

Annual Report 2015

Česká spořitelna – penzijní společnost, a. s.



**Penzijní
společnost roku
2015**

Financial Summary

(CZK thousand)	2012	2013*	2014	2015
Total assets	45,446,220	1,567,062	1,566,975	1,646,900
Basic capital	350,000	350,000	350,000	350,000
Profit from financial activities	915,700	(120)	221,577	229,732
Operating result	(158,810)	(32,702)	(177,117)	(173,579)
Result for the accounting period	756,800	(35,396)	44,805	52,393

* Note: on 1 January 2013, the transformation to a pension company took place and assets of company and its clients were separated.

Development in the number of clients	2012	2013	2014	2015
Number of unique clients	1,058,852	1,023,991	990,740	949,542
Number of clients				
Pension Insurance	1,058,852	994,144	914,272	831,434
Supplementary Pension Savings	–	23,918	71,091	110,847
Pension Savings	–	13,818	13,848	14,044

Development in funds in clients' private accounts (CZK thousand)	2012	2013	2014	2015
Pension Insurance	42,482,029	50,151,750	55,756,809	60,354,028
Supplementary Pension Savings	–	439,272	1,702,359	3,518,336
Pension Savings	–	61,704	306,082	558,847

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About the Company

Česká spořitelna – penzijní společnost, a. s. is the successor company of Penzijní fond České spořitelny, a. s. as a result of the transformation of its predecessor which came into effect on 1 January 2013. The Penzijní fond was established by the foundation deed as a joint stock company on 24 August 1994, in effect from 23 December 1994 by registering with the Commercial Register at the Municipal Court in Prague. The registered headquarters is located at Poláčkova 1976/2, 140 21, Prague 4. The company's registered capital amounts to CZK 350 milion. Since its inception in March 2001, Česká spořitelna, a. s. is its sole parent company. Until 31 December 2012, the scope of the core business was to provide Pension Insurance according to Act no. 42/1994 Coll., regarding Providing Pension Insurance with Government Contributions. Since 1 January 2013, Česká spořitelna – penzijní společnost has provided Supplementary Pension Savings according to Act no. 427/2011 Coll., of Supplementary Pension Saving and Pension Saving according to Act. no. 426/2011 Coll., of Pension Savings. On 1 January 2016, the Act no. 376/2015 Coll., of the Termination of Pension Savings came into effect, in accordance of which the Pension Saving funds will be liquidated and the accumulated savings paid out to the clients.

Since the very beginning, ČS penzijní společnost has continually increased its share in the Pension Insurance market. At the beginning of 2013, the successful transformation was completed. The preceding company Penzijní fond České spořitelny was split into ČS penzijní společnost and 8 separate funds. The original Pension Insurance client contracts became part of the Transformed Fund on 1 January 2013. In 2015, more than 50 thousand new Supplementary Pension Savings contracts were concluded. As at 31 December 2015, ČS penzijní společnost counted 949 542 unique participants.

In the Czech Republic, Česká spořitelna – penzijní společnost is recognized as a respected company and member of the Association of Pension Companies of the Czech Republic.

The performance of ČS penzijní společnost clients' savings is primarily driven by a thoroughly thought out investment strategy based on the comprehensive experience of Česká spořitelna in asset management.

Foreword

Ladies and Gentlemen,

Allow me to present to you the Annual Report of Česká spořitelna – penzijní společnost, a. s. for the year 2015. At this point, I would like to summarize the most important events which occurred last year not only for ČS penzijní společnost, but also for the entire sector of Pension Insurance schemes.

Despite an inadequately set legislative regulation of external sales, the distribution of Supplementary Pension Savings slightly recovered in 2015. Effective as of 2016, an amendment to the Act will ease the regulation mentioned. Also, pension companies registered substantial growth in clients' savings. Continually, discussions of The Expert Committee on Pension Reform resulted in proposals for changes to the law on Supplementary Pension Savings. We recognize the employer contribution as a very important pillar for ensuring the welfare of the retired. Besides further development of this area, many other proposals will be intensively discussed by The Expert Committee on Pension Reform in order to improve Supplementary Pension Savings.

The year 2015 was characteristic regarding the matter of the preparation for implementing the expected legislative changes. In December 2015, the Act on Termination of Pension Savings came into effect. In accordance with this amendment, all participants of Pension Savings (i. e. II. Pillar) are no longer able to save 5% of their gross salary in their Pension Savings as of 1 January 2016. Participants of Pension Savings are obliged to pay 28% of their gross wage to the State Pension Insurance, before becoming a participant. Clients' preference in payment of accumulated savings can be submitted by the end of September 2016. Subsequently, in the fourth quarter, clients' savings will be paid out and all claims of II. Pillar will be settled by the end of 2016.

From 1 January 2016, Act no. 377/2015 Coll., introduces changes in Supplementary Pension Savings. Specifically, Supplementary Pension Savings are now available for children from their birth including the possibility of a partial withdrawal of savings at the age of 18. The period of time for a single withdrawal or retirement pension shortens and is fixed at the age of 60 (previously, a withdrawal claim was dependent upon reaching the retirement age). Also, participants are able to make a claim for a Pre-Pension five years before reaching the retirement age. Further, retirement pensions paid out for at least 10 years are newly exempt from income tax. From 2017, participants' contributions are tax deductible up to CZK 30 thousand per year. Moreover, a legal entity can tax-deduct employers' contributions up to CZK 50 thousand per employee. All legislative changes apply to all participants in Supplementary Pension Savings



Ing. Aleš Poklop
Chairman of the Board

including participants concluding their contracts before 1 January 2016. Changes have been also made in terms of distribution. The commissions cap increased from 3.5% of average annual salary to 7%. The frequency of external distributor registration within the Czech National Bank was extended from 12 to 24 months.

In 2015, we focused on improving services to our clients. The most notable changes include easier access to clients' statements and tax confirmations in SERVIS 24 e-banking. New clients can conclude a new contract from the comfort of their home on our website through a newly launched on-line application. Within the Česká spořitelna Financial Group, new mobile applications for smartphones are being developed, in which our clients can easily check the real time balance of their savings.

In 2015, ČS penzijní společnost received numerous awards. In the category of Best Pension Company of Fincentrum's Bank of the Year, ČS penzijní společnost received the highest score by the jury and was honoured with first place. Secondly, ČS penzijní společnost achieved 3rd place in the category Supplementary Pension Savings in the prestigious Zlatá koruna (Golden Crown) Awards, as in previous years. Furthermore, for significant support, we were awarded with The Bronze Plaque by the Život 90 association, which enhances the dignity of living in retirement. The awards received in the past year strengthen our conviction that we are going in the right direction and amplify the no-less-important encouragement for further improvements of our services.

In 2016, we will continue our focus on further economic growth and professional asset management of savings entrusted by our clients. The fundamental priority for the upcoming period is to provide excellent service to the present and for the future clients of ČS penzijní společnost, disclose all sufficient information, and to continue being a trusted partner for those who rely on themselves.

Ladies and Gentlemen, in conclusion, let me assure you that reported results are both our commitment and challenge for the upcoming period. Thank you for your support and trust which I and all my colleagues at ČS penzijní společnost truly appreciate.

Yours faithfully



Ing. Aleš Poklop
Chairman of the Board

Statutory Bodies

as at 31 December 2015

Board of Directors

Ing. Aleš Poklop

Chairman, member since 1 January 2013

Mr. Poklop graduated from MUC in Prague. In 1992, he started his career in the banking sector in Česká spořitelna, where he successively held various consulting and management positions in retail and commercial banking.

Mr. Poklop joined Penzijní fond České spořitelny in January 2001. Soon after, in January 2003 he was appointed as a Director of Sales and Marketing. In the same year, he became a Member of the Board of Directors and subsequently its Vice Chairman. In 2008, he returned to the Česká spořitelna as a manager in the External Sales and Cooperation division.

In June 2010, Mr. Poklop was appointed as the Chief Executive Officer and also as the Chairman of the Board of Penzijní fond České spořitelny and consequently after the transformation in 2013, he held both positions in its successor company Česká spořitelna – penzijní společnost.

Since November 2012, he has served as Vice President of The Association of Pension Funds of the Czech Republic. In June 2015 he was elected President of The Association of Pension Funds of the Czech Republic. Also, since 2013, Mr. Poklop has been in charge of managing the administrative section and became the Chairman of the Supervisory Board of MOPET CZ.

Ing. Martin Kopejtko

Vice Chairman, member since 1 January 2013

Mr. Kopejtko graduated with a degree in banking specialization from the College of České Budějovice and the University of Finance and Administration. In 2007 he graduated with a degree in Administration in Economics and Management, with a specialization in Management and Corporate Finance.

Mr. Kopejtko joined Penzijní fond České spořitelny in 2000, where he worked as a client account manager in the Financial Management division for seven years. In 2007, he became Oracle database administrator and shortly after in January 2008 Mr. Kopejtko was appointed as a Member of the Board and the Director of Information Technology. Between 2011 and 2013, he was a project sponsor responsible for the transformation of the Pension Fund of Pension Insurance into the ČS penzijní společnost.

Since 1 January 2013 is Mr. Kopejtko has been in charge of the Client Service Division. On 2 January 2013, he was appointed as a Member of the Board of Česká spořitelna – penzijní společnost and further as a Vice Chairman of the Board since 3 January 2014.

Ing. Jakub Krkoška, MBA

Member, member since 1 January 2014

Mr. Krkoška graduated from the University of Economics, in statistics and actuarial mathematics at the Faculty of Informatics and Statistics, with a minor specialization in Banking and Monetary Economics at the Faculty of Finance and Accounting. After graduating he participated in an internship for the position of actuary in the insurance company Chubb Insurance Company of Australia Ltd. From 2008 to 2013 he distance studied and graduated from management at The Open University, UK.

Mr. Krkoška joined Penzijní fond České spořitelny in April 2007 as an actuary, financial analyst and later as the Deputy of the Director of Financial Management. The position was gradually extended to senior financial analyst. Between 2011 and 2013, he participated significantly on the transformation of the Penzijní fond into the ČS penzijní společnost. In November 2013, Mr. Krkoška was appointed as the Director of Financial Management and shortly after in January 2014, he became a Member of the Board of Česká spořitelna – penzijní společnost and was responsible for the Finance and Financial Management divisions.

Supervisory Board

RNDr. Monika Laušmanová, CSc.

Chairwoman, member since 1 January 2014

Ms. Laušmanová graduated from the Mathematics and Physics Faculty of Charles University in Prague, in the field of probability and mathematical statistics. Also at Charles University Ms. Laušmanová continued with postgraduate studies specializing in random processes, successfully completing the program in 1992, obtaining the title of Candidate of Sciences.

She began her career in the field of academics. At Charles University as an assistant professor in the department of financial and actuarial mathematics, she lectured courses particularly in the area of financial mathematics, probability and stochastic processes.

In 1997 she decided to leave academia for the financial world as a quantitative analyst and risk manager at Expandia Finance. One year later, Ms. Laušmanová was offered the position of Head of Risk Management of Erste Bank Sparkassen (CR). Since the merger of Česká spořitelna and Erste Bank in 2000, Ms. Laušmanová has run the Central Risk Management in ČS and was responsible for the area of market and operational risks in ČS. In addition, she has been responsible for internal capital adequacy in relation to new regulatory requirements since 2007. In 2014 she became the Head of Strategic Risk Management, further expanding her responsibility to credit management and credit hedging.

Ms. Laušmanová has acted as the representative of employees in the Supervisory Board of ČS during her career at Česká spořitelna Financial Group. Currently she is a Member of the Supervisory Board of Stavební spořitelna České spořitelny, ČS penzijní společnost and Erste Energy Services.

Ms. Laušmanová also serves as the Chairwoman of the Commission for banking regulation of Czech Banking Association and is a member of the Commission for Banking Supervision the European Banking Federation, representing the Czech Banking Association. In addition, she remains in touch with academics as an external member of the State Examination Commission and the Committee for State Examination for the field of financial and actuarial mathematics.

Ing. Dušan Sýkora

Vice Chairman, member since 16 June 2015

After graduating from the Faculty of Finance and Accounting at the University of Economics in Prague in 1998, he began working at Erste Bank in Prague in the financial division, where, during his studies, he completed a two-year internship. Over two years he participated in the establishment of control in this bank. In 2000, after the privatization of Česká spořitelna, he led the integration of the two banks in the areas of accounting and control. After starting with

Česká spořitelna, Mr. Sýkora was in charge in area of controlling costs for 11 years, and for a further two years he was responsible for income control and since 2013 the entire control division. In April 2015, he joined the retail banking division and was responsible for performance management and business planning.

Ing. Daniela Pešková

Member, member since 16 June 2015

Ms. Pešková graduated from the University of Economics in Prague, Faculty of International Relations. She began her banking career in 1998 at GE Capital Bank, as an early collections team leader. Over the next five years at GE Capital Bank she worked in management positions, primarily in early collections and operations. In September 2003, she accepted an offer to work abroad with the GE Money financial group, to be the mortgage division director at Budapest Bank in Hungary. Starting in October 2004, she then worked at the Slovak Tatrabanka, part of the Raiffeisen International financial group, as director of project, process and organizational department.

In December 2007, she began working for Erste Group in Česká spořitelna, starting as a director of retail operations. Starting in April 2012, she led the entire operation, and since January 2015, she has worked as the director of the branch distribution network and external sales. As part of her professional growth, Ms. Pešková has successfully completed, among other programmes, the Leadership Program at the Katz Graduate School of Business in Pittsburgh, the McKinsey Lean Academy in Santiago de Chile, and Green Belt certification in project management quality based on the Six Sigma methodology. Since 1 February 2016 Ms. Pešková has been a Member of the Board of Česká spořitelna responsible for retail banking.

– Ing. Aleš Sedlák

Member, member since 1 January 2013
termination of membership 15 June 2015

– Ing. Petr Valenta

Member, member since 1 September 2014
termination of membership 15 June 2015

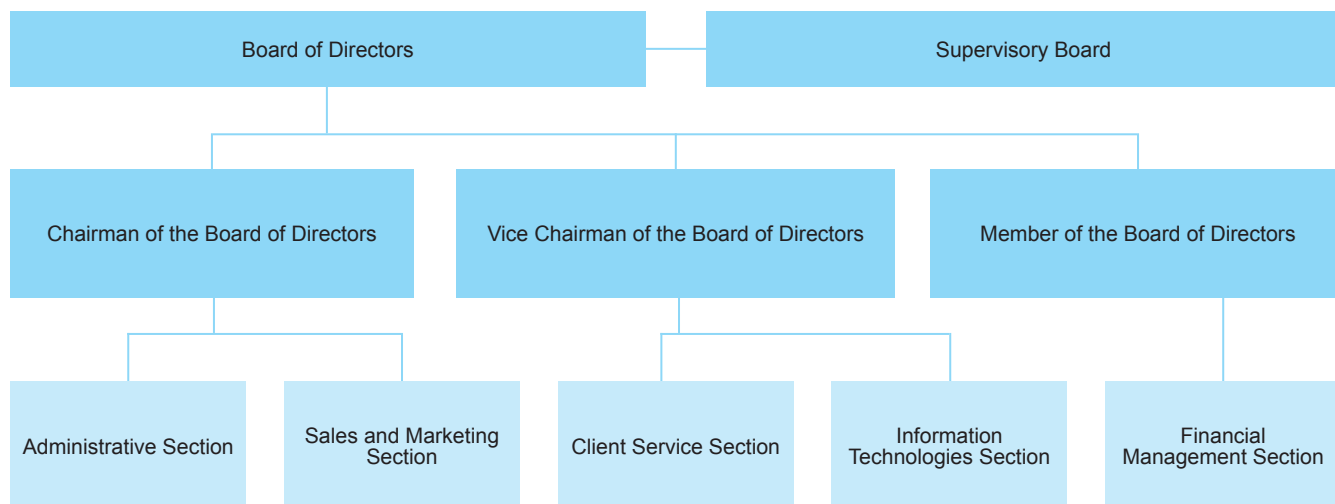
– Ing. Pavel Matějčíček

Member, member since 11 June 2013
termination of membership 15 June 2015

– Renáta Kováčová

Member, member since 1 January 2013
termination of membership 15 June 2015

Organizational Structure



Company Management

as at 31 December 2015



From the left: Ing. Jakub Krkoška, MBA, Daniel Šarman, Ing. Lenka Hůlová, Ing. Aleš Poklop, Ing. Martin Kopejtko

Daniel Šarman

Head of IT

Mr. Šarman started his career in area of IT in 2007 as a consultant/business analyst in company supplying software solutions for the government.

He became an employee of Penzijní fond in 2010 as the manager of databases and UX servers. In 2012, he was responsible for project management regarding Datamart and data migration to the new IT system of Česká spořitelna – penzijní společnost.

On 1 January 2013 Mr. Šarman was appointed as the Director of Information Technology. In 2015, he was responsible for project management of Pension Reform II, implementing legislative changes in Pension Savings and Supplementary Pension Savings.

During his career in the ČS penzijní společnost, Mr. Šarman participated in many specialized courses both in IT and soft skills oriented. He is a certified ITIL Expert.

Ing. Lenka Hůlová

Director of Sales and Marketing

Ms. Hůlová graduated from the University of Economics, majoring in national economic planning.

Throughout her whole career she gained experience in finance and banking.

Before joining Česká spořitelna – penzijní společnost, Ms. Hůlová worked at GE Money Bank. In 2006 she joined the Česká spořitelna Financial Group and worked for eight years in management positions in retail banking.

On 1 April 2014, Ms. Hůlová became the Director of Sales and Marketing in the Česká spořitelna – penzijní společnost.

Board of Directors Report

Business Results

Česká spořitelna – penzijní společnost, a.s. is the leader in Supplementary Pension Savings, both in number of participants and in the amount of assets under management.

About 50 thousand new clients opened Supplementary Pension Savings with ČS penzijní společnost in 2015. As at 31 December 2015, we registered a total of 110,847 participants representing the largest market share of 30.1%. All participants in Supplementary Pension Savings can choose a suitable investment strategy as a combination of Conservative, Balanced or Dynamic Participation Funds. The strategy can be changed once per year free of charge. Sustainable growth of savings, accumulated in each managed fund, continued throughout 2015. At the end of 2015, the total volume of assets in participation funds reached CZK 3,518 million representing 34.6% of the market share. Supplementary Pension Savings is available for the clients since 1 January 2013.

The last new clients entered Pension Insurance with Government Contribution on 31 December 2012. As at 31 December 2015, we registered 831,434 participants of Pension Insurance with amount of total savings exceeding CZK 60,354 million. ČS penzijní společnost maintained the second largest market share of Pension Insurance both in number of participants (19.5%) and assets under management (17.8%). A decline in the total number of participants is also expected for the upcoming period as a result of the unavailability of Pension Insurance for newcomers.

Last year, the number of participants of Pension Savings (II. Pilar) stagnated and the last contributions were received in December 2015. As at December 31 2015 our company counted 14 thousand participants of Pension Savings with a total assets reaching CZK 559 million.

Česká spořitelna – penzijní společnost constantly put emphasis on increasing the quality and extending the range of services offered to our clients. We offer Garance – a unique service which is provided free of charge ensuring a return on clients' contributions in the Conservative and Balanced Participation Funds. Garance is applied not only on contributions saved within ČS penzijní společnost, but also on transferred contributions from other pension companies.

As within a modern company, our clients can check the balance of their savings in real-time at SERVIS 24 e-banking. This service is provided to all of our clients regardless of having arranged a current account with Česká spořitelna. As an extra, clients having a current

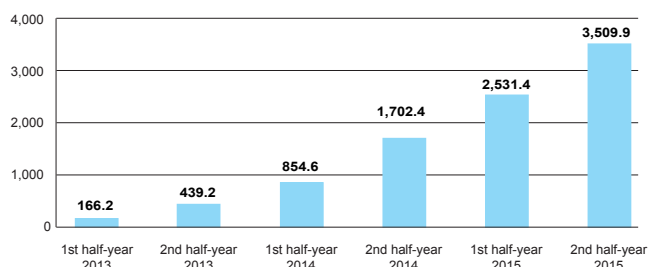
account with Česká spořitelna are eligible to change the settings of the contract, set up contact information and arrange additional services, including new services such as the issuing of e-documents. Our clients are offered products and services of Česká spořitelna including My Fit Finance with One-click money, Fit account or Fit debit card. ČS penzijní společnost is partner of iBOD, the multi-partnership bonus program.

The business results in 2015 were achieved thanks to an extensive sales network including all branches of Česká spořitelna. Also, in comparison with 2014, sales within our external distribution increased significantly.

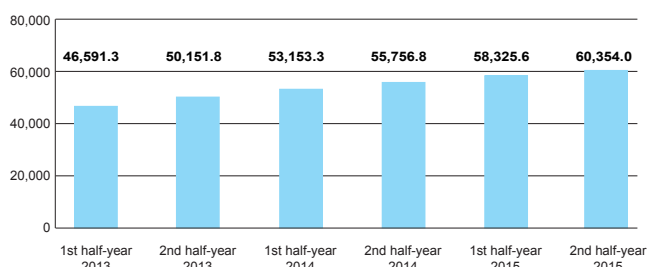


Ing. Lenka Hůlová
Director of Sales and Marketing

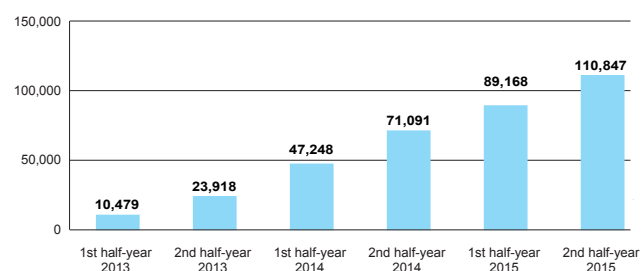
Net Asset Value of Supplementary Pension Savings (CZK million)



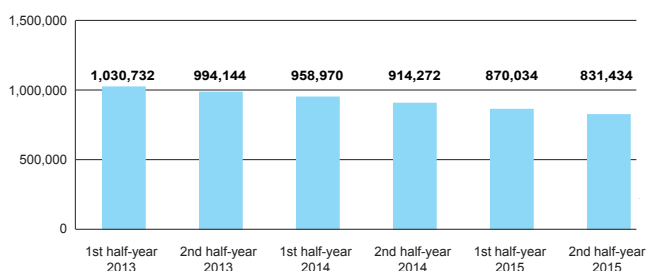
Savings of Transformed fund (CZK million)



Clients of Supplementary Pension Savings



Clients of Pension Insurance



Financial Results

Česká spořitelna – penzijní společnost, a.s. achieved a net profit of CZK 52.4 million in 2015. The financial results were driven by cost cutting in financial as well as operating costs, on the other hand, while increasing financial income based on the continual growth of client savings and net asset value in all funds under our management. The company income is based on management fees and performance fees charged by the funds. These fees are strictly regulated and limited by the law. From the revenues, the pension company has to cover all its costs bound with clients' care, fund operations, asset management, and the administration of pension products (Pension Insurance, Supplementary Pension Savings and Pension Savings). The main costs of the pension company are the depreciation of investments associated with the pension system transformation and the introduction of new products and funds, asset management costs, and commissions for selling products. Over the next years, there is a further expectation of continuous growth of company profits, generated mainly by the continued growth of the funds' asset volume.

Transformed Fund of Pension Insurance has increased by over CZK 4.4 billion, and asset value reached CZK 61.5 billion by the end of 2015. The Transformed Fund pursues the original strategic goal of reaching the highest possible yield in the area of investments and financial assets while keeping rate financial risks low. Financial assets are especially invested into Czech, mainly government, bonds with a low risk of default, further into term deposits and treasury bills. With proper and professional care, we continue seeking investment opportunities to ensure the fund's yield above the inflation rate with a long term view together with the fulfilment of an annual non-negative yield guaranteed in accordance with the law. In 2015, a net profit of CZK 489.2 million is expected to a delivered appreciation on the level of 0.85%. The performance of Transformed Fund thus again exceeded the annual inflation rate reaching 0.3% in 2015.

Savings accumulated in the participation funds of the Supplementary Pension Savings in III. Pillar reached total of CZK 3.5 billion in 2015. In comparison with the previous year, the net asset value of the participation funds doubled in volume. Throughout the year, the participation funds were invested in accordance with the long term investment strategies, and performance was affected by the development on financial markets. Deposit rates were further kept on very low level and yields on bond markets continued to decrease. The Czech government's 10-year bond was traded at the end of the year with one of the world's lowest yield to maturity of 0.6%. Equity markets brought strong growth in first half of the year. European equities reached their peak during April, and during these four months they appraised by 20%. The following escalation of Greek debt crisis brought high volatility to the markets. China's currency devaluation together with doubts in future development of the second biggest economy launched sell-offs across the markets. During August, US equities dropped by 10%, followed by European equity losses of 13%. In the same way, emerging markets equities dropped significantly. Overall, world equities represented by index MSCI ACWI lost -0.7% in 2015. In 2015, the final performance of participation

funds was for Conservative Participation Fund 0.5% (from inception 2.3%), Balanced Participation Fund -0.23% (from inception 4.3%) and Dynamic Participation Fund -1.04% (from inception 6.08%).

Savings accumulated in the pension funds of II. Pillar are not invested in accordance with long term investment strategies and remain placed in the money market until the termination of the pension fund and savings pay out. This way, client savings in all pension funds will be protected from depreciation or a value drop until the settlement. The expected yield of II. Pillar pension funds will correspond to actual money market yields. Client savings are placed in risk-free deposits with an emphasis on their liquidity in order to be ready for settlement based on legislative changes in II. Pillar. Savings in pension funds are ready to be paid out in 2016. ČS penzijní společnost does not apply any fees from this passive asset management and all service and administration of Pension Savings funds are free of charge.



Ing. Jakub Krkoška, MBA
Member of the Board of Directors

Corporate Social Responsibility



The purpose of our company's public role is to provide supplemental income for the retired. In all actions taken, we put the emphasis on the long-term element, stability, and social responsibility. I am pleased that for the second year we can share our experience with the concept of corporate social responsibility.



ŽIVOT 90
EMERGENCY CARE
www.tisnovapece.cz

Last year, we put even more emphasis on cooperation with the **Život 90** (Life 90) association. Aside from the financial support, we participated in the co-organization of numerous events, in which many of our employees volunteered. Among others, we can mention Prague Christmas sightseeing. On December 12, with the cooperation of the Život 90 association, we provided sightseeing drives for lonely or disabled elderly citizens through lovely Prague adorned with Christmas decorations. Secondly, we organized Advent wreaths knitting for the elderly. On First Sunday of Advent, the first Advent workshop at Život 90 was held again along with our financial support and our employees who volunteered. All of the participants enjoyed the workshop's charming atmosphere and we were very pleased with the feedback which we received:

"Dear Madam, I wanted to thank you for the beautiful Advent wreath knitted at Život 90. It was an unforgettable Christmas experience. Even though there are still a few weeks left until Christmas, my place is decorated with my lovely wreath which I glance at whenever I pass by. The volunteer assistants were very nice to us, as well as being helpful and ready to advise all the participants. Once again, I would like to thank you for everything and I wish to all of those who helped in organizing this lovely event, a Merry Christmas and Happy New Year." wrote Mrs. Miroslava, a client of Život 90.

Further, we participated in, and supported the Senior Mile. The Senior Mile is an annually held symbolic race organized for seniors. Refreshments for participants and spectators were served in Paleček's café. Additionally, our employees lectured at an IT workshop for clients of Život 90, where clients learn the basics of working with a computer, e-mail and office equipment.

Just like last year, we donated discarded, however, fully functional IT equipment to a **children's home in the Kašperské Hory**.

Within the concept of ethical responsibility, it is absolutely essential to follow the Code of Ethics of Česká spořitelna Financial Group and the Association of pension companies. However, we understand Ethical responsibility in a broader context, so that all the actions we take are as fair and open to all clients and employees as possible. Furthermore, we support our employees and clients in terms of their development and training, employee diversity, and flexible forms of work. We are always open to new colleagues with disabilities.

In the context of Česká spořitelna's development program, we also provide coaching to students, non-profit organizations, or clients of the Jobcentre in accordance with the guidelines of the International Coach Federation (ICF).

Finally, we provide responsible investments for our clients. We are very strict in that do not purchase securities issued by companies producing tobacco, weapons, or if its output is dependent on child labour.

We also implement Green practices in our workplace. We recycle waste and recycled paper and utilize environmentally friendly toners and remanufactured cartridges in all our printers. Further, we minimize, as much as possible, internal and external prints and are constantly looking for opportunities to reuse discarded office equipment.

Our clients are more than welcome to act in an environmentally friendly manner alongside us. We provide free electronic statements and tax confirmation via SERVIS 24 e-banking or electronic communication via e-mail or SMS, all of which is provided to our clients free of charge.

As for a member of the Česká spořitelna Financial Group, corporate social responsibility is a part of our DNA.

Ing. Martin Kopejtko
 Vice Chairman of the Board

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Česká spořitelna - penzijní společnost, a.s.:

We have audited the accompanying financial statements of Česká spořitelna - penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, the income statement, statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of Česká spořitelna - penzijní společnost, a.s., see Note 1 to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Česká spořitelna - penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Statement of Financial Position

for the Year Ended 31 December 2015

Balance Sheet as of 31 December 2015

Assets

(CZK thousand)	Prior year	Current year
Total Assets	1,566,975	1,646,900
3 Amounts due from banks and savings associations	632,431	790,532
a) Repayable on demand	232,086	389,804
b) Other receivables	400,345	400,728
5 Debt securities	0	0
a) Issued by government institutions	0	0
b) Issued by other entities	0	0
6 Shares, units and other investments	485,188	468,908
9 Intangible fixed assets	99,868	89,087
c) Other	99,868	89,087
10 Tangible fixed assets	5,991	5,019
a) Land and Constructions	162	162
b) Other tangible fixed assets	5,829	4,857
bb) Operating tangible fixed assets	5,829	4,857
bc) Non-operating tangible fixed assets	0	0
11 Other assets	170,322	187,582
a) Other cash values and inventory	224	183
b) Amounts due from employees and trade receivables	424	31,766
c) Amounts due from state budget – tax assets	16	21
e) Estimated assets and other assets	169,658	155,612
13 Deferred expenses and accrued income	173,175	105,772

(CZK thousand)	Prior year	Current year
Total Off Balance Sheet Assets	885,533	869,636
4 Receivables from fixed term transactions	0	0
a) With interest rate instruments	0	0
b) With currency instruments	0	0
8 Assets provided for custody	885,533	869,636
Of which: Securities	0	0

Liabilities

(CZK thousand)	Prior year	Current year
Total Liabilities	1,566,975	1,646,900
4 Other liabilities	157,093	184,625
a) Amounts owed to employees and trade payables	13,044	12,842
b) Payables from social security	1,118	1,017
c) Amounts owed to the state budget – tax liabilities	2,847	6,576
e) Estimated liabilities and other liabilities	57,680	89,937
f) Funds placed by retirement benefit policy holders	82,404	74,253
fa) Contributions made by retir. benefit policy holders and state contributions	0	0
fb) Funds for pension payments	0	0
fc) Proceeds of policy holders' contributions and state contributions	0	0
fd) Unallocated contributions made by policy holders	82,404	74,253
fe) Payables to policy holders – payment of benefits	0	0
6 Provisions	0	0
a) For pensions and similar liabilities	0	0
8 Share capital	350,000	350,000
Of which: Share capital paid up	350,000	350,000
9 Share premium	350,000	350,000
10 Reserve funds and other funds from profit	429,327	429,327
a) Other reserve funds	70,000	70,000
d) Other funds from profit	359,327	359,327
13 Revaluation difference	0	0
a) Of assets and liabilities	0	0
14 Retained earnings or accumulated losses brought forward	235,750	280,555
15 Profit/(loss) for the period	44,805	52,393

(CZK thousand)	Prior year	Current year
Total Off Balance Sheet Liabilities	37,377,272	47,222,870
6 Assets received for management and custody from a third party	37,377,272	47,222,870
Of which: Securities	37,377,272	47,222,870
7 Assets received for management	0	0
Of which: Securities	0	0

Prepared on 20 April 2016.

Income Statement for the Year Ended 31 December 2015

(CZK thousand)	Prior year	Current year
1 Interest income and similar income	1,242	1,183
Including: Interest income from debt securities	0	0
3 Proceeds from shares	0	22,000
Including c) Income from other shares and participations	0	22,000
4 Commission and fee income	467,045	463,041
5 Commission and fee expenses	(247,164)	(240,145)
6 Net profit or loss on financial operations	454	(16,347)
7 Other operating income	712	2,311
8 Other operating expenses	(2,302)	(7,811)
9 Administrative costs	(145,112)	(137,133)
Of which a) Staff costs	(52,546)	(52,252)
aa) Wages and salaries	(37,917)	(37,279)
ab) Social security and health insurance	(12,079)	(12,050)
ac) Other staff costs	(2,550)	(2,923)
Of which b) Other administrative costs	(92,566)	(84,881)
Depreciation/amortisation, charge for provisions and allowances		
11 for tangible and intangible fixed assets	(30,415)	(30,946)
a) Depreciation of tangible fixed assets	(3,437)	(2,548)
d) Amortisation of intangible fixed assets	(26,954)	(28,230)
e) Costs of transfer of tangible assets (NBV)	(24)	(168)
17 Charge for and use of other provisions	0	0
19 Profit/loss for the period from ordinary activities before taxes	44,460	56,153
23 Income tax	345	(3,760)
Of which a) – Due	0	0
Of which b) – Deferred	345	(3,760)
24 Net profit/(loss) for the period	44,805	52,393

Prepared on 20 April 2016.

Statement of Changes in Equity for the Year Ended 31 December 2015

(CZK thousand)	Share capital	Reserve fund and other funds from profit	Share premium	Revaluation differences	Undistributed profit and Retained earnings	Total
Balance as at 1 January 2014	350,000	434,239	350,000	0	235,751	1,369,990
Increase of share capital	0	0	0	0	0	0
Increase of reserve fund	0	0	0	0	0	0
Profit transferred to policy holders	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Other use of funds	0	(4,912)	0	0	(1)	(4,913)
Revaluation gains/losses movements	0	0	0	0	0	0
Impairment of securities	0	0	0	0	0	0
Profit for 2014	0	0	0	0	44,805	44,805
Balance as at 31 December 2014	350,000	429,327	350,000	0	280,555	1,409,882
Balance as at 1 January 2015	350,000	429,327	350,000	0	280,555	1,409,882
Increase of share capital	0	0	0	0	0	0
Increase of reserve fund	0	0	0	0	0	0
Profit transferred to policy holders	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
Other use of funds	0	0	0	0	0	0
Revaluation gains/losses movements	0	0	0	0	0	0
Impairment of securities	0	0	0	0	0	0
Profit for 2015	0	0	0	0	52,393	52,393
Balance as at 31 December 2015	350,000	429,327	350,000	0	332,948	1,462,275

Prepared on 20 April 2016.

Notes to the Financial Statements

Prepared for the Year Ended 31 December 2015

1. Background Information

1.1 Incorporation and Description of the Business

Česká spořitelna – penzijní společnost, a. s. (the “pension company” or “ČS penzijní společnost”) was incorporated on 1 January 2013 through transformation of Penzijní fond České spořitelny to a pension company in connection with the pension reform.

A legal predecessor, Penzijní fond České spořitelny, was the first pension fund in the Czech Republic that was granted an authorization by the Czech National Bank to establish a Transformed Fund. Penzijní fond České spořitelny entered the Czech financial market in 1995. Prior to the pension reform, Penzijní fond České spořitelny had steadily increased its share on the retirement benefit scheme market and ranked second in the market in terms of the number of clients and the volume of monies managed.

As at 31 December 2015, the pension company managed assets for four pension funds (II. Pillar), three participation funds (III. Pillar) with various investment strategies, and one Transformed Fund.

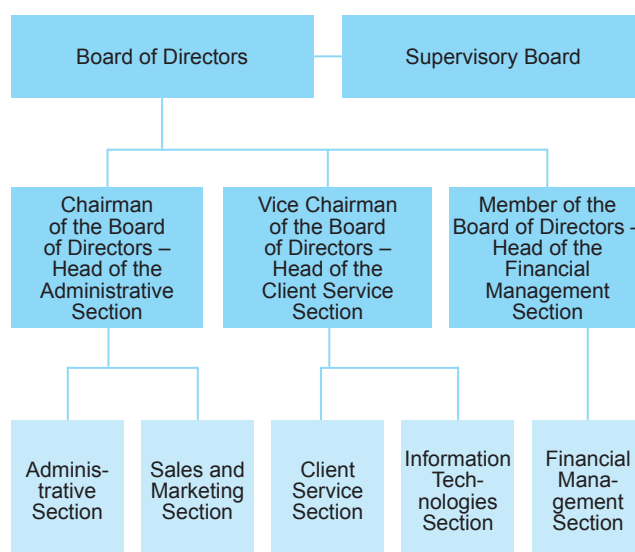
From March 2001, the pension company has been 100% held by Česká spořitelna, a. s., which had become a member of a powerful Central European financial group of Erste Bank already in 2000. ČS penzijní společnost has an exceptional background and is able to offer to its clients services of ever-improving quality.

The pension company’s issued share capital is CZK 350,000 thousand.

The pension company is primarily engaged in providing Pension Savings within II. Pillar and Supplementary Pension Savings within III. Pillar of the pension system, and in operating a Transformed Fund that includes retirement benefit schemes concluded prior to 30 November 2012. ČS penzijní společnost operates four pension funds, three participation funds and one Transformed Fund.

With effect from 1 January 2016, II. Pillar was terminated by law; the contributions accumulated within the Pension Savings scheme will be paid out, i. e. transferred to the participants’ bank accounts in 2016, or transferred to III. Pillar at no cost.

1.2 Organisational Structure



1.3 Board of Directors and Supervisory Board

Set out below is the composition of the Boards of ČS penzijní společnost according to the corporate details recorded in the Commercial Register as at 31 December 2015:

Board of Directors

Chairman	Ing. Aleš Poklop
Vice Chairman	Ing. Martin Kopejtko
Member	Ing. Jakub Krkoška, MBA

Supervisory Board

Chairwoman	RNDr. Monika Laušmanová, CSc.
Vice Chairman	Ing. Dušan Sýkora
Member	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed as a new Member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčová, Ing. Pavel Matějčíček and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

1.4 Depository

The depository of ČS penzijní společnost is Komerční banka, a. s.

2. Accounting Policies and General Accounting Principles

The financial statements are based on the pension company's book-keeping which is maintained in accordance with Accounting Act 563/1991 Coll., as amended, and relevant regulations and guidance notes, specifically Guidance Note 501/2002, which provides implementation guidance on certain provisions of the Accounting Act, for entities that are banks or other financial institutions, as amended, and Czech Accounting Standards for Financial Institutions.

The financial statements have been prepared based on the historical acquisition cost principle modified by the financial instruments valued at fair value through profit and loss, financial instruments classified as available for sale, derivatives and non-operating tangible assets valued at fair value.

The accounting records are maintained in compliance with general accounting principles, in particular the accruals principle, prudence concept and going concern assumption.

The reporting currency used in the financial statements is the Czech Koruna ("CZK") with all values rounded to CZK thousand unless indicated otherwise.

2.1 Valuation and Depreciation Methods

2.1.1 Tangible and Intangible Fixed Assets

Tangible fixed assets include identifiable assets with physical substance and with an estimated useful life more than one year and an acquisition cost greater than CZK 40 thousand.

Intangible fixed assets include identifiable assets without physical substance and with an estimated useful life of more than one year and an acquisition cost greater than CZK 60 thousand.

Tangible and intangible fixed assets are stated at acquisition cost net of accumulated depreciation indicating the wear and tear of the assets.

Assets acquired without consideration on the basis of a contract to purchase a leased asset, assets acquired through donation, assets developed internally if their production cost cannot be ascertained, fixed assets recently identified and not yet entered in the accounting books and an investment of fixed assets with the exception of situations where the investment is valued pursuant to a deed of association or a deed of foundation are stated at replacement cost, i. e. the cost at which the asset would be acquired at the time it is accounted for.

Land, works of art, irrespective of their acquisition cost, and assets under construction are not depreciated.

Tangible assets with an acquisition cost below CZK 40 thousand and intangible assets with an acquisition cost below CZK 60 thousand are charged to expenses in the period in which they were acquired.

Non-operating tangible assets are initially recognised at cost. Pursuant to the requirements set out in Section 33 of Act 42/1994 Coll. the pension company revalues its assets to fair value. Changes in valuation are recorded to the account "Gains or losses from revaluation of assets".

Any identified temporary impairment of operating assets is provided for. If the pension company identifies other-than-temporary impairment of assets, it recognises a write-off of these assets.

2.1.2 Depreciation of Fixed Assets

Depreciation of operating tangible and intangible fixed assets for accounting purposes commences in the month following the month in which the assets were put into use and is provided on a straight line basis according to the estimated useful lives and pursuant to the pension company's depreciation plan.

Depreciation of fixed assets is recorded on a straight line basis over the depreciation period indicated below:

Category of assets	Depreciation period in years
Machines and other equipment	4–12 years
Vehicles	4 years
Furniture and fixtures	4–6 years
Software, licences and other intangible assets	4 years

2.1.3 Securities

The pension company holds securities recorded at fair value, revalued with a corresponding entry in net profit or loss.

2.1.4 Receivables

Receivables are stated at amortised cost net of allowances. Allowances are made based upon the results of inventorying, to the extent that the carrying values of assets are lower than the actual balance. The pension company recognises allowance charges in respect of overdue receivables.

2.1.5 Provisions

Provisions are recorded if the pension company 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 pension company created no provisions in 2015.

2.2 Retirement Benefit Schemes

Unassigned funds placed by retirement benefit policy holders are recorded in nominal value in "Unassigned contributions placed by retirement benefit policy holders" in the statement of financial position.

2.3 Foreign Currency Translation

Transactions in foreign currencies during the year are translated using the daily exchange rates as notified by the Czech National Bank effective at the transaction date. Assets and liabilities denominated in foreign currencies are translated into Czech Koruna using the foreign exchange rate announced by the Czech National Bank as at the balance sheet date.

Any resulting foreign currency translation differences arising from retranslation of assets and liabilities denominated in foreign currencies are recorded through the current year's expenses or revenues.

2.4 Taxation

The income tax base is calculated from the profit and loss of the period by means of adding non-tax deductible expenses and subtracting income exempt from income tax and items amending the tax base. The due tax liability is calculated at the end of the taxation period pursuant to Act No. 586/1992 Coll., on income taxation, as amended, while the tax rate for 2015 amounts to 19%.

The deferred tax liability (asset) is calculated from all temporary differences between the reported accounting carrying amount of assets and liabilities and their tax carrying value. Deferred tax is accounted for using the statement of financial position liability method. The deferred tax is determined on the basis of all temporary differences between the tax base of an asset or a liability and its carrying value in the statement of financial position. A deferred tax asset (liability) is determined as a product of the resulting difference and the rate effective pursuant to Income Taxes Act No. 586/1992 Coll., in the period, in which the related deferred tax asset (liability) is realised (settled).

Deferred tax liabilities are accounted for without exception whereas deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the tax assets can be utilised. If it is unlikely that a deferred tax asset will be realised, its value will be reduced as appropriate, or it will not be accounted for at all.

2.5 Deferred Acquisition Costs of Pension Policies

The pension company amortises costs, including in particular commissions paid and other direct acquisition costs relating to the conclusion of pension policy contracts over four years, i. e. the average duration of pension policies in the funds managed by the pension company.

2.6 Fees for the Administration of Pension Policies

Fees for the administration of pension policies are recorded as incurred to the income statement as "Commission and fee expense".

2.7 Commission and Fee Income

Commission and fee income is income from fees received for the management of administered funds. The maximum amount of fee for the management of participation funds and the Transformed Fund is stipulated in Act No. 427/2011 Coll., on Supplementary Pension Savings and for the management of pension funds in Act No. 426/2011 Coll., on Retirement Savings.

2.8 Interest Income and Expense

Interest income is accrued and recorded to the income statement as "Interest income and similar income".

2.9 Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available at the balance sheet date.

2.10 Equity

The pension company's equity consisted of share capital, share premium, reserve funds and other funds from profit and the current year's profit. Movements of shareholder's equity are shown in the statement of changes in equity.

2.11 Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements' preparation is recognized in case that 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.

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 pension 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. Additional Information on the Statement of Financial Position and Income Statement

3.1 Receivables from Banks

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Current accounts	232,086	389,804
Term accounts	400,345	400,728
Total	632,431	790,532

3.2 Debt Securities, Shares, Participation Certificates and Other Holdings

As at the balance sheet date, the pension company holds solely participation certificates.

(CZK thousand)	Balance at 31 Dec 2014 Fair value	Balance at 31 Dec 2015 Fair value
Participation certificates	485,188	468,908
Total	485,188	468,908

3.3 Fixed Assets

3.3.1 Intangible Fixed Assets

Acquisition Cost (CZK thousand)	Software and licences	Total
Balance at 1 January 2014	181,695	181,695
Additions	29,797	29,797
Disposals	0	0
Balance at 31 December 2014	211,492	211,492
Additions	17,449	17,449
Disposals	0	0
Balance at 31 December 2015	228,941	228,941

Accumulated Amortisation (CZK thousand)	Software and licences	Total
Balance at 1 January 2014	(84,670)	(84,670)
Amortisation	(26,954)	(26,954)
Accumulated amortisation on disposals	0	0
Balance at 31 December 2014	(111,624)	(111,624)
Amortisation	(28,230)	(28,230)
Accumulated amortisation on disposals	0	0
Balance at 31 December 2015	(139,854)	(139,854)

(CZK thousand)	Software and licences	Total
Net book value at 31 December 2014	99,868	99,868
Net book value at 31 December 2015	89,087	89,087

Amortisation of Intangible Fixed Assets Charged to Expenses

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Amortisation of intangible fixed assets	26,954	28,230

The pension company has no small assets recorded off balance sheet.

3.3.2 Tangible Fixed Assets

Acquisition Cost (CZK thousand)	Operating assets	Operating assets	Total
	Buildings	Individual movable assets	
Balance at 1 January 2014	179	30,256	30,435
Additions	0	3,953	3,953
Disposals	0	(5,519)	(5,519)
Revaluation gains/losses	0	0	0
Balance at 31 December 2014	179	28,690	28,869
Additions	0	1,744	1,744
Disposals	0	(748)	(748)
Revaluation gains/losses	0	0	0
Balance at 31 December 2015	179	29,686	29,865

Note: Non-operating assets are reported including gains/losses on revaluation.

Accumulated Depreciation (CZK thousand)	Buildings	Individual movable assets	Total
Balance at 1 January 2014	(17)	(24,920)	(24,937)
Depreciation	0	(3,437)	(3,437)
Accumulated depreciation on disposals	0	5,496	5,496
Balance at 31 December 2014	(17)	(22,861)	(22,878)
Depreciation	0	(2,548)	(2,548)
Accumulated depreciation on disposals	0	580	580
Balance at 31 December 2015	(17)	(24,829)	(24,846)

Note: Non-operating assets are reported including gains/losses on revaluation.

(CZK thousand)	Buildings	Works of art and collections	Individual tangible movable assets	Total
Balance at 31 December 2014	162	0	5,829	5,991
Balance at 31 December 2015	162	0	4,857	5,019

Depreciation of Tangible Fixed Assets Charged to Expenses

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Depreciation of tangible fixed assets	3,437	2,548

The pension company has no small tangible assets that would be recorded off balance sheet.

In the reporting period, the pension company held no fixed assets under finance or operating leases and carried no pledged assets.

3.4 Other Assets

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Other cash and inventory	224	183
Receivables from employees and trade receivables	424	31,766
Tax receivables	16	21
Estimated receivables and other assets	169,658	155,612
Total other assets	170,322	187,582

The increase in trade receivables arose from the fee for management of funds, particularly for managing the assets of the Transformed Fund. ČS penzijní společnost had no receivables subject to either a lien nor that were otherwise encumbered in the reporting period.

3.4.1 Tax Receivables and Liabilities

ČS penzijní společnost records a tax receivable due from government in the amount of CZK 21 thousand. In 2014, the tax receivable amounted to CZK 16 thousand.

3.4.2 Estimated Receivables and Other Assets

Estimated receivables consist of an estimated fee for appreciation and management of funds' assets, in particular of the Transformed Fund, amounting to CZK 122,728 thousand (2014: CZK 160,466 thousand).

3.4.3 Intercompany Receivables

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Short-term receivables		
Česká spořitelna, a. s.	0	0
Total short-term receivables	0	0
Prepayments		
Česká spořitelna, a. s.	374	388
Total prepayments	374	388

3.5 Prepaid Expenses and Accrued Income

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Prepaid expenses	173,175	105,772
Total temporary assets	173,175	105,772

Deferred expenses principally consist of deferred commissions for the sale of retirement benefit policies of CZK 105,706 thousand (2014: CZK 172,729 thousand).

3.6 Equity

In the year ended 31 December 2015, the pension company's equity consisted of share capital, share premium, reserve funds and other funds from profit, and the current year's profit. Movements of shareholder's equity are shown in the statement of changes in equity.

3.6.1 Share Capital

The registered share capital as at 31 December 2015 consists of 175 shares with a nominal value of CZK 2,000 thousand per share. The aggregate nominal value of the share capital is CZK 350,000 thousand. The shares are not publicly traded; they are bearer shares and non-endorsable.

During the year ended 31 December 2015, there were no changes in share capital.

3.7 Provisions

The pension company does not create provisions.

3.8 Other Liabilities

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Amounts owed to staff and trade payables	13,044	12,842
Social security payables	1,118	1,017
Tax liabilities	2,847	6,576
Estimated payables and other liabilities	57,680	89,937
Funds placed by retirement benefit policy holders	82,404	74,253
Total	157,093	184,625

In 2015 and 2014, tax liabilities principally comprise payroll taxes of CZK 419 thousand and CZK 449 thousand, respectively and deferred tax of CZK 6,156 thousand and CZK 2,396 thousand.

ČS penzijní společnost records a liability to policy holders of retirement benefit, Supplementary Pension Savings and Pension Savings schemes totaling CZK 74,253 thousand. The liability includes funds which could not be identified and assigned to individual participants as at the balance sheet date, and thus could not be transferred from the pension company's summary accounts to appropriate funds.

The pension company carried no liabilities subject to either a lien nor that were otherwise encumbered as at 31 December 2015.

The pension company had no received loans and issued no debt securities as at 31 December 2014.

Estimated payables and other liabilities consist of an estimated commission fees of CZK 5,410 thousand (2014: CZK 6,450 thousand), an estimated payable for the administration of securities fee of CZK 61,366 thousand (2014: CZK 34,060 thousand) and an estimated payable for outstanding vacation days and employee bonuses of CZK 7,362 thousand (2014: CZK 6,823 thousand).

3.9 Off Balance Sheet Assets and Liabilities

The pension company retains future fixed and contingent assets and commitments off balance sheet.

In the year ended 31 December 2015, the pension company carried in its off balance sheet accounts assets received for custody amounting to CZK 869,636 thousand (2014: CZK 885,533 thousand); these include a term deposit placed with Komerční banka, a.s. and participation certificates.

The securities of administered funds recorded in the off balance sheet accounts of the pension company totaled CZK 47,222,870 thousand (2014: CZK 37,377,272 thousand).

3.10 Interest Income

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Term deposits	999	1,098
Deposits on current accounts	243	85
Total	1,242	1,183

3.11 Commission and Fee Income

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Fees for management	457,394	456,588
Fees from retirement benefit policy holders	9,651	6,453
Total other operating income	467,045	463,041

Commission and fee income for the year ended 31 December 2015 comprised fees from funds (in particular from the Transformed Fund) for the funds' asset management and appreciation. In addition, it included fees paid by the clients for Pension Insurance transfer and severance in the amount of CZK 6,453 thousand (2014: CZK 9,651 thousand).

3.12 Commission and Fee Expense

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Fee for maintenance of accounts paid to the depository	6,333	6,659
Fees for administration and safe-keeping of securities	9,788	13,608
Asset management fee	84,455	89,363
Fees paid in selling securities	990	761
Fees for conclusion and administration of retirement benefit policies	143,639	128,097
Other	1,959	1,657
Total	247,164	240,145

3.13 Net Profit or Loss on Financial Operations

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Loss on foreign exchange transactions	(124)	(124)
Profit on foreign exchange transactions	94	56
Increase(+)/decrease (–) in fair value of securities	484	(16,280)
Net profit (+)/loss (–) on foreign exchange transactions	(30)	(67)
Net profit (+)/loss (–) on financial transactions	454	(16,347)

3.14 Other Operating Income

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Income from the transfer of tangible and intangible fixed assets	326	559
Sundry operating income	386	1,752
Total other operating income	712	2,311

Sundry operating income comprised returned bonus from insurance paid by the pension company on behalf of its clients and vehicle damage compensation.

3.15 Other Operating Expense

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Sundry operating expenses	2,302	7,811
Total other operating expenses	2,302	7,811

Other operating expenses for the year ended 31 December 2015 include in particular the costs of insurance paid to clients of CZK 7,128 thousand and the costs of logo of CZK 469 thousand (2014: CZK 400 thousand). In 2014, the insurance to clients was paid from other capital funds in the amount of CZK 4,913 thousand.

3.16 Administrative Expenses

Administrative expenses consist of staff costs and other administrative expenses (expenses related to the operation of the real estate, material and energy consumption, services and taxes). Aggregate administrative expenses for the year ended 31 December 2015 amounted to CZK 137,133 thousand (2014: CZK 145,112 thousand).

3.16.1 Staff Costs

The average number of employees and management and staff costs for the years ended 31 December 2015 and 2014 are as follows:

2015

(CZK thousand)	Number	Wages and salaries	Social security and health insurance	Other expenses	Bonuses to management	Total staff costs
Staff	60	27,582	9,514	2,740	0	39,836
Management	2	3,891	2,536	183	5,806	12,416
Total	62	31,473	12,050	2,923	5,806	52,252

2014

(CZK thousand)	Number	Wages and salaries	Social security and health insurance	Other expenses	Bonuses to management	Total staff costs
Staff	60	29,004	9,700	1,727	0	40,431
Management	2	3,537	2,379	823	5,376	12,115
Total	62	32,541	12,079	2,550	5,376	52,546

The number of employees is based on the average recalculated headcount. Since 2014, Members of the Board of Directors fall under the employee category provided they are serving as employees at the same time. In addition, the employees are provided benefits not listed in the table (e.g. provision of a company car for private purposes); the related amount for the reporting period was CZK 1,217 thousand.

3.16.2 Loans, Borrowings and Other Benefits Provided

ČS penzijní společnost provided no loans, borrowings or other benefits to the Members of the Board of Directors, Supervisory Board, management or shareholders in the year ended 31 December 2015.

3.16.3 Other Administrative Costs

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Advertisement	13,996	16,418
Rent	5,034	4,522
Information technology	38,110	35,777
Statutory audit	2,293	2,226
Advisory	4	17
Outsourcing	6,920	7,790
Sundry administrative expenses	26,209	18,131
Total other administrative costs	92,566	84,881

Information technology is mainly comprised of software maintenance in the amount of CZK 30,851 thousand (2014: CZK 33,694 thousand). Sundry administrative expenses are mainly comprised of postage totaling CZK 8,867 thousand (2014: CZK 13,244 thousand).

3.17 Use of Allowances and Provisions for Receivables

For the years ended 31 December 2015 and 2014 no allowances against receivables were used.

3.18 Related Party Information

Related parties are entities controlled by the same controlling entity.

Transactions with securities for the year ended 31 December 2015 were effected through Česká spořitelna, a. s. (the controlling entity).

The products offered by the pension company are distributed mainly through the Česká spořitelna, a. s.'s branch network.

3.18.1 Income

Financial income from the Transformed Fund and other funds amounting to CZK 456,588 thousand (2014: CZK 457,394 thousand) arose from the fee for appreciation of funds' assets in the amount of CZK 89,729 thousand (2014: CZK 131,396 thousand) and the fee for management of funds' assets in the amount of CZK 366,859 thousand (2014: CZK 325,998 thousand).

3.18.2 Expense

The services of the Erste Group Bank financial group entities amounted to CZK 220,846 thousand (2014: CZK 174,599 thousand), where the greatest amount related to the fee from product sales and from asset management paid to Česká spořitelna, a. s., amounting to CZK 181,605 thousand (2014: CZK 142,828 thousand). In 2015, the pension company charged to income services related to the on-site sale of products to Česká spořitelna do domu, a. s. (former Partner České spořitelny, a. s.) of CZK 6,431 thousand (2014: CZK 7,182 thousand).

Other services purchased by ČS penzijní společnost from Česká spořitelna, a. s., in the amount of CZK 31,986 thousand (2014: CZK 29,527 thousand) related in particular to rent, outsourcing services, software maintenance and payments for client centre. In 2015, the services of group purchases were provided by Procurement Services CZ, s. r. o., in the amount of CZK 819 thousand CZK (2014: CZK 1,023 thousand).

3.18.3 Other Related Party Transactions

The members of the statutory bodies received no loans, guarantees, advances or other benefits and held no shares of ČS penzijní společnost as at 31 December 2015 and 2014.

3.19 Income Tax

The following table shows the adjustment of the net profit or loss before taxation to the tax base:

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Profit before tax	44,460	56,153
Expenses that are not deductible for tax purposes	14,501	15,424
Income which is not subject to taxation	(29)	(14,939)
Expenses reducing the tax base	(5,592)	(9,150)
Differences between tax and book depreciation	(11,570)	(23,572)
Tax base	41,770	23,916
Tax loss of prior years reduction	(41,770)	(23,916)
Adjusted tax base	0	0
Tax debt of 19%	0	0
Tax relief	0	0
Adjusted tax liability	0	0
Adjustment of tax payable from previous years	0	0
Total tax payable	0	0

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 remaining tax loss portion from 2009 of CZK 335,167 thousand can not be utilized. The tax loss carryforward from 2013 in the total amount of CZK 26,986 thousand was partially used to reduce the 2015 tax base; the remainder of CZK 3,070 thousand will be recorded when realized.

The deferred tax asset/liability is calculated in the amount of 19% of temporary taxable differences between the accounting and tax net book value of assets and liabilities and can be analysed as follows:

(CZK thousand)	Balance at 31 Dec 2014	Balance at 31 Dec 2015
Deferred tax assets		
Unused tax loss	5,127	583
Other	1,737	1,874
Total deferred tax assets	6,864	2,457
Deferred tax liabilities		
Difference between tax and accounting value of fixed assets	(4,133)	(8,613)
Gain or loss on revaluation of available-for-sale securities	0	0
Total deferred tax liabilities	(4,133)	(8,613)
Net deferred tax asset (+)/liability (-)	2,731	(6,156)

The entity decided to record a deferred tax asset arising from unused tax loss of CZK 583 thousand as at 31 December 2015, as it is probable that ČS penzijní společnost will be able to generate a large enough tax base in the future against which it would be possible to utilise this deferred tax asset.

The pension company believes that the temporary differences, giving the rise to a deferred tax liability, will be realized only after the option to utilise tax loss carryforward expires. In 2015, the pension company recognised a net deferred tax liability of CZK 6,156 thousand arising from the differences between book and tax depreciation of assets and social security and health insurance premiums from recorded bonuses including the recognition of tax loss carryforward used.

The recognised tax asset/liability are presented within “Other assets”/ “Other liabilities”.

4. Explanatory Notes to the Managed Pension and Participation Funds and the Transformed Fund

Number of participants in retirement benefit schemes and in Pension Savings or Supplementary Pension Savings schemes

As at the balance sheet date, the Pension Savings scheme, Supplementary Pension Savings scheme, and the Transformed Fund had 14,044 participants, 110,847 participants and 831,434 participants, respectively. The number of unique participants was 949,542 as at the balance sheet date.

Number and amount of paid allowances

Allowances paid to participants (CZK thousand)	2014	2015
Surrender	769,107	641,558
One-off settlement	2,636,656	2,973,921
Pensions	230,498	278,306
Inheritance	0	45,014
Total	3,636,261	3,938,799

* Structure of paid allowances according to the Czech National Bank methodology (state contribution returns, pension plan participants returns and other returns are not included)

In 2015, the pension company paid out CZK 4,674,105 thousand (2014: CZK 4,088,909 thousand), of which the funds paid to the participants were CZK 3,938,799 thousand (2014: CZK 3,636,261 thousand). The remaining amount relates in particular to transfers from participation funds to the Transformed Fund, returns to the state budget and partially to transfers to other pension funds.

Depository

The depository of pension funds, participation funds and the Transformed Fund is Komerční banka, a. s.

Appreciation of invested funds

For the year ended 31 December 2015, the pension company allocated the 2014 profit to retirement benefit policy holders in the Transformed Fund, i. e. CZK 739,484 thousand (2014: CZK 594,113 thousand); the amount represents an appreciation of the policy holders' investments of 1.42% (2014: 1.3%).

Based on the profit for 2015 totaling CZK 489,171 thousand, expected appreciation is 0.84%. The exact appreciation rate will be calculated from actual figures available after crediting the client accounts at the end of May 2016.

Other funds

(CZK thousand)	Current value of fund unit	Net business assets	Profit for 2015
Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.	1.0230	2,699,157	11,553
Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.	1.0430	544,940	(2,455)
Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.	1.0608	274,239	(2,696)
Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a. s.	1.0034	9,203	5
Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s.	1.0032	196,059	102
Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s.	1.0038	248,068	130
Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s.	1.0039	105,517	56

Provision for future annuities

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

The pension company accounts for a provision if the minimum amount of liabilities to participants is higher than the actual liabilities accounted. The provision amounts to the ascertained difference.

5. Commitments, Contingencies and Off Balance Sheet Liabilities

Legal disputes

As at 31 December 2015, the ČS penzijní společnost was involved in no legal disputes, the outcome of which would significantly impact the pension company's financial performance.

6. Subsequent Events

No events that would have impact on the pension company's financial statements for the year ended 31 December 2015 occurred subsequent to the balance sheet date.

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Report on Relations

in Accordance with Article 82–88 of Act No. 90/2012 Coll.,
on Commercial Companies and Cooperatives for the Accounting period
from 1 January 2015 to 31 December 2015

Česká spořitelna – penzijní společnost, a.s. with its registered office at Poláčkova 1976/2, Prague 4, Registration Number: 61672033, registered in the Commercial Registry, Section B, Insert 2927, administered at Municipal Court Prague, (henceforth “company”, is part of the business group (concern) where the following relations exist between the processor and parties controlled by the same controlling parties (henceforth “related parties”).

This report on relations between the parties hereunder was prepared pursuant to the provision of Section 82-88 of Act No. 90/2012 Coll., on commercial companies and cooperatives, as amended, for the accounting period of 2015 (henceforth the “accounting period”).

A. Company

The company is a member of the Česká spořitelna Financial Group, a.s. The main object of the company is to provide Pension Savings in the II. Pillar, additional Pension Savings in the III. Pillar and management of the Transformed Fund. The company prosecutes four pension funds, three participant funds, and one Transformed Fund including Pension Insurance concluded before 30 November 2012. The company manages 4 pension funds, 3 participation funds and Transformed Fund.

B. Controlling Entities

- **Erste Group Bank AG**,
registered office at Graben 21, Vienna, Austria
Relation to the company: indirect controlling subject –
subject controlling EGB Ceps Beteiligungen GmbH
- **EGB Ceps Beteiligungen GmbH**,
registered office at Graben 21, Vienna, Austria
Relation to the company: indirect controlling subject –
subject controlling EGB Ceps Holding GmbH
- **EGB Ceps Holding GmbH**,
registered office at Graben 21, Vienna, Austria
Relation to the company: indirect controlling subject –
subject controlling Česká spořitelna, a.s.

- **Česká spořitelna, a.s.**,
registered office at Olbrachtova 1929/62, Prague 4,
Registration Number 45244782
Relation to the company: direct controlling subject with the
100% share on assets

C. Other Related Entities

- **ČS do domu, a.s.**,
registered office at Poláčkova 1976/2, Prague 4,
Registration Number 28909011
Relation to the company: sister company directly controlled
by Česká spořitelna, a.s.
- **s IT Solutions CZ, s.r.o.**,
registered office at Antala Staška 32/1292, Prague 4,
Registration Number 27864260
Relation to the company: other interconnected subjects
- **Stavební spořitelna České spořitelny, a.s.**,
registered office at Vinohradská 180/1632, 130 11 Prague 3,
Registration Number 60197609
Relation to the company: sister company directly controlled
by Česká spořitelna, a.s.
- **Procurement Services CZ s.r.o.**,
registered office at Budějovická 1912/64b, Prague 4,
Registration Number 27631621
Relation to the company: other related entities

D. Business Transactions with the Related Entities

The pension company identified relations with the interconnected subjects listed in Part B and Part C which have been aggregated below into the categories as follow.

Business transactions with related entities on the active side of the pension company balance sheet

Receivables from banks

The pension company does not have any funds on term deposits and current accounts deposited by related entities.

Other assets

In the item “Other assets”, receivables from business relations and other assets of the pension company towards related entities amounting CZK 90,8 million are included. The items concerned are mainly time deferred commissions towards Česká spořitelna and ČS do domu. The pension company experienced no detriment from these transactions during the accounting period.

Business transactions with related entities on the passive side of the pension company balance sheet**Other liabilities**

In the item “Other liabilities” liabilities from the pension company business relations towards the related entities amounting CZK 68,2 million are included. These are mainly liabilities towards Česká spořitelna. No detriment was experienced by the pension company from these transactions in the accounting period.

Equity

The pension company held no securities of the related entities.

Business transactions with the related entities affecting the pension company's profit and loss statement**Cost of fees and commissions**

Within business transactions with related entities the pension company expended under regular market or business conditions in the accounting period costs of fees and commissions, including mainly fees and commissions for asset management and product sale, amounting to CZK 190,9 million. No detriment was experienced by the pension company from these transactions in the accounting.

General administrative costs and other operating costs

The pension company expended in the financial year CZK 29,9 million on other administrative costs towards related entities, especially on outsourcing, risk management, rent, services etc., under regular market or business conditions. No detriment was experienced by the pension company from these transactions in the accounting.

E. Contractual Relations

The company closed with the related entities listed in Part B and Part C in the previous accounting periods contracts, whose financial pronouncement for the accounting period is included in Part D. The company closed in the accounting period new contracts with the related entities listed in Part B and Part C, whose financial pronouncement for the accounting period is included in Part D. The list below includes all contracts with the related entities closed in the accounting period.

Name of the Contract	Contracting Party	Description of Performance	Potential Detriment
Management of Securities Agreement	Česká spořitelna, a. s.	Securities management	None
Lease agreement for premises in Poláčkova Street	Česká spořitelna, a. s.	Lease	None
The Lease Contract	Česká spořitelna, a. s.	Rental of two safes	None
Protection of confidential information agreement	Česká spořitelna, a. s.	Protection of confidential information	None
Service Agreement	Česká spořitelna, a. s.	Distribution of tax confirmation	None
Agreement on Access to the Intranet	Česká spořitelna, a. s.	Access to the Intranet for the employees of Česká spořitelna, a. s.	None
The Lease Contract	Česká spořitelna, a. s.	Rental of office in Přerov	None
The Lease Contract	Česká spořitelna, a. s.	Rental of archive place at Olbrachtova Street	None
Contract on Cooperation	Česká spořitelna, a. s.	Provision of services for Client centre	None
Contract on Cooperation	Česká spořitelna, a. s.	Participation on funding Pension solution campaign	None
Agreement on the Mutual Exchange of Information through Access to the KLIENT Application	Česká spořitelna, a. s.	Use of KLIENT application	None
Contract on Providing Selected Activities in Risk Management Section	Česká spořitelna, a. s.	Outsourcing of KondImp Modul Administration into CS	None
Contract for the provision of selected activities related to the assets management	Česká spořitelna, a. s.	Back office services for assets	None
Information Technology Agreement	Česká spořitelna, a. s.	IT service agreement	None
Agreement of cooperation in Partner24 application	Česká spořitelna, a. s.	Cooperation with Partner24 application	None

Outsourcing service agreement concerning provision of some of the duties of the pension company related to the management of funds, bookkeeping for pension funds, participation funds and transformed funds, back office activities	Česká spořitelna, a. s.	Outsourcing back office for securities for ČS	None
Representation agreement for external partners	Česká spořitelna, a. s.	Business representation	None
Outsourcing services agreement concerning processing and payment of commissions to external partners, product support and central partner administration activities	Česká spořitelna, a. s.	Processing and payment of commissions to external partners	None
Outsourcing service agreement	Česká spořitelna, a. s.	Outsourcing	None
Outsourcing service agreement concerning processing of cooperation applications, and preparation of execution orders	Česká spořitelna, a. s.	Outsourcing	None
The Lease Contract	Česká spořitelna, a. s.	Rent of Reserve Centre of Antal Stašek	None
The Lease Contract	Česká spořitelna, a. s.	Rent of office in Plzeň	None
The Lease Contract	Česká spořitelna, a. s.	Rent of office in Jihlava	None
@FAKTURA 24 Service agreement	Česká spořitelna, a. s.	Providing service for @FAKTURA 24	None
Contract for Post-Warranty Service	IT Solutions CZ, s. r. o.	Post-warranty service of hardware	None
Master Agreement for the Provision of IT Services for PFČS	S IT Solutions CZ, s. r. o.	Contract for cooperation in providing post-warranty service	None
Contract for Supply of Service	Procurement Services CZ, s. r. o.	Purchase centralization	None
Agreement on organising an extraordinary marketing event and reimbursement of related expenses	Stavební spořitelna České spořitelny, a. s.	Sales support	None
Representation agreement	ČS do domu, a. s.	Business representation	None

F. Other Legal Acts

The company in the accounting period did not receive or provide any legal acts for the sake or from the incentive of related entities concerning assets which would exceed 10% of equity detected in the latest financial statements.

G. Other Real Measures

The pension company cooperates within Erste Group Bank on group projects. Cooperating on these group projects, no detriment was experienced by the company.

H. Conclusion

With regard to the revision of legal relations between the Processor and related entities, it is clear that due to the contracts, other legal acts or other measures closed, taken or adopted by the company in the financial year 2015 for the sake of, or from the incentive of individual related entities, no detriment was experienced by the company.

This report was discussed and approved by the Board of Directors of the Processor on 20 April 2016.

Česká spořitelna – penzijní společnost, a. s.

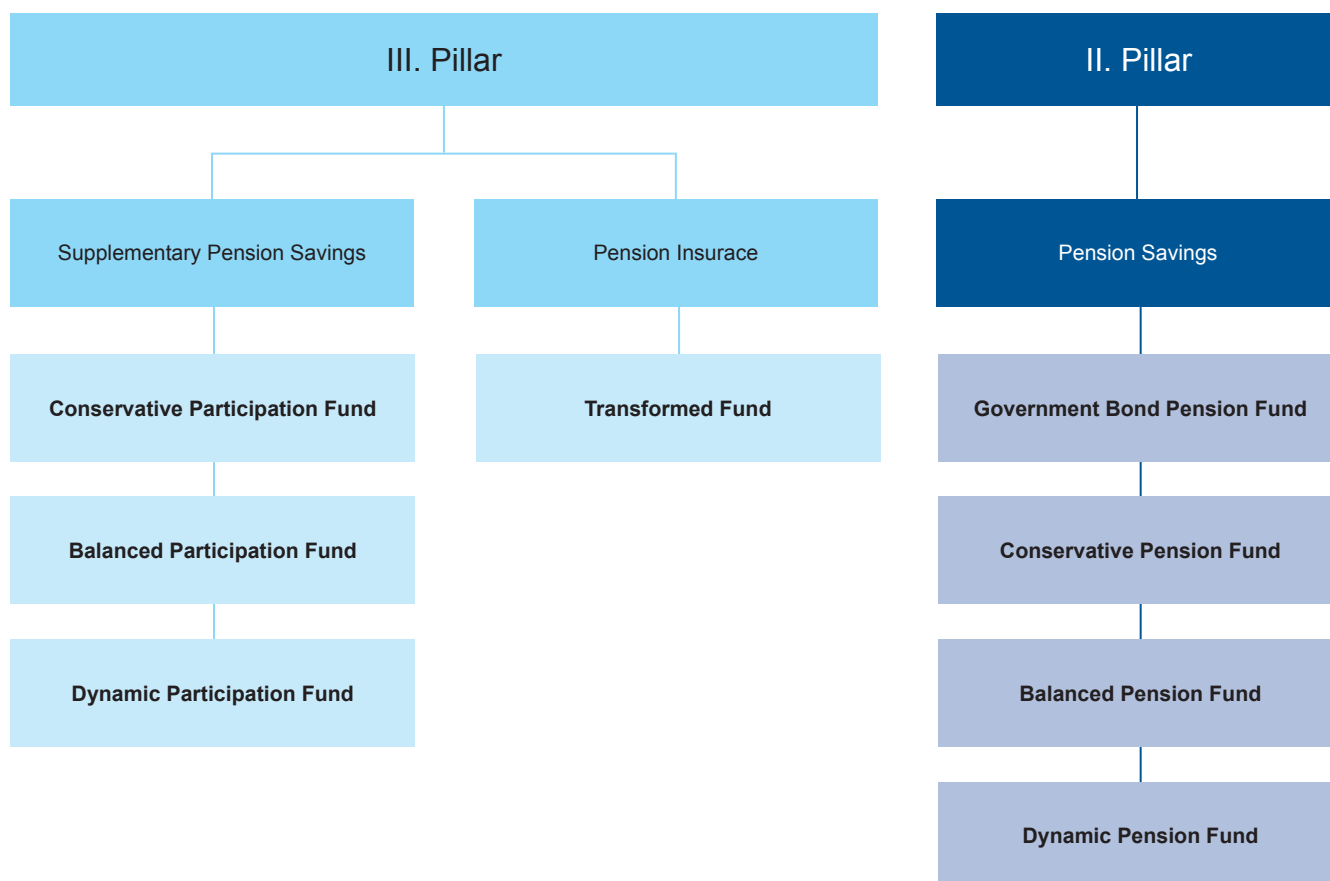


Ing. Aleš Poklop
Chairman of the Board of Directors

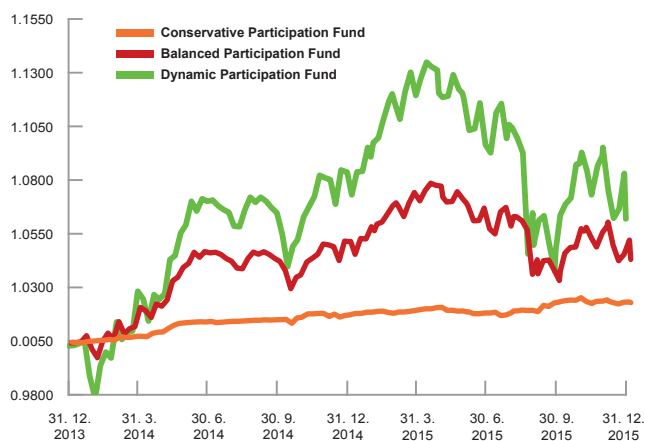


Ing. Jakub Krkoška, MBA
Member of the Board of Directors

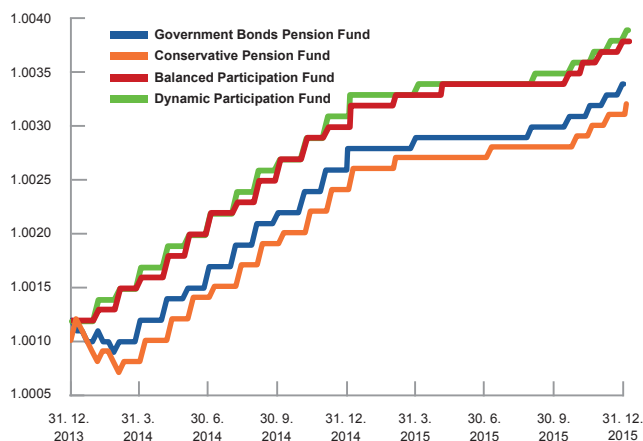
List of Funds



Development of pension unit of the Supplementary Pension Savings



Development of pension unit of the Pension Savings



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

Basic Information

Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“Conservative Participation Fund”)

The establishment of the participation fund was permitted by The Czech National Bank (CNB) on 17 December 2012, reference number 2012/12485/570 with an effective date of 18 December 2012.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a. s., IN: 45244782.

Fund Characteristics

Investment into the Conservative Participation Fund is appropriate for participants who are neither interested nor informed about development on capital markets and are simultaneously looking for a complex solution to their investments which are diversified in money markets and bond markets. The Conservative Participation Fund is suitable for participants who prefer fixed income and for lower intermediate investors with at least a one-year investment horizon. The purpose of the investment strategy is to provide participants with a long-term appreciation of their savings invested mostly into the instruments of money markets, government bonds and other high-quality debt securities in accordance with the Act on Supplementary Pension Savings. The interest rate risk is actively managed and investments which are denominated in foreign currencies are fully hedged.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is senior portfolio manager of the fund having work experience in the areas of investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage

license. Ing. Tomas Kroužel is the first substituting portfolio manager having work experience in the areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and a graduate of the CFA Institute having work experience in the areas of investments and asset management since 2000.

Custody and Safekeeping

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

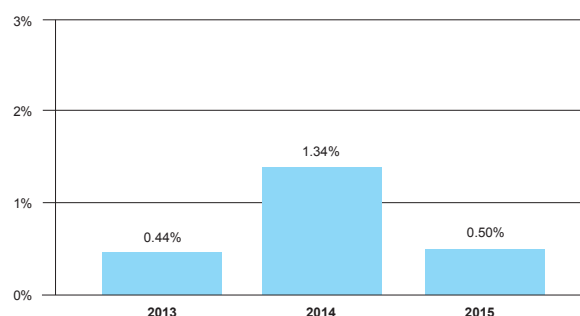
Fees and Charges

The management fee charged to the Conservative Participation Fund is 0.4% per annum of the average annual net asset value of the participation fund. The performance fee of Conservative Participation Fund is 10% of the difference between the average annual value of pension unit in the actual period and the highest average annual value of pension unit of the participation fund in the years preceding the actual period since the inception, multiplied by the average annual number of pension units.

Fees and charges are regulated by the Act on Supplementary Pension Savings no. 427/2011 Coll., Consideration Section 60 Fees charged by pension companies.

For more information, contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

Historical performance of Conservative Participation Fund



Top holdings exceeding 1% of the portfolio as at 31 December 2015

ISIN	Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
CZ0001004113	GOVERNMENT BOND VAR 12/09/20	Bond	CZK	765,551	764,560	28.4%
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	Bond	CZK	467,746	456,760	16.9%
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	Bond	CZK	281,428	282,940	10.5%
CZ0001001903	GOVERNMENT BOND 4 04/11/17	Bond	CZK	218,100	212,500	7.9%
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	Bond	CZK	102,870	102,440	3.8%
CZ0001003842	GOVERNMENT BOND 0.5 07/28/16	Bond	CZK	85,534	85,646	3.2%
XS0782720402	SLOVAKIA GOVT 4.375 05/21/22 USD	Bond	USD	44,850	49,697	1.8%
CZ0001500110	PRAHA 4.25 05/11/21	Bond	CZK	37,488	37,147	1.4%
CZ0001004105	GOVERNMENT BOND VAR 11/19/27	Bond	CZK	29,880	30,729	1.1%

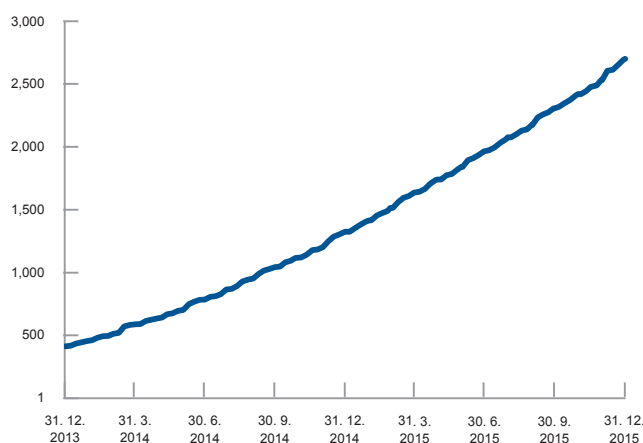
Net asset value and net asset value per pension unit as at 31 December 2015

Name	Value		
	2013	2014	2015
NAV in thousands CZK	413,737	1,324,442	2,699,156
NAV per pension unit in CZK	1.0044	1.0179	1.0230

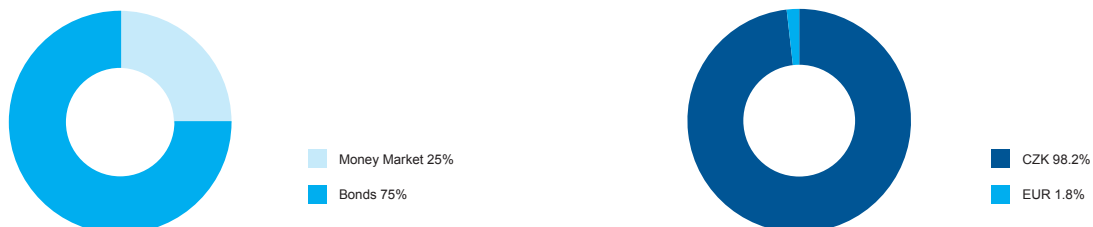
Development of pension unit



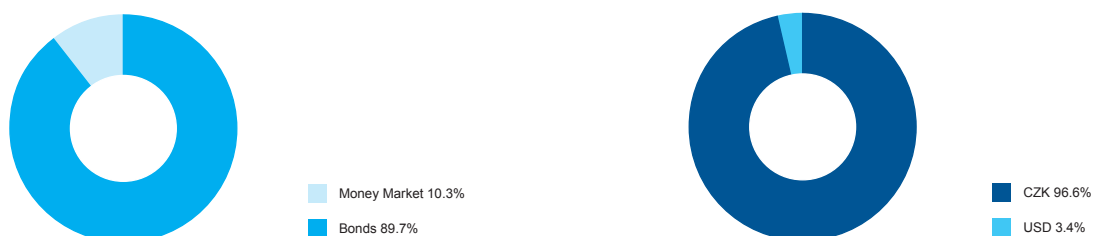
Development of the fund NAV (CZK million)



Portfolio as at 31 December 2015



Portfolio as at 31 December 2014



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of 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 2015, the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	135,465	674,624
Of which: a) On demand: aa) Current accounts	02	135,465	194,099
ab) Term deposits	03		480,525
5 Debt securities	10	1,194,573	2,036,347
Of which: a) Issued by the government	11	1,156,247	1,998,362
b) Issued by other institutions	12	38,326	37,985
11 Other assets	15	28,772	745
a) Financial derivatives	16		111
d) Other assets	19	28,772	634
Total Assets	23	1,358,810	2,711,716
4 Other liabilities	30	33,067	10,076
a) Financial derivatives	31	1,325	
c) Liabilities from taxes	33	6	128
d) Other liabilities	34	31,736	9,948
5 Accrued liabilities and deferred income	36	1,300	2,483
10 Reserve funds and other funds created from profit	42	1,069	10,553
12 Capital funds	43	1,313,890	2,677,051
15 Profit or loss for the accounting period	49	9,484	11,553
Total Liabilities	50	1,358,810	2,711,716
Of which: Equity	51	1,324,443	2,699,157
Off Balance Sheet Accounts	52		
4 Amounts due from fixed term transactions	54	41,374	46,027
b) With currency instruments	56	41,374	46,027
8 Values provided for management	62	1,193,248	2,516,983
a) Securities	63	1,194,573	2,036,347
b) Other values	64	(1,325)	480,636
12 Amounts owed from fixed term transactions	67	42,699	45,916
b) With currency instruments	69	42,699	45,916

Prepared on 20 April 2016.

Income Statement

for the Period Ended 31 December 2015

(CZK thousand)		Line	Previous Period	Current Period
1	Interest income and similar income	01	12,630	34,880
	Of which: a) Interest income from bonds	02	11,622	34,197
5	Fees and commissions expense	09	4,117	9,484
	a) Management fee	10	3,271	7,925
	b) Performance fee	11	846	1,559
6	Profit or loss on financial operations	13	1,000	(13,762)
	a) Profit or loss on transactions with securities	14	5,102	(4,053)
	b) Profit or loss from FX differences	15	222	(421)
	c) Profit or loss from fixed term transactions and options	16	(4,324)	(9,288)
7	Other operating income	17	7	206
8	Other operating expenses	18	36	287
19	Ordinary profit or loss for the accounting period before tax	25	9,484	11,553
24	Profit or loss for the accounting period after tax	30	9,484	11,553

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation and Description of Business

Incorporation and Description of the Business

Povinný konzervativní účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“the Fund” or “Conservative Participation Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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 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. was dissolved and Česká spořitelna – penzijní společnost, a. s. and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“Transformed Fund”) were incorporated. The incorporation of the companies took effect as at 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. 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.

Pursuant to the classification which is binding for the members of The Association of Pension Funds of the Czech Republic, 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.
Prague 4, Poláčkova 1976/2

Principal Business

ČS penzijní společnost 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 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 invested 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 is comprised (or may be comprised) of treasury bills, money market funds, bonds or discount certificates. The Fund may invest in securities in compliance with Section 98 of the Act.

The Fund is not permitted to invest in investment securities issued by ČS penzijní společnost, which manages the Fund, or by any entity belonging to the same group.

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 participation 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 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 Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from ČS penzijní společnost's management of the Fund's assets, the reinvestment fund created from the 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.

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.

Pursuant to Section 36(2) of the Act, ČS penzijní společnost is required to establish a Compulsory Participation 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. ČS penzijní společnost must have at least 10 thousand participants upon the expiration of a period of 24 months from the date when the authorization to establish a Compulsory Participation Conservative Fund was granted. The value of Participation Fund's assets managed by the pension company must reach at least CZK 50 million after the expiry of 24 months from the approval to form the participation 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 108 of the Act.

The Fund may accept a bank loan or another loan with maturity not exceeding six months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, Section 3, paragraph 46.

The aggregate of all received loans must not exceed 5% of the value of the Fund's assets. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

The terms and conditions are stipulated in the Fund's Statute and in the Section 108 of the Act on Supplementary Pension Savings.

The Fund's Statute and Management Fees

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

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

- a) information concerning the manner of investing the fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the 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, and
- e) other information required by implementing regulations.

The Fund's Statute approved by the Czech National Bank is binding for ČS penzijní společnost.

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

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

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

Any and all expenses owing to third parties by the pension company 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 the pension company 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, and
- promotion and advertising costs.

The fee pursuant to paragraph a) above must not exceed 0.4% of the average annual value of the Compulsory Participation Conservative 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 participation 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 annual 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 participation fund, multiplied by the average annual number of pension units in the relevant period.

The pension company is not entitled to the fee pursuant to paragraph b) above if the average annual value of the participation

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 participation fund.

The average value of a participation 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 a fund.

Change in the Fund's Statute

In 2015, there was a change in the Fund's Statute as at 12 June 2015.

Changes covered adjustments of investment limits against the single emitent in the portfolio and listing of basic economic characteristics of the most common operations with financial derivatives. Changes in statute were approved by the CNB.

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.

In 2014, there were no changes made in the Fund's Statute.

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

Board of Directors

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

Supervisory Board

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed as a new Member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčková, Ing. Pavel Matějčík and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

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, and notes to the financial statements.

The presentation of the financial statements requires that the Fund 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 Act No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. The Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment has been replaced by Government Decree No 243/2013 Coll., of 31 July 2013 on investment funds' investment activities and administration techniques.

In the Fund's bookkeeping, 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 Act No. 240/2013 Coll. securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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% to 125%.

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

An amendment to Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund – retirement benefit schemes, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to the Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 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 case that 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 pension 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 2014 as well as in 2015.

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 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 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.

Currency risk was insignificant for the Fund in 2014 as well as in 2015. The quantitative information about interest risk is given in Note 5.15.

	Average VaR	31 Dec 2015
Global VaR	0.12%	0.10%
Foreign currency VaR	0.00%	0.01%
Interest rate VaR	0.10%	0.03%
Equity VaR	0.00%	0.00%

	Average VaR	31 Dec 2014
Global VaR	0.13%	0.16%
Foreign currency VaR	0.00%	0.00%
Interest rate VaR	0.12%	0.12%
Equity VaR	0.00%	0.00%

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

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.

Participant's funds will cover the following benefits:

- retirement pension benefits paid for a specified period,
- disability pension benefits paid for a specified period,
- one-off settlement,
- surrender values,
- single premiums – whole life, or
- 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 f) of the Act are required to be paid by ČS penzijní společnost 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 abroad.

The pension company 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, ČS penzijní společnost 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, ČS penzijní společnost 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 ČS penzijní společnost 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, ČS penzijní společnost may reduce the number of installments to one annually.

Single Premiums – Whole Life and Variable Life

ČS penzijní společnost 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.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.16.

5. Additional Information on the Financial Statements

5.1 Receivables from Banks

Receivables from banks	31 Dec 2014	31 Dec 2015
Current accounts	135,465	194,099
Term deposits	0	480,525
Total	135,465	674,624

Balances on current accounts are payable on demand.

5.2 Securities

All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges.

Debt securities	31 Dec 2014	31 Dec 2015
Acquisition cost	1,180,000	2,033,448
Market revaluation	1,133	(11,028)
Aliquot interest income	13,440	13,927
Total	1,194,573	2,036,347

The proportion of debt securities due within 1 year was 18.12% in 2015 (2014: 0%).

The proportion of debt securities due in more than 1 year with a fixed coupon was 37.8% and with a variable coupon 44.08% in 2015 (2014: 67.82% and 32.18%, respectively).

5.3 Other Assets

Other assets	31 Dec 2014	31 Dec 2015
Estimated state contribution	28,123	0
Receivables – domestic coupons	649	634
Derivatives	0	111
Total	28,772	745

As at 31 December 2014, the balance of ‘Estimated state contribution’ comprised an estimate of state contribution of CZK 28,123 thousand. In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund’s current account.

The caption ‘Receivables – domestic coupons’ includes a claim for the coupon, CZ0001003438 Government Bond, due in January 2016.

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 2015, the value of a pension unit was CZK 1.0230 (2014: CZK 1.0179) 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 2015 profit of CZK 11,553 thousand will be transferred to the reinvestment fund that is part of ‘other funds created from profit’.

In compliance with the Statute, the 2014 profit of CZK 9,484 thousand was 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 (CZK ths.)
Balance at 1 January 2013	411,944,435	412,668
Pension units sold	950,780,505	963,007
Pension units purchased	(61,025,946)	(61,785)
Balance at 31 December 2014	1,301,698,994	1,313,890
Pension units sold	1,478,094,866	1,508,107
Pension units purchased	(142,104,511)	(144,946)
Balance at 31 December 2015	2,637,689,349	2,677,051

5.6 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Liabilities from contributions by Pension Insurance scheme participants	1,480	3,295
Liability from deduction of pension units	2,133	4,042
Settlement with state budget	6	128
Liability – state contribution	28,123	0
Liability – Forward currency contracts	1,325	0
Liability – VÚ	0	1,803
Other domestic liabilities	0	808
Total	33,067	10,076

‘Liabilities from contributions by Pension Insurance scheme participants’ represent invested funds prior to their matching against the book of pension units.

Deduction of pension units represents the Fund’s liability from purchased pension units deducted from the book of pension units.

In 2014, ‘Liability – state contribution’ represented 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. In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund’s current account.

5.7 Accrued Liabilities and Deferred Income

Accrued liabilities consist of the unbilled management fee – December 2015 of CZK 924 thousand (2014: CZK 454 thousand) and performance fee for 2015 of CZK 1,559 thousand (2014: CZK 846 thousand).

5.8 Financial Derivatives Designated as Trading Derivatives

Receivables and payables from fixed term transactions at fair values of underlying instruments:

	31 Dec 2014		31 Dec 2015	
	Asset	Liability	Asset	Liability
Currency swaps	41,374	42,699	46,027	45,916
Total	41,374	42,699	46,027	45,916

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

Fair value of the derivatives:

	31 Dec 2014		31 Dec 2015	
	Positive	Negative	Positive	Negative
Currency swaps	0	1,325	111	0
Total	0	1,325	111	0

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

5.9 Interest Income

Income	2014	2015
Interest on bank deposits	958	31
Interest on debt securities	11,622	34,197
Interest on term deposits	50	652
Total	12,630	34,880

5.10 Management Fee, Performance Fee and Depository's Fee

	2014	2015
Management fee (flat fee)	3,271	7,925
Performance fee	846	1,559
Total	4,117	9,484

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to ČS penzijní společnost by the Fund amounts to 0.4% of the average annual value of the Fund's equity. The performance fee amounts to 10% 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.

The depository's fee is included in the management fee.

5.11 Profit or Loss from Financial Operations

	2014	2015
Profit or loss from securities designated at fair value through profit or loss	5,102	(4,053)
Profit or loss from FX differences	222	(421)
Profit or loss from futures, forwards, swaps	(4,324)	(9,288)
Total	1,000	(13,762)

'Profit or loss from securities designated at fair value through profit or loss' represents in particular the daily revaluation of securities 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.

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

5.12 Other Operating Expenses and Income

	2014	2015
Other operating income	7	206
Other operating expenses	36	287

Other operating income serves to record settlement of hedges on all types of payments and items subject to statute of limitations pertaining to termination of the policy from the inception as the payment shall be made at the nominal value of invested funds and credited state contributions.

Other operating expenses serve to record subsidies for policies, which lack funds for payment due to movements in rates. The most common case involves termination of the policy from the inception as the payment shall be made at the nominal value of invested funds and credited state contributions.

5.13 Income Tax

The principal income tax components are as follows:

	2014	2015
Tax due – current year	0	0
Total income tax	0	0

Current income tax – analysis:

	2014	2015
Profit/(Loss) before tax	9,484	11,553
Items to add	1,943	4,443
Deductible items	(11,672)	0
Tax base	(245)	0
Tax on tax base	0	0
Total tax	0	0

An amendment to Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes income from which tax is withheld at a special tax rate (exempt dividend income from domestic shares).

In 2014, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes tax-exempt interest and dividend income.

Deferred tax

As at 31 December 2015, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2014, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

5.14 Related Party Transactions

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

Receivables from and payables to related parties	31 Dec 2014	31 Dec 2015
Accrued income – state contribution – ČS penzijní společnost	28,123	0
Unbilled management fee – liability to ČS penzijní společnost	454	924
Unbilled annual performance fee – liability to ČS penzijní společnost	846	1,559
Total	29,423	2,483

The state contribution for 2014 was obtained from the pension company by the Fund.

In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund's current account.

The related party costs recognized in the Fund's accounting records amounted to CZK 9,484 thousand in 2015 (2014: CZK 4,117 thousand). The costs include ČS penzijní společnost management fee of CZK 7,925 thousand (2014: CZK 3,271 thousand) and ČS penzijní společnost performance fee of CZK 1,559 thousand (2014: CZK 846 thousand).

5.15 Interest Rate 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.

2015

Assets	Less than 3 months	3 months–1 year	1–5 years	Over 5 years	No interest	Total
Receivables from banks	674,624	0	0	0	0	674,624
Debt securities	0	368,952	1,548,762	118,633	0	2,036,347
Other assets	0	111	0	0	634	745
Total assets	674,624	369,063	1,548,762	118,633	634	2,711,716
Liabilities						
Other liabilities	0	0	0	0	(12,559)	(12,559)
Net assets	674,624	369,063	1,548,762	118,633	(11,925)	2,699,157

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	No interest	Total
Receivables from banks	135,465	0	0	0	0	135,465
Debt securities	0	0	1,111,201	83,372	0	1,194,573
Other assets	0	0	0	0	28,772	28,772
Total assets	135,465	0	1,111,201	83,372	28,772	1,358,810
Liabilities						
Other liabilities	1,325	0	0	0	(33,042)	(34,367)
Net assets	134,140	0	1,111,201	83,372	(4,270)	1,324,443

5.16 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 a 3 month period.

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	674,624	0	0	0	0	674,624
Debt securities	0	368,952	1,548,762	118,633	0	2,036,347
Other assets	745	0	0	0	0	745
Total assets	675,369	368,952	1,548,762	118,633	0	2,711,716
Liabilities						
Other liabilities	(12,431)	(128)	0	0	0	(12,559)
Net assets	662,938	368,824	1,548,762	118,633	0	2,699,157

2014

Assets	Less than 3 months	3 month– 1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	135,465	0	0	0	0	135,465
Debt securities	0	0	1,111,201	83,372	0	1,194,573
Other assets	28,772	0	0	0	0	28,772
Total assets	164,237	0	1,111,201	83,372	0	1,358,810
Liabilities						
Other liabilities	(34,361)	(6)	0	0	0	(34,367)
Net assets	129,876	(6)	1,111,201	83,372	0	1,324,443

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.

5.17 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).

5.18 Contingent Assets and Liabilities

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

5.19 Subsequent Events

On 1 January 2016, the Act No. 377/2015 Coll., amending certain acts in connection with the adoption of the Act on Termination of Pension Savings, came into force. Among the most significant amendments is the availability of the Supplementary Pension Savings scheme to minors and entitlement to already receive or draw the old-age pension upon reaching 60 years. In January 2016, the participation funds' Statute was harmonised with the amendment of the above Act and the changes to the Statute were presented to the Czech National Bank. The change pertains to the definition of a participant, comprising newly minors.

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Annual Report of Vyvážení účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s.

Basic Information

Vyvážení účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (“Balanced Participation Fund”)

The establishment of the participation fund was permitted by The Czech National Bank (CNB) on 17 December 2012, reference number 2012/12487/570 with an effective date of 18 December 2012.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a.s., IN: 45244782.

Fund Characteristics

Investment into the Balanced Participation Fund is appropriate for participants who are looking for a complex and long-term solution to their investments balanced and diversified in money markets, bond markets and stock markets. The net asset value of the fund can fluctuate considerably in the mid-term horizon due to the maturation of the investment strategy. The Balanced Participation Fund is suitable for upper intermediate investors who prefer not only a fixed income but also stocks with at least a three-year investment horizon. Investment into the Balanced Participation Fund is also available for intermediate investors if a part of a widely diversified portfolio. The purpose of the investment strategy is to provide participants with a long-term appreciation of their savings invested mostly into the instruments of money markets, government bonds and other investment-grade debt securities and stocks or comparable instruments representing a share in a legal entity. The credit risk and interest rate risk are actively managed, and non-hedged investments which are denominated in foreign currencies cannot exceed 25% of the portfolio.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is the senior portfolio manager of the fund having work experience in the areas of

investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage license. Ing. Tomas Kroužel is the first substituting portfolio manager having work experience in the areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and a graduate of the CFA Institute having work experience in the areas of investments and asset management since 2000.

Custody and Safekeeping

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

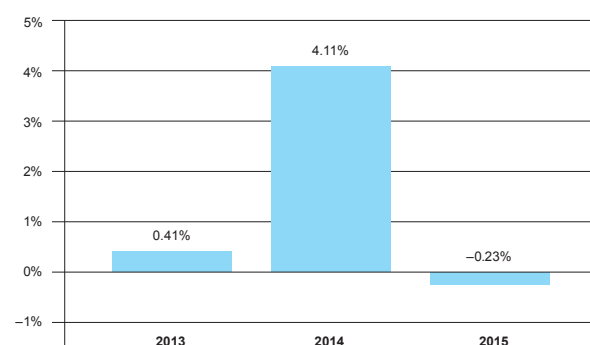
Fees and Charges

The management fee charged to the Balanced Participation Fund is 0.8% per annum of the average annual net asset value of the participation fund. The performance fee of the Balanced Participation Fund is 10% of the difference between the average annual value of a pension unit in the actual period and the highest average annual value of pension unit of the participation fund in the years preceding the actual period since the inception multiplied by the average annual number of pension units.

Fees and charges are regulated by the Act on Supplementary Pension Savings no. 427/2011 Coll., Consideration Section 60 Fees charged by pension companies.

For more information, contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

Historical performance of Balanced Participation Fund



Top holdings 1% of the portfolio as at 31 December 2015

ISIN	Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
US912828XB14	US TREASURY 2.125 05/15/25	Bond	USD	95,961	96,798	17.7%
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	Bond	CZK	61,413	61,742	11.3%
CZ0001004113	GOVERNMENT BOND VAR 12/09/20	Bond	CZK	50,364	50,300	9.2%
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	Bond	CZK	46,428	45,336	8.3%
FR0012517027	FRANCE GOVT 0.5 05/25/25	Bond	EUR	20,605	20,841	3.8%
DE0005933931	ISHARES CORE DAX UCITS ETF (DE)	ETF-Equity	EUR	20,500	20,019	3.7%
IE0031442068	ISHARE SP 500 INDEX FUND (GBP)	ETF-Equity	GBP	15,812	16,296	3.0%
IE00B66F4759	ISHARES EURO HY CORP BND	ETF-Bonds	EUR	15,596	15,266	2.8%
CZ0008472404	TOP STOCKS	ETF-Equity	CZK	12,636	12,756	2.3%
IE00B0M63177	ISHARES MSCI EM-INC	ETF-Equity	GBP	13,202	11,013	2.0%
FR0012557957	FRANCE GOVT ZERO 05/25/20	Bond	EUR	10,697	10,798	2.0%
AT0000A12GN0	VIENNA INSURANCE 5.5 10/09/43	Bond	EUR	8,954	8,839	1.6%
CZ0001500110	PRAHA 4.25 05/11/21	Bond	CZK	7,256	7,190	1.3%
IE0005042456	ISHARES PLC – IFTSE 100	ETF-Equity	GBP	7,784	6,841	1.3%
XS0622499787	CEZ 4.6 05/03/23	Bond	CZK	6,403	6,316	1.2%
CZ0001003842	GOVERNMENT BOND 0.5 07/28/16	Bond	CZK	6,036	6,046	1.1%
CZ0003511529	CETELEM VAR 10/08/19	Bond	CZK	6,044	6,043	1.1%
XS0782720402	SLOVAKIA GOVT 4.375 05/21/22 USD	Bond	USD	4,983	5,522	1.0%

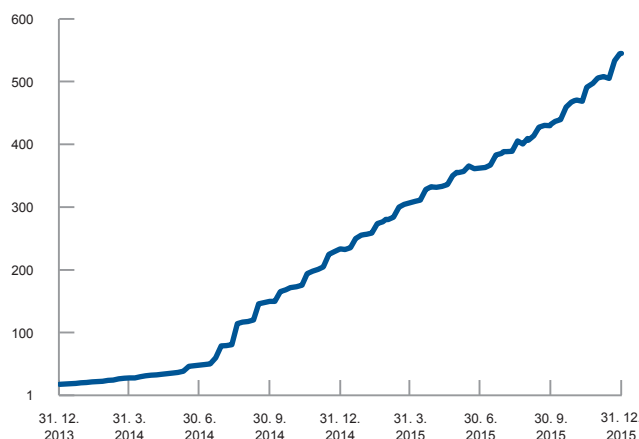
Net asset value and net asset value per pension unit as at 31 December 2015

Name	Value		
	2013	2014	2015
NAV in thousands CZK	17,723	233,588	544,940
NAV per pension unit in CZK	1.0041	1.0454	1.0430

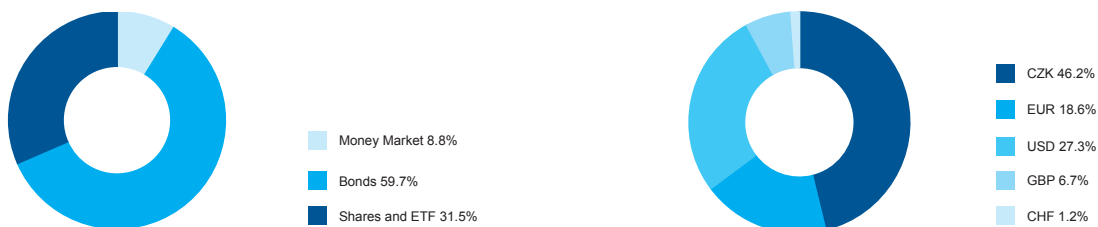
Development of pension unit



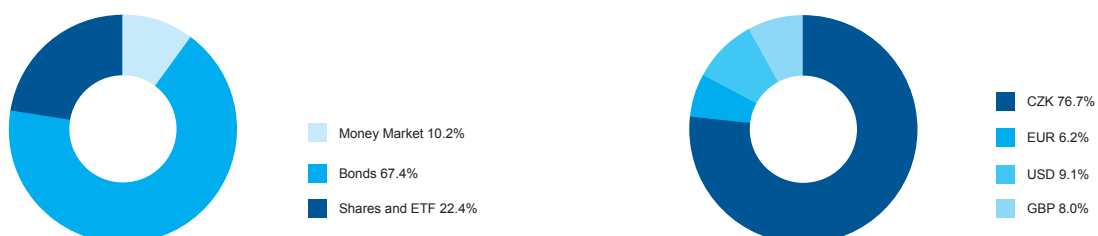
Development of the fund NAV (CZK million)



Portfolio as at 31 December 2015



Portfolio as at 31 December 2014



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, and the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Vyvážený účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	23,973	48,055
Of which: a) On demand: aa) Current accounts	02	23,973	28,009
ab) Term deposits	03		20,046
5 Debt securities	10	159,364	327,279
Of which: a) Issued by the government	11	139,335	298,464
b) Issued by other institutions	12	20,029	28,815
6 Shares, participation certificates and other holdings	13	52,544	172,117
11 Other assets	15	2,951	2,076
a) Financial derivatives	16		1,972
d) Other assets	19	2,951	104
Total Assets	23	238,832	549,527
4 Other liabilities	30	5,244	3,294
a) Financial derivatives	31	1,151	928
c) Liabilities from taxes	33	87	72
d) Other liabilities	34	4,006	2,294
5 Accrued liabilities and deferred income	36		1,293
10 Reserve funds and other funds created from profit	42	31	2,731
12 Capital funds	43	230,857	544,664
15 Profit or loss for the accounting period	49	2,700	(2,455)
Total Liabilities	50	238,832	549,527
Of which: Equity	51	233,588	544,940
Off Balance Sheet Accounts	52		
4 Amounts due from fixed term transactions	54	51,605	205,670
b) With currency instruments	56	51,605	205,670
8 Values provided for management	62	210,757	520,486
a) Securities	63	211,908	499,396
b) Other values	64	(1,151)	21,090
12 Amounts owed from fixed term transactions	67	52,756	204,626
b) With currency instruments	69	52,756	204,626

Prepared on 20 April 2016.

Income Statement

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
1 Interest income and similar income	01	782	3,805
Of which: a) Interest income from bonds	02	690	3,715
3 Income from shares and holdings	08	284	2,383
5 Fees and commissions expense	09		3,933
a) Management fee	10		3,010
b) Performance fee	11		923
6 Profit or loss on financial operations	13	1,732	(4,688)
a) Profit or loss on transactions with securities	14	4,058	(1,644)
b) Profit or loss from FX differences	15	204	445
c) Profit or loss from fixed term transactions and options	16	(2,530)	(3,292)
d) Profit or loss from other financial operations	17		(197)
7 Other operating income	18		11
8 Other operating expenses	19	7	33
19 Ordinary profit or loss for the accounting period before tax	26	2,791	(2,455)
23 Income tax	30	91	
24 Profit or loss for the accounting period after tax	31	2,700	(2,455)

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation and Description of Business

Incorporation and Description of the Business

Vyvážení účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (“the Fund” or “Balanced Participation Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a.s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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 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. was dissolved and Česká spořitelna – penzijní společnost, a.s. and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (“Transformed Fund”) were incorporated. The incorporation of the companies took effect as at 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. 427/2011 Coll., on Supplementary Pension 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 Association of Pension Funds of the Czech Republic (“APS CR”), the Fund may be designated as a participation fund as at the date of approval of the Statute.

Registered Office

Vyvážení účastnický fond doplňkového penzijního spoření se státním příspěvkem

Česká spořitelna – penzijní společnost, a.s.

Prague 4, Poláčkova 1976/2

Principal Business

ČS penzijní společnost 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 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 invested 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 risk is actively managed; the unhedged investments denominated in foreign currencies can form maximum 25% of the value of the Fund’s assets.

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

The Fund is not permitted to invest in investment securities issued by ČS penzijní společnost, which manages the Fund, or by any entity belonging to the same group.

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

The participation 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. Participation fund’s assets that are not secured against currency risk cannot represent more than 25% 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 Fund, in the reinvestment fund, as a source for further investments, and increases the value of the pension unit. If a loss arises from ČS penzijní společnost's management of the participation 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 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 Fund may accept a bank loan or another loan with maturity not exceeding six months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, Section 3, paragraph 46. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

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

The terms and conditions are stipulated in the Fund's Statute and in the Section 108 of the Act on Supplementary Pension Savings.

Pursuant to Section 36(2) of the Act, ČS penzijní společnost is required to establish a balanced participation 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. ČS penzijní společnost must have at least 10 thousand participants upon the expiration of a period of 24 months from the date when the authorization to establish a balanced participation fund was granted. The value of the participation fund's assets managed by the pension company must reach at least CZK 50 million after the expiry of 24 months from the approval to form the participation fund.

The Fund's Statute and Management Fees

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

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

- a) information concerning the manner of investing the fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the 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, and
- e) other information required by implementing regulations.

The Fund's Statute approved by the Czech National Bank is binding for ČS penzijní společnost.

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

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

- a) a fee for the management of the Fund's assets, and
- b) a fee for appreciation of the Fund's assets, i. e. performance fee.

Any and all expenses owing to third parties by the pension company 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 the pension company 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, and
- 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 participation fund's equity is determined 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 annual 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 Fund, multiplied by the average annual number of pension units in the relevant period.

The pension company is not entitled to the fee pursuant to paragraph b) above if the average annual value of the 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 Fund.

The average value of a 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

In 2015, there was a change in the Fund's Statute as at 12 June 2015.

Changes covered adjustments of investment limits against the single emitent in the portfolio and listing of basic economic characteristics of the most common operations with financial derivatives. Changes in statute were approved by the CNB.

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.

In 2014, there were no changes made in the Fund's Statute.

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

Board of Directors

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

Supervisory Board

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed as a new Member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčková, Ing. Pavel Matějček and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

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 statement, off balance sheet accounts, and notes to the financial statements.

The presentation of the financial statements requires that the Fund 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 Act No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. The Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment has been replaced by Government Decree No 243/2013 Coll., of 31 July 2013 on investment funds' investment activities and administration techniques.

In the Fund's bookkeeping, 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 Act No. 240/2013 Coll. securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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% to 125%.

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

An amendment to Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed fund – retirement benefit schemes, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 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 case that 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 pension 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 2015 as well as in 2014.

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 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 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.

Currency risk was insignificant for the Fund in 2015 as well as in 2014.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks in 2015:

	Average VaR	As at 31 Dec 2015
Global VaR	0.43%	0.57%
Foreign currency VaR	0.04%	0.25%
Interest rate VaR	0.11%	0.22%
Equity VaR	0.45%	0.63%

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks in 2014:

	Average VaR	As at 31 Dec 2014
Global VaR	0.52%	0.41%
Foreign currency VaR	0.04%	0.04%
Interest rate VaR	0.10%	0.10%
Equity VaR	0.39%	0.39%

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

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.

Participant's funds will cover the following benefits:

- retirement pension benefits paid for a specified period,
- disability pension benefits paid for a specified period,
- one-off settlement,
- surrender values,
- single premiums – whole life, or
- 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 f) of the Act are required to be paid by ČS penzijní společnost 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 abroad.

The pension company 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, ČS penzijní společnost 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, ČS penzijní společnost 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 ČS penzijní společnost 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, ČS penzijní společnost may reduce the number of installments to one annually.

Single Premiums – Whole Life and Variable Life

ČS penzijní společnost 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.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.17.

5. Additional Information on the Financial Statements

5.1 Receivables from Banks

Receivables from banks	31 Dec 2014	31 Dec 2015
Current accounts	23,973	28,009
Term deposits	0	20,046
Total	23,973	48,055

Balances on current accounts are payable on demand.

5.2 Securities

All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges.

Debt securities	31 Dec 2014	31 Dec 2015
Acquisition cost	157,730	325,144
Market revaluation	378	626
Aliquot interest income	1,256	1,509
Total	159,364	327,279

Shares, participation certificates	31 Dec 2014	31 Dec 2015
Acquisition cost	50,547	177,795
Market revaluation	1,997	(5,678)
Aliquot interest income	0	0
Total	52,544	172,117

The proportion of debt securities due within 1 year was 20.73% in 2015 (2014: 0%).

The proportion of debt securities due in more than 1 year with a fixed coupon was 62.05% in 2015 (2014: 52.65%).

The proportion of debt securities due in more than 1 year with a variable coupon was 17.22% in 2015 (2014: 47.35%).

5.3 Other Assets

Other assets	31 Dec 2014	31 Dec 2015
Estimated state contribution	2,805	0
Estimated foreign dividends	27	2
Estimated payments for holding PC with pension funds	119	39
Foreign receivables – dividends with the depository	0	63
Derivatives	0	1,972
Total	2,951	2,076

As at 31 December 2014, the balance of ‘Estimated state contribution’ comprised an estimate of state contribution of CZK 2,805 thousand. In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund’s current account.

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 2015, the value of a pension unit was CZK 1.0430 (2014: CZK 1.0454) 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.

The 2015 loss of CZK 2,455 thousand will be compensated by the reinvestment fund that is part of ‘other funds created from profit’. In compliance with the Statute, the 2014 profit of CZK 2,700 thousand was 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 (CZK ths.)
Balance at 1 January 2014	17,649,904	17,691
Pension units sold	209,777,135	218,379
Pension units purchased	(5,255,385)	5,213
Balance at 31 December 2014	222,171,654	230,857
Pension units sold	332,066,293	351,074
Pension units purchased	(35,269,124)	27,267
Balance at 31 December 2015	518,968,823	554,664

5.6 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Liabilities from contributions by Pension Insurance scheme participants	299	604
Liability from deduction of pension units	902	1,399
Settlement with state budget	87	72
Liability – state contribution	2,805	0
Other domestic liabilities	0	291
Derivatives	1,151	928
Total	5,244	3,294

‘Liabilities from contributions by Pension Insurance scheme participants’ represent invested funds prior to their matching against the book of pension units.

Deduction of pension units represents the Fund’s liability from purchased pension units deducted from the book of pension units.

In 2014, Liability – the state contribution represented the estimated amount of state contribution. After the amount was credited to the Fund’s account, the contribution was credited to Pension Savings participants as part of the matching against the book of pension units. In 2015 the method of accounting for the entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund’s current account.

5.7 Accrued Liabilities and Deferred Income

Accrued liabilities consist of the unbilled management fee – December 2015 of CZK 370 thousand (2014: CZK 0 thousand) and performance fee for 2015 of CZK 923 thousand (2014: CZK 0 thousand).

5.8 Financial Derivatives Designated as Trading Derivatives

Fair value of the derivatives:

	31 Dec 2014		31 Dec 2015	
	Positive	Negative	Positive	Negative
Currency swaps	0	1,151	1,044	0
Total	0	1,151	1,044	0

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

Receivables and payables from fixed term transactions at fair values of underlying instruments from the off-balance sheet account:

	31 Dec 2014		31 Dec 2015	
	Asset	Liability	Asset	Liability
Currency swaps	51,605	52,756	205,670	204,626
Total	51,605	52,756	205,670	204,626

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

5.9 Income from Shares and Interests

Income	31 Dec 2014	31 Dec 2015
Dividends from shares and PC – foreign	258	2,383
Uncollected foreign dividends	26	0
Total	284	2,383

5.10 Interest Income

Income	31 Dec 2014	31 Dec 2015
Interest on bank deposits	91	6
Interest on debt securities	690	3,715
Interest on term deposits	1	84
Total	782	3,805

5.11 Management Fee, Performance Fee and Depository's Fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to ČS penzijní společnost by the Fund amounts to 0.8% of the average annual value of the Fund's equity. The performance fee amounts to 10% 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 ČS penzijní společnost, the 2014 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

5.12 Profit or Loss from Financial Operations

	2014	2015
Profit or loss from securities designated at fair value through profit or loss	4,058	(1,644)
Profit or loss from FX differences	204	445
Profit or loss from futures, forwards, swaps and options	(2,530)	(3,292)
Total	1,732	(4,491)

'Profit or loss from securities designated at fair value through profit or loss' represents the daily revaluation of securities 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.

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

5.13 Other Operating Expenses and Income

	2014	2015
Other operating income	0	11
Other operating expenses	7	33

Other operating expenses serve to record subsidies for policies, which lack funds for payment due to movements in rates. The most common case involves termination of the policy from the inception as the payment shall be made at the nominal value of invested funds and credited state contributions.

5.14 Income Tax

The principal income tax components are as follows:

	2014	2015
Tax due – current year	91	0
Total income tax	91	0

Current income tax – analysis:	2014	2015
Profit/(Loss) before tax	2,791	(2,455)
Items to add	0	629
Deductible items	975	0
Tax base	1,816	0
Tax on tax base	91	0
Total tax	91	0

An amendment to Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, ‘Items to add’ includes tax-exempt expenses associated with tax-exempt income; ‘Deductible items’ includes income from which tax is withheld at a special tax rate (exempt dividend income from domestic shares).

In 2014, ‘Items to add’ includes tax-exempt expenses associated with tax-exempt income; ‘Deductible items’ includes tax-exempt interest and dividend income.

Deferred tax

As at 31 December 2015, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2014, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

5.15 Related Party Transactions

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

Receivables from related parties	31 Dec 2014	31 Dec 2015
Estimated state contribution – ČS penzijní společnost	2,805	0
Payables to related parties		
Unbilled performance fee	0	923
Unbilled management fee	0	370
Total	2,805	1,293

The state contribution for 2014 was obtained from the pension company by the Fund.

In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund’s current account.

The related party costs recorded in the Fund's accounting records amounted to CZK 3,933 thousand in 2015. The costs include ČS penzijní společnost management fee of CZK 3,010 thousand and ČS penzijní společnost performance fee of CZK 923 thousand.

No related party costs were recorded in the Fund's accounting records in 2014.

5.16 Interest Rate 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.

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	No interest	Total
Receivables from banks	48,055	0	0	0	0	48,055
Debt securities	0	67,841	113,165	146,273	0	327,279
Shares, participation certificates	0	0	0	0	172,117	172,117
Other assets	0	1,972	0	0	104	2,076
Total assets	48,055	69,813	113,165	146,273	172,221	549,527
Liabilities						
Other liabilities	(928)	0	0	0	(3,659)	(4,587)
Net assets	47,127	69,813	113,165	146,273	168,562	544,940

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	No interest	Total
Receivables from banks	23,973	0	0	0	0	23,973
Debt securities	0	0	140,386	18,978	0	159,364
Shares, participation certificates	0	0	0	0	52,544	52,544
Other assets	0	0	0	0	2,951	2,951
Total assets	23,973	0	140,386	18,978	55,495	238,832
Liabilities						
Other liabilities	(1,151)	0	0	0	(4,093)	(5,244)
Net assets	22,822	0	140,386	18,978	51,402	233,588

5.17 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 a three month period.

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	48,055	0	0	0	0	48,055
Debt securities	0	67,841	113,165	146,273	0	327,279
Shares, participation certificates	0	0	0	0	172,117	172,117
Other assets	2,076	0	0	0	0	2,076
Total assets	50,131	67,841	113,165	146,273	172,117	549,527
Liabilities						
Other liabilities	(4,515)	(72)	0	0	0	(4,587)
Net assets	45,616	67,769	113,165	146,273	172,117	544,940

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	23,973	0	0	0	0	23,973
Debt securities	0	0	140,386	18,978	0	159,364
Shares, participation certificates	0	0	0	0	52,544	52,544
Other assets	2,951	0	0	0	0	2,951
Total assets	26,924	0	140,386	18,978	52,544	238,832
Liabilities						
Other liabilities	(5,157)	(87)	0	0	0	(5,244)
Net assets	21,767	(87)	140,386	18,978	52,544	233,588

Liquidity risk, to which the Fund is exposed, is very low as all assets are convertible into cash in shorter period than the expected purchases by the Fund's participants.

5.18 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).

5.19 Contingent Assets and Liabilities

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

5.20 Subsequent Events

On 1 January 2016, the Act No. 377/2015 Coll., amending certain acts in connection with the adoption of the Act on Termination of Pension Savings, came into force. Among the most significant amendments is the availability of the Supplementary Pension Savings scheme to minors, entitlement to already receive or draw the old-age pension upon reaching 60 years of age and further arrangements pertaining to investments of management and performance fees. In January 2016, the participation funds' Statute was harmonised with the amendment of the above Act. The changes to the Statute were approved by the Czech National Bank on 14 January 2016 and came into force on 1 February 2016. The changes relate to adjustments of limits when investing in exchange-traded funds (ETF). As for the balanced fund, the maximum management fee increases from 0.8% to 1% and the maximum performance fee from 10% to 15% in accordance with the aforementioned Act.

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Annual Report of Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.

Basic Information

Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“Dynamic Participation Fund”) The establishment of the participation fund was permitted by The Czech National Bank (CNB) on 17 December 2012, reference number 2012/12486/570 with an effective date of 18 December 2012.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a. s., IN: 45244782.

Fund Characteristics

Investment into the Dynamic Participation Fund is appropriate for participants who are looking for the highest possible return of their investments, are familiar with financial markets and are ready to accept significant volatility. The portfolio of the Dynamic Participation Fund is proportionally diversified in money markets, bond markets, and stock markets. The Dynamic Participation Fund is suitable for experienced investors, who are even ready to bear a long period of negative development and have at least a five-year investment horizon. Investment into the Dynamic Participation Fund is also available for less-experienced investors if a part of a widely diversified portfolio. The purpose of the investment strategy is to provide participants with a long-term appreciation of their savings invested mostly into the instruments of money market, government bonds and other investment-grade debt securities and stocks or comparable instruments representing a share in a legal entity. The credit risk and interest rate risk are actively managed, and non-hedged investments which are denominated in foreign currencies cannot exceed 50% of the portfolio.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is the senior portfolio manager of the fund having work experience in the areas

of investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage license. Ing. Tomas Kroužel is the first substituting portfolio manager having work experience in the areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and a graduate of the CFA Institute having work experience in the areas of investments and asset management since 2000.

Custody and Safekeeping

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

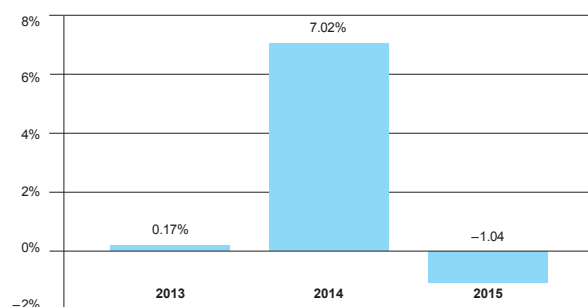
Fees and Charges

The management fee charged to the Dynamic Participation Fund is 0.8% per annum of the average annual net asset value of the participation fund. The performance fee of the Dynamic Participation Fund is 10% of the difference between the average annual value of pension unit in the actual period and the highest average annual value of a pension unit of the participation fund in the years preceding the actual period since the inception, multiplied by the average annual number of pension units.

Fees and charges are regulated by the Act on Supplementary Pension Savings no. 427/2011 Coll., Consideration Section 60 Fees charged by pension companies.

For more information, contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

Historical performance of Dynamic Participation Fund



Top holdings 1% of the portfolio as at 31 December 2015

ISIN	Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
US912828XB14	US TREASURY 2.125 05/15/25	Bond	USD	22,912	23,281	8.5%
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	Bond	CZK	22,012	22,130	8.1%
IE0031442068	ISHARE SP 500 INDEX FUND (GBP)	ETF-Equity	GBP	17,234	17,824	6.5%
DE0005933931	ISHARES CORE DAX UCITS ETF (DE)	ETF-Equity	EUR	16,883	16,426	6.0%
IE00B0M63177	ISHARES MSCI EM-INC	ETF-Equity	GBP	11,195	9,570	3.5%
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	Bond	CZK	8,125	7,934	2.9%
CZ0008472404	TOP STOCKS	ETF-Equity	CZK	7,511	7,564	2.8%
CZ0001004113	GOVERNMENT BOND VAR 12/09/20	Bond	CZK	7,052	7,042	2.6%
IE00B66F4759	ISHARES EURO HY CORP BND	ETF-Bonds	EUR	7,089	6,939	2.5%
IE0005042456	ISHARES PLC – IFTSE 100	ETF-Equity	GBP	7,528	6,591	2.4%
AT0000A12GN0	VIENNA INSURANCE 5.5 10/09/43	Bond	EUR	5,969	5,893	2.1%
FR0012557957	FRANCE GOVT ZERO 05/25/20	Bond	EUR	5,349	5,399	2.0%
FR0012517027	FRANCE GOVT 0.5 05/25/25	Bond	EUR	5,145	5,210	1.9%
US5949181045	MICROSOFT	Equity	USD	3,773	4,794	1.7%
IE00BCLWRG39	ISHARES MSCI JAPAN USD-H-A	ETF-Equity	USD	4,988	4,629	1.7%
DE000A0D8Q07	ISHARES EURO STOXX UCITS ETF DE	ETF-Equity	EUR	4,305	4,556	1.7%
DE0008404005	ALLIANZ AG REG	Equity	EUR	3,749	4,066	1.5%
US4781601046	JOHNSON AND JOHNSON	Equity	USD	3,752	3,906	1.4%
CH0038863350	NESTLE SA	Equity	CHF	3,740	3,708	1.4%
US7170811035	PFIZER INC	Equity	USD	3,768	3,687	1.3%
US7427181091	PROCTER AND GAMBLE CO	Equity	USD	3,758	3,671	1.3%
US92343V1044	VERIZON COMMUNICATIONS	Equity	USD	3,776	3,670	1.3%
CZ0001500110	PRAHA 4.25 05/11/21	Bond	CZK	3,628	3,595	1.3%
CZ0008019106	KOMERCNI BANKA	Equity	CZK	3,753	3,594	1.3%
US88579Y1010	3M CO	Equity	USD	3,760	3,549	1.3%
DE0005190003	BMW GR	Equity	EUR	3,730	3,541	1.3%
CH0012005267	NOVARTIS	Equity	CHF	3,757	3,384	1.2%
DE000BASF111	BASF SE	Equity	EUR	3,759	3,324	1.2%
US8036071004	SAREPTA THERAPEUTICS INC	Equity	USD	2,523	3,093	1.1%
XS1090620730	NET4GAS 2.25 01/28/21	Bond	CZK	3,084	3,065	1.1%
CZ0003511529	CETELM VAR 10/08/19	Bond	CZK	3,022	3,022	1.1%
CZ0005112300	CEZ	Equity	CZK	3,766	3,005	1.1%
US82481R1068	SHIRE PLC – (ADR)	Equity	USD	2,722	2,748	1.0%
GB00B10RZP78	UNILEVER PLC B	Equity	GBP	2,683	2,741	1.0%
AT0000908504	VIENNA INSURANCE GROUP	Equity	CZK	3,748	2,711	1.0%

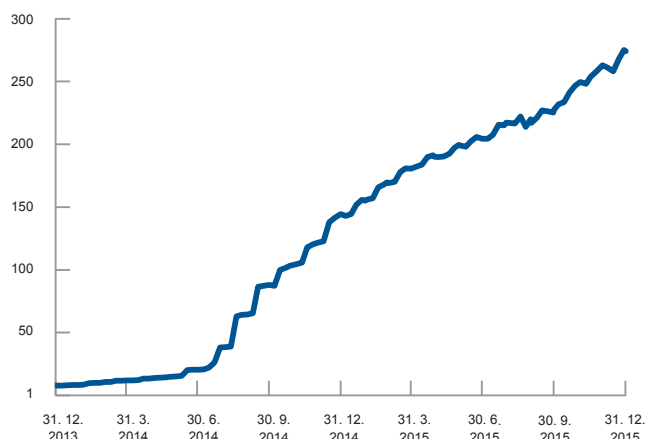
Net asset value and net asset value per pension unit as at 31 December 2015

Name	Value		
	2013	2014	2015
NAV in thousands CZK	7,812	144,323	274,239
NAV per pension unit in CZK	1.0017	1.0720	1.0608

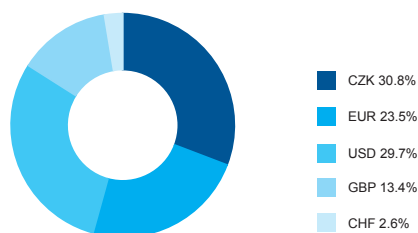
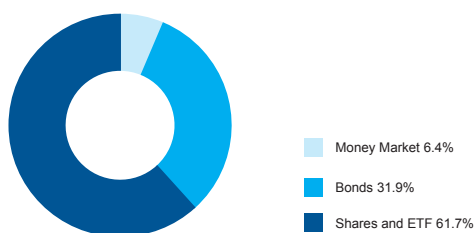
Development of pension unit



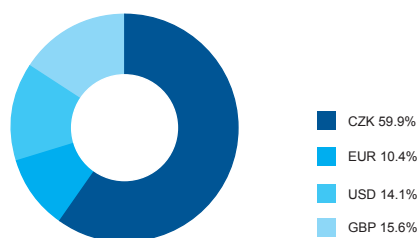
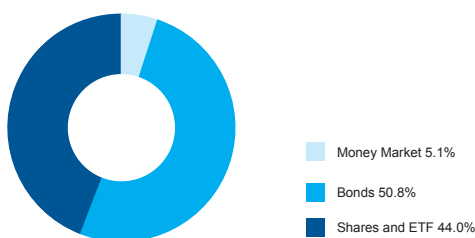
Development of the fund NAV (CZK million)



Portfolio as at 31 December 2015



Portfolio as at 31 December 2014



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	7,477	17,559
Of which: a) On demand: aa) Current accounts	02	7,477	12,354
ab) Term deposits	03		5,010
ad) margin accounts	05		195
5 Debt securities	10	74,643	88,009
Of which: a) Issued by the government	11	64,793	72,218
b) Issued by other institutions	12	9,850	15,791
6 Shares, participation certificates and other holdings	13	64,263	169,314
11 Other assets	15	1,178	2,104
a) Financial derivatives	16		1,996
d) Other assets	19	1,178	108
Total Assets	23	147,561	276,986
4 Other liabilities	30	3,238	1,637
a) Financial derivatives	31	1,161	550
c) Liabilities from taxes	33	113	24
d) Other liabilities	34	1,964	1,063
5 Accrued liabilities and deferred income	36		1,110
10 Reserve funds and other funds created from profit	42	3	2,821
12 Capital funds	43	141,502	274,114
15 Profit or loss for the accounting period	49	2,818	(2,696)
Total Liabilities	50	147,561	276,986
Of which: Equity	51	144,323	274,239
Off Balance Sheet Accounts	52		
4 Amounts due from fixed term transactions	54	54,824	139,475
b) With currency instruments	56	54,824	139,475
8 Values provided for management	62	137,745	263,779
a) Securities	63	138,906	257,323
b) Other values	64	(1,161)	6,456
12 Amounts owed from fixed term transactions	67	55,985	138,029
b) With currency instruments	69	55,985	138,029

Prepared on 20 April 2016.

Income Statement

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
1 Interest income and similar income	01	299	1 023
Of which: a) Interest income from bonds	02	253	989
3 Income from shares and holdings	08	276	2,669
5 Fees and commissions expense	09		2,586
a) Management fee	10		1,664
b) Performance fee	11		922
6 Profit or loss on financial operations	13	2,370	(3,794)
a) Profit or loss on transactions with securities	14	4,632	(1,115)
b) Profit or loss from FX differences	15	65	324
c) Profit or loss from fixed term transactions and options	16	(2,327)	(2,777)
d) Profit or loss from other financial operations	17		(226)
8 Other operating expenses	19	7	8
19 Ordinary profit or loss for the accounting period before tax	26	2,938	(2,696)
23 Income tax	30	120	
24 Profit or loss for the accounting period after tax	31	2,818	(2,696)

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation And Description of Business

Incorporation and Description of the Business

Dynamický účastnický fond doplňkového penzijního spoření se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“the Fund” or “Dynamic Participation Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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 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. was dissolved and Česká spořitelna – penzijní společnost, a. s. and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“Transformed Fund”) were incorporated. The incorporation of the companies took effect as at 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. 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.

Pursuant to the classification which is binding for the members of The Association of Pension Funds of the Czech Republic (“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.
Prague 4, Poláčkova 1976/2

Principal Business

ČS penzijní společnost 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 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 invested 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 risk are actively managed; the unhedged investments denominated in foreign currencies can form maximum 50% of the value of the participation 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 Fund is not permitted to invest in investment securities issued by ČS penzijní společnost, which manages the Fund, or by any entity belonging to the same group.

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 participation 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 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. The Participation fund's assets that are not secured against currency risk cannot represent more than 50% 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 Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from ČS penzijní společnost's management of the participation fund's assets, the reinvestment fund created from the 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 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 Fund may accept a bank loan or another loan with maturity not exceeding six months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, Section 3, paragraph 46.

The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

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

The terms and conditions are stipulated in the Fund's Statute and in the Section 108 of the Act on Supplementary Pension Savings.

Pursuant to Section 36(2) of the Act, ČS penzijní společnost is required to establish a dynamic participation 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. ČS penzijní společnost must have at least 10 thousand participants upon the expiration of a period of 24 months from the date when the authorization to establish a Dynamic Participation Fund was granted. The value of the participation fund's assets managed by the pension company must reach at least CZK 50 million after the expiry of 24 months from the approval to form the participation fund.

The Fund's Statute and Management Fees

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

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

- a) information concerning the manner of investing the fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the 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, and
- e) other information required by implementing regulations.

The Fund's Statute approved by the Czech National Bank is binding for ČS penzijní společnost.

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

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

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

Any and all expenses owing to third parties by the pension company 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 the pension company 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, and
- 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 participation 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 annual 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 Fund, multiplied by the average annual number of pension units in the relevant period.

The pension company is not entitled to the fee pursuant to paragraph b) above if the average annual value of the 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 Fund.

The average value of a 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

In 2015, there was a change in the Fund's Statute as at 12 June 2015.

Changes covered adjustments of investment limits against the single emitent in the portfolio and listing of basic economic characteristics of the most common operations with financial derivatives. Changes in statute were approved by the CNB.

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.

In 2014, there were no changes made in the Fund's Statute.

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

Board of Directors

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

Supervisory Board

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of the Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed as a new Member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčková, Ing. Pavel Matějčiček and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

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, and notes to the financial statements.

The presentation of the financial statements requires that the Fund 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 Ac No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. The Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment has been replaced by Government Decree No 243/2013 Coll., of 31 July 2013 on investment funds' investment activities and administration techniques.

In the Fund's bookkeeping, 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 Act No. 240/2013 Coll. securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act.

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% to 125%.

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

An amendment to Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund – retirement benefit schemes, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 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

case that 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 pension 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 2015 as well as in 2014.

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 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 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.

Currency risk was insignificant for the Fund in 2015 as well as in 2014. The quantitative information about interest risk is given in Note 5.16.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks in 2015:

	Average VaR	31 Dec 2015
Global VaR	0.89%	1.19%
Foreign currency VaR	0.06%	0.27%
Interest rate VaR	0.06%	0.11%
Equity VaR	0.91%	1.23%

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks in 2014:

	Average VaR	31 Dec 2014
Global VaR	0.94%	0.76%
Foreign currency VaR	0.06%	0.06%
Interest rate VaR	0.06%	0.06%
Equity VaR	0.75%	0.75%

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

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.

Participant's funds will cover the following benefits:

- retirement pension benefits paid for a specified period,
- disability pension benefits paid for a specified period,
- one-off settlement,
- surrender values,
- single premiums – whole life, or
- 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 f) of the Act are required to be paid by ČS penzijní společnost 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.

The pension company 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, the pension company 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, the pension company 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 ČS penzijní společnost 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, ČS penzijní společnost may reduce the number of installments to one annually.

Single Premiums – Whole Life and Variable Life

ČS penzijní společnost 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.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.17.

5. Additional Information on the Financial Statements

5.1 Receivables from Banks

Receivables from banks	31 Dec 2014	31 Dec 2015
Current accounts	7,477	12,354
Term deposits	0	5,010
Margin accounts	0	195
Total	7,477	17,559

Balances on current accounts are payable on demand.

5.2 Securities

All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges.

Debt securities	31 Dec 2014	31 Dec 2015
Acquisition cost	74,086	87,303
Market revaluation	485	274
Aliquot interest income	72	432
Total	74,643	88,009

Shares, participation certificates	31 Dec 2014	31 Dec 2015
Acquisition cost	61,576	174,059
Market revaluation	2,687	4,745
Aliquot interest income	0	0
Total	64,263	169,314

The proportion of debt securities due within 1 year was 26.31% in 2015 (2014: 0%).

The proportion of debt securities due in more than 1 year with a fixed coupon was 62.25% and with a variable coupon 11.44% in 2015 (2014: 42.04% and 57.96%, respectively).

5.3 Other Assets

Other assets	31 Dec 2014	31 Dec 2015
Derivatives	0	1,996
Foreign dividends	0	72
Estimated state contribution	1,049	0
Estimated foreign dividends	16	3
Estimated payments for holding PC with pension funds	113	33
Total	1,178	2,104

As at 31 December 2014, the balance of 'Estimated state contribution' comprised an estimate of state contribution of CZK 1,049 thousand. In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund's current account.

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 2015, the value of a pension unit was CZK 1.0608 (2014: CZK 1.0720) 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.

The 2015 loss of CZK 2,696 thousand will be compensated by the reinvestment fund that is part of 'other funds created from profit'.

In compliance with the Statute, the 2014 profit of CZK 2,818 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 (CZK ths.)
Balance at 1 January 2014	7,798,674	7,809
Pension units sold	128,460,297	136,489
Pension units purchased	(2,937,811)	(2,796)
Balance at 31 December 2014	133,321,160	141,502
Pension units sold	134,129,510	146,514
Pension units purchased	(12,681,839)	(13,902)
Balance at 31 December 2015	254,768,831	274,114

5.6 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Liabilities from contributions by Pension Insurance scheme participants	139	314
Liability from deduction of pension units	776	489
Settlement with state budget	113	24
Liability – state contribution	1,049	0
Liability – VÚ	0	120
Derivatives	1,161	550
Other domestic liabilities	0	140
Total	3,238	1,637

‘Liabilities from contributions by Pension Insurance scheme participants’ represent invested funds prior to their matching against the book of pension units.

Deduction of pension units represents the Fund’s liability from purchased pension units deducted from the book of pension units.

In 2014, ‘Liability – state contribution’ represented the estimated amount of state contribution. After the amount was credited to the Fund’s account, the contribution was credited to Pension Savings participants as part of the matching against the book of pension units.

In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund’s current account.

5.7 Accrued Liabilities and Deferred Income

Accrued liabilities consist of the unbilled management fee – December 2015 of CZK 187 thousand (2014: CZK 0 thousand) and performance fee for 2015 of CZK 922 thousand (2014: CZK 0 thousand).

5.8 Financial Derivatives Designated as Trading Derivatives

Fair value of the derivatives:

	31 Dec 2014		31 Dec 2015	
	Positive	Negative	Positive	Negative
Currency swaps	0	1,161	1,996	550
Total	0	1,161	1,996	550

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

Receivables and payables from fixed term transactions at fair values of underlying instruments from the off-balance sheet account:

	31 Dec 2014		31 Dec 2015	
	Asset	Liability	Asset	Liability
Currency swaps	54,824	55,985	0	0
	0	0	139,475	138,029
Total	54,824	55,985	139,475	138,029

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

5.9 Interest Income

Income	31 Dec 2014	31 Dec 2015
Interest on bank deposits	46	34
Interest on debt securities	253	989
Interest on term deposits	0	0
Total	299	1,023

5.10 Income from Shares and Interests

Income	31 Dec 2014	31 Dec 2015
Dividends from shares and PC – foreign	260	2,666
Uncollected foreign dividends	16	3
Total	276	2,669

5.11 Management Fee, Performance Fee and Depository's Fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to ČS penzijní společnost by the Fund amounts to 0.8% of the average annual value of the Fund's equity. The performance fee amounts to 10% 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 ČS penzijní společnost, the 2014 management fee was CZK 0 (a fee holiday, see the Price List). The depository's fee is included in the management fee.

5.12 Profit or Loss from Financial Operations

	2014	2015
Profit or loss from securities designated at fair value through profit or loss	4,632	(1,115)
Profit or loss from FX differences	65	324
Profit or loss from futures, forwards, swaps and options	(2,327)	(2,777)
Total	2,370	(3,568)

'Profit or loss from securities designated at fair value through profit or loss' represents the daily revaluation of securities 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.

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

These accounts served to record e. g. settlement of hedges differences.

5.13 Other Operating Income and Expenses

	2014	2015
Other operating income	0	0
Other operating expenses	7	8

Other operating expenses serve to record subsidies for policies, which lack funds for payment due to movements in rates. The most common case involves termination of the policy from the inception as the payment shall be made at the nominal value of invested funds and credited state contributions.

5.14 Income Tax

The principal income tax components are as follows:

	2014	2015
Tax due – current year	120	0
Total income tax	120	0

Current income tax – analysis:

	2014	2015
Profit/(Loss) before tax	2,938	(2,696)
Items to add	0	317
Deductible items	529	0
Tax base	2,409	0
Tax on tax base	120	0
Total tax	120	0

An amendment to Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes income from which tax is withheld at a special tax rate (exempt dividend income from domestic shares).

In 2014, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes tax-exempt interest and dividend income.

Deferred tax

As at 31 December 2015, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2014, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

5.15 Related Party Transactions

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

Receivables from related parties	31 Dec 2014	31 Dec 2015
Estimated state contribution – ČS penzijní společnost	1,049	0
Total	1,049	0
Payables to related parties		
Unbilled performance fee	0	922
Unbilled management fee	0	187
Total	0	1,109

The state contribution for 2014 was obtained from the pension company by the Fund.

In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund's current account.

The related party costs recorded in the Fund's accounting records amounted to CZK 2,586 thousand in 2015. The costs include the ČS penzijní společnost management fee of CZK 1,664 thousand and the ČS penzijní společnost performance fee of CZK 922 thousand.

No related party costs were recorded in the Fund's accounting records in 2014.

5.16 Interest Rate 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.

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	No interest	Total
Receivables from banks	17,559	0	0	0	0	17,559
Debt securities	0	23,154	23,521	41,334	0	88,009
Shares, participation certificates	0	0	0	0	169,314	169,314
Other assets	1,996	0	0	0	108	2,104
Total assets	19,555	23,154	23,521	41,334	169,422	276,986
Liabilities						
Other liabilities	(1,660)	(24)	0	0	(1,063)	(2,747)
Net assets	17,895	23,130	23,521	41,334	168,359	274,239

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	No interest	Total
Receivables from banks	7,477	0	0	0	0	7,477
Debt securities	0	0	67,821	6,822	0	74,643
Shares, participation certificates	0	0	0	0	64,263	64,263
Other assets	0	0	0	0	1,178	1,178
Total assets	7,477	0	67,821	6,822	65,441	147,561
Liabilities						
Other liabilities	(1,161)	(113)	0	0	(1,964)	(3,238)
Net assets	6,316	(113)	67,821	6,822	63,477	144,323

5.17 Liquidity

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

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	17,559	0	0	0	0	17,559
Debt securities	0	23,154	23,521	41,334	0	88,009
Shares, participation certificates	0	0	0	0	169,314	169,314
Other assets	1,996	0	0	0	108	2,104
Total assets	19,555	23,154	23,521	41,334	169,422	276,986
Liabilities						
Other liabilities	(2,723)	(24)	0	0	0	(1,637)
Net assets	16,832	23,130	23,521	41,334	169,422	274,239

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	7,477	0	0	0	0	7,477
Debt securities	0	0	67,821	6,822	0	74,643
Shares, participation certificates	0	0	0	0	64,263	64,263
Other assets	1,178	0	0	0	0	1,178
Total assets	8,655	0	67,821	6,822	64,263	147,561
Liabilities						
Other liabilities	(3,125)	(113)	0	0	0	(3,238)
Net assets	5,530	(113)	67,821	6,822	64,263	144,323

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.

5.18 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).

5.19 Contingent Assets and Liabilities

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

5.20 Subsequent Events

On 1 January 2016, Act No. 377/2015 Coll., amending certain acts in connection with the adoption of the Act on Termination of Pension Savings, came into force. Among the most significant amendments is the availability of the Supplementary Pension Savings scheme to minors, entitlement to already receive or draw the old-age pension upon reaching 60 years of age, as well as further arrangements pertaining to investments of management and performance fees. In January 2016, the participation funds' Statutes were harmonised with the amendment to the above Act. The changes to the Statute were approved by the Czech National Bank on 14 January 2016 and came into force on 1 February 2016. The changes relate to adjustments of limits when investing in exchange-traded funds (ETF). As for the dynamic fund, the maximum management fee increases from 0.8% to 1% and the maximum performance fee from 10% to 15% in accordance with the aforementioned Act.

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Annual Report of Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s.

Basic Information

The Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“Transformed Fund”) Providing Pension Insurance and establishment of the Transformed Fund was permitted by The Czech National Bank (CNB) on 3 September 2012 with an effective date of 1 January 2013.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a. s., IN: 45244782.

Fund Characteristics

The purpose of the investment strategy is to provide participants with constant long-term appreciation of their savings accumulated in the Transformed Fund and invested in order to cover all legal claims on benefits of Pension Insurance. The investment strategy ensures liquidity and considers payments of Pension Insurance benefits at the period set by law or pension plan. Savings accumulated in the Transformed Fund of ČS penzijní společnost must be invested with professional diligence in order to ensure the low-risk, quality, liquidity and profitability of the portfolio.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is senior portfolio manager of the fund having work experience in area of investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage license. Ing. Tomas Kroužel is the first substituting portfolio manager having work experience in the areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and

a graduate of the CFA Institute having work experience in the areas of investments and asset management since 2000.

Custody and Safekeeping

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

Fees and Charges

The management fee of the Transformed Fund is 0.6% per annum of the average annual value of Total Assets.

The performance fee of the Transformed Fund is 15% of the profit reported in the financial statements of Transformed Fund.

Fees and charges are regulated by Supplementary Pension Savings law no. 427/2011 Coll., Section 192 Fees and Charges.

For more information, contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

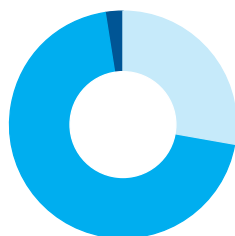
Top holdings exceeding 1% of the portfolio as at 31 December 2015

ISIN	Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	Bond	CZK	7,025,470	7,092,497	11.6%
XS0836299320	ERSTE GROUP BANK 6.375 03/28/23	Bond	USD	3,981,343	5,093,002	8.3%
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	Bond	CZK	2,824,750	2,846,808	4.7%
CZ0001003859	GOVERNMENT BOND 2.5 08/25/28	Bond	CZK	2,766,278	2,766,278	4.5%
CZ0001002547	GOVERNMENT BOND 5.7 05/25/24	Bond	CZK	2,740,108	2,740,108	4.5%
CZ0001001796	GOVERNMENT BOND 4.2 12/04/36	Bond	CZK	2,613,476	2,613,476	4.3%
CZ0001004253	GOVERNMENT BOND 2.4 09/17/25	Bond	CZK	1,787,351	1,787,351	2.9%
CZ0001001945	GOVERNMENT BOND 4.7 09/12/22	Bond	CZK	1,596,826	1,596,826	2.6%
CZ0001002851	GOVERNMENT BOND 3.85 09/29/21	Bond	CZK	1,001,872	1,001,872	1.6%
US912828J272	US TREASURY 2 02/15/25	Bond	USD	1,032,863	998,692	1.6%
XS0782720402	SLOVAKIA GOVT 4.375 05/21/22 USD	Bond	USD	856,103	993,942	1.6%
CZ0001004477	GOVERNMENT BOND 0.95 05/15/30	Bond	CZK	987,946	987,946	1.6%
US912828XB14	US TREASURY 2.125 05/15/25	Bond	USD	974,978	980,238	1.6%
US857524AA08	POLAND GOVERN. 5.125 04/21/21	Bond	USD	945,142	941,036	1.5%
FR0012517027	FRANCE GOVT 0.5 05/25/25	Bond	EUR	958,906	911,776	1.5%
CZ0001002471	GOVERNMENT BOND 5 04/11/19	Bond	CZK	852,772	852,772	1.4%
XS1183621876	BARCLAYS BANK PLC STR 04/17/20	Investment certificate	USD	744,549	771,516	1.3%
XS0792803131	CESKA EXP. BANKA VAR 06/14/18	Bond	CZK	700,000	718,970	1.2%
XS0260783005	ERSTE BANK VAR 07/19/17	Bond	EUR	656,751	692,333	1.1%
FR0011883966	FRANCE GOVT 2.5 05/25/30	Bond	EUR	675,531	666,797	1.1%
CZ0001001317	GOVERNMENT BOND 3.75 09/12/20	Bond	CZK	639,112	639,112	1.0%

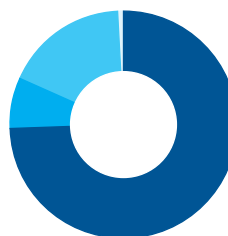
Total Assets as at 31 December 2015

Name	Value		
	2013	2014	2015
Total Assets in thousands CZK	51,204,185	57,098,419	61,448,586

Portfolio as at 31 December 2015

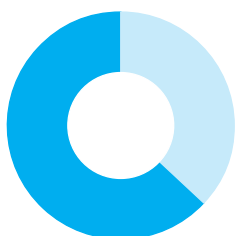


Money Market 27.8%
Bonds 69.7%
Other 2.5%

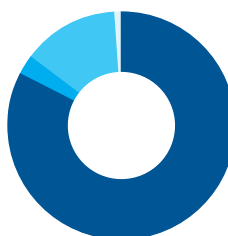


CZK 74.6%
EUR 7.3%
USD 17.3%
Other 0.8%

Portfolio as at 31 December 2014



Money Market 37.0%
Bonds 63.0%



CZK 82.6%
EUR 2.7%
USD 13.7%
Other 1.0%

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	20,891,922	16,992,108
Of which: a) On demand: aa) Current accounts	02	2,360,689	2,867,649
ab) Term deposits	03	2,512,835	4,115,679
ac) Repo operations	04	16,018,398	9,699,030
ae) Composite margins	06		309,750
5 Debt securities	10	35,831,885	44,429,801
Of which: a) Issued by the government	11	29,183,214	34,392,276
b) Issued by other institutions	12	6,648,671	8,509,329
c) Certificates	13		1,528,196
11 Other assets	16	374,612	26,677
a) Financial derivatives	17	6,439	9,064
d) Other assets	20	368,173	17,613
Total Assets	23	57,098,419	61,448,586
4 Other liabilities	30	56,051,733	60,486,851
a) Financial derivatives	31	285,889	96,694
c) Liabilities from taxes	33	6,055	6,009
d) Other liabilities	34	55,756,809	60,384,148
e) Deferred tax liability	35	2,980	
5 Accrued liabilities and deferred income	36	159,491	117,516
6 Provisions	37	46,716	51,390
13 Gains or losses from revaluation	44	100,995	303,658
Of which: a) Of assets and liabilities	45	100,995	303,658
15 Profit or loss for the accounting period	49	739,484	489,171
Total Liabilities	50	57,098,419	61,448,586
Of which: Equity	51	840,479	792,829
Off Balance Sheet Accounts	52		
4 Amounts due from fixed term transactions	54	9,860,579	13,156,728
a) With interest instruments	55	450,000	450,000
b) With currency instruments	56	9,410,579	12,706,728
8 Values provided for management	62	38,065,271	48,457,850
a) Securities	63	35,831,885	44,429,801
b) Other values	64	2,233,385	4,028,049
10 Received collaterals	66	16,019,673	9,700,000
12 Amounts owed from fixed term transactions	67	10,140,029	13,244,358
a) With interest instruments	68	499,875	488,048
b) With currency instruments	69	9,640,154	12,756,310

Prepared on 20 April 2016.

Income Statement

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
1 Interest income and similar income	01	889,190	982,982
Of which: a) Interest income from bonds	02	866,029	961,790
b) Interest from repo operations	03	274	113
d) Interest of the composite margin	05		3
2 Interest expense and other similar expense	06	18,610	2,642
3 Income from shares and holdings	08	22,000	
5 Fees and commissions expense	09	455,186	440,961
a) Management fee	10	324,636	354,637
c) Fee from profit	12	130,550	86,324
6 Profit or loss on financial operations	13	261,802	(83,754)
a) Profit or loss on transactions with securities	14	302,294	278,590
b) Profit or loss from FX differences	15	714,849	229,672
c) Profit or loss from fixed term transactions and options	16	(755,341)	(592,016)
7 Other operating income	17	50,932	43,145
8 Other operating expenses	18	4,762	2,590
17 Additions to and use of other provisions	24	6,191	4,674
19 Ordinary profit or loss for the accounting period before tax	25	739,175	491,506
23 Income tax	29	(309)	2,335
24 Profit or loss for the accounting period after tax	30	739,484	489,171

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation and Description of Business

Incorporation and Description of the Business

Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“the Fund” or “Transformed Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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. was dissolved and Česká spořitelna – penzijní společnost, a. s. and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“Transformed Fund”) were incorporated. The incorporation of the companies took effect as at 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 Transformed 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.
Prague 4, Poláčkova 1976/2

Principal Business

ČS penzijní společnost collects funds from supplementary Pension Insurance scheme participants (hereinafter “the Participant”) and state contributions made for 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 by 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 from the Transformed Fund within the deadlines stipulated by law and the corresponding pension plan.

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

ČS penzijní společnost 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 be used exclusively 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 represents liabilities to supplementary Pension Insurance participants,
- b) increasing the fair value of these assets.

The Fund’s portfolio particularly is comprised of (or may be comprised of) treasury bills, money market funds, bonds, bond funds, bond indices, shares, share indices, share funds, real estates, commodities, commodity funds, hedge funds, hedge fund funds, and investment certificates. The Fund may invest in securities in compliance with Section 100 of the Act.

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 ČS penzijní společnost’s 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 Transformed 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 ČS penzijní společnost 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 Transformed 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 as the difference between income and expenses connected with the management of the Fund's assets.

ČS penzijní společnost 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 ČS penzijní společnost from the Transformed Fund's assets. If the Transformed Fund's assets are not sufficient to satisfy the above liabilities, ČS penzijní společnost shall satisfy the same from its other assets.

If the Transformed Fund's liabilities exceed the Fund's assets, ČS penzijní společnost is obliged to transfer the assets necessary to compensate the difference to the Fund 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, ČS penzijní společnost 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. ČS penzijní společnost must not manage the Transformed Fund's assets in a manner that would contradict the interests of the Participants.

ČS penzijní společnost 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. ČS penzijní společnost 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 six months. The aggregate of all received 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 ČS penzijní společnost. The information stipulated in the Fund's Statute must be regularly updated.

The pension company 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 the pension company and published in the Price List.

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 the pension company 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 the pension company 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 the pension company 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

In 2015, a change was made to the Fund's Statute as at 13 April 2015.

The modified Statute was approved by the General Meeting on 13 April 2015 and came into force the same day. The change involved the addition of a typical representative of alternative investments and did not require the approval of the Czech National Bank; it was presented to CNB as at 22 June 2015.

The change involved completing the list of typical representatives of alternative investments.

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.

In 2014, there was a change to the Fund's Statute as at 31 March 2014.

On 31 March 2014, the change in the Statute of the Fund was approved by the Czech National Bank.

As a result of the change in the Statute concerning the classification of investment portfolio (Article 4, paragraph 4), the Fund became – in a transparent manner vis-à-vis its participants – a conservative fund focused primarily on investing in quality debt securities with high ratings.

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.

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

Board of Directors

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

Supervisory Board

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of the Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed a new Member of the Supervisory Board as of 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčková, Ing. Pavel Matějčíček and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

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, and notes to the financial statements.

The presentation of the financial statements requires that the pension 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 held to maturity, securities available for sale and securities valued at fair value against expense or revenue accounts.

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 equity securities 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 principal 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.

Impairment pertaining to debt securities shall be classified as permanent in the following cases:

- Issuer in default with payments of principal, coupons;
- It is very likely that the issuer will not meet the issue obligations.

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.

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 favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Act, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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.

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.

During the accounting period, securities valued at fair value against expense or revenue accounts are re-measured at fair value on a daily basis pursuant to the Act No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. The Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment has been replaced by Government Decree No 243/2013 Coll., of 31 July 2013 on investment funds’ investment activities and administration techniques.

In the Fund’s bookkeeping, 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 favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Act No. 240/2013 Coll. securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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.

Reverse Repurchase Transactions

Bonds or equity securities received as a security for a provided a 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% to 125%.

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.

State Contribution

As at 31 December 2015, the state contribution was not accounted for.

Currently, the entitlement to state contribution is not recorded in the form of an estimated item but recognized at the date the contribution is actually received to the Fund's current account.

As at 31 December 2014, the state contribution was recorded on an accrual basis, i. e. on the date on which the participant's entitlement to state contribution arose.

Income Tax

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund – retirement benefit schemes, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to the Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 decreased by 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 mean, in particular, 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 Fund 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 as at the date of 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 case that 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 pension 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 Pension 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:

	Average VaR	As at 31 Dec 2015
Global VaR	0.37%	0.36%
Foreign currency VaR	0.02%	0.03%
Interest rate VaR	0.26%	0.26%
Equity VaR	0.00%	0.02%

	Average VaR	As at 31 Dec 2014
Global VaR	0.30%	0.32%
Foreign currency VaR	0.00%	0.00%
Interest rate VaR	0.23%	0.23%
Equity VaR	0.00%	0.00%

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

The Fund monitors Value at Risk globally as well as broken down into 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 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.

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 5.18.

5. Additional Information on the Financial Statements

5.1 Receivables from Banks

Receivables from banks	31 Dec 2014	31 Dec 2015
Current accounts	2,360,689	2,867,649
Term deposits	2,512,835	4,115,679
Repo operations	16,018,398	9,699,030
Margins	0	309,750
Total	20,891,922	16,992,108

Balances on current accounts are payable 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 2014	31 Dec 2015
Acquisition cost	0	0
Market revaluation	0	0
Total	0	0

Debt securities held for sale (AFS)	31 Dec 2014	31 Dec 2015
Acquisition cost	20,978,951	24,284,177
Market revaluation (gains and losses)	160,759	336,292
Market revaluation (profit and loss account)	732,710	999,480
Aliquot interest income	131,003	175,607
Interest income	(64,521)	(190,384)
Total	21,938,902	25,605,172

The proportion of debt securities due within 1 year in the total volume of debt securities was 28.29% in 2015 (2014: 43.92%).

The proportion of debt securities due in more than 1 year with a variable coupon in the total volume of debt securities was 21.68% in 2015 (2014: 29.63%).

The proportion of debt securities due in more than 1 year with a fixed coupon was 50.03% in 2015 (2014: 26.45%).

Debt securities held to maturity (HTM)	31 Dec 2014	31 Dec 2015
Acquisition cost	13,885,872	17,415,532
Market revaluation from FX differences (profit and loss account)	0	(42,905)
Aliquot interest income	220,135	224,135
Interest income	(213,024)	(300,329)
Total	13,892,983	17,296,433

The proportion of debt securities due within 1 year in the total volume of debt securities was 0.00% in 2015 (2014: 20.29%).

The proportion of debt securities due in more than 1 year with a fixed coupon was 100.00% in 2015 (2014: 79.71%).

Debt securities (certificates) measured at fair value (FV)

Debt securities (certificates) measured at fair value (FV)	31 Dec 2014	31 Dec 2015
Acquisition cost	0	1,489,538
Market revaluation (profit and loss account)	0	38,658
Total	0	1,528,196

The proportion of debt securities (certificates) due in more than 1 year with a fixed coupon was 100% in 2015 (2014: 0.00%).

5.3 Other Assets

Other assets	31 Dec 2014	31 Dec 2015
Receivables – domestic coupons	12,554	17,613
Positive fair values of financial derivatives	6,439	9,064
Unbilled revenue – state contribution	355,319	0
Unbilled revenue – loyalty bonus for PC	300	0
Total	374,612	26,677

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

As at 31 December 2014, the balance of 'Estimated state contribution' comprised an estimate of state contribution of CZK 355,319 thousand. In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund's current account.

5.4 Equity

The Fund has no registered capital.

The Fund's equity amounts to CZK 792,829 thousand (2014: CZK 840,479 thousand) and consists of profit and gains/losses on revaluation.

The 2015 profit of CZK 489,171 thousand will be distributed among the Participants of the Transformed Fund.

The 2014 profit of CZK 739,484 thousand was distributed among the Participants of the Transformed Fund.

Gains/losses on Revaluation of Assets	31 Dec 2014	31 Dec 2015
Gains/losses on revaluation of assets and liabilities	100,995	303,658
Total	100,995	303,658

5.5 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Negative fair values of financial derivatives	285,889	96,694
Liabilities to Pension Insurance scheme participants	55,756,809	60,354,028
Settlement with state budget	6,055	6,009
Deferred tax liability	2,980	0
Other liabilities	0	30,120
Total	56,051,733	60,486,851

The deferred tax liability consists of the deferred tax liability of CZK 0 thousand (2014: CZK 5,315 thousand) which is reduced by the deferred tax asset of CZK 0 thousand (2014: CZK 2,335 thousand). In 2014, the deferred tax liability arose from gains/losses on revaluation of securities valued using the AFS method.

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to the Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

In 2014, the deferred tax asset arose from the insurance technical reserve for liabilities under Pension Insurance policies.

5.6 Provisions

Provisions	Balance at 31 Dec 2014	Additions	Use	Balance at 31 Dec 2015
Insurance technical reserve for liabilities under Pension Insurance policies	46,716	4,674	0	51,390
Total	46,716	4,674	0	51,390

Provisions	Balance at 1 Jan 2014	Additions	Use	Balance at 31 Dec 2014
Insurance technical reserve for liabilities under Pension Insurance policies	40,525	6,191	0	46,716
Total	40,525	6,191	0	46,716

The pension company creates a provision for the payment of retirement benefits in compliance with the methods stipulated in Note 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 2015 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 management fee of CZK 31,192 thousand for December (2014: CZK 28,941 thousand) and the fee from profit of CZK 86,324 thousand (2014: CZK 130,550 thousand).

In 2014, accrued liabilities – fee from profit was recorded at 15% of profit in compliance with the Fund's Statute and is due to the pension company pursuant to the Act.

In 2015, the fee from profit was recorded as accrued liabilities of CZK 86,324 thousand due to the exactly known amount of the Fund's profit subject to an approval by ČS penzijní společnost (see Note 5.7).

5.8 Financial Derivatives Designated as Hedging Derivatives

Fair value of the derivatives:

	31 Dec 2014		31 Dec 2015	
	Positive	Negative	Positive	Negative
Currency swaps	6,439	236,014	9,064	58,646
Interest swaps	0	49,875	0	38,048
Total	6,439	285,889	9,064	96,694

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

Receivables and payables from fixed term transactions at fair values of underlying instruments from the off-balance sheet account:

	31 Dec 2014		31 Dec 2015	
	Asset	Liability	Asset	Liability
Currency swaps	9,410,579	9,640,154	12,706,728	12,756,310
Interest swaps	450,000	499,875	450,000	488,048
Total	9,860,579	10,140,029	13,156,728	13,244,358

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

5.9 Residual Maturity of Interest Rate Derivatives

2015

Interest rate derivatives at 31 December 2015	Nominal value		Fair value	
	Asset	Liability	Positive	Negative
Due in 1–5 years	450,000	488,048	0	38,048
Total	450,000	488,088	0	38,048

2014

Interest rate derivatives at 31 December 2014	Nominal value		Fair value	
	Asset	Liability	Positive	Negative
Due in 1–5 years	450,000	499,875	0	49,875
Total	450,000	499,875	0	49,875

5.10 Interest Income and Interest Expense

Income	2014	2015
Interest on bank deposits	6,127	766
Interest on term deposits	14,371	18,444
Interest on debt securities	866,029	961,790
Interest on margins	0	3
Interest on repo operations	274	113
Income from interest rate hedging derivatives	2,389	1,866
Total	889,190	982,982

Expenses	2014	2015
Interest on hedging derivatives	18,610	2,642
Total	18,610	2,642

5.11 Income from Shares and Interests

	2014	2015
Income from shares and interests – foreign dividends – AFS	22,000	0
Total	22,000	0

5.12 Fees and Commissions

	2014	2015
Management fee (flat fee)	324,636	354,637
Fee from profit	130,550	86,324
Total	455,186	440,961

In compliance with the Statute of the Fund, the management fee (“flat fee”) paid to ČS penzijní společnost by the Fund amounts to 0.6% of the average annual net asset value. The performance fee amounts to 15% of the profit recorded in the financial statements of the Fund. The depository’s fee is included in the management fee.

The management fee shall be reduced by the costs of purchase, sale and holding of the securities issued by the collective investment fund.

5.13 Profit or Loss from Financial Operations

	2014	2015
Profit or loss from securities transactions	302,294	278,590
Profit or loss from FX differences	714,849	229,672
Profit or loss from futures, forwards, swaps	(755,341)	(592,016)
Total	261,802	(83,754)

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

Profit or loss from fixed term transactions 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 FX gains or losses from the valuation of the shell and aliquot interest yield on AFS and HTM bonds (with the exception of gains and losses from securities transactions).

5.14 Other Operating Income and Expenses

Income	2014	2015
Settlement of account – due to participants	50,932	43,145
Total	50,932	43,145

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.

Expenses	2014	2015
Settlement of account – subsidies for payments to participants	4,762	2,590
Total	4,762	2,590

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

Expenses	2014	2015
Insurance technical reserve for liabilities under Pension Insurance policies	6,191	4,674
Total	6,191	4,674

5.16 Income Tax

The principal income tax components are as follows:

	2014	2015
Tax due – current year	0	0
Total income tax	0	0

Current income tax – analysis:

	2014	2015
Profit/(Loss) before tax	739,175	489,171
Items to add	220,501	160,596
Deductible items	1,050,998	0
Tax base	0	0
Tax on tax base	0	0
Total tax	0	0

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes income from which tax is withheld at a special tax rate (exempt dividend income from domestic shares).

In 2014, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes tax-exempt interest and dividend income.

Current tax expense reported in the 2015 income statement relates to the reversal of the deferred tax from 2014.

Deferred tax

Pursuant to the amendment of the Act No. 586/1992 Coll., effective from 1 January 2015, the applicable tax rate is 0% and thus no deferred tax was determined as at 31 December 2015.

In 2014, the Fund determined a deferred tax asset of CZK 309 thousand arising from the insurance technical reserve under the Pension Insurance policies; the total tax asset was CZK 2,335 thousand as at 31 December 2014.

As at 31 December 2014, the deferred tax asset arising from the tax loss for the current accounting period was not recorded due to the tax rate of 0% since 1 January 2015.

In compliance with the Income Taxes Act, it is possible to 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 tax loss from 2015 amounted to CZK 542,782 thousand (2014: CZK 91,322 thousand).

5.17 Related Party Transactions

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

Payables to related parties	31 Dec 2014	31 Dec 2015
Expenditures – management fee – ČS penzijní společnost	28,941	31,192
Expenditures – fee from profit – ČS penzijní společnost	130,550	86,324
Negative fair value of interest rate derivatives	49,875	38,048
Negative fair value of foreign currency derivatives	0	15,608
Total payables to related parties	209,366	171,172

The costs charged by ČS penzijní společnost amounted to CZK 440,961 thousand in 2015 (2014: CZK 455,186 thousand), i. e. the annual flat fee and performance fee – 15% of the Fund's profit.

Receivables from related parties	31 Dec 2014	31 Dec 2015
Estimated state contribution – ČS penzijní společnost	355,319	0
Unbilled revenue – loyalty bonus for PC	0	0
Term deposit with ČS	0	0
Positive fair value of foreign currency derivatives	0	9,064
Total receivables from related parties	355,319	9,064

As at 31 December 2014, the balance of 'Estimated state contribution' comprised an estimate of state contribution of CZK 355,319 thousand.

In 2015 the method of accounting for entitlement to the state contribution changed; the entitlement is no longer recorded in the form of an estimated item but recognized at the date the state contribution was actually received to the Fund's current account.

5.18 Liquidity

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

2015

Assets	Less than 3 months	3 month– 1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	16,992,108	0	0	0	0	16,992,108
Debt securities	0	7,097,186	10,144,063	25,660,356	0	42,901,605
Certificates	0	0	1,148,114	380,082	0	1,528,196
Shares and participation certificates	0	0	0	0	0	0
Prepaid expenses	0	0	0	0	0	0
Derivatives	9,064	0	0	0	0	9,064
Other assets	17,613	0	0	0	0	17,613
Total assets	17,018,785	7,097,186	11,292,177	26,040,438	0	61,448,586

Liabilities						
Other liabilities	(212,291)	0	(38,048)	0	(60,354,028)	(60,604,367)
Net assets	16,806,494	7,097,186	11,254,129	26,040,438	(60,354,028)	844,219
Available capital	(844,219)	0	0	0	0	(844,219)
Difference	15,962,275	7,097,186	11,254,129	26,040,438	(60,354,028)	0

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	20,891,922	0	0	0	0	20,891,922
Debt securities	0	651,188	16,061,047	19,119,650	0	35,831,885
Shares and participation certificates	0	0	0	0	0	0
Prepaid expenses	0	0	0	0	0	0
Derivatives	6,439	0	0	0	0	6,439
Other assets	368,173	0	0	0	0	368,173
Total assets	21,266,534	651,188	16,061,047	19,119,650	0	57,098,419

Liabilities						
Other liabilities	(404,540)	0	(49,875)	0	(55,756,809)	(56,211,224)
Net assets	20,861,994	651,188	16,011,172	19,119,650	(55,756,809)	887,195
Available capital	(887,195)	0	0	0	0	(887,195)
Difference	19,974,799	651,188	16,011,172	19,119,650	(55,756,809)	0

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 1 January 2016, the Act No. 377/2015 Coll., amending certain acts in connection with the adoption of the Act on Termination of Pension Savings, came into force.

In January 2016, the Transformed Fund's Statute was harmonised with the amendment of the above Act. The changes to the Statute were approved by the Czech National Bank on 14 January 2016 and came into force on 1 February 2016. The only change in the Statute of the Fund concerns the structure of management and performance fees. The maximum management fee changes from 0.6% to 0.8% and the maximum performance fee from 15% to 10% in accordance with the aforementioned Act.

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Annual Report of Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s.

Basic Information

Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s. (“Government Bond Pension Fund”) The establishment of the pension fund was permitted by The Czech National Bank (CNB) on 17 December 2012, reference number 2012/12421/570 with an effective date of 18 December 2012.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a.s., IN: 45244782.

Fund Characteristics

Investment into a Government Bond Pension Fund is appropriate for participants who are neither interested nor informed about the developments in capital markets and are simultaneously looking for a complex solution to their investments which are diversified in money markets and high-quality bond markets. The Government Bond Pension Fund is suitable for participants who prefer a fixed income and for lower intermediate investors with at least a one-year investment horizon. The purpose of the investment strategy is to provide participants with a long-term appreciation of their savings invested mostly into the instruments of money markets, government bonds and other highly-rated debt securities of international financial institutions. The interest rate risk is actively managed and investments which are denominated in foreign currencies are fully hedged.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is the senior portfolio manager of the fund having work experience in the areas of investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage license. Ing. Tomas Kroužel is the first substituting portfolio

manager having work experience in the areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and a graduate of the CFA Institute having work experience in area of investments and asset management since 2000.

Custody and Safekeeping

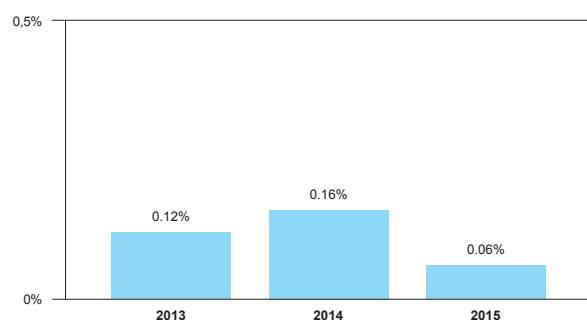
Komerční banka, a.s., registered office at Na Příkopě 33/969, 114 07 Praha 1, IČ: 45317054.

Fees and Charges

In 2015, Česká spořitelna – penzijní společnost did not charge a management fee nor a performance fee (fee holidays) at the expense of Government Bond Pension Fund. By decision of the Board, fees and charges will not be applied to any of the Pension Savings funds and saving is free of charge for our clients.

For more information contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

Historical performance of Government Bond Pension Fund

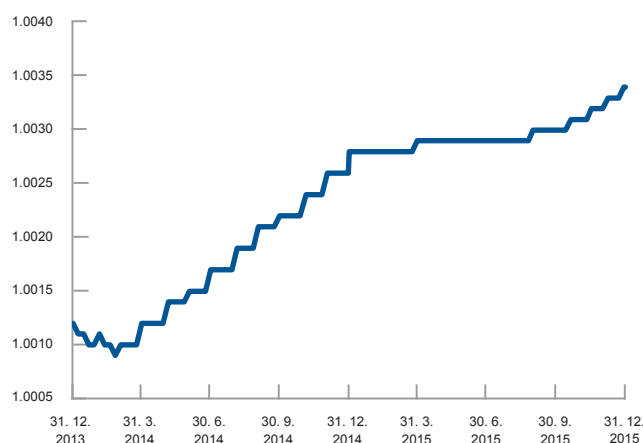
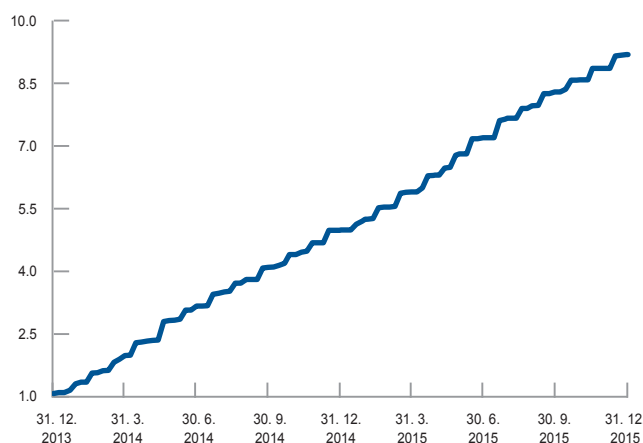
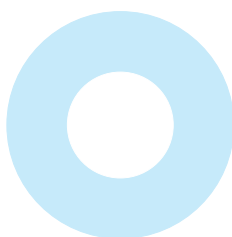


Net asset value and net asset value per pension unit as at 31 December 2015

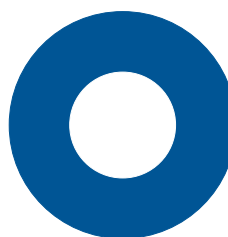
Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
Deposits	Money Market	CZK	9,203	9,203	100%

Net asset value and net asset value per pension unit

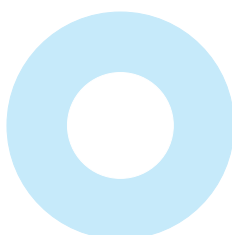
Name	Value		
	2013	2014	2015
NAV in thousands CZK	1,048	4,984	9,202
NAV per pension unit in CZK	1.0012	1.0028	1.0034

Development of pension unit**Development of the fund NAV (CZK million)****Portfolio as at 31 December 2015**

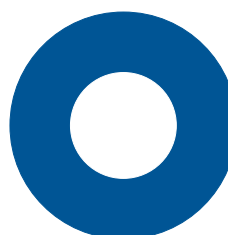
Money Market 100%



CZK 100%

Portfolio as at 31 December 2014

Money Market 100%



CZK 100%

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Emphasis of Matter

We draw attention to Note 1 and 2 in the financial statements of Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s., which indicate that in accordance with the Act No. 376/2015 Coll., on Termination of the Pension Savings Scheme, the approval to form pension funds expires on 30 June 2016. As at the approval expiry date, Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s., shall be wound up and enters into liquidation. For this reason, the financial statements have not been prepared assuming that Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s., will continue as a going concern. Our opinion is not qualified in respect of this matter.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	4,984	9,203
Of which: a) On demand: aa) Current accounts	02	4,984	1,399
ab) Term deposits	03		7,804
Total Assets	23	4,984	9,203
10 Reserve funds and other funds created from profit	42	1	7
12 Capital funds	43	4,977	9,191
15 Profit or loss for the accounting period	49	6	5
Total Liabilities	50	4,984	9,203
Of which: Equity	51	4,984	9,203
Off Balance Sheet Accounts	52		
8 Values provided for management	62		7,804
b) Other values	64		7,804

Prepared on 20 April 2016.

Income Statement

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
1 Interest income and similar income	01	7	5
5 Fees and commissions expense	09	1	
a) Management fee	10	1	
19 Ordinary profit or loss for the accounting period before tax	25	6	5
24 Profit or loss for the accounting period after tax	30	6	5

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation and Description of Business

Incorporation and Description of the Business

Důchodový fond státních dluhopisů důchodového spoření Česká spořitelna – penzijní společnost, a.s. (“the Fund” or “Government Bond Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a.s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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.

Termination of Pension Savings

On 10 December 2015, Act No. 376/2015 Coll., regarding the Termination of Pension Savings, was adopted and came into force on 1 January 2016. As a result, participants in the scheme will not have the option of saving 5% of their earnings into II. Pillar of the pension system through pension funds. Additionally, the aforementioned Act stipulates the methods of paying out of all accumulated contributions to the Pension Savings scheme participants as well as the subsequent termination of the pension funds. In the first quarter of 2016, the pension company shall inform all clients about the process of the pension funds’ termination and invite them to declare how their contributions shall be settled in accordance with the Act; all accumulated contributions will then be paid out to the participants during the fourth quarter of 2016 and the pension funds will cease to exist by the end of 2016 pursuant to the Act on Termination of Pension Savings.

The approval to form the pension funds expires as at 30 June 2016; as at the approval expiry date, the pension fund is wound up and enters into liquidation.

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. was dissolved and Česká spořitelna – penzijní společnost, a.s. and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (“Transformed Fund”) were incorporated. The

incorporation of the companies took effect as at 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 Association of Pension Funds of the Czech Republic (“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.
Prague 4, Poláčkova 1976/2

Principal Business

The pension company collects funds for the Pension Fund from the following sources:

- parts of income from insurance premiums assignable to participants and transferred to the account that serves for the 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 and the period for which the Fund has been formed have been restricted due to the foreseen termination of the Pension Savings funds as described above.

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, the investments denominated in foreign currencies are fully hedged.

The Fund's portfolio particularly is comprised of (or may be comprised of) 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 the 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 can use financial derivatives to hedge the interest and currency risks.

The 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 ČS penzijní společnost'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.

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 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.

The Fund may accept a bank loan or another loan with maturity not exceeding six months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, Section 3, paragraph 21. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

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

The terms and conditions are stipulated in the Fund's Statute and in the Section 57 of the Act on Pension Savings.

Pursuant to Section 29(2), the equity of the pension company 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 the pension company.

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 fund,
- b) other information necessary for a participant to correctly and accurately assess the decision to place his/her funds in the fund,
- c) explanation of the risks connected with Pension Savings,
- d) periods and deadlines for the valuation of assets and liabilities pursuant to Section 63 of the Act, and
- e) other information required by implemented regulations.

The Fund's Statute is approved by the Czech National Bank; the Statute is binding for ČS penzijní společnost.

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

The pension company is entitled to a fee from the Fund's assets; 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 the pension company 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 the pension company 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 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 a fund.

Change in the Fund's Statute

There were no changes to the Fund's Statute in 2015.

The Statute wording is available on the website and in the office of the ČS penzijní společnost and then at each branch of Česká spořitelna.

No changes were made to the Fund's Statute in 2014.

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

Board of Directors

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

Supervisory Board

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of the Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed a new member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčková, Ing. Pavel Matějčík and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

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 the 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 are 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, and the prudence concept.

On 10 December 2015, the Act No. 376/2015 Coll., on the Termination of Pension Savings, was adopted and came into force on 1 January 2016; as a result, participants in the scheme will not have an option of saving 5% of their earnings into II. Pillar of the pension system through pension funds (see Note 1 for more information).

Consequently, the Fund will not continue as a going concern. However, no revaluation nor classification of closing balances adjustments, which could result from this fact, were necessary based on the accounting policies applied and the ensuing valuation method.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, and notes to the financial statements.

The presentation of the financial statements requires that the Fund 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 Act No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. The Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment has been replaced by Government Decree No 243/2013 Coll., of 31 July 2013 on investment funds' investment activities and administration techniques.

In the Fund's bookkeeping, 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 Act No. 240/2013 Coll. securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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.

Income Tax

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund – retirement benefit schemes, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to the Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 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 case that 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 pension 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 2015, as well as in 2014.

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 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 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 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 2015 as well as in 2014.

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.

Pursuant to the Act, the pension company 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.

The pension company 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 Dec 2014	31 Dec 2015
Current accounts	4,984	1,399
Term deposits	0	7,804
Total	4,984	9,203

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 2015, the value of a pension unit was CZK 1.0034 (2014: CZK 1.0028) 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 2015 profit of CZK 5 thousand will be transferred to the reinvestment fund which is part of 'other funds created from profit'.

In compliance with the Statute, the 2014 profit of CZK 6 thousand was transferred to the reinvestment fund which is part of 'other funds created from profit'.

5.3 Changes in Capital Fund

	Number of pension units (items)	Total capital funds (CZK ths.)
Balance at 1 January 2014	1,047,172	1,048
Pension units sold	3,939,100	3,945
Pension units purchased	(16,115)	(16)
Balance at 31 December 2014	4,970,157	4,977
Pension units sold	4,202,449	4,215
Pension units purchased	(974)	(1)
Balance at 31 December 2015	9,171,632	9,191

5.4 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Liabilities from contributions by Pension Insurance scheme participants	0	0
Total	0	0

'Liabilities from contributions by Pension Insurance scheme participants' represent invested funds prior to their matching against the book of pension units.

5.5 Interest Income

Income	2014	2015
Interest on bank deposits	7	5
Total	7	5

5.6 Management fee and depository's fee

In compliance with the Statute of the Fund, the management fee ("flat fee") paid to ČS penzijní společnost by the Fund amounts to 0.3% of the average annual value of the Fund's equity. In the period from 1 January 2014 to 31 March 2014, the management fee totaled CZK 1 thousand. Pursuant to the decision of the Board of Directors of the pension company, no management fee was charged for the period from 1 April 2014 to 31 December 2014 due to the foreseen termination of Pension Savings funds and decrease in rates caused by the fee.

Based on the decision of ČS penzijní společnost, the 2015 and 2014 management fee was CZK 0 and CZK 1, respectively (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:

	2014	2015
Tax due – current year	0	0
Total income tax	0	0

Current income tax – analysis:

	2014	2015
Profit/(Loss) before tax	6	5
Items to add	0	0
Deductible items	0	0
Tax base	6	0
Tax on tax base	0	0
Total tax	0	0

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes income from which tax is withheld at a special tax rate.

In 2014, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes tax-exempt interest and dividend income.

Deferred tax

As at 31 December 2015, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2014, 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 2015. The related party costs recorded in the Fund's accounting records amounted to CZK 1 thousand in 2014. The costs include ČS penzijní společnost management fee.

5.9 Liquidity

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

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	1,399	7,804	0	0	0	9,203
Total assets	1,399	7,804	0	0	0	9,203
Liabilities						
Other liabilities	0	0	0	0	0	0
Net assets	1,399	7,804	0	0	0	9,203

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	4,984	0	0	0	0	4,984
Total assets	4,984	0	0	0	0	4,984
Liabilities						
Other liabilities	0	0	0	0	0	0
Net assets	4,984	0	0	0	0	4,984

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

As at 31 December 2015, the off-balance sheet of the Fund contains receivables from term transactions, values provided for management.

The Fund had no off-balance sheet assets or liabilities as at 31 December 2014.

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 Subsequent Events

As at 1 January 2016 the Act No. 376/2015 Coll., on Termination of Pension Savings, came into force. The participants in the scheme are thus no longer able to optionally save 5% of their earnings into II. Pillar of the pension system through pension funds (see Note 1 and 2).

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Annual Report of Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s.

Basic Information

Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s. (“Conservative Pension Fund”) The establishment of the pension fund was permitted by The Czech National Bank (CNB) on 17 December 2012, reference number 2012/12421/570 with an effective date of 18 December 2012.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a.s., IN: 45244782.

Fund Characteristics

Investment into a Conservative Pension Fund is appropriate for participants who are neither interested nor informed about development on capital markets and are simultaneously looking for a complex solution to their investments which are diversified in money markets and high-quality bond markets. The Conservative Pension Fund is suitable for participants who prefer a fixed income and for lower intermediate investors with at least a one-year investment horizon. The purpose of the investment strategy is to provide participants with a long-term appreciation of their savings invested mostly into the instruments of money market, government bonds and other investment grade debt securities in accordance with the Act on Pension Savings. The interest rate risk is actively managed and investments which are denominated in foreign currencies are fully hedged.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is the senior portfolio manager of the fund having work experience in the areas of investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage license. Ing. Tomas Kroužel is the first substituting

portfolio manager having work experience in the areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and a graduate of the CFA Institute having work experience in the areas of investments and asset management since 2000.

Custody and Safekeeping

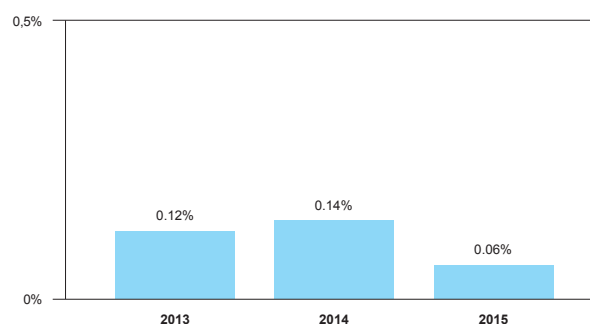
Komerční banka, a.s., registered office at Na Příkopě 33/969, 114 07 Praha 1, IČ: 45317054.

Fees and Charges

In 2015, Česká spořitelna – penzijní společnost did not charge a management fee nor a performance fee (fee holidays) at the expense of the Conservative Pension Fund. By decision of the Board, fees and charges will not be applied to any of the Pension Savings funds and saving is free of charge for our clients.

For more information contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

Historical performance of Conservative Pension Fund



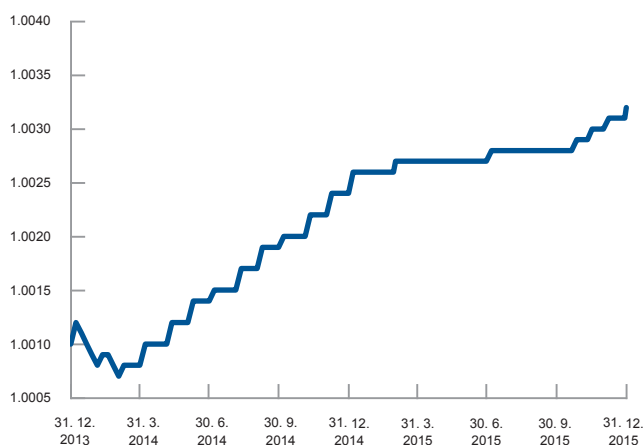
Portfolio as at 31 December 2015

Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
Deposits	Money Market	CZK	196,234	196,234	100%

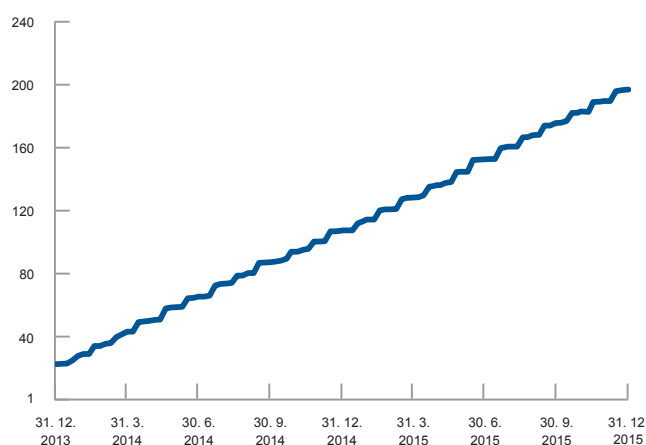
Net asset value and net asset value per pension unit as at 31 December 2015

Name	Value		
	2013	2014	2015
NAV in thousands CZK	21,433	106,473	196,059
NAV per pension unit in CZK	1.0012	1.0026	1.0032

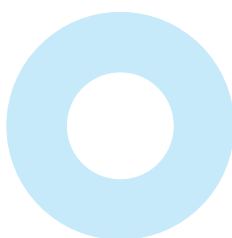
Development of pension unit



Development of the fund NAV (CZK million)



Portfolio as at 31 December 2015

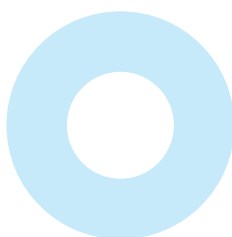


Money Market 100%

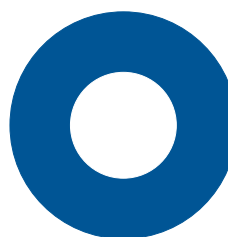


CZK 100%

Portfolio as at 31 December 2014



Money Market 100%



CZK 100%

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

INDEPENDENT AUDITOR'S REPORT

To the Participants of Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s.:

We have audited the accompanying financial statements of Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Emphasis of Matter

We draw attention to Note 1 and 2 in the financial statements of Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., which indicate that in accordance with the Act No. 376/2015 Coll., on Termination of the Pension Savings Scheme, the approval to form pension funds expires on 30 June 2016. As at the approval expiry date, Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., shall be wound up and enters into liquidation. For this reason, the financial statements have not been prepared assuming that Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., will continue as a going concern. Our opinion is not qualified in respect of this matter.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	106,484	196,234
Of which: a) On demand: aa) Current accounts	02	106,484	25,761
ab) Term deposits	03		170,473
Total Assets	23	106,484	196,234
4 Other liabilities	30	11	175
c) Liabilities from taxes	33	6	
d) Other liabilities	34	5	175
10 Reserve funds and other funds created from profit	42	9	131
12 Capital funds	43	106,341	195,826
15 Profit or loss for the accounting period	49	123	102
Total Liabilities	50	106,484	196,234
Of which: Equity	51	106,473	196,059
Off Balance Sheet Accounts	52		
8 Values provided for management	62		170,473
b) Other values	64		170,473

Prepared on 20 April 2016.

Income Statement

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
1 Interest income and similar income	01	147	102
5 Fees and commissions expense	09	18	
a) Management fee	10	18	
19 Ordinary profit or loss for the accounting period before tax	25	129	102
23 Income tax	29	6	
24 Profit or loss for the accounting period after tax	30	123	102

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation and Description of Business

Incorporation and Description of the Business

Konzervativní důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s. (“the Fund” or “Conservative Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a.s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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.

Termination of Pension Savings

On 10 December 2015, Act No. 376/2015 Coll., on the Termination of Pension Savings, was adopted and came into force on 1 January 2016. As a result, participants in the scheme will not have an option of saving 5% of their earnings into II. Pillar of the pension system through pension funds. Additionally, the aforementioned Act stipulates the methods of paying out of all accumulated contributions to the Pension Savings scheme participants as well as the subsequent termination of the pension funds. In the first quarter of 2016, the pension company shall inform all clients about the process of the pension funds’ termination and invite them to declare how their contributions shall be settled in accordance with the Act; all accumulated contributions will then be paid out to the participants during the fourth quarter of 2016 and the pension funds will cease to exist by the end of 2016 pursuant to the Act on the Termination of Pension Savings.

The approval to form the pension funds expires as at 30 June 2016; as at the approval expiry date, the pension fund is wound up and enters into liquidation.

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. was dissolved and Česká spořitelna – penzijní společnost, a.s. and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (“Transformed Fund”) were incorporated. The incorporation of the companies took effect

as at 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, ČS penzijní společnost 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 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 Association of Pension Funds of the Czech Republic (“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.
Prague 4, Poláčkova 1976/2

Principal Business

The pension company collects funds for 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 and the period for which the Fund has been formed have been restricted due to the foreseen termination of Pension Savings funds as described above.

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, 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 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. The Fund's assets 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 ČS penzijní společnost'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.

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'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.

The Pension Fund may accept a bank loan or another loan with maturity not exceeding six months in order to complement liquidity under the terms and conditions stipulated in the Fund's Statute, Section 3, paragraph 31. The Fund is not allowed to accept a loan for the purposes of purchasing an investment instrument.

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

The terms and conditions are stipulated in the Fund's Statute and in the Section 57 of the Act on Pension Savings.

Pursuant to Section 29(2), the equity of the pension company 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 ČS penzijní společnost.

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, and
- e) other information required by implementing regulations.

The Pension Fund's Statute is approved by the Czech National Bank; the Statute is binding for ČS penzijní společnost.

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

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

Any and all expenses owing to third parties by the pension company 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 Pension Fund;
- fees paid to the bank;
- fees paid to persons other than the pension company 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 annual 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 annual number of pension units in the relevant period.

The pension company 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 2015.

The Statute wording is available on the website and in the office of the Company and then at each branch of Česká spořitelna.

No changes were made to the Fund's Statute in 2014.

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

Board of Directors

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

Supervisory Board

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed as a new Member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčová, Ing. Pavel Matějčíček and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

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 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, and the prudence concept.

On 10 December 2015, the Act No. 376/2015 Coll., on Termination of Pension Savings, was adopted and came into force on 1 January 2016; as a result, participants in the scheme will not have an option of saving 5% of their earnings into II. Pillar of the pension system through pension funds (see Note 1 for more information).

Consequently, the Fund will not continue as a going concern. However, no revaluation or classification of closing balances adjustments, which could result from this fact, were necessary based on accounting policies applied and the ensuing valuation method.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, and notes to the financial statements.

The presentation of the financial statements requires that the Fund 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 Act No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. Finance Ministry Regulation No. 194/2011 Coll., on a more detailed

regulation of certain rules in collective investment has been replaced by Government Decree No 243/2013 Coll., of 31 July 2013 on investment funds' investment activities and administration techniques.

In the Fund's bookkeeping, 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 Act No. 240/2013 Coll. securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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.

Income Tax

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund – retirement benefit schemes, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to the Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 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 case that 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 pension 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 2015 as well as in 2014.

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 portfolio's risk of unfavourable development in 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 2015 as well as in 2014.

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.

Pursuant to the Act, the pension company is obliged to purchase a pension unit and credit the relevant account with cash as at the following dates:

- the date of receipt of an application to pay one-off insurance premium for Pension Insurance pursuant to Section 14 of the Act,
- 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,
- the date of receipt of an application to transfer funds or make payment pursuant to Section 16 of the Act,
- the date of receipt of an application to transfer the participant's funds to another pension management company's pension fund,
- the date of receipt of the Central Register Administrator's notice of registration of another Pension Savings contract.

The pension company 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 Dec 2014	31 Dec 2015
Current accounts	106,484	25,761
Term deposits	0	170,473
Total	106,484	196,234

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 2015, the value of a pension unit was CZK 1.0032 (2014: CZK 1.0026) 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 2015 profit of CZK 102 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

In compliance with the Statute, the 2014 profit of CZK 123 thousand was 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 (CZK ths.)
Balance at 1 January 2014	21,408,246	21,424
Pension units sold	84,930,877	85,056
Pension units purchased	(138,507)	(139)
Balance at 31 December 2014	106,200,616	106,341
Pension units sold	89,535,091	89,783
Pension units purchased	(298,060)	(298)
Balance at 31 December 2015	195,437,647	195,826

5.4 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Liabilities from contributions by Pension Insurance scheme participants	5	175
Settlement with state budget	6	0
Total	11	175

'Liabilities from contributions by Pension Insurance scheme participants' represent invested funds prior to their matching against the book of pension units.

5.5 Interest Income

Income	2014	2015
Interest on bank deposits	147	102
Total	147	102

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 ČS penzijní společnost by the Fund amounts to 0.4% of the average annual value of the Fund's equity. The performance fee amounts to 10% 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.

In the period from 1 January 2014 to 31 March 2014, the management fee totaled CZK 18 thousand. Pursuant to the decision of the Board of Directors of the pension company, no management fee was charged for the period from 1 April 2014 to 31 December 2015 due to foreseen termination of Pension Savings funds and decrease in rates caused by the fee.

5.7 Income Tax

The principal income tax components are as follows:

	2014	2015
Tax due – current year	6	0
Total income tax	6	0

Current income tax – analysis:

	2014	2015
Profit/(Loss) before tax	129	102
Items to add	0	0
Deductible items	0	0
Tax base	129	0
Tax on tax base	6	0
Total tax	6	0

An amendment to Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes income from which tax is withheld at a special tax rate.

In 2014, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes tax-exempt interest and dividend income.

Deferred tax

As at 31 December 2015, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2014, 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.

The related party costs recorded in the Fund's accounting records amounted to CZK 0 thousand in 2015.

The related party costs recorded in the Fund's accounting records amounted to CZK 18 thousand in 2014. The costs include ČS penzijní společnost management fee.

5.9 Liquidity

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

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	25,761	170,473	0	0	0	196,234
Total assets	25,761	170,473	0	0	0	196,234
Liabilities						
Other liabilities	(175)	0	0	0	0	(175)
Net assets	25,586	170,473	0	0	0	196,059

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	106,484	0	0	0	0	106,484
Total assets	106,484	0	0	0	0	106,484
Liabilities						
Other liabilities	(5)	(6)	0	0	0	(11)
Net assets	106,479	(6)	0	0	0	106,473

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

5.10 Off-balance Sheet Assets and Liabilities

As at 31 December 2015, the Fund has no off-balance sheet assets or liabilities.

The Fund had no off-balance sheet assets or liabilities as at 31 December 2014.

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 Subsequent Events

As at 1 January 2016 the Act No. 376/2015 Coll., on Termination of Pension Savings, came into force. The participants in the scheme are thus no longer able to optionally save 5% of their earnings into II. Pillar of the pension system through pension funds (see Note 1 and 2).

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Annual Report of Vyvážení důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s.

Basic Information

Vyvážení důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. (“Balanced Pension Fund”)

The establishment of the pension fund was permitted by The Czech National Bank (CNB) on 17 December 2012, reference number 2012/12421/570 with an effective date of 18 December 2012.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a. s., IN: 45244782.

Fund Characteristics

Investment into a Balanced Pension Fund is appropriate for participants who are looking for a complex and long-term solution to their investments which are balanced and diversified in money markets, bond markets and stock markets. The net asset value of the fund can fluctuate considerably in mid-term horizon due to the nature of this investment strategy. The Balanced Pension Fund is suitable for upper intermediate investors who prefer not only a fixed income but also stocks with at least a three-year investment horizon. Investment into the Balanced Pension Fund is also available for intermediate investors if a part of a widely diversified portfolio. The purpose of the investment strategy is to provide participants with a long-term appreciation of their savings invested mostly into the instruments of money markets, government bonds and other investment-grade debt securities and stocks or comparable instruments representing a share in a legal entity. The credit risk and interest rate risk are actively managed and non-hedged investments which are denominated in foreign currencies cannot exceed 25% of the portfolio.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is the senior

portfolio manager of the fund having work experience in the areas of investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage license. Ing. Tomas Kroužel is the first substituting portfolio manager having work experience in the areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and a graduate of the CFA Institute having work experience in the areas of investments and asset management since 2000.

Custody and Safekeeping

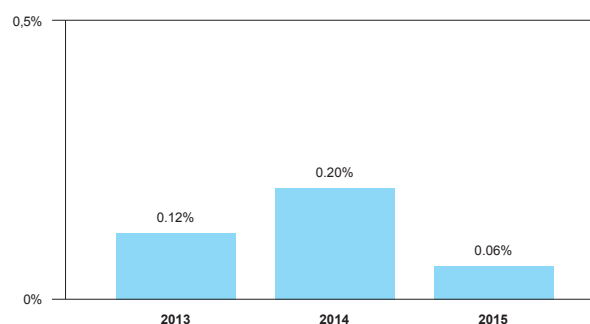
Komerční banka, a. s., registered office at Na Příkopě 33/969, 114 07 Praha 1, IČ: 45317054.

Fees and Charges

In 2015, Česká spořitelna – penzijní společnost did not charge a management fee nor a performance fee (fee holidays) at the expense of the Balanced Pension Fund. By decision of the Board, fees and charges will not be applied to any of the Pension Savings funds and saving is free of charge for our clients.

For more information contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

Historical performance of Balanced Pension Fund



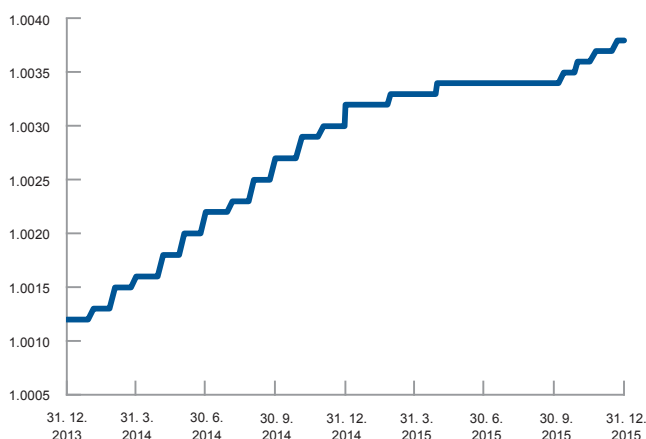
Portfolio as at 31 December 2015

Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
Deposits	Money Market	CZK	248,166	248,166	100%

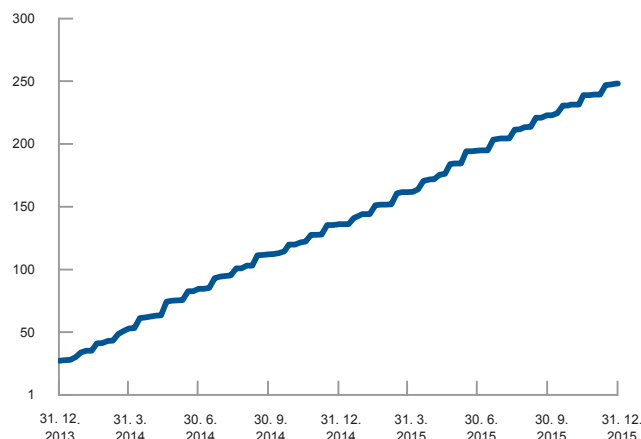
Net asset value and net asset value per pension unit as at 31 December 2015

Name	Value		
	2013	2014	2015
NAV in thousands CZK	27,149	136,093	248,068
NAV per pension unit in CZK	1.0012	1.0032	1.0038

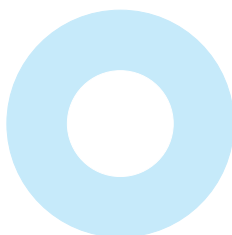
Development of pension unit



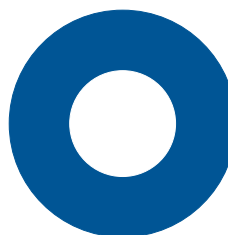
Development of the fund NAV (CZK million)



Portfolio as at 31 December 2015

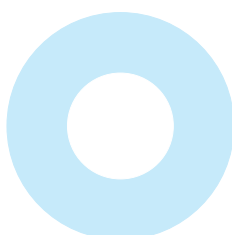


Money Market 100%

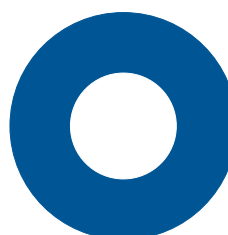


CZK 100%

Portfolio as at 31 December 2014



Money Market 100%



CZK 100%

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

INDEPENDENT AUDITOR'S REPORT

To the Participants of Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s.:

We have audited the accompanying financial statements of Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Emphasis of Matter

We draw attention to Note 1 and 2 in the financial statements of Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., which indicate that in accordance with the Act No. 376/2015 Coll., on Termination of the Pension Savings Scheme, the approval to form pension funds expires on 30 June 2016. As at the approval expiry date, Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., shall be wound up and enters into liquidation. For this reason, the financial statements have not been prepared assuming that Vyvážený důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., will continue as a going concern. Our opinion is not qualified in respect of this matter.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	136,108	248,166
Of which: a) On demand: aa) Current accounts	02	136,108	31,973
ab) Term deposits	03		216,193
Total Assets	23	136,108	248,166
4 Other liabilities	30	15	97
c) Liabilities from taxes	33	9	
d) Other liabilities	34	6	97
10 Reserve funds and other funds created from profit	42	12	192
12 Capital funds	43	135,901	247,747
15 Profit or loss for the accounting period	49	180	130
Total Liabilities	50	136,108	248,166
Of which: Equity	51	136,093	248,069
Off Balance Sheet Accounts	52		
8 Values provided for management	62		216,193
b) Other values	64		216,193

Prepared on 20 April 2016.

Income Statement

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
1 Interest income and similar income	01	189	130
19 Ordinary profit or loss for the accounting period before tax	25	189	130
23 Income tax	29	9	
24 Profit or loss for the accounting period after tax	30	180	130

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation and Description of Business

Incorporation and Description of the Business

Vyvážení důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a. s. (the “Fund” or “Balanced Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a. s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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.

Termination of Pension Savings

On 10 December 2015, Act No. 376/2015 Coll., on Termination of Pension Savings, was adopted and came into force on 1 January 2016. As a result, participants in the scheme will not have the option of saving 5% of their earnings into Pillar 2 of the pension system through pension funds. Additionally, the aforementioned Act stipulates the methods of paying out of all accumulated contributions to the pension savings scheme participants as well as the subsequent termination of the pension funds. In the first quarter of 2016, the Pension company shall inform all clients about the process of pension fund termination and invite them to declare how their contributions shall be settled in accordance with the Act; all accumulated contributions will then be paid out to the participants during the fourth quarter of 2016 and the pension funds will cease to exist by the end of 2016 pursuant to the Act on the Termination of Pension Savings.

The approval to form the pension funds expires as at 30 June 2016; as at the approval expiry date, the pension fund is wound up and enters into liquidation.

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., was dissolved and Česká spořitelna – penzijní společnost, a. s., and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a. s. (“Transformed fund”) were incorporated. The incorporation of the companies took effect as at 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, the ČS penzijní společnost 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 Association of Pension Funds of the Czech Republic (“APS CR”), the Fund may be designated as a pension fund as at the date of approval of the Statute.

Registered Office

Vyvážení důchodový fond důchodového spoření
Česká spořitelna – penzijní společnost, a. s.
Prague 4, Poláčkova 1976/2

Principal Business

The Pension company collects funds for the Pension Fund from the following sources:

- parts of income from insurance premiums assignable to participants and transferred to the account that serves for the 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 and the period for which the Fund has been formed have been restricted due to the foreseen termination of pension savings funds as described above.

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 invested 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 risk is actively managed; the unhedged investments denominated in foreign currencies can form maximum 25% 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 the efficient management of assets in accordance with the Statute only to manage interest rate risk and currency risk. The Pension Fund's assets that are not secured against currency risk cannot represent more than 25% 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 Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from ČS penzijní společnost'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 Fund may accept a bank loan or another loan with maturity not exceeding six 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.

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

The terms and conditions are stipulated in the Fund's Statute and in the Section 57 of the Act on Pension Savings.

Pursuant to Section 29(2), the equity of the Pension company 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 ČS penzijní společnost.

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, and
- e) other information required by implementing regulations.

The Pension Fund's Statute is approved by the Czech National Bank; the Statute is binding for ČS penzijní společnost.

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

The Pension company is entitled to a fee from the assets in the 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 Fund's assets,
- a fee for appreciation of the Fund's assets, i.e. performance fee.

Any and all expenses owing to third parties by the Pension company 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 Pension Fund,
- fees paid to the bank,
- fees paid to persons other than the Pension company 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 a 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 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 annual 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 Fund, multiplied by the average annual number of pension units in the relevant period.

The Pension company is not entitled to the fee pursuant to Paragraph b) above if the average annual value of the 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 Fund.

The average value of the 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 2015.

The Statute wording is available on the website and in the office of the ČS penzijní společnost and then at each branch of Česká spořitelna.

No changes were made to the Fund's Statute in 2014.

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

Board of Directors:

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

Supervisory Board:

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed as a new member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčková, Ing. Pavel Matějčíček and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of CS penzijní společnost.

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, and the prudence concept.

On 10 December 2015, the Act No. 376/2015 Coll., on Termination of Pension Savings, was adopted and came into force on 1 January 2016; as a result, participants in the scheme will not have an option of saving 5% of their earnings into Pillar 2 of the pension system through pension funds (see Note 1 for more information).

Consequently, the Fund will not continue as a going concern. However, no revaluation or classification of closing balances adjustments, which could result from this fact, were necessary based on accounting policies applied and the ensuing valuation method.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, and notes to the financial statements.

The presentation of the financial statements requires that the Fund 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 Act No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. The Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment has been replaced by Government Decree No. 243/2013 Coll. of 31 July 2013 on investment funds' investment activities and administration techniques.

In the Fund's bookkeeping, 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 Act No. 240/2013 Coll., securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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.

Income Tax

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed fund – retirement benefit schemes, participation funds – supplementary pension savings and pension funds – pension savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to the Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 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 a gross amount prior to the deduction of a 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 case that 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 Pension 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 2015 as well as in 2014.

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 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 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 2015 as well as in 2014.

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.

Pursuant to the Act, the Pension company 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.

The Pension company 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 Dec 2014	31 Dec 2015
Current accounts	136,108	31,973
Term deposits	0	216,193
Total	136,108	248,166

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 2015, the value of a pension unit was CZK 1.0038 (2014: CZK 1.0032) 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 2015 profit of CZK 130 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

In compliance with the Statute, the 2014 profit of CZK 180 thousand was 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 (CZK ths.)
Balance at 31 December 2013	27,117,538	27,137
Pension units sold	108,877,484	109,101
Pension units purchased	(336,663)	(337)
Balance at 31 December 2014	135,658,359	135,901
Pension units sold	111,568,100	111,946
Pension units purchased	(100,109)	(100)
Balance at 31 December 2015	247,126,350	247,747

5.4 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Liabilities from contributions by Pension Insurance scheme participants	6	97
Settlement with state budget	9	0
Total	15	97

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

5.5 Interest Income

Income	2014	2015
Interest on bank deposits	189	130
Total	189	130

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 ČS penzijní společnost by the Fund amounts to 0.5% of the average annual value of the Fund's equity. The performance fee amounts to 10% 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 ČS penzijní společnost, the 2015 and 2014 management fee was CZK 0, respectively (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:

	2014	2015
Tax due – current year	9	0
Total income tax	9	0

Current income tax – analysis:

	2014	2015
Profit/(Loss) before tax	189	130
Items to add	0	0
Tax base	189	0
Tax on tax base	9	0
Total tax	9	0

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes income from which tax is withheld at a special tax rate.

In 2014, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes tax-exempt interest and dividend income.

Deferred tax

As at 31 December 2015, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2014, 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 recognized in the Fund's accounting records in 2015.

No related party costs were recorded in the Fund's accounting records in 2014.

5.9 Liquidity

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

2015

Assets	Less than 3 months	3 month– 1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	31,973	216,193	0	0	0	248,166
Total assets	31,973	216,193	0	0	0	248,166
Liabilities						
Other liabilities	(97)	0	0	0	0	(97)
Net assets	31,876	16,193	0	0	0	248,069

2014

Assets	Less than 3 months	3 month– 1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	136,108	0	0	0	0	136,108
Total assets	136,108	0	0	0	0	136,108
Liabilities						
Other liabilities	(6)	(9)	0	0	0	(15)
Net assets	136,102	(9)	0	0	0	136,093

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

As at 31 December 2015, the off-balance sheet of the Fund contains receivables from term transactions, values provided for management.

The Fund had no off-balance sheet assets or liabilities as at 31 December 2014.

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 Subsequent Events

As at 1 January 2016 the Act No. 376/2015 Coll., on Termination of Pension Savings, came into force. The participants in the scheme are thus no longer able to optionally save 5% of their earnings into II. Pillar of the pension system through pension funds (see Note 1 and 2).

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

Annual Report of Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s.

Basic Information

Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s. (“Dynamic Pension Fund”) The establishment of the pension fund was permitted by The Czech National Bank (CNB) on 17 December 2012, reference number 2012/12421/570 with an effective date of 18 December 2012.

It 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, as part of the consolidation group, whose only parent company is Česká spořitelna, a.s., IN: 45244782.

Fund Characteristics

Investment into a Dynamic Pension Fund is appropriate for participants who are looking for the highest possible return of their investments, are familiar with financial markets, and ready to accept significant volatility. The portfolio of the Dynamic Pension Fund is proportionally diversified in money markets, bond markets and stock markets. The Dynamic Pension Fund is suitable for experienced investors, who are ready to bear even long periods of negative development and have at least a five-year investment horizon. Investment into the Dynamic Pension Fund is also available for less-experienced investors if a part of widely diversified portfolio. The purpose of the investment strategy is to provide participants with a long-term appreciation of their savings invested mostly into the instruments of money markets, government bonds and other investment-grade debt securities and stocks or comparable instruments representing a share in a legal entity. Credit risk and interest rate risk are actively managed and non-hedged investments denominated in foreign currencies cannot exceed 50% of the portfolio.

Depository

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

Asset Management

Asset management is outsourced to 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. Mgr. Marcel Kostovski is the senior

portfolio manager of the fund with work experience in the area of investments and asset management since 1995. Additionally, Mgr. Marcel Kostovski is a graduate of the CFA Institute and holds a brokerage license. Ing. Tomas Kroužel is the first substituting portfolio manager having work experience in areas of investments and asset management since 1998, holding both a brokerage license and an ACI Diploma. Ing. Štěpán Mikolášek is the second substituting portfolio manager and a graduate of the CFA Institute who has work experience in areas of investments and asset management since 2000.

Custody and Safekeeping

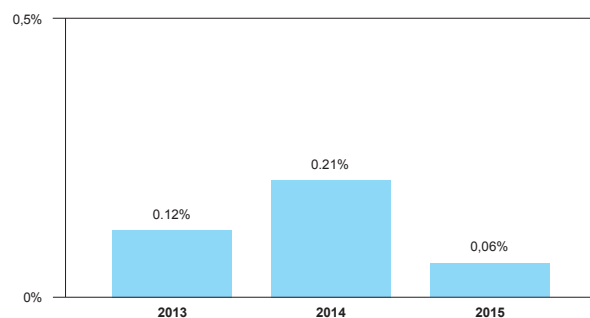
Komerční banka, a.s., registered office at Na Příkopě 33/969, 114 07 Praha 1, IČ: 45317054.

Fees and Charges

In 2015, Česká spořitelna – penzijní společnost did not charge a management fee nor a performance fee (fee holidays) at the expense of Dynamic Pension Fund. By decision of the Board, fees and charges will not be applied to any of the Pension Savings funds and saving is free of charge for our clients.

For more information contact us at Poláčkova 1976/2, 140 21 Prague 4, hotline 956 777 444, e-mail info@cs-ps.cz or on the website www.ceskapenzijni.cz.

Historical performance of The Dynamic Pension Fund



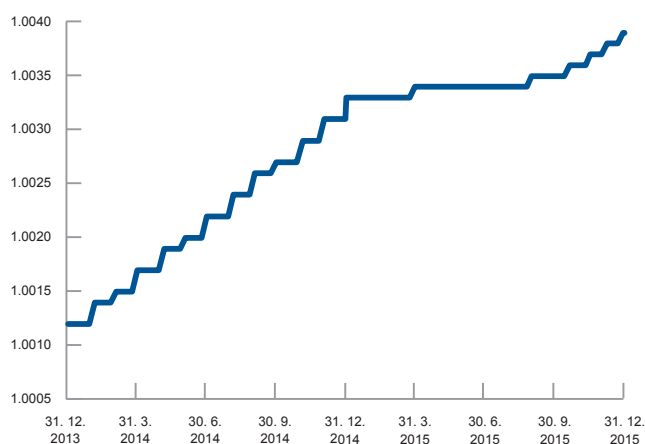
Portfolio as at 31 December 2015

Security	Type	Currency	Amortized purchase price (CZK thousand)	Fair value (CZK thousand)	Share
Deposits	Money Market	CZK	105,550	105,550	100%

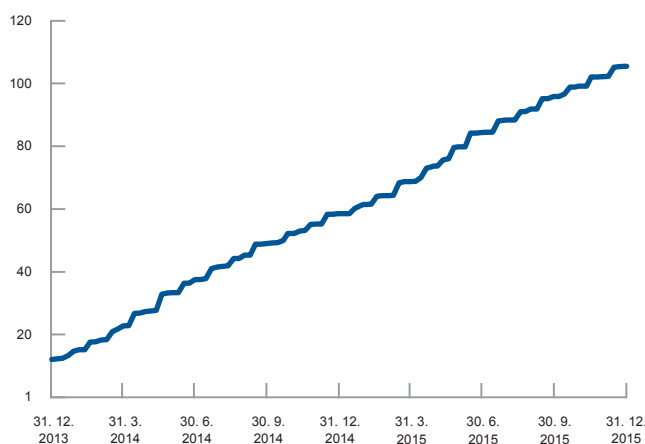
Net asset value and net asset value per pension unit as at 31 December 2015

Name	Value		
	2013	2014	2015
NAV in thousands CZK	12,074	58,532	105,517
NAV per pension unit in CZK	1.0012	1.0033	1.0039

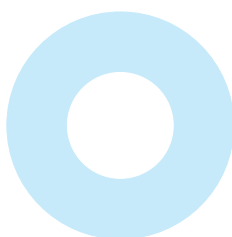
Development of pension unit



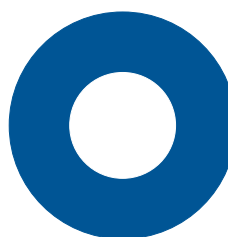
Development of the fund NAV (CZK million)



Portfolio as at 31 December 2015

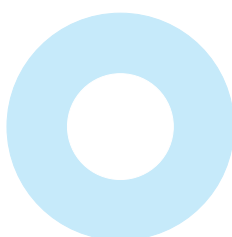


Money Market 100%



CZK 100%

Portfolio as at 31 December 2014



Money Market 100%



CZK 100%

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

INDEPENDENT AUDITOR'S REPORT

To the Participants of Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s.:

We have audited the accompanying financial statements of Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., which comprise the balance sheet as at 31 December 2015, the income statement, and notes to the financial statements, including 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 Responsibilities for the Financial Statements

Management of Česká spořitelna - penzijní společnost, a.s. is responsible for preparation and presentation of financial statements that give a true and fair view 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 Responsibilities

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 of financial statements that give a true and fair view 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 give a true and fair view of the financial position of Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., as at 31 December 2015, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Emphasis of Matter

We draw attention to Note 1 and 2 in the financial statements of Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., which indicate that in accordance with the Act No. 376/2015 Coll., on Termination of the Pension Savings Scheme, the approval to form pension funds expires on 30 June 2016. As at the approval expiry date, Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., shall be wound up and enters into liquidation. For this reason, the financial statements have not been prepared assuming that Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s., will continue as a going concern. Our opinion is not qualified in respect of this matter.

Other Information

Other information comprises information included in the annual report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information included and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and whether the annual report has been prepared in accordance with applicable law or regulation. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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



Roman Hauptfleisch, Auditor
License No. 2009

20 April 2016
Prague, Czech Republic

Balance Sheet

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
3 Receivables from banks and credit unions	01	58,538	105,550
Of which: a) On demand: aa) Current accounts	02	58,538	13,310
ab) Term deposits	03		92,240
Total Assets	23	58,538	105,550
4 Other liabilities	30	6	33
c) Liabilities from taxes	33	4	
d) Other liabilities	34	2	33
10 Reserve funds and other funds created from profit	42	6	84
12 Capital funds	43	58,448	105,377
15 Profit or loss for the accounting period	49	78	56
Total Liabilities	50	58,538	105,550
Of which: Equity	51	58,532	105,517
Off Balance Sheet Accounts	52		
8 Values provided for management	62		92,240
b) Other values	64		92,240

Prepared on 20 April 2016.

Income Statement

at 31 December 2015

(CZK thousand)	Line	Previous Period	Current Period
1 Interest income and similar income	01	82	56
19 Ordinary profit or loss for the accounting period before tax	25	82	56
23 Income tax	29	4	
24 Profit or loss for the accounting period after tax	30	78	56

Prepared on 20 April 2016.

Notes to the Financial Statements

for the Period Ended 31 December 2015

1. Organisation and Description of Business

Incorporation and Description of the Business

Dynamický důchodový fond důchodového spoření Česká spořitelna – penzijní společnost, a.s. (“the Fund” or “Dynamic Pension Fund”) is an accounting entity without legal entity status, formed by Česká spořitelna – penzijní společnost, a.s. (“the pension company”, “the Company” or “ČS penzijní společnost”) 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.

Termination of Pension Savings

On 10 December 2015, Act No. 376/2015 Coll., on Termination of Pension Savings, was adopted and came into force on 1 January 2016. As a result, participants in the scheme will not have the option of saving 5% of their earnings into II. Pillar of the pension system through pension funds. Additionally, the aforementioned Act stipulates the methods of paying out of all accumulated contributions to the Pension Savings scheme participants as well as the subsequent termination of the pension funds. In the first quarter of 2016, the pension company shall inform all clients about the process of the pension funds’ termination and invite them to declare how their contributions shall be settled in accordance with the Act; all accumulated contributions will then be paid out to the participants during the fourth quarter of 2016 and the pension funds will cease to exist by the end of 2016 pursuant to the Act on Termination of Pension Savings.

The approval to form the pension funds expires as at 30 June 2016; as at the approval expiry date, the pension fund is wound up and enters into liquidation.

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. was dissolved and Česká spořitelna – penzijní společnost, a.s. and Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s. (“Transformed Fund”) were incorporated. The incorporation of the companies took effect as at 1 January 2013, which is the effective date stipulated by the transformation project.

In compliance with the Act, ČS penzijní společnost 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 Association of Pension Funds of the Czech Republic (“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.
Prague 4, Poláčkova 1976/2

Principal Business

The pension company collects funds for the Pension Fund from the following sources:

- parts of income from insurance premiums assignable to participants and transferred to the account that serves for the 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 and the period for which the Fund has been formed have been restricted due to the foreseen termination of Pension Savings funds as described above.

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 risk are actively managed; the unhedged investments denominated in foreign currencies can form a maximum 50% of the value of the Fund’s assets.

The Fund's portfolio particularly is comprised (or may be comprised) of 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 the 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 can use financial derivatives to hedge the interest and currency risks.

The 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. Pension Fund's assets that are not secured against currency risk cannot represent more than 50% 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 Fund, in the reinvestment fund, as a source for further investments and increases the value of the pension unit. If a loss arises from ČS penzijní společnost'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 Fund may accept a bank loan or another loan with maturity not exceeding six 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.

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

The terms and conditions are stipulated in the Fund's Statute and in the Section 57 of the Act on Pension Savings.

Pursuant to Section 29(2), the equity of the pension company which 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 ČS penzijní společnost.

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, and
- e) other information required by implementing regulations.

The Pension Fund's Statute is approved by the Czech National Bank; the Statute is binding for ČS penzijní společnost.

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

The pension company is entitled to a fee from the assets in the 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 Fund's assets;
- a fee for the appreciation of the Fund's assets, i. e. performance fee.

Any and all expenses owing to third parties by the pension company 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 Pension Fund;
- fees paid to the bank;
- fees paid to persons other than the pension company 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 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 annual 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 Fund, multiplied by the average annual number of pension units in the relevant period.

The pension company is not entitled to the fee pursuant to paragraph b) above if the average annual value of the 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 Fund.

The average value of the 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 2015.

The Statute wording is available on the website and in the office of the ČS penzijní společnost and then at each branch of Česká spořitelna.

No changes were made to the Fund's Statute in 2014.

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

Board of Directors

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

Supervisory Board

Chairwoman of the Board	RNDr. Monika Laušmanová, CSc.
Vice Chairman of the Board	Ing. Dušan Sýkora
Member of the Board	Ing. Daniela Pešková

In June 2015, the number of Supervisory Board Members dropped from six to three.

As at 16 June 2015, Ing. Dušan Sýkora replaced Ing. Aleš Sedlák in the position of Deputy Chairman of the Supervisory Board. Ing. Daniela Pešková was appointed as a new Member of the Supervisory Board since 16 June 2015. The following members resigned as Supervisory Board Members: Ing. Renáta Kováčková, Ing. Pavel Matějčíček and Ing. Petr Valenta. In 2015, no changes were made in the Board of Directors of ČS penzijní společnost.

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, and the prudence concept.

On 10 December 2015, the Act No. 376/2015 Coll., on Termination of Pension Savings, was adopted and came into force on 1 January 2016; as a result, participants in the scheme will not have the option of saving 5% of their earnings into II. Pillar of the pension system through pension funds (see Note 1 for more information).

Consequently, the Fund will not continue as a going concern. However, no revaluation or classification of closing balances adjustments, which could result from this fact, were necessary based on accounting policies applied and the ensuing valuation method.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, and notes to the financial statements.

The presentation of the financial statements requires that the Fund 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.

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 not consolidated.

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

Explanation Added for Translation into English

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

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 respective 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 Act No. 240/2013 Coll., on investment companies and investment funds which entered into force on 3 July 2013. The Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment has been replaced by Government Decree No 243/2013 Coll., of 31 July 2013 on investment funds' investment activities and administration techniques.

In the Fund's bookkeeping, 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 Act No. 240/2013 Coll. securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Act. 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.

Income Tax

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund – retirement benefit schemes, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

Deferred Tax

Since 1 January 2015, the applicable tax rate has been 0% based on an amendment to the Act No. 586/1992 Coll. and thus no deferred tax is accounted for.

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 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 a 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 case that 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 pension 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 2015 as well as in 2014.

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 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 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 2015 as well as in 2014.

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.

Pursuant to the Act, the pension company is obliged to purchase a pension unit and credit the relevant account with cash as at the following dates:

- the date of receipt of an application to pay one-off insurance premium for Pension Insurance pursuant to Section 14 of the Act,
- 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,
- the date of receipt of an application to transfer funds or make payment pursuant to Section 16 of the Act,
- the date of receipt of an application to transfer the participant's funds to another pension management company's pension fund,
- the date of receipt of the Central Register Administrator's notice of registration of another Pension Savings contract.

The pension company 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 Dec 2014	31 Dec 2015
Current accounts	58,538	13,310
Term deposits	0	92,240
Total	58,538	105,550

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 2015, the value of a pension unit was CZK 1.0039 (2014: CZK 1.0033) 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 2015 profit of CZK 56 thousand will be transferred to the reinvestment fund that is part of 'other funds created from profit'.

In compliance with the Statute, the 2014 profit of CZK 78 thousand was 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 (CZK ths.)
Balance at 31 December 2013	12,059,316	12,068
Pension units sold	46,552,265	46,650
Pension units purchased	(269,252)	(270)
Balance at 31 December 2014	58,342,329	58,448
Pension units sold	46,786,371	46,947
Pension units purchased	(17,610)	(18)
Balance at 31 December 2015	105,111,090	105,377

5.4 Other Liabilities

Other liabilities	31 Dec 2014	31 Dec 2015
Liabilities from contributions by Pension Insurance scheme participants	2	33
Settlement with state budget	4	0
Total	6	33

'Liabilities from contributions by Pension Insurance scheme participants' represent invested funds prior to their matching against the book of pension units.

5.5 Interest Income

Income	2014	2015
Interest on bank deposits	82	56
Total	82	56

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 ČS penzijní společnost by the Fund amounts to 0.6% of the average annual value of the Fund's equity. The performance fee amounts to 10% 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 ČS penzijní společnost, the 2015 and 2014 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:

	2014	2015
Tax due – current year	4	0
Total income tax	4	0

Current income tax – analysis:

	2014	2015
Profit/(Loss) before tax	82	55
Items to add	0	0
Tax base	82	0
Tax on tax base	4	0
Total tax	4	0

An amendment to the Act No. 586/1992 Coll. came into force on 1 January 2015, exempting the funds (Transformed Fund, participation funds – Supplementary Pension Savings and pension funds – Pension Savings) from income tax.

In 2015, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes income from which tax is withheld at a special tax rate.

In 2014, 'Items to add' includes tax-exempt expenses associated with tax-exempt income; 'Deductible items' includes tax-exempt interest and dividend income.

Deferred tax

As at 31 December 2015, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2014, 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 2015.

No related party costs were recorded in the Fund's accounting records in 2014.

5.9 Liquidity

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

2015

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	13,310	92,240	0	0	0	105,550
Total assets	13,310	92,240	0	0	0	105,550
Liabilities						
Other liabilities	(33)	0	0	0	0	(33)
Net assets	13,277	92,240	0	0	0	105,517

2014

Assets	Less than 3 months	3 month–1 year	1–5 years	Over 5 years	Not specified	Total
Receivables from banks	58,538	0	0	0	0	58,538
Total assets	58,538	0	0	0	0	58,538
Liabilities						
Other liabilities	(2)	(4)	0	0	0	(6)
Net assets	58,536	(4)	0	0	0	58,532

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

As at 31 December 2015, the off-balance sheet of the Fund contains receivables from term transactions, values provided for management.

The Fund had no off-balance sheet assets or liabilities as at 31 December 2014.

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 Subsequent Events

As at 1 January 2016 the Act No. 376/2015 Coll., on Termination of Pension Savings, came into force. The participants in the scheme are thus no longer able to optionally save 5% of their earnings into II. Pillar of the pension system through pension funds (see Note 1 and 2).

Prepared on 20 April 2016.

Signature of pension company's statutory body:



Ing. Aleš Poklop



Ing. Jakub Krkoška, MBA

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Portfolio manager:

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registered in the Commercial Registry at the Municipal Court
in Prague, Section B, Insert 1171

Portfolio manager of the funds and ČS penzijní společnost
is Mgr. Marcel Kostovski, who is a graduate of broker
examinations, CFA Institute and has been professionally
engaged in investments, portfolio management and asset
management since 1995.

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