

Allianz
penzijní fond, a. s.

Annual Report 2012



S vámi od A do Z

Allianz 

Basic Economic Facts

Brief Summary (in TCZK)	2012	2011	2010	Change 2012/2011
Equity before allocation of profits to subscribers	1 668 856	1 025 942	976 802	62,7%
Subscribers' assets under management as of 31 December (including state support and yield)	20 421 310	11 862 563	9 538 981	72,1%
Financial investments, of which:	21 684 852	12 728 424	10 352 852	70,4 %
Shares, mutual fund shares and other ownership interests	82 866	235 677	122 385	-64,9%
Debt securities	21 319 636	12 233 271	9 837 921	74,3%
Bank deposits	282 350	259 476	392 546	8,8%
Revenue from financial placements, of which:	518 076	422 819	378 312	22,5%
Revenue from interest and similar revenue	518 076	420 097	377 507	23,3%
Revenue from shares and mutual fund shares	0	2 722	805	–
Profit	357 367	339 155	309 753	5,4%
Average age of clients	41	45	45	–
Number of clients	486 445	212 156	164 176	129,3%
Average monthly deposit (in CZK)	596	519	509	14,8%
Number of contracts with employer contributions	118 389	64 231	51 638	84,3%
Average registered number of employees	49	29	29	–

Allianz penzijní fond, a. s.

Annual Report 2012

Allianz

Penzijní fond



2012 was the most successful year in Allianz penzijní fond's history to date, having significant dynamics of sales – particularly in the second half of the year. Over the year, the number of its clients increased **by over 274 thousand to 486 thousand**. This growth owed to the excellent financial results of Allianz penzijní fond between 2009 and 2011, when it was the best-performing fund in terms of credited returns on the subscribers' assets.

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Introduction of the Chairman of the Board of Management



Dear Ladies and Gentlemen,

The year 2012 was a record-breaking year for Allianz penzijní fond, in which its continued successful growth exceeded all expectations. The number of its clients rose to over 486 thousand, increasing by 130% year-on-year. Allianz penzijní fond also grew in terms of the subscribers' assets under management, which exceeded CZK 20.4 billion in total, marking an increase of over 72.1% year-on-year. Owing to this growth, Allianz penzijní fond became the most successful fund in the Czech market.

We owe this success to the excellent financial results of Allianz penzijní fond, which are reflected in the above-standard return on the subscribers' contributions in the mid and long term, as well as in the growing interest in supplementary pension insurance among

citizens. Saving for old age became increasingly popular with continued discussions over pension reform during the year, which successfully passed through the approval procedure by legislators and took force on 28 December 2011.

Allianz penzijní fond actively promoted pension reform and transformation of pension funds with subscribers' assets being separated from the assets of the funds. This successful transformation will enable the current pension fund to also participate, in line with valid legislation, in the management of contributions by subscribers in the 2nd pillar of the pension system to be launched on 1 January 2013.

During the course of 2012, the pension fund was actively preparing for all steps connected with pension reform in legal, technical as well as organizational terms. These preparations resulted in a fundamental decision by the Czech National Bank at the end of 2012 on approval of the project to transform Allianz penzijní fond, a. s. to Allianz penzijní společnost, a. s. and its obtaining of a license to conduct supplementary pension insurance business through the transformed fund under the name of Allianz transformovaný fond, Allianz penzijní společnost, a. s.

At the same time, Allianz penzijní fond became licensed for supplementary pension savings through participation funds and pension savings through pension funds.

Allianz penzijní fond has always favoured rather the conservative investment strategy, which has been the key to our success in investments, particularly over the past few years. Deposits for supplementary pension insurance are one of the safest forms of investments for old age, as – despite the conservative investing – they yield a favourable return and are subject to triple supervision: by the Czech National Bank; the Czech Ministry of Finance; and the depositary.

The long-term excellent financial results of Allianz penzijní fond have been reflected in the awards it received in various competitions from both the general public and experts over past years. The year 2012 was no exception in this respect. Allianz penzijní fond placed first in the Pension Funds category of the Zlatý měsíc 2012 readers' survey and won the Zlatá koruna 2012 competition, the prestigious title Fincentrum Bank of the Year 2012, as well as the annual Zlaté euro competition. We consider such results in the competitions of financial institutions in the Czech Republic as acknowledgements of our business strategy, committing us to further improvement of the services we provide to our clients.

I would like to thank all subscribers of Allianz penzijní fond for their trust, which we enormously value, managing the entrusted funds so as to generate the highest possible return. I would also like to thank all our agents for their cooperation, without which Allianz penzijní fond would have neither achieved such growth, nor won such awards.

Our aspiration in the area of supplementary pension insurance with state contributions is to be the top-class administrator of our clients' policies in Allianz transformovaný fond.

In the new products of pension savings and supplementary pension savings, we want to be the first and trusted point of call for all citizens of the Czech Republic considering old age provisioning.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jakub Strnad', written in a cursive style.

RNDr. Jakub Strnad, Ph.D.
Chairman of the Board of Management

Board of Management

RNDr. Jakub Strnad, Ph.D.

Dobřejovice

Ing. Petr Sosík, PhD., CFA

Praha

Mgr. Karel Waisser

Nučice

Supervisory Board

Mgr. Josef Lukášek

Čelákovice

Marc Smid

Mnichov

Wolfgang Deichl

Dachau

as of 31 December 2012

Allianz penzijní fond

Allianz penzijní fond has been established as of 31 August 1997 by merging Allianz-HYPO penzijní fond, a. s. and Živnobanka penzijní fond, a. s. Since the end of 2000, the company has been a 100% subsidiary of Allianz pojišťovna, a. s.

Allianz penzijní fond is one of the best performing pension funds in the Czech market; it regularly ranks among top pension funds in terms of credited returns. For the year 2012, Allianz penzijní fond assumes to again credit its subscribers with annual returns above the average of the Czech market.

2012 was the most successful year in Allianz penzijní fond's history to date, having significant dynamics of sales – particularly in the second half of the year. The number of clients grew by more than 274 thousand over the year, which is an increase of nearly 130% compared to 2011.

The success of Allianz penzijní fond has been proven by long-term financial and business results, as well as by awarded prizes: It placed first in the public opinion poll Zlatý měšec 2012 (for the fourth consecutive time) and in the Supplementary Pension Insurance category of the Zlatá koruna competition (for the third consecutive time). Allianz penzijní fond also won its fourth consecutive title as the Pension Fund of the Year in the prestigious Fincentrum Bank of the Year 2012 competition. These successes were complemented by its having been awarded the second time as the Pension Fund of the Year in the annual Zlaté euro competition.

In connection with the pension reform legislation, Allianz penzijní fond, a. s. will be transformed to Allianz penzijní společnost, a. s. as of 1 January 2013, where the funds of the company will be separated from the funds of the participants. The funds of the participants will be placed in the transformed fund of Allianz penzijní společnost, a. s. From 1 January 2013, it will be possible to conclude policies for pension savings (referred to as the 2nd pillar of the pension system), where money will be placed in pension funds, and policies for supplementary pension savings (referred to as the 3rd pillar of the pension system), where money will be placed in participating funds.



Allianz Supplementary Pension Insurance

Supplementary pension insurance from Allianz are the best way to ensure sufficient future income. With outstanding and stable revenues achieved by Allianz penzijní fond, guaranteed return, double state support (state contributions and possible tax deductions), you can maintain your living standard.

Supplementary pension insurance from Allianz penzijní fond, a.s. is one of the best ways to ensure sufficient future income. Pursuant to Act No. 427/2011 Coll., on Supplementary Pension Savings, as amended, this insurance was possible to conclude until 30 November 2012. With outstanding and stable revenues achieved by Allianz penzijní fond, a.s., guaranteed returns, double state support (state contributions and possible tax deductions), you can maintain your living standard. After 1 January 2013, there are new options for old age provisions by concluding a policy for pension savings (referred to as the 2nd pillar of the pension system) and also a policy for supplementary pension savings under defined terms.

Benefits of supplementary pension insurance until 31 December 2012

- Savings starting at CZK 100 per month
- State support of up to CZK 1,800 per year
- Tax benefits of up to CZK 1,800 per year
- Employer's contribution (ideally CZK 24,000 per year)
- Guaranteed non-negative return
- Flexibility (lower or suspended deposits)

Superior benefits from Allianz penzijní fond

- Long-term return above the market level
- Widest offer of pensions
- Until 31 March 2012, the possibility of concluding insurance against serious injury covered by Allianz penzijní fond
- No fees for loyal clients
- „Tax calculator“ service free of charge

Loyalty programme – products from Allianz pojišťovna at preferential rates

- Discount on motor third party liability insurance
- Discount on motor hull insurance
- Discount on household, real property and liability insurance

Allianz penzijní fond allows for payment of all types of benefits according to the supplementary pension insurance Act

- Retirement pension
- Disability pension
- Endowment benefit
- Survivor's benefit
- Lump-sum settlement

Allianz penzijní fond has the most extensive offer of pension schemes

- Life annuity
- Life annuity with survivor's benefit
- Life annuity with guaranteed term of payout
- Life annuity with agreed death benefit
- Life pension with linearly increasing amount

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Penzijní fond



The long-term excellent financial results of Allianz penzijní fond were reflected in the awards it received in various competitions from both the general public and experts in 2012. It placed first in the **Zlatý měšec** readers' survey and the **Zlatá koruna** competition, and won the prestigious title **Fincentrum Bank of the Year**, as well as the **Zlaté euro** competition.

Business Strategy

Allianz penzijní fond and Allianz pojišťovna work in close cooperation and coordinate their sales activities. According to a cooperation agreement entered into on 23 February 1995 between the fund and Allianz pojišťovna, the insurance company brokers supplementary pension insurance contracts through the network of its insurance agents.

In 2012, the company continued to grow, owing particularly to the increase in new sales through all available distribution channels. Year-on-year, the number of new policies rose by 130%, with the volume of new sales skyrocketing by more than 380%. As a result, the number of Allianz penzijní fond's clients exceeded 486 thousand at year's end.

Over 30% of new clients were attributed to the tied-agent sales force of Allianz pojišťovna and Allianz Direct. Multi-level marketing companies accounted for more than 50% of Allianz penzijní fond's new clients. Partners Financial Services, a.s., OVB Allfinanz, a.s., Fincentrum a.s, Broker Consulting, a.s., and AWD were among the most successful distributors in 2012. Other important distribution channels included regional brokers.

Given our long-term exceptional financial results in the market, we saw a growing interest in the Allianz supplementary pension insurance in all age and social groups throughout 2012, which is a solid basis for ensuring a long-term growth for the company.

Financial Results and Portfolio Structure

The year 2012 was another successful year for Allianz penzijní fond in terms of investment and financial results. In 2012, Allianz penzijní fond generated a profit more than CZK 357 million.

The volume of the subscribers' assets rose to CZK 20.4 billion, a 72.1% increase year-on-year. Revenues from financial investments and securities trading also grew year-on-year to nearly CZK 722.4 million, which is 50.7% more than in 2011. The value of the securities portfolio was over CZK 21.7 billion at year's end, which – again – is nearly 70.4% more than the previous year.

The market value of the portfolio grew owing to the growing number of clients and, hence, the actively managed assets, as well as to the investment strategy, which anticipated further increase in the prices of bonds and shares during the course of 2012.

Despite the relatively low rates for bonds, Allianz penzijní fond has been successful in reinvesting new subscribers' assets as well as the cash flow from coupons and repaid bonds so as to attain, in line with its investment strategy, a stable high percentage of return compared to the rest of the supplementary pension insurance sector at a low level of market risk.

The correct decision made in 2009 to take advantage of the amendments in legislation and identify a part of the portfolio as assets held to maturity continues to provide a solid basis for capital management and its stability in the years to come.

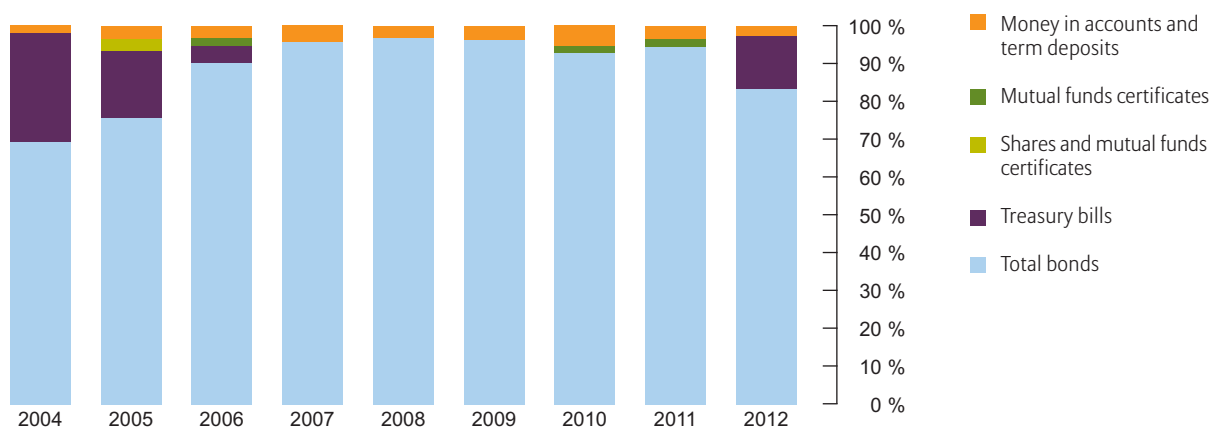
Compared to the previous year, the structure of the portfolio only changed in that the shares and mutual funds in the portfolio slightly decreased to CZK 82.9 million. The underlying factor for decreasing the shares component was the decision to generally reduce the share of risk assets during 2012. Due to risk management, the overall duration of the securities portfolio decreased as well.

As in past years, investments in bonds were mainly into obligations issued by the Czech Republic and the European Investment Bank; a minimum portion of these were bonds issued by renowned foreign banks, with short-term corporate bonds accounting for even less. Cash was held in short-term deposits with banks or in treasury bills.

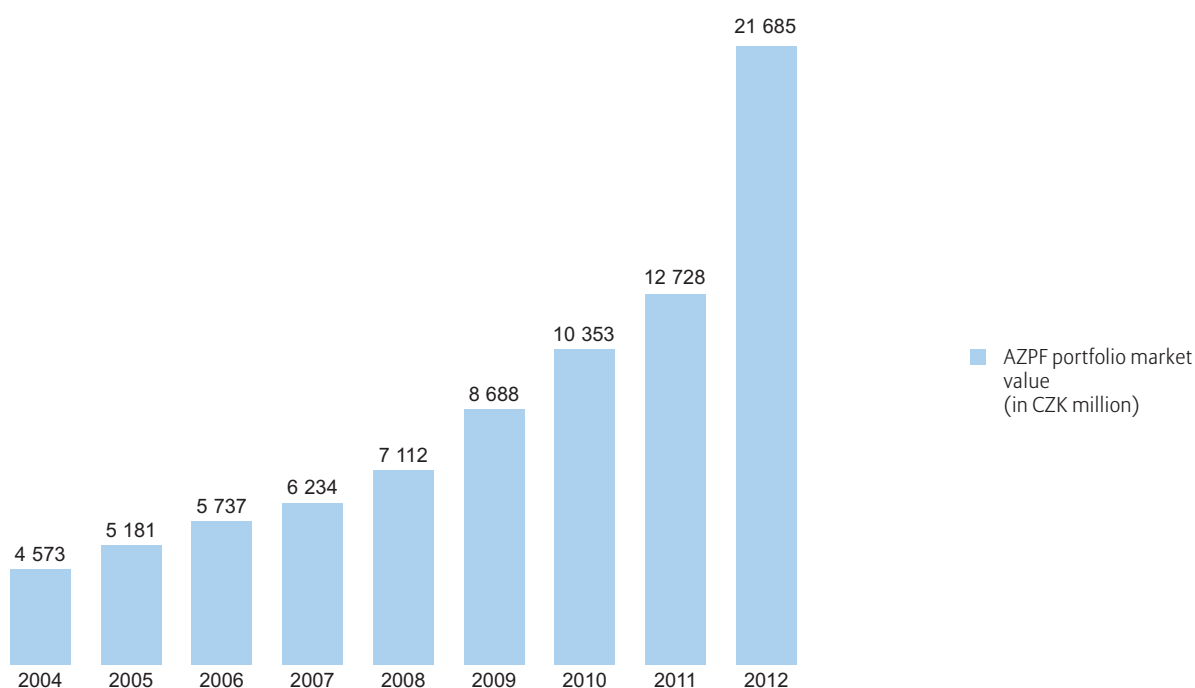
As part of Allianz penzijní fond's preparations for conducting business pursuant to the Act on Pension Savings (referred to as the 2nd pillar of the pension system), registered capital was increased from the original CZK 60

million to CZK 300 million, as required by law. Of that increase, CZK 140 million was reclassification of equity items (particularly retained profit) and CZK 100 million was a monetary contribution by the shareholder, Allianz pojišťovna, a. s. The increase was realized by issuance of new shares.

Allianz penzijní fond Securities Portfolio Structure



Market Value of Allianz penzijní fond Securities Portfolio



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Penzijní fond



Allianz penzijní fond (newly a pension company) assists its clients in maintaining an acceptable standard of living upon retirement. With our new pension savings and supplementary **pension savings products within the 2nd and 3rd pillar**, respectively, of the pension system, we want to be the best choice for citizens of the Czech Republic when looking for old age savings options. Moreover, clients' savings can now be protected by our **Pension Guardian**, a life insurance product designed to compensate for a drop in income level and assist with savings in the 2nd and 3rd pillars.

Report of the Supervisory Board

Report of the Supervisory Board of Allianz penzijní fond, a. s. (hereinafter referred to as the "Pension Fund") on the results of its supervisory activities, including the review of the Pension Fund's regular financial statements for the financial year 2012, the Report on relations between related parties for the financial year 2012 and its opinion on the proposal of the Pension Fund's Board of Management for the distribution of profits of Allianz penzijní fond, a. s. of the year 2012.

In 2012, all activities of the Supervisory Board of the Pension Fund had been carried out in accordance with applicable legal regulations and the company's Articles of Association. The Supervisory Board of the company had been overseeing the Pension Fund's Board of Management exercising its authorities and competences as well as it had been supervising the company's business activities in general. The Supervisory Board had been informed about the Pension Fund's activities and business results on a regular basis.

The Board of Management of Allianz penzijní fond, a. s. presented the regular financial statements of the company prepared for the financial year 2012 and verified by the auditor, as well as the proposal for distribution of profits generated in 2012 to the Supervisory Board. Also, pursuant to provisions of Sec. 66a, paragraph 9 of the Commercial Code, the Supervisory Board reviewed the Report on relations for the year 2012.

Based on the above, the Supervisory Board recommended the general meeting of the Pension Fund to approve the financial statements of Allianz penzijní fond, a. s. as of 31 December 2012 along with the proposal for distribution of profits as presented by the Pension Fund's Board of Management. Furthermore, the Supervisory Board of the Pension Fund recommended the general meeting to approve the Report on relations.

For and on behalf of the Supervisory Board of Allianz penzijní fond, a. s.



Mgr. Josef Lukášek
Chairman of the Supervisory Board



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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of Allianz penzijní fond, a. s.

Financial statements

On the basis of our audit, on 21 February 2013 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Allianz penzijní fond, a. s., which comprise the balance sheet as of 31 December 2012, and the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Allianz penzijní fond, a. s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant 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 the 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený
Městským soudem v Praze
oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Allianz penzijní fond, a. s. as of 31 December 2012, and of its financial performance for the year then ended in accordance with Czech accounting legislation.”

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Allianz penzijní fond, a. s. for the year 2012 ended 31 December 2012. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of Company’s personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Allianz penzijní fond, a. s. for the year ended 31 December 2012 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company’s statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
12 April 2013

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Licence number 71

Roger Gascoigne
Roger Gascoigne, FCA
Partner

Jiří Vašina
Jiří Vašina
Partner
Licence number 2059

Balance Sheet as at 31 December 2012

(Translated from the Czech original)

CZK 000

ASSETS	Note	2012	2011
1 Cash in hand and balances with central banks		5	9
2 State zero coupon bonds and other securities eligible for refinancing with central bank	4	21 319 636	12 233 271
of which: a) securities issued by the government institutions		19 725 441	11 580 807
b) others		1 594 195	652 464
3 Receivables from banks and co-operative savings associations	5	282 350	259 476
of which: a) repayable on demand		25 120	19 546
b) other receivables		257 230	239 930
6 Shares, units and other investments	6	82 866	235 677
9 Intangible fixed assets	7	4 130	442
10 Tangible fixed assets	7	598	675
11 Other assets	8	138 328	60 239
13 Prepaid expenses and accrued income	9	640 889	166 850
Total Assets		22 468 802	12 956 639

LIABILITIES	Note	2012	2011
4 Other liabilities		20 787 140	11 920 287
a) Accounts of Supplementary Pension Insurance Participants	10	20 421 310	11 862 563
aa) Participants' Contributions and State Support		18 337 756	10 495 825
ab) Revenues from Participants' Contributions and State Support		1 923 185	1 301 062
ac) Unallocated Contributions of Supplementary Plan Participants		116 055	26 820
ad) Benefit Payments		44 314	38 856
b) Other	12	365 830	57 724
6 Provisions	14	12 806	10 410
of which: a) provision for pensions and similar obligations		12 377	10 337
8 Registered capital	15	300 000	60 000
of which: a) registered capital paid up		300 000	60 000
9 Share premium	15		18 736
10 Reserve funds and other funds from profit		124 016	107 058
12 Capital funds			10 646
13 Gains (losses) from revaluation	15	841 818	355 180
of which: a) assets and liabilities		843 034	358 776
14 Retained earnings (or accumulated losses) from previous years		45 655	135 167
15 Profit (loss) for the accounting period	15	357 367	339 155
Total Liabilities		22 468 802	12 956 639

OFF-BALANCE SHEET	Note	2012	2011
Off-balance sheet assets			
4 Receivables from fixed term transactions	23	777 740	318 511
Off-balance sheet liabilities			
12 Payables from fixed term transactions	23	791 588	344 800

Profit and Loss Account for the year 2012

(Translated from the Czech original)

CZK 000

	Note	2012	2011
1 Interest income and similar income	16	518 076	420 097
of which: interest income from debt securities		513 688	417 654
2 Interest expense and similar expense			-28
of which: interest expense from debt securities			
3 Income from shares and participation interests:			2 722
of which: c) income from other shares and participation interests			2 722
4 Fee and commission income	17		
5 Fee and commission expense	17	-305 305	-89 462
6 Gain or loss from financial transactions	18	204 341	56 570
7 Other operating income	19	5 416	4 579
8 Other operating expenses		-509	-17
9 Administrative expenses		-61 271	-51 852
of which: a) employee expenses		-20 100	-11 427
of which: aa) social and health insurance	20	-4 724	-2 769
b) other administrative expenses	21	-41 171	-40 425
11 Depreciation, creation and use of reserves and adjustments to tangible and intangible fixed assets		-836	-740
13 Write-offs, creation and use of adjustments and provisions for receivables and guarantees		-149	-224
16 Release of other provisions		894	263
17 Creation and use of other provisions		-3 290	-2 753
19 Current year profit (loss) from ordinary activities before tax		357 367	339 155
23 Income tax	22		
24 Net profit (loss) for the accounting period		357 367	339 155

Statement of Changes in Equity for the year 2012

(Translated from the Czech original)

CZK 000

	Registered capital	Share premium	Reserve funds	Capital funds	Revaluation gains (losses)	Acc. gains (losses) of previous years	Profit (loss)	Total
Balance as at 1.1.2011	60 000	18 736	91 571	10 646	379 321	106 775	309 753	976 802
Increase of registered capital								
FX gains (losses) and gains (losses) not included in the profit and loss statement					-24 141			-24 141
Profit distribution			15 487			28 392	-43 879	0
Allocation to participants' accounts							-265 874	-265 874
Net profit (loss) for accounting period							339 155	339 155
Balance as at 31.12.2011	60 000	18 736	107 058	10 646	355 180	135 167	339 155	1 025 942
Balance as at 1.1.2012	60 000	18 736	107 058	10 646	355 180	135 167	339 155	1 025 942
Increase of registered capital	240 000	-18 736		-10 646		-110 618		100 000
FX gains (losses) and gains (losses) not included in the profit and loss statement					486 638			486 638
Profit distribution			16 958			21 106	-38 064	0
Allocation to participants' accounts							-301 091	-301 091
Net profit (loss) for accounting period							357 367	357 367
Balance as at 31.12.2012	300 000	0	124 016	0	841 818	45 655	357 367	1 668 856

Notes to the financial statements 31 December 2012

1. BASIC INFORMATION

a) Description of the Company

The regular financial statements of Allianz penzijní fond, a.s. ("the Company") have been prepared for the period from 1 January 2012 to 31 December 2012. The Company is registered in the Commercial Register maintained by the City Court in Prague, section B, insert 4972. The identification number of the Company is 25612603.

With effect from 1 January 2013, Allianz penzijní společnost, a.s. became the successor company of Allianz penzijní fond, a.s., based on the licence to act as pension company granted by Czech National Bank.

b) Foundation and Incorporation the Company

Allianz penzijní fond, a. s. was formed by a merger of Allianz-Hypo penzijní fond, a.s. and Živnobanka penzijní fond, a.s. on 31 August 1997. The Company was registered in the Commercial Register on 30 September 1997.

c) Principal Business of the Company

The principal business of the Company is supplementary pension insurance under Act No. 42/1994 Coll., on Supplementary Pension Insurance with State Support, as amended. The principal activities are as follows:

- Accumulation of contributions from participants in supplementary pension insurance ("the Participants") and support provided by the State in respect of the Participants,
- Administration of contributions received according to the above,
- Payment of benefits from supplementary pension insurance,
- Other activities connected with administration of supplementary pension insurance.

d) Ownership Structure

The Company's sole shareholder as at 31 December 2012 was Allianz pojišťovna, a. s.

e) Registered Office

Allianz penzijní fond, a. s.
Ke Štvanici 656/3
186 00 Prague 8
Czech Republic

f) Members of the Board of Directors and Supervisory Board as at 31 December 2012

Members of the Board of Directors:

Chairman: RNDr. Jakub Strnad, Ph.D., residing at Žitná 172, Dobřejovice, 251 01
Members: Ing. Petr Sosík, Ph.D., CFA, residing at Kališnická 379/10, Praha 3 – Žižkov, 130 00
Mgr. Karel Waisser, residing at Paderlíkova 535, Nučice, 252 16

Two members of the Board of Directors or one of the members of the Board of Directors and the proxy act jointly on behalf of the Company.

Members of the Supervisory Board:

Chairman: Mgr. Josef Lukášek, Čelákovice
Members: Marc Smid, Mnichov
Wolfgang Deichl, Dachau ¹⁾

¹⁾ Wolfgang Deichl was elected as a member of the Supervisory Board of Allianz penzijní fond, a.s. with effect from 24 February 2012.

Proxy:

Mgr. Libor Novák, Praha ²⁾

²⁾ Mgr. Libor Novák was elected as a proxy of Allianz penzijní fond, a.s. with effect from 21 April 2012.

g) Organization Structure

The Prague head office provides customer services to the participants' portfolio, administers the individual contracts and manages the operational activities of the Company. Pension insurance sales are carried out by external intermediaries, in particular branches of Allianz pojišťovna, a.s., OVB Allfinanz, a.s., Fincentrum, a.s., Partners For Life Planning, a.s. and Broker Consulting, a.s.

The Company's organisational structure is as follows:

Contract Administration Department,
Payment Records Department,
Accounting Department,
IT Specialist Department.

Depositary services are rendered by Komerční banka, a.s. on the basis of a depositary agreement dated 29 October 2004 and a general agreement dated 30 April 2001, as amended. Furthermore, Komerční banka, a.s. provides the Company with services in the area of securities based on a custody agreement dated 26 August 2003.

As of 31 December 2012, Allianz penzijní fond, a.s. was administering accounts of 486 thousand participants in supplementary pension insurance (212 thousand as of 31 December 2011).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared on the basis of accounting maintained in accordance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant decrees and regulations of the Czech Republic, in particular Regulation No. 501 of the Ministry of Finance of the Czech Republic dated 6 November 2002, as amended, to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for entities which are banks and other financial institutions. The regulation governs the structure, denomination and content of the financial statement items, the chart of accounts, accounting policies and their application.

The financial statements have been prepared under generally accepted accounting principles, in particular on the basis of full accrual accounting and the historical cost convention, except for selected financial instruments that are stated at fair value, and the going concern principle.

All figures are stated in Czech crowns (CZK). The units of measurement are thousands of Czech crowns (TCZK), unless otherwise stated.

These financial statements are non-consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of the Company's financial statements are set out below:

a) Transaction Date

Depending on the type of transaction, the transaction date is defined as the date of payment or collection of cash, the date of purchase or sale of foreign currency or the date of crediting the funds (value date) as per the account statement.

For purchases or sales of securities or derivatives, the transaction date is the settlement date. If a trade has been agreed before the data of preparation of the financial statements, but has not been settled yet, it is recognised in off-balance sheet accounts.

b) Debt Securities, Shares, Units and Other Investments

Treasury bills, bonds and other debt securities and shares including units and other investments are classified into the portfolio held to maturity and the portfolio available for sale.

Treasury bills, bonds and other debt securities are carried at amortised/accreted cost. Accrued interest income is part of the carrying amount of these securities. Shares, units and other investments are stated at acquisition cost.

The acquisition cost includes direct transaction cost of which the entity is aware at initial recognition, in particular fees and commissions paid to brokers, advisors and stock exchanges. Transaction cost does not include interest on borrowings taken for acquisition of the securities or ownership interests also known as the cost of finance, premiums or discounts, internal administrative cost or holding cost.

Premiums and discounts on debt securities are amortised/accreted through the income statement over the period from the date of purchase to the date of maturity using the effective interest rate method. For securities that have a residual maturity of less than 1 year from the date of purchase, the premium and the discount are amortised/accreted equally through the income statement over the period from the date of purchase to the date of maturity.

Available-for-sale securities and shares, units and other investments are measured at fair value at the balance sheet date, and gains/losses arising from this revaluation are charged to equity in "Revaluation gains/losses". When the security is sold the respective revaluation gain/loss is charged to the income statement in "Gain or loss from financial transactions".

Fair value is the price announced on a domestic or foreign stock exchange or another public (organised) market.

If fair value cannot be determined as market value, fair value is determined as the adjusted value of the securities. The adjusted value of the securities is equal to the share proportion of equity for shares, the share proportion of a fund's net asset value for units, or the present value of the security for debt securities.

Held-to-maturity securities are initially recognised at acquisition cost and subsequently stated at amortised cost. Amortised/accreted cost means the price applied at initial recognition (acquisition cost) increased by accreted interest and adjusted for amortised discount/premium, and reduced by adjustments.

The acquisition cost of held-to-maturity securities at their disposal is determined using the weighted average method.

c) Hedging Derivatives

Hedging derivatives are carried at fair value. The method of recognition of fair value depends on the hedge accounting model applied.

Hedge accounting can be applied if:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- it is expected that the hedge relationship will be highly effective throughout its life,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is highly effective throughout the accounting period,
- in the case of hedging future expected transaction, it is highly probable that the transaction will occur.

The fair value of financial derivatives is determined as the present value of expected cash flows from these transactions, using valuation models generally accepted on the market. The parameters used in these models such as foreign exchange rates, yield curves, volatility of financial instruments, etc., are based on the market experience.

If the derivative hedges the exposure to changes in cash flows related to recognised assets and liabilities or expected transactions, the effective part of the hedge (fair value of the hedging derivative) is reported in equity in "Revaluation gains / losses from hedging derivatives". The ineffective part of the hedge is recognised in the income statement in "Gain or loss from financial transactions".

d) Provisions

A provision represents a probable cash outflow of uncertain timing and amount. Provisions are established if the following criteria are met:

- the Company has a present obligation (legal or constructive) as a result of a past event,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; "probable" meaning a probability exceeding 50%,
- the amount of such obligation can be reliably estimated.

e) Tangible and Intangible Fixed Assets

Tangible and intangible operating fixed assets are stated at historical cost and depreciated on straight-line basis, according to the depreciation schedule. The table below shows the depreciation periods for each asset class:

Assets	Accounting depreciation period
Software	3 years
Machinery and equipment	3 years

Intangible fixed assets costing less than CZK 60 000 and tangible fixed assets costing less than CZK 40 000 and having a useful life of less than 1 year are charged to the income statement in the period in which they are acquired.

The Company does not own non-operating tangible fixed assets.

f) Foreign Currency Translation

Transactions denominated in foreign currencies are recorded in the local currency translated using the daily exchange rate of the Czech National Bank valid on the transaction date. Assets and liabilities denominated in foreign currencies, together with unsettled foreign exchange spot transactions, are translated into the local currency at the Czech National Bank official rate of the derivative as at the balance sheet date. Foreign exchange gains or losses from revaluation of hedging derivatives are recorded in the income statement in "Gain or loss from financial operations".

g) Taxation

Income that is subject to withholding tax (such as dividends) and interest received on term deposits, bonds and treasury bills is not included in pension funds' corporate income tax base, therefore are not effectively taxed.

Capital gains on sale of securities and other income, after deducting related expense, are included in the tax base to be taxed at 5% tax rate applicable to pension funds for the year 2012.

Since its establishment, with the exception of 2005, the Company has been accumulating tax losses, because of the prevailing proportion of income excluded from the corporate income tax base. Therefore the Company has not recognised a deferred tax.

h) Liabilities to Participants Arising from Pension Payments

Liability adequacy test

The Company established provisions for liabilities arising from contracts on supplementary pension insurance. The amounts of the provisions is set based on a liability adequacy test of the amount of participants' accounts carried out separately for the portfolio of participants in the saving phase and the portfolio of participants in the pension payment phase and taking into account the valid options and guarantees arising from the contracts on supplementary pension insurance.

The liability adequacy testing is based on the discounted cash flows method. The cash flows are, in particular, the participants' contributions, benefits paid and the Company's expenses. The result of the liability adequacy test is the minimum value of the liabilities to participants calculated based on a best estimate of the future development of the input parameters. The sum of the participants' accounts is insufficient if the minimum value of the liabilities to participants exceeds the actual sum of the participants' accounts, in which case the Company establishes an additional provision equal to this difference.

Annuity option

The value of the annuity option is determined as the difference between the value of the participants' accounts at the calculation date and the present value of funds necessary to cover future liabilities calculated using actuarial methods. Future liabilities relate in particular to pension payments, valorisation of pensions and expenses relating to payments.

The annuitisation option is calculated for the portfolio of participants in the saving phase using the same model (thus also the same estimate) as that used for the adequacy test.

The percentages of participants opting for annuity instead of a lump-sum settlement are based on the Company's current experience. The projection assumes that the current status will continue.

The Company has not established a provision for the annuitisation option as at 31 December 2012 or 2011.

i) Deferred Acquisition Costs

The Company records commissions paid and bonuses for general agreements, in the deferred expense account. The commissions or bonuses paid are deferred over the term of the supplementary pension insurance contract, although not exceeding 5 years.

4. STATE ZERO COUPON BONDS AND OTHER SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANK

TCZK	2012	2011
Debt securities held to maturity	3 985 693	3 146 302
Debt securities available for sale	17 333 943	9 086 969
Total	21 319 636	12 233 271

a) Analysis of debt securities held to maturity

TCZK	2012	2011
	Book value	Book value
Issued by government sector		
- Listed on a CR stock exchange	3 985 693	3 146 302
Total	3 985 693	3 146 302

b) Analysis of debt securities available for sale

TCZK	2012	2011
	Market value	Market value
Issued by financial institutions	1 594 195	590 983
- Listed elsewhere	1 594 195	590 983
Issued by non-financial institutions	--	61 481
- Listed on a CR stock exchange		
- Listed elsewhere	--	61 481
Issued by government sector	15 739 748	8 434 505
- Listed on a CR stock exchange	15 739 748	8 434 505
Total	17 333 943	9 086 969

5. RECEIVABLES FROM BANKS AND CO-OPERATIVE SAVINGS ASSOCIATIONS

TCZK	2012	2011
Current accounts with banks	25 120	19 546
Term deposits with banks	257 230	239 930
Total	282 350	259 476

6. SHARES, UNITS AND OTHER INVESTMENTS*Classification of shares, units and other investments into individual portfolios based on the Company's intention*

TCZK	2012	2011
Shares	--	--
Units and other investments	82 866	235 677
Total	82 866	235 677

Analysis of shares, units and other investments available for sale

TCZK	2012	2011
	Market value	Market value
Issued by other institutions		
- Listed elsewhere	82 866	235 677
Total	82 866	235 677

7. TANGIBLE AND INTANGIBLE FIXED ASSETS*(a) Movements in intangible fixed asset*

TCZK	Software	Total
Acquisition cost		
Balance at 31 December 2011	24 909	24 909
Additions	4 246	4 246
Disposals	--	--
Balance at 31 December 2012	29 155	29 155
Accumulated depreciation		
Balance at 31 December 2011	24 467	24 467
Charge for the year	558	558
Disposals	--	--
Balance at 31 December 2012	25 025	25 025
Net book value at 31 December 2011	442	442
Net book value at 31 December 2012	4 130	4 130

(b) Movements in tangible fixed assets

TCZK	Machinery and equipment	Inventory	Total
Acquisition cost			
Balance at 31 December 2011	4 675	78	4 753
Additions	201	--	201
Disposals	--	--	--
Balance at 31 December 2012	4 876	78	4 954
Accumulated depreciation			
Balance at 31 December 2011	4 015	63	4 078
Charge for the year	278	--	278
Disposals	--	--	--
Balance at 31 December 2012	4 293	63	4 356
Net book value at 31 December 2011	660	15	675
Net book value at 31 December 2012	583	15	598

8. OTHER ASSETS

TCZK	2012	2011
Trade receivables and receivables due from employees	271	239
Positive fair value of derivatives	--	--
Receivables due from the state budget – state support	138 000	60 000
Receivables from securities trading	--	--
Other	57	--
Total	138 328	60 239

Receivables due from the state budget – state support of TCZK 138 000 (2011: TCZK 60 000) comprise estimated receivables due from the state support for the 4th quarter of 2012.

9. PREPAID EXPENSES AND ACCRUED INCOME

The Company has recognised prepaid expenses and accrued income in the total amount of TCZK 640 889 (2011: TCZK 166 850), of which TCZK 638 814 (2011: TCZK 166 227) relates to deferred acquisition cost of supplementary pension insurance contracts.

10. ACCOUNTS OF SUPPLEMENTARY PENSION INSURANCE PARTICIPANTS

TCZK	2012	2011
Balance at 1 January		
Participants' contributions	6 850 992	5 492 059
Employers' contributions	2 121 405	1 685 139
Allocated profit sharing	1 364 609	1 104 962
State support	1 525 557	1 256 821
Total participants' accounts	11 862 563	9 538 981
Additions		
Participants' contributions	5 663 852	1 810 181
Employers' contributions	1 999 682	585 828
Allocated profit sharing	756 474	353 877
State support	1 224 304	366 474
Total additions	9 644 312*	3 116 360
Outflows		
Participants' contributions	633 137	451 247
Employers' contributions	180 020	149 562
Allocated profit sharing	144 980	94 231
State support	127 428	97 738
Total outflows	1 085 565	792 778
Balance at 31 December		
Participants' contributions	11 881 707	6 850 992
Employers' contributions	3 941 067	2 121 405
Allocated profit sharing	1 976 103	1 364 609
State support	2 622 433	1 525 557
Total participants' accounts	20 421 310	11 862 563

* Total additions as at 31 December 2012 comprise newly contracted supplementary pension insurance agreements (TCZK 3 653 685) and transfers (TCZK 5 990 627).

Based on a resolution of the extraordinary General Meeting held on 22 February 2013 the Company expects to distribute at least 85% of the profit for the year 2012 to supplementary pension insurance participants.

11. BENEFITS PAID

TCZK	Amount	Number of contracts
Structure of benefits paid in 2012		
Surrender	228 644	11 294
Lump-sum settlement	598 723	5 572
Transfers to other funds	98 105	1 625
Pensions	50 117	92
Other (premature termination of the contract, pay-out of pension to beneficiaries)	109 976	294
Total benefits paid	1 085 565	18 877
Structure of benefits paid in 2011		
Surrender	190 647	5 139
Lump-sum settlement	481 190	4 847
Transfers to other funds	70 185	1 243
Pensions	29 961	83
Other (premature termination of the contract, pay-out of pension to beneficiaries)	20 795	210
Total benefits paid	792 778	11 522

12. OTHER LIABILITIES

TCZK	2012	2011
Trade payables	327 375	16 757
Tax liabilities	4 678	2 653
Payables due to employees	1 933	487
Payables due to state	3 672	2 203
Estimated payables	14 350	4 393
Negative fair value of derivatives	12 680	30 861
Other	1 142	370
Total	365 830	57 724

Estimated payables of TCZK 14 350 (2011: TCZK 4 393) comprise mainly payables to suppliers.

13. TRANSACTIONS WITH GROUP COMPANIES

Summary of transactions with Allianz pojišťovna, a. s.:

TCZK	Revenues	Expenses	Receivables	Payables
2012	0	27 212	45	100 453
2011	60	11 915	48	1 008

14. PROVISIONS

Provision for Pensions

The Company establishes a provision for pensions in accordance with the methods described in note 3(h).

Based on the results of the liability adequacy test carried out in respect of the portfolio of the current pensioners at 31 December 2012, the Company has established provisions as follows:

TCZK	Value of provisions at 31 December 2011	Addition	Release	Value of provisions at 31 December 2012
Retirement pension	10 108	2 917	800	12 225
Survivor pension	229	17	94	152
Total	10 337	2 934	894	12 377

In the calculation as at 31 December 2012, the most significant economic and actuarial assumptions were as follows:

The modelled costs of the pension fund were derived from the actual administrative, investment and acquisition costs. Based on these data, the 2012 expense per participant was determined. The Company projected future costs using annual cost inflation in the amount determined based on the market conditions.

To project future revenues and to determine the discount rates, best estimates of the future revenues of the Company as at 31 December 2012 were used.

To determine the probability of death, mortality rates were used, based on the population mortality rates of the Czech Statistical Office (ČSÚ) to which selection coefficients were applied. The generation rates used correspond to the estimated development of the average life expectancy at birth published by expert institutions in the Czech Republic.

Provision for Bonuses

The Company establishes a provision for bonuses in accordance with the methods described in note 3(d).

TCZK	Value of provisions at 31 December 2011	Addition	Release	Value of provisions at 31 December 2012
Bonuses B	73	356	--	429
Total	73	356	--	429

The provision for bonuses is established to cover the cost of B-type bonuses provided in accordance with the conditions for awarding a bonus.

The change in the balance of the provision for bonuses is presented in the income statement under "Creation and use of other provisions".

15. EQUITY

a) Registered Capital

The registered capital of the Company at 31 December 2012 amounted to TCZK 300 000 (2011: TCZK 60 000) and consisted of 300 registered shares, each with a nominal value of TCZK 1 000.

Regarding capital requirements in connection with the pension reform currently under preparation (Section 28 (1) of Act No. 426/2011 Coll., Act on pension savings), Allianz penzijní fond, a.s., increased its registered capital by TCZK 240 000.

Based on a resolution of the sole shareholder by the administration of action of the General Meeting of Allianz penzijní fond, a.s., held on 19 June 2012, the registered capital was increased by TCZK 140 000 from the Company's equity as follows:

Retained profits	TCZK 110 618
Capital contributions	TCZK 10 646
Share premium	TCZK 18 736

Further, at the General Meeting held on 17 September 2012, the sole shareholder of Allianz penzijní fond, a.s., Allianz pojišťovna, a.s., decided to increase the registered capital by a monetary contribution amounting to TCZK 100 000.

b) Net Result, Share Premium and Funds Created from Profit

In 2012 the Company reported a share premium of TCZK 0 (2011: TCZK 18 736).

For the year 2011, the Company recognised profit of TCZK 339 155, which was distributed in accordance with the resolution of the General Meeting dated 18 June 2012 as follows:

Allocation to participants' accounts	TCZK 301 091
Reserve fund	TCZK 16 958
Retained profits	TCZK 21 106

The profit for 2012 of TCZK 357 367 will be distributed according to a resolution of the extraordinary General Meeting held on 22 February 2013.

c) Revaluation gains/losses

TCZK	Available-for-sale securities	Hedging derivatives	Total
Balance at 1 January 2011	382 442	- 3 121	379 321
Decrease	- 55 465	-475	- 55 940
Increase	31 799	--	31 799
Balance at 31 December 2011	358 776	- 3 596	355 180
Balance at 1 January 2012	358 776	-3 596	355 180
Decrease	- 6 238	--	- 6 238
Increase	490 496	2 380	492 876
Balance at 31 December 2012	843 034	-1 216	841 818

16. INTEREST INCOME AND SIMILAR INCOME

TCZK	2012	2011
Interest on debt securities	513 688	417 654
Interest on current accounts and term deposits	4 388	2 443
Total	518 076	420 097

17. FEE AND COMMISSION EXPENSE AND INCOME

TCZK	2012	2011
Release of deferred commissions to brokers	301 545*	86 295
Bank, custody and asset management fees	1 895	1 887
Securities trading fees	1 865	1 280
Total fee and commission expense	305 305	89 462
Fee and commission income	--	--
Total fee and commission income	--	--

* An increase in deferred commissions to intermediaries in 2012 is caused by the high number of transferred and newly contracted client agreements

18. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

TCZK	2012	2011
Gain from securities transactions	198 687*	63 665
Loss from derivative transactions	6 490	-16 777
Foreign exchange gains/losses	-836	9 682
Total	204 341	56 570

* In 2012 in accordance with the investment strategy the Company generated profits by the sale of securities from the portfolio of available for sale securities.

19. OTHER OPERATING INCOME

A major portion of this item comprises revenues from participants' contributions, which, by virtue of law, remain in the pension fund's revenues. In 2012, the value of the revenues from contributions amounted to TCZK 3 025 (2011: TCZK 2 812). Another major portion is the revenue from transfers of pension insurance to another pension fund and surrender payments. In 2012, this revenue amounted to TCZK 2 336 (2011: TCZK 1 650).

20. EMPLOYEE EXPENSES

Year 2012	Average number of employees	Payroll expenses and bonuses	Social security and health insurance	Other social expenses
Employees	49	14 907	4 724	469
Members of the Board of Directors and Supervisory Board	6	--	--	--
Total	55	14 907	4 724	469

Year 2011	Average number of employees	Payroll expenses and bonuses	Social security and health insurance	Other social expenses
Employees	29	8 386	2 769	272
Members of the Board of Directors and Supervisory Board	5	--	--	--
Total	34	8 386	2 769	272

21. OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses for the accounting period ended 31 December 2012 totalled TCZK 41 171 (2011: TCZK 40 425). Included in Other services for 2012 are expenses of TCZK 16 417 (2011: TCZK 9 017) arising from a co-operation agreement dated 15 December 2004 and an agreement on co-operation in the use of information technologies dated 2 January 2007 concluded between Allianz penzijní fond, a.s. and Allianz pojišťovna, a.s., as amended.

TCZK	2012	2011
Postage	6 998	4 237
Software services	2 568	2 842
Materials and energies	806	681
Rent	1 602	1 514
Sales support expenses	10 797	20 318
Other services	18 400	10 833
Total other administrative expenses	41 171	40 425

22. INCOME TAX AND DEFERRED TAX ASSET / LIABILITY**(a) Current Income Tax**

TCZK	2012	2011
Current year profit/loss before tax	357 367	339 155
Income not liable to tax	- 518 804	-423 015
Expense not deductible from tax base	6 969	5 667
Other items	-46	-28
Subtotal	- 154 514	-78 221
Tax calculated using 5% rate	--	--
Of which: tax on extraordinary income	--	--
Tax on separate tax base (15%)	--	--

(b) Deferred Tax Asset/Liability

The Company did not recognise a deferred tax asset of TCZK 401 495 relating to unused tax losses, as the Company's management does not expect to generate sufficient profits in the future against which it could be utilised.

23. OFF-BALANCE SHEET ITEMS**(a) Off-Balance Sheet Financial Instruments**

TCZK	Contractual amounts		Fair value	
	2012	2011	2012	2011
Hedging instruments				
Fixed term currency transactions - receivable	777 740	318 511	--	--
Fixed term currency transactions - payable	791 588	344 800	- 12 680	- 30 861
Total			- 12 680	- 30 861

(b) Residual Maturity of Financial Derivatives

The nominal values of the individual types of financial derivatives according to their residual maturity are as follows:

TCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Total
At 31 December 2012				
Hedging instruments				
Fixed term currency transactions				
- receivable	80 427	103 608	593 705	777 740
Fixed term currency transactions				
- payable	80 448	104 728	606 412	791 588
At 31 December 2011				
Hedging instruments				
Fixed term currency transactions				
- receivable	--	232 261	86 250	318 511
Fixed term currency transactions				
- payable	--	245 100	99 700	344 800

24. FINANCIAL INSTRUMENTS – MARKET RISK

The Company is exposed to market risks arising from open positions in interest rate, currency and equity instruments, all of which are exposed to general and specific movements in the market.

a) Risk Management

The investment strategy of the Company is to achieve capital appreciation of funds invested, while minimising the market risks of its investment portfolio. The Company uses as primary risk management tool limits on the share of individual types of financial instruments in the Company's portfolio, as prescribed under Act No. 42/1994 Coll., on Supplementary Pension Insurance with State Support, the Statutes and the investment strategy of the Company, which is defined in accordance with the law.

b) Liquidity Risk

The Company regularly assesses liquidity risk, in particular by monitoring changes in the structure of inflows and outflows of participants' accounts. The Company also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid instruments.

The Company presents contributions received from participants, the State and third parties in favour of the participants under liabilities. The Company's equity represents a minority source of financing. Residual maturity of liabilities has not been determined for contracts where the participants did not assert their entitlement to benefits. Residual maturity cannot be specified for liabilities to participants due to the nature of the product and because payment of the benefit can be requested

at any time after the entitlement to the benefit arises and payment of the surrender can be requested at any time after the contract has been in force for 12 months. The Company recorded TCZK 1 243 191 (2011: TCZK 1 178 212) under liabilities to participants in favour of participants who have already qualified for the pension payment (complied with the conditions for granting the benefit), but have not yet applied for it.

The sole shareholder of Allianz penzijní fond, a.s., Allianz pojišťovna, a.s., is ready to support and ensure the liquidity of the Company in both the commercial and operational area.

Residual maturity of the Company's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Unspecified	Total
At 31 December 2012						
Cash	5	--	--	--	--	5
Receivables from banks	282 350	--	--	--	--	282 350
State debt securities	955 898	4 520 572	6 686 881	7 562 090	--	19 725 441
Other debt securities	100 676	--	760 073	733 446	--	1 594 195
Shares, units and other investments	--	--	--	--	82 866	82 866
Other assets	138 328	--	--	--	645 617	783 945
Total	1 477 257	4 520 572	7 446 954	8 295 536	728 483	22 468 802
Payables from supplementary pension insurance participants' contributions	--	--	--	--	20 421 310	20 421 310
Other liabilities	137 930	27 030	200 870	--	--	365 830
Provisions	--	--	--	--	12 806	12 806
Equity	--	--	--	--	1 668 856	1 668 856
Total	137 930	27 030	200 870	--	22 102 972	22 468 802
Gap	1 339 327	4 493 542	7 246 084	8 295 536	-21 374 489	--
Cumulative gap	1 339 327	5 832 869	13 078 953	21 374 489	--	--

Residual maturity of the Company's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Unspecified	Total
At 31 December 2011						
Cash	9	--	--	--	--	9
Receivables from banks	259 476	--	--	--	--	259 476
State debt securities	--	189 921	4 154 650	7 236 236	--	11 580 807
Other debt securities	--	61 481	590 983	--	--	652 464
Shares, units and other investments	--	--	--	--	235 677	235 677
Other assets	60 238	--	--	--	167 968	228 206
Total	319 723	251 402	4 745 633	7 236 236	403 645	12 956 639
Payables from supplementary pension insurance participants' contributions	--	--	--	--	11 862 563	11 862 563
Other liabilities	21 795	35 254	675	--	--	57 724
Provisions	--	--	--	--	10 410	10 410
Equity	--	--	--	--	1 025 942	1 025 942
Total	21 795	35 254	675	--	12 898 915	12 956 639
Gap	297 928	216 148	4 744 958	7 236 236	-12 495 270	--
Cumulative gap	297 928	514 076	5 259 034	12 495 270	--	--

c) Interest Rate Risk

The Company is exposed to interest rate risk due to the impact of movements in market interest rates. The fair value and investment return may both increase and decrease as a result of these fluctuations.

The Company is exposed to interest rate risk also due to the fact that some of its liabilities bear interest at a fixed rate of 3%. The Company has therefore been applying an investment strategy so as to make its revenues cover the liabilities arising out of certain supplementary pension insurance contracts (Asset Liability Matching).

Interest rate sensitivity of the Company's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Unspecified	Total
At 31 December 2012						
Cash	5	--	--	--	--	5
Receivables from banks	282 350	--	--	--	--	282 350
State debt securities	1 373 845	4 520 572	6 268 934	7 562 090	--	19 725 441
Other debt securities	100 676	--	760 073	733 446	--	1 594 195
Shares, units and other investments	--	--	--	--	82 866	82 866
Other assets	138 328	--	--	--	645 617	783 945
Total	1 895 204	4 520 572	7 029 007	8 295 536	728 483	22 468 802
Payables from supplementary pension insurance participants' contributions	--	--	--	--	20 421 310	20 421 310
Other liabilities	137 930	27 030	200 870	--	--	365 830
Provisions	--	--	--	--	12 806	12 806
Equity	--	--	--	--	1 668 856	1 668 856
Total	137 930	27 030	200 870	--	22 102 972	22 468 802
Gap	1 757 274	4 493 542	6 828 137	8 295 536	-21 374 489	--
Cumulative gap	1 757 274	6 250 816	13 078 953	21 374 489	--	--

Interest rate sensitivity of the Company's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Unspecified	Total
At 31 December 2011						
Cash	9	--	--	--	--	9
Receivables from banks	259 476	--	--	--	--	259 476
State debt securities	--	189 921	4 154 650	7 236 236	--	11 580 807
Other debt securities	97 689	61 481	493 294	--	--	652 464
Shares, units and other investments	--	--	--	--	235 677	235 677
Other assets	60 238	--	--	--	167 968	228 206
Total	417 412	251 402	4 647 944	7 236 236	403 645	12 956 639
Payables from supplementary pension insurance participants' contributions	--	--	--	--	11 862 563	11 862 563
Other liabilities	21 795	35 254	675	--	--	57 724
Provisions	--	--	--	--	10 410	10 410
Equity	--	--	--	--	1 025 942	1 025 942
Total	21 795	35 254	675	--	12 898 915	12 956 639
Gap	395 617	216 148	4 647 269	7 236 236	-12 495 270	--
Cumulative gap	395 617	611 765	5 259 034	12 495 270	--	--

d) Equity Risk

Equity risk is the risk of movement in prices of equity instruments held in the Company's portfolio. Risk associated with equity instruments is managed through trading limits; general methods applied in managing these risks are described in "Risk Management" in note 23(a).

e) Currency Risk

Assets and liabilities denominated in foreign currency, including off-balance sheet exposures, represent the Company's exposure to currency risk. To manage currency risk the Company uses hedging through fixed term transactions. Both realised and unrealised foreign exchange gains and losses are recognised directly in the income statement (see note 3(f)). The Company's foreign currency position is as follows:

f) The Company's Foreign Currency Position

TCZK	EUR	USD	CZK	Total
At 31 December 2012				
Cash			5	5
Receivables from banks			282 350	282 350
State debt securities	56 407	102 326	19 566 708	19 725 441
Other debt securities			1 594 195	1 594 195
Shares, units and other investments	82 866			82 866
Other assets			783 945	783 945
Total	139 273	102 326	22 227 203	22 468 802
Accounts of supplementary pension insurance participants				
			20 421 310	20 421 310
Other liabilities			365 830	365 830
Provisions			12 806	12 806
Equity			1 668 856	1 668 856
Total			22 468 802	22 468 802
Net currency position	139 273	102 326	- 241 599	--
At 31 December 2011				
Cash			9	9
Receivables from banks			259 476	259 476
State debt securities		100 524	11 480 283	11 580 807
Other debt securities			652 464	652 464
Shares, units and other investments	235 677			235 677
Other assets			228 206	228 206
Total	235 677	100 524	12 620 438	12 956 639
Accounts of supplementary pension insurance participants				
			11 862 563	11 862 563
Other liabilities			57 724	57 724
Provisions			10 410	10 410
Equity			1 025 942	1 025 942
Total			12 956 639	12 956 639
Net currency position	235 677	100 524	-336 201	--

25. SUBSEQUENT EVENTS

Transformation of Allianz penzijní fond, a.s.

The pension company obtained the licence to act as pension company by a decision of the Czech National Bank with effect from 1 January 2013. As at this date, the pension company is obliged under Section 172 Act No. 427/2011 Coll., on supplementary pension savings, as amended ("ZDPS"), to set aside assets and liabilities related to supplementary pension insurance to a transformed fund. According to this regulation, the pension company established Allianz transformovaný fond, Allianz penzijní společnost, a.s. as at 1 January 2013. The method and process of establishing the transformed fund is determined in Section 182 ZDPS.

In accordance with the above, the pension company prepared the financial statements within one month of the decisive day (1 January 2013) as at the day prior to the decisive day, i.e. as at 31 December 2012. Within one month of the decisive day, the pension company further prepared the opening balance sheet of Allianz penzijní společnost, a.s. and the opening balance sheet of Allianz transformovaný fond, Allianz penzijní společnost, a.s.

Equity increase

The sole shareholder of Allianz penzijní společnost, a.s., Allianz pojišťovna, a.s., approved an equity increase in excess of the register capital in the amount of TCZK 300 000 to other capital contributions of Allianz penzijní společnost, a.s. The financial means were repaid on 31 January 2013. The contribution serves to fortify the equity, to expand the business activities, and to cover the liabilities of Allianz penzijní společnost, a.s.

Relations between related parties

We provide this report on relations between related parties based on a provision of the Czech Commercial Code. By relations we mean commercial relations to controlling, controlled and other related parties. The parties involved are companies of the Allianz Group. During the fiscal year 2012, or during preceding periods, Allianz penzijní fond, a. s. did not enter into any controlling agreement and transfer of profit agreement.

Below we have listed those companies, with which Allianz penzijní fond, a. s. has major entrepreneurial relations.

Summary

Controlling party

Allianz pojišťovna, a. s., Prague.

Allianz New Europe Holding GmbH, Vienna, Austria;

Allianz Holding eins GmbH, Vienna, Austria;

Allianz SE, Munich, Germany.

Other related parties

Allianz Direct, s. r. o., Prague;

Allianz kontakt, s. r. o., Prague;

Allianz generální služby, s. r. o., Prague;

Allianz nadační fond, Prague, from 28 February 2012;

VERONIA SHELF, s.r.o., Prague, from 3 December 2012;

DIAMANT REAL, spol. s r.o., from 3 December 2012;

Allianz Managed Operations & Services SE, formerly Allianz Shared Infrastructure Services GmbH, Unterföhring, Germany;

Allianz Global Investors Advisory GmbH, Frankfurt am Main, Germany;

Allianz Global Investors Kapitalanlagegesellschaft mbH, formerly Deutscher Investment – Trust Gesellschaft für Wertpapieranlagen mbH, Frankfurt am Main, Germany;

Allianz Global Investors Luxembourg S.A., Luxembourg;

PIMCO Europe Ltd., London, Great Britain;

PIMCO Global Advisors Ireland Ltd., Dublin, Ireland.

Relations to the controlling party

Allianz pojišťovna, a. s.

Allianz pojišťovna, a. s., seated in Prague, owns a 100% share in the registered capital of Allianz penzijní fond, a. s. Allianz penzijní fond, a. s. has been established in September 1997 by a merger of two companies: Allianz-Hypo penzijní fond, a.s. and Živnobanka penzijní fond, a.s. In November 2000, Allianz pojišťovna, a. s. acquired a 45% share in the registered capital from Živnostenská banka, a.s., Prague, and a 10% share in the company's registered capital from Hypo Vereinsbank CZ, a.s., Prague in April 2001.

Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. closely cooperate and coordinate their sales activities. In 1995, the two companies signed an agreement on cooperation regarding the sale of supplementary pension schemes by Allianz pojišťovna sales agents. The contract is automatically renewable for one year at a time, with the option of termination by notice. Contracts for supplementary pension scheme brokerage, including commission arrangements, have been concluded under standard terms and conditions as would apply to third parties.

In accordance with the decision of the Board of Directors of Allianz pojišťovna, a. s., Allianz penzijní fond, a. s. applied to the Czech National Bank for a license to conduct business as a pension company pursuant to Sec. 31 of the Act on Supplementary Pension Savings, No. 427/2011 Coll., as amended. Allianz penzijní fond, a. s. also applied for the creation of pension funds and participation funds.

In order to use synergic effects, Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. closely cooperate and coordinate their activities in the area of management, management of Allianz pojišťovna sales agents in the sale of supplementary pension schemes, asset management, marketing, IT, and human resources services (sales techniques training, personnel development programmes, parallel employment). To provide for this type of cooperation and to fairly divide the related operating costs, Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. signed an agreement on cooperation in 2004. The contract is signed for an unlimited period of time, with the option of termination by notice.

In 2004, Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. concluded an agreement on cooperation in using IT infrastructure, which replaced the service agreement concluded in 1997. The current agreement provides for the sharing of operating costs related to the use of Allianz pojišťovna's IT infrastructure by Allianz penzijní fond, a. s. The agreement is concluded for an indefinite period of time, with the option of termination by notice. In 2005, Allianz penzijní fond, a. s. and Allianz pojišťovna, a. s. entered into an amendment to the above agreement on cooperation in using IT infrastructure, which provides for the sharing of costs related to the Alfa information system used by Allianz penzijní fond, a. s. for administering supplementary pension schemes and by Allianz pojišťovna, a. s. for administering the joint product named "Future." In 2006, a new agreement on cooperation in using IT infrastructure was concluded, having a similar subject matter and similar terms and replacing the above agreement from 2004. The agreement is signed for an unlimited period of time, with the option of termination by notice. In 2007, the companies concluded an agreement on cooperation in using IT, which replaced the agreement on cooperation in using IT infrastructure from 2006.

In 2002, the companies concluded a sublease agreement concerning non-residential premises that house the registered office of Allianz penzijní fond, a. s. In connection with the change of Allianz penzijní fond's registered office, the above agreement was replaced by a new sublease agreement in 2006. In 2006, the companies entered into an agreement on the lease of interior equipment. The agreements have been concluded under standard terms and conditions as would apply to third parties.

In 2012, the companies concluded another sublease agreement and an agreement on the lease of interior equipment.

Allianz penzijní fond, a. s.

Allianz New Europe Holding GmbH

Effective as of 11 May 2006, Allianz New Europe Holding GmbH is the parent company of Allianz pojišťovna, a. s. Allianz New Europe Holding GmbH acquired its 100% stake in Allianz pojišťovna, a. s. from Allianz Aktiengesellschaft. (Effective as of 16 October 2006, Allianz Aktiengesellschaft changed its legal form from Aktiengesellschaft to Societas Europea.)

Allianz Holding eins GmbH

Allianz Holding eins GmbH is the parent company of Allianz New Europe Holding GmbH. As the parent company of Allianz New Europe Holding GmbH, Allianz SE transferred its holding in this company to a concern company, Allianz Holding eins GmbH, on 7 April 2010.

Allianz SE

Allianz SE is the group holding company.

Relations to other related parties

Allianz Direct, s. r. o.

Allianz Direct, s. r. o. brokers supplementary pension scheme contracts for Allianz penzijní fond, a. s. on the basis of an agreement entered into in 2006.

With effect as of 15 July 2012, Allianz Direct, s. r. o. was wound up with liquidation and a liquidator was appointed. The contractual relationships between Allianz penzijní fond, a. s. and Allianz Direct, s. r. o. were terminated by an agreement.

Allianz penzijní fond, a. s. cooperates with the other related parties primarily in the area of use of information systems and technologies, facility management and investments.

In addition, Allianz pojišťovna, a. s. uses instruments of investment companies Allianz Global Investors Kapitalanlagegesellschaft mbH, Allianz Global Investors Advisory GmbH, Allianz Global Investors Luxembourg S.A., PIMCO Europe Ltd. and PIMCO Global Advisors Ireland Ltd. for placement of its financial assets.

Closing Statement of the Board of Management of Allianz penzijní fond, a. s.

We declare that, according to Section 66a (9) of the Commercial Code, the report of Allianz penzijní fond, a. s. on related parties for the accounting period starting 1 January 2012 and ending 31 December 2012 includes all of the following items, known to us as of the execution date of this report to have been concluded or carried out during this period:

- Contracts between related parties;
- Performance and considerations provided to related parties;
- Other legal acts undertaken in the interest of these parties; and
- Any arrangements adopted or made in the interest, or upon request, of these parties.

We hereby declare that we are not aware of any of the above agreements or arrangements being detrimental to the assets of Allianz penzijní fond, a. s.

Board of Management of Allianz penzijní fond, a. s.

Contacts

Registered Office

Allianz penzijní fond, a. s.

(until 31 December 2012)

From 1 January 2013, the name has changed to

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