the date of receipt of an application to transfer the participant's funds to another pension management company's pension fund,

- e) the date of receipt of the Central Register Administrator's notice of registration of another pension savings contract.

Penzijní společnost agrees to pay the amount for deducted pension units within the periods and by the deadlines stipulated in the Act.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.9.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31. 12. 2013
Current accounts	27,651
<b>Total</b>	<b>27,651</b>

Balances on current accounts are payable on demand.

### 5.2 Equity

The Fund has no registered capital. The initial value of a pension unit is CZK 1. The total value of all pension units is recorded in the 'Capital Funds' account.

The selling price of a pension unit is determined by dividing the Fund's equity by the number of issued pension units.

As at the last business day of 2013, the value of a pension unit was CZK 1.0012 being the last published value of a pension unit in the year in which purchases and buyouts of the Fund's pension units were realized.

In compliance with the Statute, the 2013 profit of CZK 12 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

### 5.3 Changes in Capital Fund

	Number of pension units (items)	Total capital funds
<b>Balance at 1 Jan 2013</b>	-	-
Pension units sold	27,157,451	27,177
Pension units purchased	39,913	40
<b>Balance at 31 Dec 2013</b>		<b>27,137</b>

### 5.4 Other liabilities

Other liabilities	31 Dec 2013
Liabilities from contributions by pension insurance scheme participants	501
Settlement with State budget	1
<b>Total</b>	<b>502</b>

Liabilities from deposits from pension insurance participants represent invested funds prior to their matching against the book of pension units.

### 5.5 Interest Income

Income	2013
Interest on bank deposits	13
<b>Total</b>	<b>13</b>

## 5.6 Management fee, performance fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to CS PS by the Fund amounts to 0.5 percent of the average annual value of the Fund's equity. The performance fee amounts to 10 per cent of the difference between the average annual value of a pension unit in the relevant period and the highest average annual value of the pension unit in previous years since the formation of the Fund, multiplied by the average annual number of pension units.

Based on the decision of CS PS, the 2013 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

## 5.7 Income Tax

The principal income tax components are as follows:

	2013
Tax due – current year	1
<b>Total income tax</b>	<b>1</b>

Current income tax – analysis:

	2013
Profit (Loss) before tax	13
Items to add	–
Deductible items	–
Tax base	12
Tax (5 %) on tax base	1
<b>Total tax</b>	<b>1</b>

## Deferred tax

As at 31 December 2013, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.8 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a.s.

No related party costs were recorded in the Fund's accounting records in 2013.

## 5.9 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

2013

Assets	Less than 3 months	3 months – 1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	27,651	–	–	–	–	27,651
<b>Total assets</b>	<b>27,651</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>27,651</b>

Liabilities	Less than 3 months	3 months – 1 year	1–5 years	Over 5 years	Not specified	Total
Other liabilities	(501)	(1)	–	–	–	(502)
<b>Net assets</b>	<b>27,150</b>	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>27,149</b>

Liquidity risk, to which the Fund is exposed, is very low as all the Fund's assets are cash that allows paying realized buyouts to the Fund's Participants in the shortest time possible.

### **5.10 Off-balance Sheet Assets and Liabilities**

The Fund has no off-balance sheet assets or liabilities as at 31 December 2013.

### **5.11 Contingent Assets and Liabilities**

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

### **5.12 Other Material Disclosures**

The Company finds it important to emphasize the continuing political uncertainty regarding the future of the second pillar of the pension reform. As at the date of the approval of the financial statements, no information is available to Company management, apart from official government communications, that would describe the contents, timetable or probability of the preparation of new legislation with sufficient reliability. As at the reporting date, the Company managed 13,818 participants of pension funds and, considering the political and regulatory uncertainty, it is not probable that the Company will be able to attain the required number of participants within the time limit stipulated by the Act.

The Fund is subject to the regulatory requirements of Act No. 426/2011 Coll. on Retirement Savings, as amended, which is in force from 1 January 2013. Under Section 30 of the Act, the number of participants in pension funds managed by a pension company must be at least 50,000 thousand upon the expiration of a period of 24 months from the date when the authorization to establish pension funds was granted. If the requirements of Section 30 are not met, the Czech National Bank may launch administrative proceedings against a pension company and may order, under Section 99, the transfer of managed pension funds to another pension company. As at the date of the approval of the financial statements, no information is available to Company management that would describe with sufficient reliability the measures that the Czech National Bank may take against the Company in the case of non-compliance with the Act. The transfer, if any, of managed pension funds to another pension company would affect neither the Fund's management nor the funds contributed by participants. Consequently, the Fund will continue as a going concern and the accompanying financial statements have been prepared on a going concern basis.

### **5.13 Subsequent Events**

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Dynamic pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

## Basic information

Dynamic pension fund of pension savings Česká spořitelna – penzijní společnost, a. s.

CNB issued a decision which permitted to establish the pension fund on 17th December, 2012, reference number 2012/12421/570. The decision came into effect on 18th December, 2012.

Is managed by

Česká spořitelna – penzijní společnost, a. s.

Registered office at Poláčkova 1976/2, 140 21 Prague 4, Identification number (IN): 61672033

Commercial Registry: Municipal Court in Prague, Section B, Insert 2927, which is part of the consolidation group, whose parent company is Česká spořitelna, a. s., IN: 45244782

## Fund characteristics

Investment into the dynamic pension fund is suitable for those participants who want to reach as high appreciation of their funds as possible, are experienced in capital market and are able to accept significant fluctuations. The portfolio of the Dynamic fund is distributed in the ratio among share, bond, and currency market. The dynamic pension fund is suitable for experienced investors who are able to accept longer periods of negative development of the pension unit value and who can afford to invest the funds with minimum investment horizon of five years. The investment into the dynamic pension fund is also suitable for less-experienced investors as part of broadly diversified portfolio. The goal of the investment policy is to provide to the participants long-term appreciation of the funds invested allocated mainly into the currency market instruments, government bonds, and other debt securities or shares or similar securities representing a share on a legal entity. Credit and interest risk is actively controlled; unsecured investment denominated in foreign exchanges can make at most 50 % of the value of the fund assets.

## Depository

The depository of the pension fund is Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Portfolio manager

Česká spořitelna, a. s., registered office at Prague 4, Olbrachtova 1929/62, 140 00, IN: 452 44 782, registered in the Commercial Registry at the Municipal Court in Prague, Section B, Insert 1171

## Person responsible for safeguarding and control of assets of the pension fund

Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Prague 1, IN: 45317054

## Remuneration for managing assets

**Until 31st Dec 2013 Penzijní společnost does not charge remuneration for managing and appreciation of assets (Fee holidays).**

The remuneration for assets managing of the Dynamic pension fund is 0.6 % per year from the average yearly value of the fund equity.

The remuneration for appreciation of assets of the Dynamic pension fund is 10 % from the difference of the average yearly value of the pension unit in the period and the highest average yearly value of the pension unit in years previous to the period starting establishing the fund multiplied by average yearly number of pension units.

The amount of remuneration abides by the act on pension savings no. 426/2011 Col., Article 32 Remuneration of the pension society.

With regard to the fact that the pension funds came into existence on 1st Jan 2013 along with pension reform based on the Act on Pension savings no. 426/2011 Col., there are no accessible comparable data on equity of the pension fund for previous three periods.

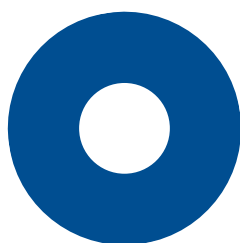
**To obtain further information on the pension fund please visit our office at Poláčkova 1976/2, Prague 4, 140 21, call free 956 777 444, or visit [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz) or [info@cs-ps.cz](mailto:info@cs-ps.cz).**

**Assets of Dynamic pension Fund as at 31st Dec 2013**

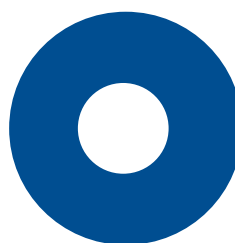
Name	Currency	Purchase price Total in thousands	Real value Total in thousands	Share
Currency market	CZK	12,074	12,074	100%

**Fund equity and fund equity per pension unit as at 31st Dec 2013**

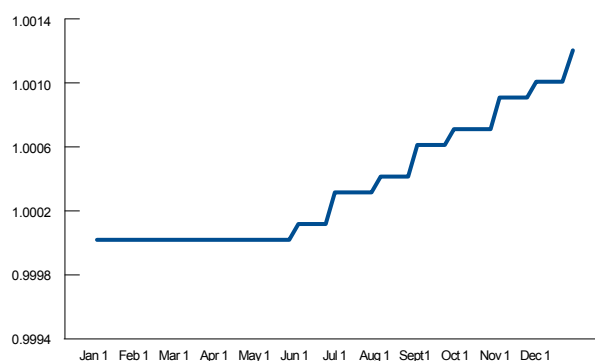
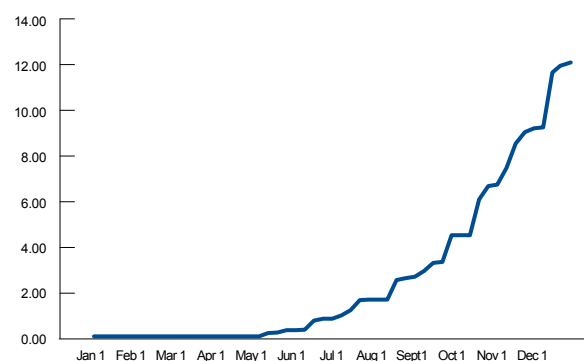
Name	Value
Value of fund equity in thousands CZK	12,074
Equity per fund unit in CZK	1.0012

**Assets structure of the pension fund**

■ Currency market 100 %



■ CZK 100 %

**The development of pension unit of Pension savings (2013)****Value development of the fund equity in million CZK (2013)**

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

# INDEPENDENT AUDITOR'S REPORT

To the Participants of the fund Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s.

I. We have audited the accompanying financial statements of the fund Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013 presented in our audit report dated 7 April 2014 stated the following:

“We have audited the accompanying financial statements of the fund Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Česká spořitelna – penzijní společnost, a. s. is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

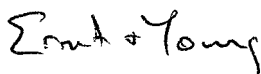
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the fund Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

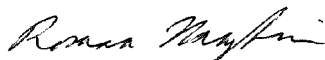
II. We have also audited the consistency of the annual report with the financial statements described above. The management is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report is consistent with that contained in the audited financial statements as at 31 December 2013. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.



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



Roman Hauptfleisch  
Auditor, License No. 2009

28 April 2014  
Prague, Czech Republic

# Balance Sheet

at 31 December 2013

(CZK in thousands)	Line	Current	Previous
3 Receivables from banks and credit unions	01	12,290	
of which: a/ on demand: aa/ current accounts	02	12,290	
<b>Total assets</b>	<b>23</b>	<b>12,290</b>	
4 Other liabilities	30	216	
d/ other liabilities	34	216	
12 Capital funds	43	12,068	
15 Profit or loss for the accounting period	49	6	
<b>Total liabilities</b>	<b>50</b>	<b>12,290</b>	
of which: Equity	51	12,074	
<b>Off balance sheet accounts</b>	<b>52</b>		



# Income Statement

for the period ended 31 December 2013

(CZK in thousands)	Line	Current	Previous
1 Interest income and similar income	01	6	
19 Ordinary profit or loss for the accounting period before tax	24	6	
24 Profit or loss for the accounting period after tax	29	6	

# Statement of Changes in Equity

for the period year 2013

(CZK in thousands)	Line	Current	Previous
1 Share premium	01		
opening balance	02		
issued unit certificates	03		
repurchase of unit certificates	04		
other changes	05		
closing balance	06		
2 Retained earnings	07		
opening balance	08		
transfers to funds	09		
other changes	10		
closing balance	11		
3 Capital funds	12		
opening balance	13		
issued unit certificates	14	12,072	
repurchase of unit certificates	15	(4)	
transfers to funds	16		
other changes	17		
closing balance	18	12,068	
4 Gains or losses from revaluation	19		
opening balance	20		
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21		
closing balance	22		
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24		
other changes	25		
closing balance	26		
6 Profit (loss) for the current period after taxes	27		
opening balance	28		
profit (loss)	29	6	
transfers to funds, dividends	30		
closing balance	31	6	
<b>7 Total</b>	<b>32</b>	<b>12,074</b>	

# Notes to the Financial Statements

for the period ended 31 December 2013

## 1. Organisation and description of business

### Formation and Description of the Business

Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. (the “Fund” or “Důchodový fond – CSPS, a. s.” or the “Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“Penzijní společnost” or “CS PS” or the “Company”) in accordance with Act No. 426/2011 Coll. on Retirement Savings. The Czech National Bank (“CNB”) approved the formation of the Fund in a decision issued on 17 December 2012 under Ref. No. 2012/12421/570. The decision came into force on 18 December 2012. The Fund commenced its activities on 1 January 2013.

### Transformation process

On 20 February 2012, the Company prepared a transformation project in accordance with Act No. 427/2011 Coll. on Supplementary Pension Savings (the “Supplementary Pension Savings Act”); the project was submitted for approval to the Czech National Bank on 27 February 2012. The Czech National Bank approved the project on 7 September 2012. As at 31 December 2012, based on the transformation project, Penzijní fond České spořitelny, a. s. (“PFCS”) was dissolved and Česká spořitelna – penzijní společnost, a. s. (“CS PS”) and Transformovaný fond Česká spořitelna – penzijní společnost (“CS TF”) were incorporated. The incorporation of the companies took effect as of 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the Company subsequently created participation funds and pension funds.

Pursuant to a concluded contract, Komerční banka, a. s. (“KB”) acts as the depository of the Fund.

The Fund is managed by Česká spořitelna – penzijní společnost, a. s. In compliance with Act No. 426/2011 Coll. on Retirement Savings (the “Act”), the above company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

Pursuant to the classification which is binding for the members of the Czech Pension Management Companies Association (“APS CR”), the Fund may be designated as a pension fund as at the date of approval of the Statute.

### Registered Office

Dynamický důchodový fond důchodového spoření  
Česká spořitelna – penzijní společnost, a. s.  
Praha 4, Poláčkova 1976/2

### Principal Business

Penzijní společnost collects funds to the Pension Fund from the following sources:

- a) parts of income from insurance premiums assignable to participants and transferred to the account that serves for acceptance of insurance premiums, transfer of participants’ funds and making of payments,
- b) participants’ funds transferred from another pension fund.

The number of issued pension units (“důchodové jednotky”) or the period for which the Fund has been formed have not been restricted.

Pension units of the Fund are offered in the Czech Republic.

### Investment Policy of the Fund

The objective of the investment policy is to seek a long-term appreciation of the participants’ funds investing primarily in money market instruments, state bonds and other debt securities, shares or other securities representing share in company. The credit and interest rate risk is actively managed, the unhedged investments denominated in foreign currencies can form maximal 50 percent of the value of the Fund’s assets.

The Fund’s portfolio particularly comprises (or may comprise) treasury bills, money market funds, bonds, bond funds, discount certificates, shares and equity funds. The Fund may invest in securities in compliance with Section 49 of the Act.

The Pension Fund may use techniques and tools relating to investment securities and money market instruments on condition that they are used for effective management of the assets. In using the techniques and instruments, the Pension Fund must always comply with the manner of investing stipulated in the Fund’s Statute.

The Fund could use financial derivatives to hedge against interest rate risk and currency risk. The Fund use techniques and instruments for efficient management of assets, in accordance with the Statute, in order to reduce the risk, in order to reduce the costs or to achieve additional income for the Fund, provided that risk-taking is demonstrably low. Assets in the Fund, which are not secured against currency risk, could form maximal 50 percent of the value

of the Fund's assets. The underlying instrument of a financial derivative must correspond to the Fund's investment policy and risk profile.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund's Statute in compliance with the Act.

### The Fund's operation principles

The Fund's operating results arise as the difference between income and expenses relating to the management of the Fund's assets.

The full amount of the generated profit is retained in the Pension Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from CS PS's management of the Pension Fund's assets, the reinvestment fund created from previous years' profits is used to cover the loss. If the reinvestment fund is not sufficient to cover the loss, the loss shall be covered by reducing the capital fund.

The Fund's assets must not be used to provide a loan or a gift, to secure a third party liability or to satisfy a liability that does not relate to the management of the Fund pursuant to Section 57(2) of the Act on Pension Savings.

Upon managing the Fund's assets, the Fund must not enter into a contract for the sale of an investment instrument that does not constitute part of the Fund's assets.

The Pension Fund may accept a bank loan or another loan with maturity not exceeding 6 months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, paragraph 32. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

A summary of all received loans must not exceed 5% of the value of the Fund's assets.

Pursuant to Section 29(2), the equity of Penzijní společnost that is a pension savings scheme operator pursuant to the Act must equal a minimum of the aggregate of CZK 300 million and 0.05% of the value of assets in the operated pension funds, participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings exceeding CZK 500 million; after the aggregate reaches CZK 700 million, it is no longer increased. The calculation shall include the entire value of assets in all pension funds, all participation funds and the transformed fund pursuant to the Act on Supplementary Pension Savings managed by CS PS. Pursuant to Section 30, after the expiry of 24 months from the approval to form the pension funds, the number of participants in the pension funds managed by CS PS must reach at least 50 thousand participants.

### The Fund's Statute and Management Fees

The Fund's Statute is the key binding document of the Fund.

The Pension Fund's Statute stipulates, in a clear manner, the following:

- a) information concerning the manner of investing the pension fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the pension fund,
- c) explanation of the risks connected with pension savings,
- d) periods and deadlines for valuation of assets and liabilities pursuant to Section 63 of the Act,
- e) other information required by implementing regulations.

The Fund's Statute is approved by the Czech National Bank. The Statute is binding for CS PS.

The information stipulated in the Fund's Statute must be regularly updated.

Penzijní společnost is entitled to a fee from the assets in the Pension Fund; the amount of the fee must be stipulated in the Fund's Statute. The fee consists of the following:

- a) fee for the management of the pension funds' assets,
- b) fee for appreciation of the pension funds' assets. i.e. performance fee.

Any and all expenses owing to third parties by Penzijní společnost in connection with pension savings schemes shall be covered from the fee, in particular the following:

- fees for the exercise of the activities of the depository and auditor of the Fund,
- fees paid to the bank,
- fees paid to persons other than Penzijní společnost for the exercise of activities pursuant to Section 91 of the Act and for the administration of pension savings contracts and related activities,
- fees paid to the person responsible for the settlement of investment instruments transactions, transfer points, securities brokers,
- promotion and advertising costs,
- costs of mediating pension savings contracts.

The fee pursuant to Paragraph a) above must not exceed 0.6 % of the average annual value of the Fund's equity; such fee shall be reduced by the costs of purchase, sale and holding of the securities issued by the collective investment fund.

The average annual value of each pension fund's equity is determined as at the last day of the relevant period as a simple arithmetic average of the values of a particular fund's equity for each day of the relevant period.

The fee pursuant to Paragraph b) above must not exceed 10% of the difference between the average value of a pension unit in the relevant period and the highest average annual value of pension units in previous years since the formation of the pension fund, multiplied by the average number of pension units in the relevant period.

Penzijní společnost is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the pension fund's pension unit in the relevant period is lower than or equal to the highest average annual value of the pension unit in previous years since the formation of the pension fund.

The average value of a pension fund's pension unit is determined as at the last day of the relevant period as a simple arithmetic average of the values of the fund's pension units for each day of the relevant period.

For the purposes of determining the fee, the costs of holding the securities issued by the collective investment fund shall particularly include the proportion of total costs covered from the collective investment fund's assets that is adequate to the investment in such fund.

### Change in the Fund's Statute

There were no changes to the Fund's statute in 2013.

## Česká spořitelna – penzijní společnost, a. s. Board of Directors and Supervisory Board

### Board of Directors:

Ing. Aleš Poklop, Chairman of the Board  
Ing. Martin Kopejtko, Deputy Chairman of the Board  
Ing. Jakub Krkoška, MBA, Member of the Board

### Supervisory Board:

RNDr. Monika Laušmanová CSc., Chairperson of the Board  
Ing. Aleš Sedlák, Deputy Chairman of the Board  
Ing. Pavel Kráčmar, Member of the Board  
Ing. Jiří Škorvaga CSc., Member of the Board  
Renáta Kováčová, Member of the Board  
Ing. Pavel Matějčiek, Member of the Board

## 2. Basis of preparation of the financial statements

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the

content of the financial statements of banks and certain financial institutions, and the Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The relevant previous year data are recorded in the conditions of the period to which these financial statements relate.

The Fund is obliged to comply with the regulatory requirements of the Act.

The presented financial statements are based on the accrual principle, under which accounting transactions and other facts are recognized when they arise and accounted for in the period to which they relate as to timing and content. The financial statements are presented in compliance with the general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to continued market volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund was established on 1 January 2013. As a result, the data contained in the financial statements and in the notes to the financial statements are recorded for the current accounting period.

### 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.

### 3. Accounting policies

#### Transaction Recognition Date

Purchases and sales of securities are recognised using trade date accounting provided that the period between the trade date and the satisfaction of the liability arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date also is the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

#### Securities

In accordance with the Fund's strategy, all securities are classified as securities valued at fair value against expense or revenue accounts. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Regulation"), as amended. The Regulation has been replaced by Government Decree of 31 July 2013 on investment funds' investment activities and administration techniques. Act No. 240/2013 Coll. on investment companies and investment funds entered into force on 3 July 2013.

In the Fund's accounting, securities are recorded at fair value against expense and revenues accounts. The fair value of the securities from investment activities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favorable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realized capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included in the total balance of these assets.

#### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

#### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency and interest exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognised in the off-balance sheet accounts that are restated at fair value on a daily basis. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognised in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognizes changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### **Income Tax**

Under effective tax regulations, the corporate income tax rate applicable to the funds managed by Penzijní společnost is 5 percent.

### **Deferred Tax**

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### **Foreign Currency Translations**

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### **Capital Funds**

The selling price of a pension unit is calculated by dividing the Fund's equity by the relevant number of pension units. Pension units are sold to the pension savings scheme participants for the selling price set on a weekly basis.

### **Interest Income and Expense and Dividend Income**

Interest income and interest expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented in gross amount prior to the deduction of withholding tax.

### **Subsequent Events**

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## **4. Risk management**

### **Credit Risk**

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

Credit risk was insignificant for the Fund in 2013.

### **Market Risk**

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analyzed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The portfolio's risk of unfavorable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.



Market risk was insignificant for the Fund in 2013.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term deposit portfolios.

Pursuant to the Act, Penzijní společnost is obliged to purchase a pension unit and credit the relevant account with cash as at the following dates:

a) the date of receipt of an application to pay one-off insurance premium for pension insurance pursuant to Section 14 of the Act,

b) the date of receipt of a request to transfer 60% of the participant's funds to state budget pursuant to Section 15 of the Act,  
c) the date of receipt of an application to transfer funds or make payment pursuant to Section 16 of the Act,  
d) the date of receipt of an application to transfer the participant's funds to another pension management company's pension fund,  
e) the date of receipt of the Central Register Administrator's notice of registration of another pension savings contract.

Penzijní společnost agrees to pay the amount for deducted pension units within the periods and by the deadlines stipulated in the Act.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.9.

## 5. Additional information on the financial statements

### 5.1 Receivables from Banks

Receivables from banks	31. 12. 2013
Current accounts	12,290
<b>Total</b>	<b>12,290</b>

Balances on current accounts are payable on demand.

### 5.2 Equity

The Fund has no registered capital. The initial value of a pension unit is CZK 1. The total value of all pension units is recorded in the 'Capital Funds' account.

The selling price of a pension unit is determined by dividing the Fund's equity by the number of issued pension units.

As at the last business day of 2013, the value of a pension unit was CZK 1.0012 being the last published value of a pension unit in the year in which purchases and buyouts of the Fund's pension units were realized.

In compliance with the Statute, the 2013 profit of CZK 6 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

### 5.3 Changes in Capital Fund

	Number of pension units (items)	Total capital funds
<b>Balance at 1 Jan 2013</b>	–	–
Pension units sold	12,063,495	12,072
Pension units purchased	4,179	4
<b>Balance at 31 Dec 2013</b>	–	<b>12,068</b>

### 5.4 Other liabilities

Other liabilities	31 Dec 2013
Liabilities from contributions by pension insurance scheme participants	216
<b>Total</b>	<b>216</b>



Liabilities from deposits from pension insurance participants represent invested funds prior to their matching against the book of pension units.

## 5.5 Interest Income

Income	2013
Interest on bank deposits	6
<b>Total</b>	<b>6</b>

## 5.6 Management fee, performance fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to CS PS by the Fund amounts to 0.6 percent of the average annual value of the Fund's equity. The performance fee amounts to 10 percent of the difference between the average annual value of a pension unit in the relevant period and the highest average annual value of the pension unit in previous years since the formation of the Fund multiplied by the average annual number of pension units.

Based on the decision of CS PS, the 2013 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

## 5.7 Income Tax

The principal income tax components are as follows:

	2013
Tax due – current year	0
<b>Total income tax</b>	<b>0</b>

Current income tax – analysis:

	2013
Profit (Loss) before tax	6
Items to add	–
Deductible items	–
Tax base	6
Tax (5%) on tax base	–
<b>Total tax</b>	<b>0</b>

## Deferred tax

As at 31 December 2013, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.8 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Česká spořitelna – penzijní společnost, a. s.

No related party costs were recorded in the Fund's accounting records in 2013.

## 5.9 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

2013

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	12,290	–	–	–	–	12,290
<b>Total assets</b>	<b>12,290</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,290</b>
<b>Liabilities</b>						
Other liabilities	(216)	–	–	–	–	(216)
<b>Net assets</b>	<b>12,074</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,074</b>

Liquidity risk, to which the Fund is exposed, is very low as all the Fund's assets are cash that allows paying the realized buyouts to the Fund's Participants in the shortest time possible.

## 5.10 Off-balance Sheet Assets and Liabilities

The Fund has no off-balance sheet assets or liabilities as at 31 December 2013.

## 5.11 Contingent Assets and Liabilities

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

## 5.12 Other Material Disclosures

The Company finds it important to emphasize the continuing political uncertainty regarding the future of the second pillar of the pension reform. As at the date of the approval of the financial statements, no information is available to Company management, apart from official government communications, that would describe the contents, timetable or probability of the preparation of new legislation with sufficient reliability. As at the reporting date, the Company managed 13,818 participants of pension funds and, considering the political and regulatory uncertainty, it is not probable that the Company will be able to attain the required number of participants within the time limit stipulated by the Act.

The Fund is subject to the regulatory requirements of Act No. 426/2011 Coll. on Retirement Savings, as amended, which is in force from 1 January 2013. Under Section 30 of the Act, the number of participants in pension funds managed by a pension company must be at least 50,000 thousand upon the expiration of a period of 24 months from the date when the authorization to establish pension funds was granted. If the requirements of Section 30 are not met, the Czech National Bank may launch administrative proceedings against a pension company and may order, under Section 99, the transfer of managed pension funds to another pension company. As at the date of the approval of the financial statements, no information is available to Company management that would describe with sufficient reliability the measures that the Czech National Bank may take against the Company in the case of non-compliance with the Act. The transfer, if any, of managed pension funds to another pension company would affect neither the Fund's management nor the funds contributed by participants. Consequently, the Fund will continue as a going concern and the accompanying financial statements have been prepared on a going concern basis.

## 5.13 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

## **Česká spořitelna – penzijní společnost, a. s.**

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**E-mail:** [info@cs-ps.cz](mailto:info@cs-ps.cz)

**Internet:** [www.ceskapenzijni.cz](http://www.ceskapenzijni.cz)

### **Portfolio manažer**

Česká spořitelna, a. s., se sídlem Praha 4, Olbrachtova  
1929/62, PSČ 140 00,  
IČ: 45244782, zapsaná v obchodním rejstříku vedeném  
Městským soudem v Praze, oddíl B, vložka 1171

### **Annual Report 2013**

#### **Production:**

Omega Design, s. r. o.

