

ANNUAL REPORT 2018



Allianz penzijní společnost, a.s.

BASIC ECONOMIC FACTS

BRIEF SUMMARY (IN TCZK)

	2018	2017	2016
Financial investments, of which	514 061	647 212	505 848
Bank deposits	144 169	626 725	485 404
Equity	913 920	908 419	872 595
Revenue from fees and commissions	387 488	349 545	341 389
Commissions and fees cost	(228 068)	(191 511)	(170 429)
Profit	71 211	44 058	72 163
Number of employees	25	23	25
Allianz Transformed			
Number of clients	400 053	416 141	432 443
Fund			
Subscriber's assets under management	45 027 283	41 419 783	37 480 353
Allianz Statutory			
Number of clients	24 233	19 372	13 989
Conservative Subscriber Fund			
Subscriber's assets under management	969 043	627 163	367 939
Allianz Balanced			
Number of clients	23 950	18 296	13 182
Subscriber Fund			
Subscriber's assets under management	731 697	486 312	272 105
Allianz Dynamic			
Number of clients	16 244	11 658	7 602
Subscriber Fund			
Subscriber's assets under management	724 629	478 928	248 628

The subscriber assets under management include the fund's own capital and unallocated contributions of subscribers recognized in the fund's balance sheet under other liabilities.

SUMMARY

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TEXT PART

A

STATEMENT OF THE CHAIRMAN OF AZPS

DEAR LADIES AND GENTLEMEN,

The principal added value of Allianz pension management company is membership in a strong financial group building on years of tradition and extensive experience. Our local ideas further develop these characteristics. For example, in 2018 we received awards from professionals and the public for our Allianz CZ application offering a range of benefits to the clients of both our insurance and pension management companies.

Years of tradition, extensive experience and clever ideas at Allianz penzijní společnost form a final mix giving our clients certainty of professional management and prompt service.

Also, we are prepared to expand our offer of retirement savings services, should the legislation allow us in the future.

I want to thank our employees, insurance advisors and business partners for their professional work. Also, I would like to thank our customers for their confidence and assure them that we will not fail such confidence.



Sincerely,
Ing. **Dušan Quis**, Chairman of the Board of Management

BOARD OF DIRECTORS



Dušan Quis
Chairman of the Board
of Management

member since
3 August 2018,
Chairman since
7 August 2018



Sonia Slavtcheva
Member



Petr Hrbáček
Member



Josef Lukášek
Member



Alexander Hollmann
Member since
1 March 2018,

SUPERVISORY BOARD

Kay Müller
Tomáš Lain
Martin Wricke

member since 23 March 2015, Chairman since 30 March 2015
member since 2 June 2015
member since 1 January 2018

AUDIT COMMITTEE

František Dostálek
Michal Petrman
Martin Wricke

Chairman since 1 April 2017
member since 1 April 2017
member since 1 January 2018

ALLIANZ PENZIJNÍ SPOLEČNOST

Allianz penzijní společnost was formed by transformation of Allianz penzijní fond, a.s. as of 1 January 2013. The former Allianz penzijní fond was established through amalgamation of Allianz - hypo penzijní fond, a.s. and Živnobanka penzijní fond, a.s. on 31 August 1997. Since late 2000, the company has been a 100% subsidiary of Allianz pojišťovna, a.s.

Allianz penzijní společnost, a. s. was formed by transformation of Allianz penzijní fond on 1 January 2013. The company is registered in the Commercial Register maintained by the Municipal Commercial Court in Prague, section B, file 4972.

Allianz penzijní společnost manages assets of subscribers in the transformed fund (supplementary pension schemes – new contracts are discontinued as of 1 December 2012) and on 1 January 2013 it also started to manage assets in subscriber funds (supplementary pension savings - new 3rd pillar). During the period from 1 January 2013 until 20 December 2016, the company managed assets in pension funds (pension savings - 2nd pillar).

Now it offers supplementary pension savings. In its activities focused on the management of clients' assets, Allianz penzijní společnost follows the strategy of conservative investments, supported by the capital of Allianz Group. Such a strategy is appreciated by the ever increasing number of clients as well as the professional public.

a) Information about changes in facts entered in the Commercial register that took place during the specified period

In 2018, the following changes in Allianz penzijní společnost were made:

- Alexander Hollmann became new member of the company's Board of Management on 1 March 2018
- Jakub Strnad resigned from the office of the Chairman of the company's Board of Management on 14 May 2018
- Dušan Quis became new member of the company's Board of Management on 3 August 2018 and new Chairman of the Board on 7 August 2018
- Ludvík Bohman resigned from the office of a member of the company's Supervisory Board on 30 September 2018
- Martin Wricke became new member of the company's Supervisory Board on 1 January 2018

b) Information about subscriber funds and the transformed fund managed by the pension management company during the specified period

- 1) Allianz Transformed Fund, Allianz penzijní společnost, a. s.
- 2) Allianz Statutory Conservative Subscriber Fund, Allianz penzijní společnost, a. s.
- 3) Allianz Balanced Subscriber Fund, Allianz penzijní společnost, a. s.
- 4) Allianz Dynamic Subscriber Fund, Allianz penzijní společnost, a. s.

c) Information about facts having material effect on activities of the pension management company, stating the main factors affecting the economic result

There were no facts having material effect on activities of the pension management company over the specified period.

d) Members of the Board of Management, Supervisory Board and other members of management of Allianz penzijní společnost, a.s.:

BOARD OF DIRECTORS

RnDr. Jakub Strnad, Ph.D., Chairman of the Board of Management member since 21 December 2011,

Chairman of the Board of Management from 10 January 2012 until 14 May 2018

Jakub Strnad graduated from the Faculty of Mathematics and Physics of Charles University in Prague with a Ph.D. degree. He has been employed in the insurance industry since 1996. Between 2005 and 2010 he had been working at Česká podnikatelská pojišťovna, a. s., most recently as the company's CEO and Chairman of the Board of Management. He was Chairman of the Board of Management of Allianz pojišťovna, a. s. from 29 March 2010 until 14 May 2018.

Ing. Dušan Quis, Ph.D.

Member since 3 August 2018, Chairman of the Board of Management since 7 August 2018

Dušan Quis graduated from the Faculty of Business Administration of University of Economics in Prague. Dušan Quis started his career with Provident Financial during his studies. Later he performed offices in Boards of Management of insurers in the Czech Republic, Slovakia, Russia or Ukraine. He joined Allianz in September 2016 as the Chief Sales Officer of Allianz Slovenská poisťovňa, a.s. Dušan Quis was appointed Chairman of the Board of Management of Allianz pojišťovny in May 2015.

Ing. Sonia Slavtcheva, MBA,

member since 2 July 2013

Sonia Slavtcheva graduated from University of National and World Economy in Sofia, Bulgaria, and University of Pittsburgh with an MBA degree. Before joining Allianz pojišťovna, a. s., she had been Chief Finance Officer of Home Credit Group between July 2008 and December 2012. She has been member of the Board of Management of Allianz pojišťovna, a.s. since 1 July 2013.

Alexander Hollmann

member since 1 March 2013

Alexander Hollmann graduated from University of Mannheim and completed his studies at University of Waterloo in Canada or Kyiv National University of Economics, Ukraine. He worked at Accenture on various IT and project management positions. He joined Allianz SE in 2012 and over time he was involved in big transformation and strategic projects of the IT and Operations sphere.

Mgr. Josef Lukášek,

member since 1 April 2015

Josef Lukášek graduated from the Faculty of Mathematics and Physics of Charles University. He has been active in the insurance business on various positions since 1994. He began as an actuary in Nationale Nederlanden, in 2001 he left for Allianz where he became responsible actuary and member of Supervisory Board in Allianz penzijní fond. Step by step he was responsible for actuarial mathematics, data analysis and creation of new products. At present he is member of Board of Management in Allianz in the Czech Republic and he is responsible for products development, profitability, reinsurance and portfolio management. He is a member of the presidium of the Association of pension companies.

Ing. Petr Hrbáček,

member since 1 June 2015

Petr Hrbáček graduated in Finance from the Mining University in Ostrava - Faculty of Economics. Before joining Allianz pojišťovna, he worked in Česká pojišťovna as the sales director 6 years. At Allianz, he started as manager of the central broker business; today, he is member of the Board of Management in Allianz pojišťovna and Allianz penzijní společnost, responsible for sales.

SUPERVISORY BOARD

Dr. Kay Müller,

member since 23 March 2015, Chairman since 30 March 2015

He has been employed in Allianz since 2006. He studied in Denmark and Ireland and earned a PhD degree from the Technical University in Munich in 2007. Between 2006 and 2009 he worked in Allianz in the financial sector as an executive assistant, consequently as a financial manager until 2014. From September 2014 to March 2015 he was regional director of business strategy for Central and Eastern Europe, since then he has been regional director of life insurance for Central and Eastern Europe.

Martin Wricke,

member since 1 January 2018

Martin Wricke graduated from the universities in Münster, Germany and Manchester, UK. Between 2006 and 2010 he was head of management performance and project administration. Between 2011 and 2015 he was head of sales for German-speaking countries. From 2015 until 2017 he was Chief Finance Officer at Allianz Slovenská poisťovňa, a.s. and since January 2018 he has been Chief Finance Officer of Allianz for Central and Eastern Europe.

Ing. Tomáš Lain,

member since 2 June 2015

Tomáš Lain graduated in statistical insurance engineering from the Faculty of Informatics and Statistics of the University of Economics, Prague. He started his career in Česká pojišťovna, a.s. as an actuary. He was the director of the department of controlling and director of product management and business support. Before he joined Allianz, he worked in KPMG. In Allianz holds the position of director of planning and controlling.

JUDr. Ludvík Bohman,

member from 2 June 2015 until 30 August 2018

Ludvík Bohman graduated from the Faculty of Law of Charles University. He has been working in insurance business since 1998. Before joining Allianz pojišťovna, he worked in Česká pojišťovna as head of legal and director of internal affairs; in AXA he was member of the Board of Management. In Allianz he was director of the legal, compliance and investigation department and now he is director of claims settlement. He has been member of the Supervisory Board of Diamond point a.s., Allianz nadační fond and now Allianz penzijní společnost, a.s.

e) Information about portfolio managers of the pension management company and subscriber funds in the specific period

The investment manager of the funds is Allianz penzijní společnost, a. s. (hereinafter referred to as the "pension management company"), entered in the Commercial Register maintained by the Municipal Court of Prague, section B, file 4972.

PORTFOLIO MANAGER:

Petr Podolka,

member since 1 August 2015

He graduated from the University of Economics, Prague and in 2003 he was named Chartered Financial Analyst by CFA Institute. He has been employed with Allianz since 2015. He has long-time experience in portfolio management and assets management. Before joining Allianz, he worked as portfolio manager in ING for 14 years, most recently as head of investment department in NN Investment Partners C.R., a.s. At Allianz he works as director of Investments and Treasury.

Jiří Šnobl,

member since 1 August 2015

He graduated from the Czech Technical University, Economic department of the Faculty of electrical engineering. He started his career in the banking industry where he worked on various positions at Živnostenská banka Praha, ABN AMRO Bank and Komerční banka with a particular focus on sales. He joined Allianz in 2015 after leaving Generali Investments CEE, investiční společnost, a.s., where he performed various offices, focused on diverse asset management projects to become head of sales in charge of management of relations with external clients.

f) Information about parties that had a qualifying holding in the pension management company, however for a part of the specified period only, stating the type and amount of the holding in the pension management company along with the term of the qualifying holding.

Allianz pojišťovna, a. s., registered office: Ke Štvanici 656/3, 186 00 Prague 8, Czech Republic, corporate ID No.: 47 11 59 71, entered in the Commercial Register maintained by the Municipal Court in Prague, section B, file 1815.

g) Information about parties, in which the pension management company had qualifying holdings, however for a part of the specified period only, stating the amount and type of the qualifying holding and economic result of such parties, along with the term of the holding. If no audited economic results of such parties are available, the pension management company shall provide non-audited economic results identified as such.

There were no such parties during the specified period.

h) Information about parties interconnected with the pension management company in terms of its staff, however for a part of the specified period only, stating the type and term of such engagements.

The term of such interconnection with the pension management company matches the dates of appointments of the persons in question to the Board of Management and Supervisory Board of Allianz penzijní společnost, a. s.

Allianz pojišťovna, a. s. - Board of Management

RNDr. Jakub Strnad, Ph.D., since 26 March 2010, Chairman from 29 March 2010 until 14 May 2018

Dušan Quis, Chairman of the Board of Management since 14 August 2018

Ing. Sonia Slavtcheva, MBA, since 1 July 2013

Mgr. Josef Lukášek, since 1 April 2015

Ing. Petr Hrbáček, since 1 June 2015

Alexander Hollmann, since 1 January 2018

Allianz pojišťovna, a.s. – Supervisory Board

Petros Papanikolaou, since 30 July 2015

Kay Müller, since 25 June 2015

Martin Wricke since 1 January 2018

Diamond Point, a.s. is a 100% subsidiary of Allianz pojišťovna, a. s.

Diamond Point, a.s. – Board of Management

Ing. Sonia Slavtcheva, MBA, since 1 August 2018 (19 March 2014)

Mgr. Josef Lukášek, since 20 March 2014

Bc. Sandra Tomášková, since 28 November 2014

Diamond Point, a.s. – Supervisory Board

RNDr. Jakub Strnad, Ph.D., from 1 May 2013 until 1 May 2018

Dušan Quis, since 14 August 2018

JUDr. Ludvík Bohman, from 28 November 2014 until 30 September 2018

Alexander Hollmann, since 1 January 2018

i) Information about parties not listed under points e) through g), who acted in concert with the pension management company during the specified period.

All parties are listed under points e) through g).

j) Information about all securities traders who had been performing activities of a securities trader in respect of subscribers funds managed by the pension management company, however for a part of the specified period only, stating the period of such activities.

– Citibank Europe Plc, organization branch, corporate ID No.: 28198131, registered office: Prague 5, Bucharova 2641/14, postcode: 158 02

– Česká spořitelna, a.s., corporate ID No.: 45244782, registered office: Prague 4, Olbrachtova 1929/62, postcode: 140 00

– Československá obchodní banka, a. s., corporate ID No.: 00001350, registered office: Prague 5, Radlická 333/150, postcode: 150 57

– ING Bank N. V., Bijlmerplein 888, 1102 MG Amsterdam, The Netherlands

– Komerční banka, a.s., corporate ID No.: 45317054, registered office: Prague 1, Na Příkopě 33/969, postcode: 114 07

– Oberbank AG / Untere Donaulände 28 / 4020 Linz

– PIMCO Funds Global Investors Series / 30 Herbert Street / DUBLIN 2

– PPF banka / Evropská 2690/17, PO Box 177 / 160 41 Praha 6

– Societe Generale SA / 29 Boulevard Haussmann / F-75009 Paris

– UniCredit Bank Czech Republic and Slovakia, a.s., corporate ID No.: 649 48 242, registered office: Prague 4, Želetavská 1525/1, postcode: 140 92

k) Information about court disputes or arbitrations in the specified period, to which the pension management company is a party either directly or on account of a subscriber fund, if the value of the subject matter of the dispute exceeds 1% of the value of the pension management company's assets and assets held in the concerned pension or subscriber fund.

In the course of 2018, there was no major court dispute or arbitration involving Allianz penzijní společnost, a. s. or any of the funds managed by this pension company.

NON-FINANCIAL INFORMATION

a) about facts that occurred after the balance sheet day and are important to fulfil the purpose of the Annual Report

No facts occurred.

b) about anticipated development of activities of the accounting entity

The accounting entity will continue in its activities; no fact occurs which would restrict or prevent it from carrying on its activities in foreseeable future.

c) about research and development activities

Allianz penzijní společnost has no activities in the field of research and development.

d) about acquisition of own shares or own participations

Allianz penzijní společnost did not acquire any own shares or own participations.

e) about activities in the field of environment protection and employment relations

Allianz penzijní společnost largely focuses on business ethics, maintenance of good relations with clients, business partners, compliance with human rights, equality of opportunities and compliance with working standards as an integral part of the corporate culture of Allianz.

A strong emphasis is put on the employees' professional conduct and compliance with the company's internal rules including the Code of Conduct and other regulations. Respect for the rules of equal opportunities and zero tolerance of any discrimination form an integral part of the corporate culture. Allianz penzijní společnost has been engaged in a global environmental project of Allianz Group since 2008 (by signing the so-called Kyoto Protocol) which aims at minimizing negative impacts on the environment through efficiency in consumption of energy, water and paper, waste management and business trips.

In this regard, the volume of CO2 emissions generated by own activities dropped 25%. A summary of all non-financial information relating to the group of Allianz including Allianz penzijní společnost, a. s. is included in a special report of the parent company available at https://www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/investor-relations/en/results-reports/annual-report/ar2017/180309-nonfinancialreport-2017-Allianz.pdf

f) if the accounting entity has a branch or business enterprise abroad

Allianz penzijní společnost has no branch abroad.

SUPPLEMENTARY PENSION SCHEMES WITH STATE SUPPORT (OLD 3RD PILLAR)- TRANSFORMED FUND

Supplementary pension schemes with state support (hereinafter „supplementary pension schemes“) are part of the Czech Republic's pension system, forming the so-called 3rd pension pillar along with supplementary pension savings. The characteristics are stipulated in Act No. 42/1994 Coll., on supplementary pension schemes with state support, as amended (hereinafter the „Act on supplementary pension schemes“) and selected parts of Act No. 427/2011 Coll., on supplementary pension savings, as amended (hereinafter the „Act on supplementary pension savings“).

According to the Act on supplementary pension savings, the latest date to conclude an agreement on a supplementary pension scheme was 30 November 2012, with 1 December 2012 as the latest scheme starting date. As of 1 December 2012 it is not possible to conclude any agreement on a supplementary pension scheme. The only exception applies to admission of new subscribers from a transformed fund of another pension management company that merged with another transformed fund, to which the subscribers of the original transformed fund did not agree.

As of 31 December 2018, Allianz penzijní společnost managed assets of more than 400 thousand subscribers of supplementary pension schemes under its transformed fund.

As of 1 January 2017, a change of the amount and calculation method to claim tax benefits came into force. Subscribers may reduce their income tax base by the sum of the agreed and paid monthly contributions exceeding CZK 1,000 up to the amount of CZK 24,000.

Supplementary pension schemes can also be subject to employer contributions, which receive further tax benefits for both the subscriber and employer.

In case of early termination of the supplementary pension scheme, the subscriber loses the state support and must apply additional tax in respect of tax benefits for the 10 recent years.

Benefits of supplementary pension schemes:

- Savings starting at CZK 100 per month
- The lowest subscriber contribution eligible to state support is CZK 300
- Opportunity to choose the contribution amount (starting at CZK 100), or decrease or increase it anytime, as well as to suspend contributions
- State contribution up to CZK 230 per month, i.e. CZK 2,760 per year (to subscriber contribution of CZK 1,000)
- Opportunity to reduce income tax base by up to CZK 24,000 per year (increasing and change in calculation as of 1 January 2017)
- Possible employer contributions
- Guarantee of non-negative gains

Superior benefits with Allianz transformed fund:

- The widest range of offered pensions
- “Tax machine” service free of charge for easy use of the tax benefits

Allianz transformed fund allows for payment of all types of benefits according to the Act on supplementary pension schemes:

- Retirement pension
- Disability pension
- Endowment pension
- Lump-sum settlement with the subscriber instead of pension
- Surrender value
- Estate pension or surrender value for the beneficiary
- Surrender value for heirs

Supplementary pension schemes with Allianz transformed fund offer the widest range of subscriber pension schemes:

- Lifetime pension
- Lifetime pension with estate pension
- Lifetime pension with guaranteed payment term
- Lifetime pension with agreed death benefit
- Linearly increasing lifetime pension

SUPPLEMENTARY PENSION SAVINGS (NEW 3RD PILLAR)- SUBSCRIBER FUNDS

Supplementary pension savings are part of the Czech Republic's pension system, namely so-called 3rd pension pillar along with supplementary pension schemes. The characteristics are stipulated in Act No. 427/2011 Coll., on supplementary pension savings, as amended (hereinafter the “Act on supplementary pension savings“).

Clients without an existing agreement on a supplementary pension scheme or supplementary pension savings may conclude an agreement on supplementary pension savings.

As of 31 December 2018, Allianz penzijní společnost managed assets of more than 49 thousand subscribers of supplementary pension savings under its subscriber funds.

Following an amendment of the Act on supplementary pension savings of 1 January 2016, persons under 18 can become subscribers as well. The minor subscriber's statutory representative shall conclude the agreement. As of 31 December 2018, 972 agreements were concluded in favour of such minor subscribers, which accounts for 2% of all agreements.

Also, the amendment of 1 January 2016 introduced a new payout option - so-called partial surrender value amounting up to one third of the funds in the year when the client reaches 18 years of age, provided that the savings have lasted at least 10 years, of which the last 2 years with the same pension management company.

Subscribers with permanent residence in the Czech Republic or domiciled in another EU member country, who also participate in a public health insurance or pension system of the Czech Republic or receive benefits from the Czech Republic's pension system, are eligible to the state support, the amount of which is derived from the subscriber's contribution.

As of 1 January 2017, a change of the amount and calculation method to claim tax benefits came into force. Subscribers may reduce their income tax base by the sum of the agreed and paid monthly contributions exceeding CZK 1,000 up to the amount of CZK 24,000.

Supplementary pension savings can also be subject to employer contributions, which receive further tax benefits for both the subscriber and employer. In case of early termination of the supplementary pension savings, the subscriber loses the state support and must apply additional tax in respect of tax benefits for the 10 recent years.

As part of supplementary pension savings, Allianz penzijní společnost manages 3 subscriber funds with different potential returns and investment risks.

Subscriber funds from Allianz penzijní společnost:

- Allianz Statutory Conservative Subscriber Fund
- Allianz Balanced Subscriber Fund
- Allianz Dynamic Subscriber Fund

Supplementary pension savings are a successor product to the former supplementary pension schemes, offering similar benefits, in particular:

- Savings starting at CZK 100 per month
- The lowest subscriber contribution eligible to state support is CZK 300
- Opportunity to choose the contribution amount (starting at CZK 100), or decrease or increase it anytime, as well as to suspend contributions
- State contribution up to CZK 230 per month, i.e. CZK 2,760 per year (to subscriber contribution of CZK 1,000)
- Opportunity to reduce income tax base by up to CZK 24,000 per year (increasing and change in calculation as of 1 January 2017)
- Possible employer contributions
- lump-sum settlement or retirement benefit upon reaching 60 years of age and saving for at least 60 calendar months, effective as of 1 January 2016

Superior benefits provided with Allianz subscriber funds free of charge:

- Tax machine” service free of charge for easy use of the tax benefits
- Opportunity to choose from various methods of generating returns, ranging from a conservative fund to the dynamic fund with higher potential returns

Supplementary pension savings allow for payment of all types of benefits according to the Act on supplementary pension savings:

- Retirement pension for a definite term (including “pre-retirement pension“)
- Disability pension for a definite term
- Lump-sum settlement with the subscriber
- Surrender value for the subscriber
- Partial surrender value after reaching 18 years of age and 10 years of savings - available as of 1 January 2016
- Payment of lump-sum premium to the insurer for lifetime pension
- Payment of lump-sum premium to the insurer for pension paid over a precisely defined term in precisely defined pension amounts
- Lump-sum settlement or surrender value for the beneficiary or heir.

FINANCIAL PART

B



English translation

Independent auditor's report

to the shareholder of Allianz penzijní společnost, a.s.

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Allianz penzijní společnost, a.s., with its registered office at Ke Štvanici 656/3, Praha 8 ("the Company") as at 31 December 2018, and of its financial performance for the year then ended in accordance with the Czech accounting legislation.

What we have audited

The Company's financial statements comprise the following:

- the balance sheet as at 31 December 2018;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council ("the EU Regulation") and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Act on Auditors, EU Regulation and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have not provided any prohibited non-audit services and we fulfilled our other ethical responsibilities in accordance with these regulations.

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Shareholder of Allianz penzijní společnost, a.s.
Independent auditor's report

Our audit approach

Overview



Materiality

Overall materiality represents 1 % of Company's net assets and has been estimated at CZK 7 million.

Audit scope

We conducted our statutory audit work for the Company as a whole.

Key audit matter

Guarantees – Transformed fund.

As part of designing our audit, we determined the materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CZK 7 million
How we determined it	The Company materiality has been determined as 1% of Company's net assets.
Rationale for the materiality benchmark applied	We have chosen the net assets as a benchmark for estimating materiality. Net assets represent stable indicator commonly used in the industry. The indicator is consistently monitored by the Company's management, the regulator and users of the financial statements.



Shareholder of Allianz penzijní společnost, a.s.
Independent auditor's report

Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Guarantees – Transformed fund

Based on current legislation, Transformed pension funds must not recognize losses, nor should their liabilities exceed the value of assets, therefore they must not show negative equity. The Company has to pay in additional capital funds to the Transformed Fund in such case. The revaluation reserve on the valuation of financial assets in the Transformed Fund must therefore be properly monitored, including the sensitivity of the valuation to the movement of market inputs, in particular market interest rates.

In 2018, due to the decrease in valuation differences from the revaluation of financial assets, the value of the total equity of the Transformed Fund decreased, and the Company therefore added capital funds of CZK 80 million to the fund. The Company used its reserve funds to contribute to the equity of the Transformed Fund in accordance with the Company's Articles of Association.

Accounting policies and other related information are disclosed in note 2.i of the notes to the financial statements and the equity transfer is presented in the Statement of changes in equity.

The Company also provides a guarantee of appreciation to participants in certain pension plans of Transformed fund. The Company is obliged to monitor the possibility of a guarantee obligation and to create a provision for guarantees and guarantees provided if:

- there is an obligation to perform as a result of past events,
- it is probable that the outflow will occur and will require an outflow of resources embodying economic benefits;
- a reasonably reliable performance estimate may be made.

The Company's approach to guaranteed pension plans is disclosed in notes 2.d and note 17 to the financial statements.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and specifics of the industry in which the Company operates.

The year 2018 was the first year of our audit of the Company. To properly define the scope of the audit, we focused on the process of taking over the engagement from the previous auditor and familiarizing ourselves with the control environment and current matters that the Company addresses in the business and regulatory areas.

We have obtained detailed information about all the guarantees given to the Transformed Fund's clients and about the process that the Company uses to monitor and assess the associated risks and to identify any need to recognize or disclose any obligation and to measure the contingent or actual liability associated with the underlying guarantee. We have assessed whether the guarantee meets the criteria for recognizing or disclosing liabilities.

We have verified the valuation of the Transformed Fund's assets and the related capital fund from revaluation and performance of the Transformed Fund as at 31 December 2018 to ensure that the Transformed Fund's financial position does not require the Company to pay in capital funds as at 31 December 2018.

In cooperation with internal actuarial specialists, we reviewed the assumptions and procedures used and verified the mathematical correctness of the model used to calculate the adequacy of the Company's revenues to cover guaranteed contracts.

We also assessed the accuracy and completeness of the disclosures in the notes to the financial statements.



Shareholder of Allianz penzijní společnost, a.s.
Independent auditor's report

Other Information

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

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

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

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

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

Responsibilities of the Board of Directors and the Supervisory Board for the Financial Statements

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

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

The Supervisory Board is responsible for overseeing the financial reporting process. The Audit Committee is responsible for monitoring of the financial statements compilation process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above-stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



**Shareholder of Allianz penzijní společnost, a.s.
Independent auditor's report**

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

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

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

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

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of the EU Regulation, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Consistency of the Audit Opinion with the Additional Report to the Audit Committee

We confirm that the audit opinion expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued today in accordance with Article 11 of the EU Regulation.

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company for year 2018 by the sole shareholder in the capacity of general meeting on 27 October 2017. The year 2018 is the first year as the auditor of the Company.

Provided Non-audit Services

We did not provide to the Company any non-audit services.

PwC Network did not provide to the Company any prohibited services referred to in the Article 5.1 of the EU Regulation.

29 March 2019

PricewaterhouseCoopers Audit, s.r.o.
represented by

Marek Richter
Statutory Auditor, Licence No. 1800

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

BALANCE SHEET

AS AT 31 DECEMBER 2018 (Translated from the Czech original)

TCZK	Note	31.12.2018	31.12.2017
ASSETS			
1	0	3	3
Cash in hand and balances with central banks			
3	10	514,061	647,212
Receivables from banks and credit unions			
of which: a) repayable on demand			
	0	144,169	626,725
b) other receivables			
	0	369,892	20,488
6	11	263,226	-
Shares, units and other investments			
9	12	3,415	3,076
Intangible fixed assets			
10	13	18	18
Tangible fixed assets			
11	14	58,184	130,354
Other assets			
13	15	352,128	401,140
Prepaid expenses and accrued income			
TOTAL ASSETS		1,191,035	1,181,803
LIABILITIES			
4	16	142,698	122,796
Other liabilities			
6	17	134,417	142,354
Provisions			
c) other			
	-	134,417	142,354
8	18	50,100	50,100
Registered capital			
of which: a) paid-up registered capital			
	0	50,100	50,100
10	0	141,884	141,884
Reserve funds and other funds from profit			
of which: a) statutory reserve funds and risk funds			
	0	141,884	141,884
12	0	470,261	549,900
Capital funds			
13	19	5,695	-
Revaluation gains (losses)			
of which: a) on assets and liabilities			
	0	5,695	-
14	0	174,769	130,711
Retained profits (or accumulated losses)			
15	20	71,211	44,058
Profit (loss) for the accounting period			
TOTAL LIABILITIES		1,191,035	1,181,803
OFF-BALANCE SHEET ITEMS			
Off-balance sheet assets			
4	20	256,406	80,165
Receivables from fixed term transactions			
OFF-BALANCE SHEET LIABILITIES			
12	20	(255,911)	80,451
Liabilities from fixed term transactions			
15	21	47,557,926	43,483,494
Values taken under management			

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(Translated from the Czech original)

TCZK	Note	2018	2017
1	3	3 618	135
Interest income and similar income			
of which: interest on debt securities			
	0	3,618	135
3	4	4,431	-
Income from shares and ownership interests			
c) other income from shares and ownership interests			
	0	4,431	-
4	5	387,488	349,545
Commission and fee income			
5	5	(228,068)	(191,511)
Commission and fee expense			
6	6	455	(693)
Gain or loss from financial operations			
8	0	(197)	(90)
Other operating expenses			
9	8	(86,282)	(78,357)
Administrative expenses			
of which: a) employee expenses			
	0	(34,151)	(24,491)
of which: aa) wages and salaries			
	0	(25,992)	(18,754)
ab) social and health insurance			
	0	(8,159)	(5,737)
b) other administrative expenses			
	0	(52,131)	(53,866)
11	12,13	(2,187)	(2,061)
Depreciation, additions and utilisation of provisions and adjustments to			
13		(81)	(79)
Write-offs, additions and use of adjustments			
17	0	7,937	(41,065)
Additions and use of other provisions			
19	0	87,114	35,824
Current year profit (loss) from ordinary activities before tax			
23	21	15,903	(8,234)
Income tax			
24	0	71,211	44,058
Net profit (loss) for the period			

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(Translated from the Czech original)

tis. Kč	Registered capital	Reserve funds	Capital funds	Revaluation gains(losses)	Accumulated profit	Profit (loss)	Total
Balance at 1/1/2017	300,000	141,884	300,000	-	58,548	72,163	872,595
Net profit (loss) for the period	-	-	-	-	-	44,058	44,058
Reduction in registered capital	(249,900)	-	249,900	-	-	-	-
Other changes	-	-	-	-	72,163	(72,163)	-
Balance at 31/12/2017	50,100	141,884	549,900	-	130,711	44,058	916,653
Zůstatek k 1.1.2018	50,100	141,884	549,900	-	130,711	44,058	916,653
FX gains (losses) and revaluation gains	-	-	-	5,695	-	-	5,695
(losses) not included in profit or loss	-	-	-	-	-	71,211	71,211
Utilisation of funds	-	-	(79,639)	-	-	-	(79,639)
Other changes	-	-	-	-	44,058	(44,058)	-
Balance at 31/12/2018	50,100	141,884	470,261	5,695	174,769	71,211	913,920

NOTES TO THE FINANCIAL STATEMENTS 2018

1. GENERAL INFORMATION

(a) Description of the Company

Establishment and description of the Company

Allianz penzijní společnost, a.s. (“the Company”) was registered on 1 January 2013 by a transformation of Allianz penzijní fond, a.s. pursuant to Act No. 427/2011 Coll., on Supplementary Pension Savings. Based on a decision of the Czech National Bank ref. no. 2012/10254/570, dated 24 October 2012, the Company was granted a licence to operate as a pension company. The decision took effect on 26 October 2012.

As at 31 December 2018, the Company’s sole shareholder was Allianz pojišťovna, a.s.

Transformation process

In accordance with Act No. 427/2011 Coll., on Supplementary Pension Savings, the Company prepared a transformation project that was approved by the Czech National Bank on 24 October 2012. Based on the project, the pension fund Allianz penzijní fond, a.s. was dissolved as at 31 December 2012. As at 1 January 2013, the pension company Allianz penzijní společnost, a.s. and the transformed fund Allianz transformovaný fond, Allianz penzijní společnost, a.s. (“the Transformed Fund”) were registered.

Principal activities of the Company:

- Accumulation of contributions from participants in supplementary pension insurance and support provided by the state in respect of the participants and administration of the contributions pursuant to Act No. 42/1994 Coll.,
- Accumulation of participants’ contributions, employers’ contributions and state contributions pursuant to Act No. 427/2011 Coll., on Supplementary Pension Savings, to be placed in participation funds, management of assets in participation funds and payment of supplementary pension savings benefits.

The Company operates exclusively in the Czech Republic.

Company name and registered office

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

Identification number

256 12 603

Members of the board of directors and supervisory board as at 31 December 2018

Members of the board of directors	Members of the supervisory board
Ing. Dušan Quis. (chairman)	Kay Müller (chairman)
Ing. Sonia Mihaylova Slavtcheva, MBA	Ing. Tomáš Lain
Mgr. Josef Lukášek	
Ing. Petr Hrbáček	

Changes in the Commercial Register

In 2018, Allianz penzijní společnost, a.s. changed as follows:

- Since 1 March 2018 Alexander Hollmann is a member of the board of directors of the Company.
- The membership of RNDr. Jakub Strnad Ph.D. in the board of directors was terminated on 14 May 2018
- Since 14 May 2018 Ing. Dušan Quis is a member and chairman of the board of directors of the Company
- The membership of Martin Wricke in the supervisory board was created on 1 January 2018.
- The membership of JUDr. Ludvík Bohman in the supervisory board was terminated on 30 September

Depository

Depository services are rendered by UniCredit Bank Czech Republic and Slovakia, a.s., identification number (IČO) 649 48 242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 - Michle (“the Depository”), on the basis of a depository agreement dated 13 December 2013.

Managed funds

Allianz penzijní společnost a.s. manages clients’ contributions in the following funds:

- Participation funds – supplementary pension savings (new third pillar)
- Transformed Fund – supplementary pension insurance (existing third pillar)

Supplementary pension savings (new third pillar)

- Obligatory conservative participation fund
- Balanced participation fund
- Dynamic participation fund

Transformed Fund (existing third pillar)

Allianz transformed fund

The consolidated financial statements for the group of accounting entities, to which the Company belongs as a consolidated accounting entity, are prepared by Allianz SE, with its registered office in Munich, Germany.

Organisational structure as at 31 December 2018

RESORT CEO DUŠAN QUIS	RESORT CFO SONIA SLAVTCHEVA	RESORT COO ALEXANDER HOLLMANN	RESORT CSO PETR HRBÁČEK	RESORT CPO JOSEF LUKÁŠEK
PRÁVNÍ Zdeněk Chudoba	CONTROLLING Tomáš Lain	IT Jiří Zahálka	EXTERNÍ DISTRIBUČNÍ KANÁLY Vítězslav Havliš	BUSINESS ANALÝZA Martina Marková
COMPLIANCE	ŘÍZENÍ RIZIK Kamila Šimonová	CALL CENTRUM	CENTRÁLNÍ PODPORA OBCHODU Petr Hampejs	
INTERNÍ AUDIT Jitka Kazimírová	INVESTICE A TREASURY Petr Podolka	SPRÁVA POJIŠTĚNÍ - ŽIVOTA, PENZE Darina Kocsisová	ALLIANZ AKADEMIE David Ječmenka	
PÉČE A ROZVOJ ZAMĚSTNANCŮ Eva Koubíková	DANĚ	PMO A DIGITALIZACE Jan Andrijko		
MARKET MANAGEMENT Martin Dolanský	ÚČETNICTVÍ Anna Švehlová			
	PLATBY KLIENTŮ Milada Studená			
	PROCUREMENT & FACILITIES Sandra Tomášková			

(b) Basis of preparation of the financial statements

The financial statements have been prepared on the basis of accounts maintained in accordance with:

- Act No. 563/1991, on Accounting, as amended,
- Regulation No. 501/2002 issued by the Ministry of Finance, as amended,
- Czech accounting standards for financial institutions, issued by the Ministry of Finance.

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

The financial statements are based on the assumption that the entity will continue as a going concern and that there is no circumstance that would restrict or prevent the entity's ability to continue as a going concern in the foreseeable future.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns (TCZK).

These financial statements are non-consolidated.

2. 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 transaction type, the transaction date is generally defined as:

- the date of payment or collection of cash,
- the date of purchase or sale of foreign currency or securities,
- the date of executing a payment,
- the date on which (foreign currency) funds are credited, as stated in an account statement,
- the trade and settlement date for spot transactions, i.e. purchases or sales of financial instruments or commodities where the period between concluding and settling the transaction does not exceed two days,
- The trade and settlement date for derivatives transactions.

The entity has determined that spot transactions (i.e. accounting transactions involving purchase and sale of financial assets with a usual term of delivery) are recorded directly in an appropriate asset or liability account on the trade date.

The Company derecognises a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Company loses this control if it exercises the rights to the benefits defined in a contract, or if such rights expire or are waived by the fund.

When a financial liability or part thereof ceases to exist (e.g. the obligation specified in a contract is discharged or cancelled or expires), the entity will no longer recognise the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability (or part thereof) that ceased to exist or was transferred to another party and the consideration paid is recognised in profit or loss.

(b) Receivables and adjustments

Receivables are recognised at nominal value less adjustments (if any). Unrecoverable receivables are written off, once bankruptcy proceedings regarding a debtor are over or if it is not probable that they will be recovered.

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables.

Adjustments established are recognised as an expense; their utilisation is recognised, together with expenses or losses associated with a reduction of assets in the income statement. The release of adjustments no longer considered necessary is recognised in income.

Adjustments for assets maintained in foreign currencies are established in the relevant currency.

(c) Deferred acquisition costs

The Company records bonuses paid in prepaid expenses. These bonuses are accrued as follows:

- Supplementary pension insurance (third pillar funds except for the Transformed fund) – over the validity of the relevant contract, up to a period of 5 years
- Transformed Fund (based on an analysis of the Fund participants' behaviour) - over the duration of the relevant contract, up to a period of 14 years.

As at the balance sheet date, the Company assesses whether the deferred acquisition costs incurred in connection with supplementary pension insurance and supplementary pension savings contracts are impaired. The goal of the impairment test is to identify whether the tested asset was impaired or whether the Company is able to cover these assets from the revenues relating to these assets. If the test shows that the tested asset is impaired, the corresponding part is charged to expenses as fees and commissions.

(d) Establishment of provisions

A provision represents a probable cash outflow of uncertain timing or amount. A provision is recognised as an expense amounting to the best estimate of the outflow of resources required to settle a present obligation.

A provision is recognised if the following criteria are met:

- a) a present obligation (legal or constructive) exists as a result of a past event,
- b) it is probable or certain that an outflow of economic benefits will be required to settle the obligation ("probable" means a probability exceeding 50%),
- c) the amount of the obligation can be estimated reliably.

A provision for bonuses is established to cover the cost of bonuses provided in accordance with the conditions for awarding a bonus in respect of certain contracts.

A provision for guaranteed investment contracts is established to cover the cost of guarantees provided to participants who are guaranteed a share of revenues under their pension plans.

The Company presents a change in the balance of the provision in the income statement under "Creation and use of other provisions".

(e) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost and are depreciated on a straight-line basis over their estimated useful lives.

The depreciation period for each category of tangible and intangible fixed assets is as follows:

Machinery and equipment	3 years
Software	3 years

Intangible fixed assets costing less than TCZK 60 and tangible fixed assets costing less than TCZK 40 with a useful life of less than one year are charged to the income statement in the period in which they are acquired.

(f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at the Czech National Bank official rate prevailing on the transaction date.

(g) Derivatives

A derivative is a financial instrument that meets the following conditions:

- a) its fair value changes in response to the change in a specified interest rate, price of a security, commodity price, foreign exchange rate, price index, credit rating or credit index, or other variable ("underlying asset"),
- b) it requires a small or no initial net investment, compared with other types of contract based on a similar response to changes in market factors,

- c) it is settled at a future date, with the period from the trade date to the settlement date exceeding that of a spot transaction.

Derivatives are recognised in the balance sheet at fair value. Positive fair values of derivatives are recognised in assets under "Other assets". Negative fair values of derivatives are recognised in liabilities under "Other liabilities".

The fair value of financial derivatives is the present value of expected cash flows from these transactions, determined using valuation models generally accepted on the market which use parameters ascertained on the active market, such as foreign exchange rates, interest rates applicable to relevant maturities based on a yield curve, etc.

In the off-balance sheet, derivatives are recorded at the non-discounted contractual value of the underlying instrument under "Receivables from fixed term transactions", "Receivables from options", "Liabilities from fixed term transactions" and "Liabilities from options".

Trading derivatives

Derivatives held for trading are recognised in the balance sheet at fair value. Gains and losses from changes in fair value are recorded in the income statement under "Gain or loss from financial operations".

Hedging derivatives

The Company does not use hedge accounting and therefore does not account for hedge derivatives.

(h) Taxation**Current tax**

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

Deferred tax

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities using the income tax rate expected to be valid for the next period. A deferred tax asset is recognised only if the future taxable profits will be probably available against which this asset can be utilised.

(i) Capital requirements

The amount of assets in transformed fund must be equal or higher than amount of liabilities in transformed fund. If the value of assets is not sufficient to cover the liabilities, the Company is according to §187 Act No. 427/2011 Coll. on Supplementary pension savings required to transfer the assets to transformed fund. This asset is accounted against Equity funds in compliance with the Statutes of the Company.

(j) Investments

At the acquisition date securities are stated at acquisition cost. Acquisition cost is the amount for which a security has been acquired and includes expenses directly associated with the acquisition. Securities are revalued at their fair value as at the balance sheet date. Securities are recognised in assets of the Company.

Fair value means the price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If no market value is available or if it does not sufficiently represent the fair value, the fair value is determined with the help of a qualified estimate or if appropriate based on generally accepted valuation models if these generate an acceptable market value estimate. A change in the fair value of securities is recognised in the income statement.

Where securities are denominated in a foreign currency, their value is translated using the current exchange rate published by the Czech National Bank ("ČNB"). The appropriate exchange rate difference is included in the fair value.

(k) Reverse repurchase agreements

As at the acquisition date and as at the balance sheet date, reverse repurchase agreements with financial institutions are stated at acquisition cost increased or decreased by interest income or interest expense, similarly as deposits. Hedging securities (collaterals) are recorded in off-balance sheet accounts at fair value. In the notes to the financial statements, the book value of these reverse repurchase agreements is considered to be their fair value.

(l) Capital requirements

The amount of assets in transformed fund must be equal or higher than amount of liabilities in transformed fund. If the value of assets is not sufficient to cover the liabilities, the Company is according to §187 Act No. 427/2011 Coll. on Supplementary pension savings required to transfer the assets to transformed fund. This asset is accounted against Equity funds in compliance with the Statutes of the Company.

(m) Changes in accounting policies and corrections of prior period errors

Corrections to prior period expenses or income are recognised as current period expenses or income, with the exception of corrections of material errors relating to prior periods.

Corrections of material errors in the recognition of prior period income or expenses and changes in accounting policies are recognised under "Retained profits (or accumulated losses)" in the Company's balance sheet.

From 1 January 2018 to 31 December 2018 the Company did not make any changes in accounting policies nor correction of prior period errors.

(n) Financial instruments – market risk

The Company is exposed to market risks arising from the open positions of transactions involving interest rate and currency instruments that are sensitive to changes in financial market conditions.

Risk management

In managing risks, the Company considers all significant risks and risk factors to which the pension company or the funds managed by the Company are or might be exposed to. Risk management considers both internal and external factors including the future business strategy for the pension company and the funds managed by the Company, impacts of the economic environment and the cycle and impacts of the regulatory environment. Risk management considers both quantitative and qualitative aspects of risks, realistic options for their management and expenses and income related to risk management.

Liquidity risk

Liquidity risk includes both the risk that the Company is unable to finance its assets using instruments with appropriate maturity and the risk that the Company is unable to dispose of its assets for the appropriate price within the appropriate time period

Interest rate risk

The Company is exposed to interest rate risk due to the impact of up-to-date market interest rate fluctuations. The fair value and investment return may both grow or decrease because of these fluctuations.

Currency risk

The Company is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. As the currency in which the Company presents its financial statements is the Czech crown (CZK), movements in the exchange rates between these currencies and CZK affect the Company's financial statements.

3. NET INTEREST INCOME

TCZK	2018	2017
Interest income and similar income	85	135
Interest on repo	3,533	--
TOTAL	3,618	135
Interest expense and similar expense	--	--
TOTAL	--	--
Net interest income	3,618	135

4. SHARE INCOME

TCZK	2018	2017
Dividends - shares	4,431	--
TOTAL	4,431	--

5. FEE AND COMMISSION INCOME AND EXPENSE

TCZK	2018	2017
Fee and commission income from		
management of funds' assets	354,210	327,096
appreciation of funds' assets	31,987	19,072
other revenue from portfolio of funds	945	1,255
one-off fees from participants	346	2,122
TOTAL	387,488	349,545
Fee and commission expense from		
commissions to intermediaries	69,780	74,390
fees to the depository	2,732	6,509
fees from securities transactions and to the bank	14,451	9,001
other	141,105	101,611
TOTAL	228,068	191,511

The item "Other" includes the balance of expenses as at 31 December 2018 (2017) incurred by the pension company in relation to returns under guaranteed investment contracts of participants of the Allianz transformed fund for 2017 (2016), who are guaranteed a share of revenues under their pension plans.

As at the balance sheet date, a provision is established for this guaranteed appreciation for the current period (see note 17).

6. GAIN OR LOSS FROM FINANCIAL TRANSACTIONS

TCZK	2018	2017
Foreign exchange gain/(loss)	2,707	(195)
Revaluation of derivatives	(2,252)	(498)
TOTAL	455	(693)

7. GEOGRAPHIC SEGMENTATION OF REVENUES

TCZK	CR	EU	Non-EU	Total
2018				
Share income	-	4,431	-	4,431
Interest income and similar income	3,618	-	-	3,618
Interest from fees and provision	387,488	-	-	387,488
Gain or loss from financial operations	2,707	(2,252)	-	455
Total	393,813	2,179	-	395,992
2017				
Interest income and similar income	135	-	-	135
Interest from fees and provision	349,538	7	-	349,545
Gain or loss from financial operations	(195)	(498)	-	(693)
TOTAL	(349,478)	(491)	-	348,987

8. ADMINISTRATIVE EXPENSES

TCZK	2018	2017
Wages and salaries paid to:	25,028	17,934
Members of board of directors	105	120
Employees	12,806	11,977
Other executives	12,117	5,837
Social and health insurance	8,159	5,737
Other employee expenses	964	820
Employee expenses	34,151	24,491
Information technology	7,330	8,691
Rent and related expenses	1,210	1,230
Advertising and marketing	--	(54)
Audit, legal and tax advisory	1,889	1,758
Other	41,702	42,241
Other administrative expenses	52,131	53,866
Total	86,282	78,357

The item "Other" in other administrative expenses relates primarily to re-invoiced outsourcing expenses of TCZK 35,628 (2017: TCZK 28,069) regarding supplementary pension insurance contracts concluded in 2018.

In 2018, members of statutory and supervisory bodies received remuneration totalling TCZK 3,208 (2017: TCZK 1 210).

In 2018, the Company did not present any receivables from members of the board of directors or the supervisory board relating to granted loans or advances paid.

The item "Audit, legal and tax advisory" primarily includes expenses incurred in connection with audit services provided by

The average number of the Company's employees was as follows:

	2018	2017
Employees	25	23
Members of the board of directors	5	5
Members of the supervisory board	4	4
Other executives	3	3

9. TRANSACTIONS WITH RELATED PARTIES

TCZK	31.12.2018	31.12.2017
Receivables		
management of funds' assets	24,752	22,737
appreciation of funds' assets	31,987	19,072
sale of services	-	39
Payables		
relating to service purchases	648	7,260
derivatives	2,915	498

TCZK	2018	2017
Income		
from management of funds' assets	354,210	327,096
from appreciation of funds' assets	31,987	19,072
from derivatives	2,252	498
Expenses		
Service purchases	39,487	31,784

TCZK	2018	2017
Off-balance sheet assets		
Receivables from fixed term transactions	256,406	80,165
Off-balance sheet liabilities		
Liabilities from fixed term transactions	255,911	80,451
Values taken under management	47,557,926	43,483,494

10. RECEIVABLES FROM BANKS AND CREDIT UNIONS

TCZK	31.12.2018	31.12.2017
Current accounts at banks	144,169	626,725
Term deposits	-	20,488
Repo purchases	369,893	-
TOTAL	514,061	647,212

11. SHARES AND PARTICIPATION CERTIFICATES

(a) Classification of the shares and participation certificates

TCZK	2018	2017
Available for sale	263,226	-
TOTAL	263,226	-

(b) Analysis of the investments available for sale

TCZK	2018	2017
Issued by non-financial institutions		
- Listed elsewhere	263,226	-
CELKEM	263,226	-

12. INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets

TCZK	Software	Total
Cost		
At 31 December 2017	41,177	41,177
Additions	2,526	2,526
Disposals	-	-
AT 31 DECEMBER 2018	43,703	43,703
Accumulated amortisation and adjustments		
At 31 December 2017	38,100	38,100
Regular amortisation charge	2,188	2,188
Disposals	-	-
At 31 December 2018	40,288	40,288
Net book value		
At 31 December 2017	3,077	3,078
At 31 December 2018	3,415	3,415

13. TANGIBLE FIXED ASSETS

Movements in tangible fixed assets

TCZK	Fixtures and fittings	Machinery and equipment	Tangible assets under construction	Total
Cost				
At 31 December 2017	78	4,308	4	4,390
Additions	--	--	--	--
Disposals	--	--	--	--
At 31 December 2018	78	4,308	4	4,390
Accumulated depreciation				
At 31 December 2017	63	4,308	--	4,372
Regular depreciation charge	--	--	--	--
Disposals	--	--	--	--
At 31 December 2018	63	4,308	-	4,372
Net book value				
At 31 December 2017	15	--	4	18
At 31 December 2018	15	-	4	18

14. OTHER ASSETS

TCZK	31.12.2018	31.12.2017
Trade receivables and receivables due from employees	66	103
Receivables due to state	--	8,234
Receivable from securities trading	1,269	80,208
Positive value derivatives	110	--
Estimated receivables	56,739	41,809
TOTAL	58,184	130,354

The receivable from securities trading represents the purchase of an investment fund which will be settled after having published the net asset value ("NAV").

Estimated receivables comprise fees for management and appreciation of funds' assets for 2018.

Deferred tax was previously recognized in respect of the applicable tax loss of the Company, both the tax loss incurred previous activities of Allianz penzijní fond, a. s. loss. Since the 2018 tax period is the last in which tax losses could not be applied, there was no deferred tax Companies for subsequent periods recognized.

15. PREPAID EXPENSES AND ACCRUED INCOME

TCZK	31.12.2018	31.12.2017
Deferred commissions	352,088	401,118
Other	40	22
TOTAL	352,128	401,140

Deferred commissions totalling 352,088 TCZK (2017: TCZK 401,118) relate to deferred acquisition cost of retirement savings contracts, supplementary pension savings contracts and supplementary pension insurance contracts.

16. OTHER LIABILITIES

TCZK	31.12.2018	31.12.2017
Trade payables	108,831	102,864
Payables due to employees	1,042	1,080
Payables due to state	11,918	4,263
Social security liabilities	610	612
Negative value of derivatives	2,915	498
Estimated payables	17,382	13,479
TOTAL	142,698	122,796

Trade payables

As at 31 December 2018, trade payables included payables to intermediaries related to unpaid commissions held as deposits in the amount of TCZK 18,343 (31 December 2017: TCZK 19 097), payables related to unpaid benefits to clients of TCZK 65,773 (31 December 2017: TCZK 57 714) and other payables of TCZK 18,775 (31 December 2017: TCZK 15 205) to participants as a result of unmatched payments as at 31 December 2018 and other trade payables of TCZK 5,940 (31 December 2017: TCZK 10 848).

Social security and health insurance liabilities

Social security and health insurance liabilities totalled TCZK 610 as at 31 December 2018 (31 December 2017: TCZK 612). None of these liabilities were overdue.

Estimated payables

As at 31 December 2018, estimated payables primarily consisted of estimated payables relating to depositary services and operating expense of TCZK 11,620 (31 December 2017: TCZK 9 475), and annual bonuses to employees including social and health insurance of TCZK 5,762 (31 December 2017: TCZK 3 904).

17. PROVISIONS

TCZK	Value of provisions at 31.12.2017	Addition	Utilisation	Value of provisions at 31.12.2018
Provision for bonuses	3,001	--	2,867	134
Provision for guaranteed investment contracts	139,353	134,283	139,353	134,283
TOTAL	142,354	134,283	142,220	134,417

The Company establishes provisions for bonuses and guaranteed return in accordance with the methods described in note 2 (d).

18. SHARE CAPITAL

The Company's share capital as at 31 December 2018 was CZK 50,100 thousand. CZK (as at 31 December 2017: CZK 50,100 thousand). The capital was formed 300 registered shares in the nominal value of 167 ths. CZK (as at 31 December 2017: CZK 167 thousand).

Shareholders of the Company as at 31 December 2018:

Name	Registered office	Relationship to the Company	Number of shares (in pieces)	Share in registered capital (in %)
Allianz pojišťovna, a. s.	Czech Republic	Controlling entity	300	100
TOTAL			300	100

The share in registered capital specified in the above table is equal to the share of voting rights.

19. REVALUATION DIFFERENCES

TCZK	Available for sale investments	Total
Balance as at 31 December 2017	--	--
Decrease / Increase	5,695	5,695
BALANCE AS AT 31 DECEMBER 2018	5,695	5,695

20. PROPOSED PROFIT DISTRIBUTION

As at the balance sheet date, the Company's board of directors had not decided on the distribution of profit for the year ended 31 December 2018, amounting to TCZK 71,211.

21. INCOME TAX AND DEFERRED TAX ASSET**a) Current tax for the current period**

TCZK	2018	2017
Current period profit (loss) before tax	87,713	35,824
Non-taxable income	(7,796)	--
Non-tax deductible expenses	140,948	42,286
Other items	(136,567)	--
Subtotal	83,698	78,110
Utilisation of prior period tax loss	(43,335)	(78,110)
Income tax calculated using a tax rate of 19%	7,669	--

For the year ended 31 December 2018, the Company did not recognise current tax, as the prior period tax loss has been utilised in respect of Allianz penzijní fond, a.s.

b) Deferred tax asset

In accordance with the accounting policies described in note 2(h), the Company recorded a deferred tax asset of TCZK 8,234 which relates to the unutilised tax loss of TCZK (as at 31 December 2017: TCZK 43,335). As at 31 December 2018, the Company did not account for a deferred tax asset as it did not expect that it would be utilised.

22. RECEIVABLES AND LIABILITIES FROM FIXED TERM TRANSACTIONS**(b) Nominal and fair values of fixed term transactions**

TCZK	31.12.2018		
	Receivables	Liabilities	Fair value
Trading instruments			
Forward exchange contracts	256 406	(255 911)	(2 805)
TOTAL	256 406	(255 911)	(2 805)

TCZK	31.12.2017		
	Receivables	Liabilities	Fair value
Trading instruments			
Forward exchange contracts	80 165	(80 451)	(498)
TOTAL	80 165	(80 451)	(498)

The above off-balance sheet receivables and liabilities are stated at nominal non-discounted values.

All of the above financial instruments were negotiated on the interbank market (OTC).

(c) Residual maturity of fixed term transactions

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

TCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
At 31 December 2018						
Trading instruments						
Forward exchange contracts (receivables)	256,406					255,406
Forward exchange contracts (liabilities)	(255,911)					(255,911)
At 31 December 2017						
Trading instruments						
Forward exchange contracts (receivables)	80,165	--	--	--	--	80,165
Forward exchange contracts (liabilities)	(80,451)	--	--	--	--	(80,451)

23. ASSETS UNDER MANAGEMENT

TCZK	31.12.2018	31.12.2017
Value of managed assets in pension /participation/transformed funds		
participation funds	2,409,072	1,587,009
transformed fund	45,148,854	41,896,485
TOTAL	47,557,926	43,483,494

24. RESIDUAL MATURITY OF THE ASSETS AND LIABILITIES

TCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
At 31 December 2018						
Cash in hand and balances with CB	--	--	--	--	3	3
Receivables from banks	514,061	--	--	--	--	514,061
Tangible and intangible fixed assets	--	--	--	--	263,226	263,226
Other assets	--	--	--	--	3,433	3,433
Prepaid expenses and accrued income	58,074	110	--	--	--	58,184
Costs and revenues next period	--	--	--	--	352 128	352 128
TOTAL	572,135	110	--	--	618,790	1,191,035
Other liabilities	125,316	17,382	--	--	--	142,698
Provisions	--	134,417	--	--	--	134,417
Equity	--	--	--	--	913,920	913,920
TOTAL	125,316	151,799	--	--	919,305	1,191,035
Gap	446 819	(151,689)	--	--	(295,130)	--
Cumulative gap	446,819	295,130	--	--	--	--

TCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
At 31 December 2017						
Cash in hand and balances with CB	--	--	--	--	3	3
Receivables from banks	647,212	--	--	--	--	647,212
Tangible and intangible fixed assets	--	--	--	--	3,094	3,094
Other assets	122,017	8,337	--	--	--	130,354
Prepaid expenses and accrued income	--	--	--	--	401,140	401,140
TOTAL	769,229	8,337	--	--	404,237	1,181,803
Other liabilities	108,819	13,479	498	--	--	122,796
Provisions	--	142,354	--	--	--	142,354
Equity	--	--	--	--	916,653	916,653
TOTAL	108,819	155,833	498	--	916,653	1,181,803
Gap	660,410	(147,496)	(498)	--	(512,416)	--
Cumulative gap	660,410	512,914	512,416	--	--	--

The above tables show the residual maturity of the carrying amounts of the individual financial instruments, not the total cash flows generated by these instruments.

25. CURRENCY RISK

TCZK	EUR	USD	CZK	Total
As at 31 December 2018				
Cash in hand and balances with CB	--	--	3	3
Receivables from banks	3,849	--	510,212	514,061
Tangible and intangible fixed assets	263,226	--	--	263,226
Other assets	--	--	3,433	3,433
Prepaid expenses and accrued income	--	--	58,184	58,184
Cash in hand and balances with CB	--	--	352,128	352,128
TOTAL	267,075	--	923,960	1,191,035
Other liabilities	--	--	142,698	142,698
Provisions	--	--	134,417	134,417
Equity	--	--	913,920	913,920
TOTAL	--	--	1,191,035	1,191,035
Net	267,075	--	(267,075)	--

As at 31 December 2017, all assets and liabilities of the Company were denominated in CZK, therefore the Company was not exposed to currency risk in the period.

26. ADDITIONAL INFORMATION

Number of pension and supplementary pension savings participants

As at the balance sheet date the number of participants of pension savings resulted to amount of 400 053 (2017: 416 141), number of participants of supplementary pension savings 64 427 (2017: 49 326).

Number and amount of benefits paid

Benefits paid to the participants	2018	2017
Number of contracts	36,661	39,190
Total amount of benefits paid	2,165,966	1,837,440

Appreciation of contributions of participants

Information about appreciation of contributions in managed funds is disclosed in Notes to the Financial Statements of respective funds.

27. TRANSACTIONS NOT DISCLOSED IN THE BALANCE SHEET

As at 31 December 2018, the Company was not involved in any legal dispute, the outcome of which would have a material impact on the Company's financial results or the funds managed.

At the balance sheet date, the Transformed fund's financial position does not require the subsidy from Company's capital funds.

As at the balance sheet date, the Company did not have any transactions not disclosed in the balance sheet.

28. MATERIAL SUBSEQUENT EVENTS

The membership of Ing. Sonia Mihaylova Slavtcheva, MBA in the board of directors terminates on 31 March 2019,.

The Company's management is not aware of any events that have occurred and that would require an adjustment of the financial statements as at 31 December 2018.

Date of preparation 29 March 2019

Stamp and signature of statutory representative:

Name and signature:
Ing. Dušan Quis



Name and signature:
Ing. Sonia Mihaylova
Slavtcheva, MBA



Person responsible for accounting
Ing. Anna Švehlová



Person responsible for financial statements
Ing. Anna Švehlová



REPORT ON RELATIONS

This report on relations between related parties, i.e. on business relations to the controlling party, controlled parties and other related parties, is presented based on the obligation stipulated by Act No. 90/2012 Coll. on Commercial Corporations. These parties are members of Allianz Group. Allianz penzijní společnost, a.s. did not enter into any controlling agreement or transfer of profit agreement during the accounting period of 2018 or previous accounting periods.

Below are listed those companies, with which Allianz penzijní společnost, a. s. maintains material business relationships.

SUMMARY

Controlling party

- Allianz pojišťovna, a. s., corporate ID No. 47115971, seated in Prague;
- Allianz New Europe Holding GmbH, seated at Hietzinger Kai 101-105, 1130 Vienna, Austria, is the direct and sole shareholder of Allianz pojišťovna, a. s. exercising influence over Allianz pojišťovna, a. s. by exercising shareholder rights.
- Allianz Holding eins GmbH, seated in Vienna, Austria
- Allianz SE, seated at Koniginstrasse 28, 80802 Munich, Germany, is the ultimate controlling legal entity.

Other related parties

- Allianz kontakt, s. r. o., seated in Prague
- Allianz nadační fond, seated in Prague
- Diamond Point, a. s., seated in Prague
- Allianz – Slovenská poisťovňa, a. s., seated in Bratislava, Slovakia
- ABS SPV, spol. s r. o. v likvidácii, seated in Bratislava, Slovakia
- Mondial Assistance s. r. o., seated in Prague
- Allianz Lebensversicherungs-AG, seated in Stuttgart, Germany
- AWP P&C Česká republika - branch of foreign legal entity AWP P&C, SA 93400 Saint-Ouen, 7, Rue Dora Maar, France
- Allianz Global Corporate & Specialty SE, seated in Munich, Germany
- Euler Hermes Services Česká republika, s. r. o.
- Euler Hermes SA, organization branch
- Allianz Managed Operations & Services SE, seated in Munich, Germany
- Allianz Technology SE, organization branch
- Allianz Global Investors Advisory GmbH, seated in Frankfurt am Main, Germany
- Allianz Deutschland AG, seated in Munich, Germany
- Allianz Global Investors Europe GmbH, seated in Frankfurt am Main, Germany

- Allianz Global Investors Luxembourg S.A., seated in Luxembourg
- PIMCO Europe Ltd., seated in London, United Kingdom
- PIMCO Global Advisors (Ireland) Limited, seated in Dublin, Ireland
- Allianz Hungária Biztosító Zrt., seated in Budapest, Hungary
- Allianz Suisse Versicherungs-gesellschaft-AG
- Allianz Investment Management SE, seated in Munich, Germany
- Allianz Real Estate GmbH, seated in Munich, Germany.

RELATIONS TO THE CONTROLLING PARTY

Allianz penzijní společnost, a.s. offers pension products in the Czech Republic.

Allianz pojišťovna, a. s.

Allianz penzijní společnost, a. s. is a 100% subsidiary of Allianz pojišťovna, a. s. Allianz penzijní společnost, a. s. and Allianz pojišťovna, a. s. closely cooperate and coordinate their business activities with each other. In 1995, the two companies signed an agreement on cooperation in the sale of supplementary pension schemes by the sales representatives of Allianz pojišťovna, a. s.

In 2013, the companies entered into an agreement on cooperation and personal data processing.

In 2014, a sublease contract was concluded to replace the original sublease contract in its entirety. Also, Allianz pojišťovna, a. s. and Allianz penzijní společnost, a. s. cooperate closely in the area of management, asset management, marketing, IT, and HR services (sales techniques training, HR development programs, parallel employment).

Effective as of 1 January 2017, an agreement on cooperation and sharing of selected costs was concluded with Allianz pojišťovna.

Allianz New Europe Holding GmbH

Allianz New Europe Holding GmbH is the parent company of Allianz pojišťovna, a. s., effective as of 11 May 2006.

Allianz Holding eins GmbH

Allianz Holding eins GmbH is the parent company of Allianz New Europe Holding GmbH. On 7 April 2010, Allianz SE as the parent company of Allianz New Europe Holding GmbH transferred its share in the subsidiary to Allianz Holding eins GmbH, a group company.

Allianz SE

Allianz SE performs tasks of the group's holding company. Allianz penzijní společnost, a. s. and Allianz SE entered into a master cost sharing and service agreement, effective as of 2016. In 2018, Allianz penzijní společnost, a. s. and Allianz SE concluded an inter-company agreement on the Allianz SE Employee Share Purchase Program 2018.

RELATIONS TO OTHER RELATED PARTIES

Allianz kontakt, s. r. o.,

Allianz kontakt, s. r. o. is a 100% subsidiary of Allianz pojišťovna, a. s. Allianz kontakt, s. r. o. is a company acting as an intermediary of insurance and other financial and pension products. In 2012, a sales agency agreement in respect of offering and intermediation of contracts on supplementary pension schemes and former pension savings was concluded between Allianz penzijní společnost, a. s. and Allianz kontakt, s. r. o. as the investment intermediary, effective as of January 2013.

Diamond Point, a.s.

Diamond Point, a. s. is a 100% subsidiary of Allianz pojišťovna, a. s. Diamond Point, a. s. is the owner of the real property at Ke Štvanici 656/3, where the registered office of Allianz penzijní společnost, a. s. is located. A long-term sublease relationship is agreed between Allianz pojišťovna, a.s. and Allianz penzijní společnost, a. s. Allianz penzijní společnost, a. s. holds securities (fixed interest bonds) in the nominal value of CZK 220,000,000, issued by Diamond Point, a. s. in 2013.

Allianz penzijní společnost, a. s. cooperates with other related parties particularly in the use of information systems and technology, facility management, and investments. Allianz penzijní společnost, a. s. also uses instruments managed by PIMCO Global Advisors Ireland Ltd., an investment management company, for the placement of its financial assets.

Allianz Technology SE

In 2017, Allianz penzijní společnost, a. s. and Allianz Technology SE entered into a master IT service agreement.

CLOSING STATEMENT OF THE BOARD OF MANAGEMENT OF ALLIANZ PENZIJNI SPOLEČNOST, A.S.

We hereby declare that the report of Allianz penzijní společnost, a.s. on relations between related parties, prepared pursuant to Sec. 82 of Act No. 90/2012 Coll. on commercial corporations for the accounting period starting 1 January 2018 and ending 31 December 2018, contains all of the following, concluded or made in the accounting period and known to us as of the date of signing this report:

- structures of relationships between the controlling and controlled party and between the controlled party and parties controlled by the same party,
- contracts and agreements between the related parties,
- tasks of the controlled party,
- controlling method and means,
- overview of acts performed during the recent accounting period,
- assessment of harm incurred.

We hereby declare that we are not aware of any harm incurred by Allianz penzijní společnost, a. s. from the above listed agreements, contracts or measures. Furthermore, we declare that no disadvantages arise out of the relationships between the controlling and controlled party or between the controlled party and parties controlled by the same party, and thus the existence of such relationships imposes no risk to the controlled party.

We hereby declare that in 2018, no acts were performed at the initiative or in the interest of the controlling party or parties controlled by the controlling party with regard to assets exceeding 10% of the equity of Allianz penzijní společnost, a. s. according to the most recent financial statements.

Prague, 29 March 2019

Ing. Dušan Quis
Chairman of the Board
of management



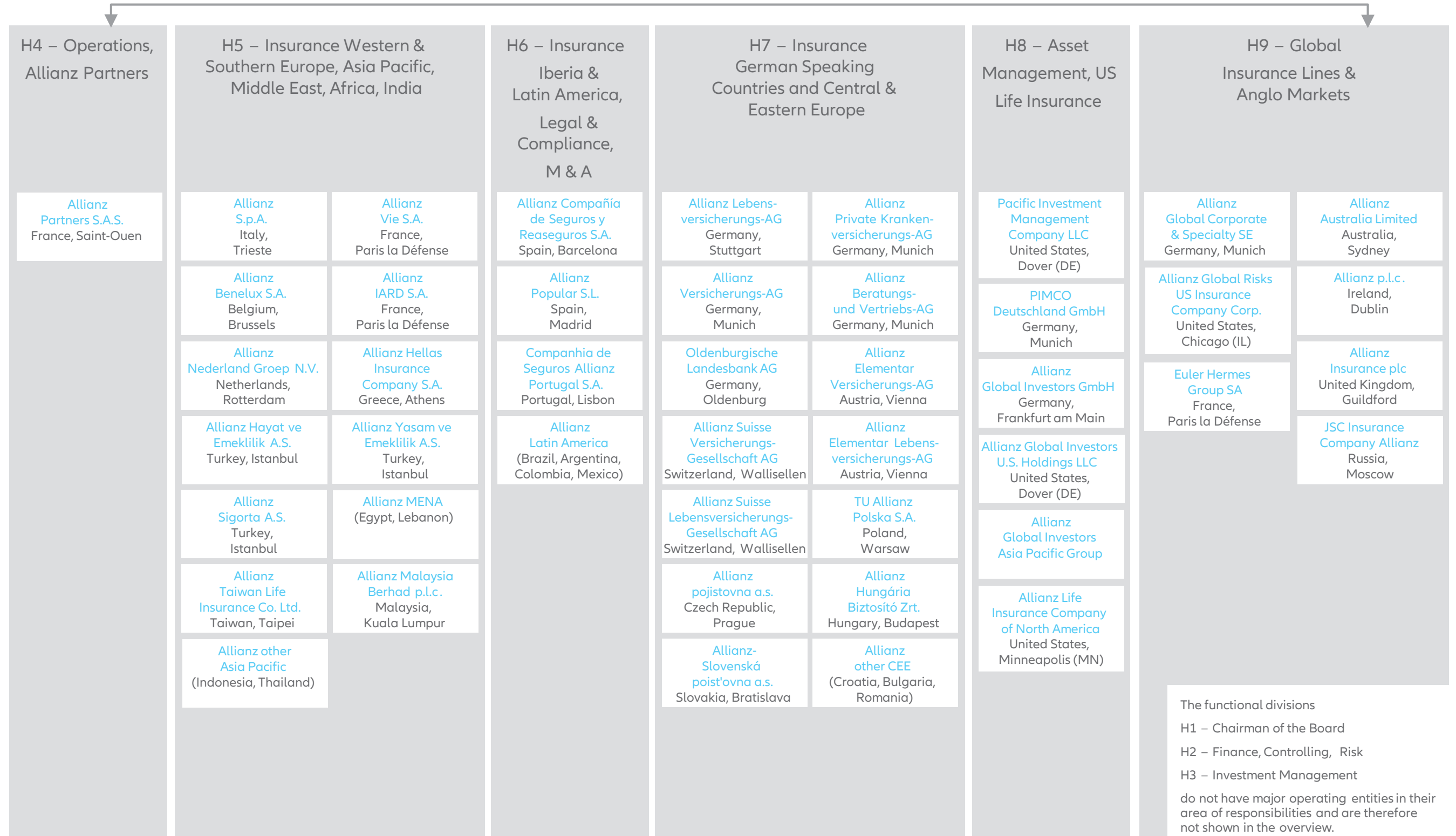
Ing. Sonia Mihaylova Slavtcheva, MBA
Member of the Board
of management



ALLIANZ GROUP STRUCTURE

This overview is simplified. It focuses on major operating entities and does not contain all entities of Allianz Group. It does not show whether a shareholding is direct or indirect. This overview shows the status as of December 31, 2018.

Allianz SE



The functional divisions
 H1 – Chairman of the Board
 H2 – Finance, Controlling, Risk
 H3 – Investment Management
 do not have major operating entities in their area of responsibilities and are therefore not shown in the overview.

FUNDS



ALLIANZ TRANSFORMED FUND

ALLIANZ PENZIJNÍ
SPOLEČNOST, A. S.

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ALLIANZ TRANSFORMOVANÝ FOND, ALLIANZ PENZIJNÍ SPOLEČNOST, A.S.

In accordance with Sec. 44 of Decree No. 117/2012 Coll., on detailed regulation of activities of subscriber funds and pension funds, Allianz penzijní společnost, a. s. presents its Annual Report pursuant to Sec. 42, paragraph 1 of the said Decree.

Allianz transformovaný fond, Allianz penzijní společnosti, a.s. (hereinafter referred to as the „transformed fund“) was established through transformation of Allianz penzijní fond ,a.s. as of 1 January , the pension management company separated assets and liabilities associated with supplementary pension schemes into Alianz transformovaný fond according to Sec. 182 of the Act on supplementary pension savings.

Assets held in the transformed fund are managed by the pension company in its name and on subscriber's account. The assets are not part of assets of the pension management company that manager the fund's assets.

A) INFORMATION ABOUT THE PENSION MANAGEMENT COMPANY MANAGING THE FUND

Name: Allianz penzijní společnost, a. s.
Registered office: Ke Štvanici 656/3, 186 00, Prague 8
E-mail and website: info@allianz.cz, www.allianz.cz
Commercial register: Municipal Court of Prague, section B, file 4972
Corporate ID number: 25 61 26 03
Registered capital: 50 100 000 Kč
Shareholder: Allianz pojišťovna, a. s. (100 %)
Auditor: KPMG Česká republika Audit, s.r.o.

Allianz penzijní společnost, a.s. (hereinafter referred to as „pension management company“) has been managing the transformed fund since 1 January 2013. Czech National Bank approved the Statute of Allianz transformed fund in connection with the transformation of Allianz penzijní fond, a.s. on 24 October 2012 under reference no. 2012/10254/570.

B) INFORMATION ABOUT THE FUND'S PORTFOLIO MANAGERS

The investment manager of the transformed fund is Allianz penzijní společnost, a.s. (hereinafter referred to as the „pension management company“), entered in the Commercial Register maintained by the Municipal Court of Prague, section B, file 4972.

Portfolio managers: Petr Podolka, Jiří Šnobl

C) INFORMATION ABOUT THE FUND'S DEPOSITARY

during the specified period, and about the term of its engagement

Since 3 January 2014, the sole depositary of the transformed fund is UniCredit Bank Czech Republic and Slovakia, a.s., registered office at: Želetavská 1525/1, postal code: 140 92, Prague 4- Michle, entered in the Commercial Register maintained by the Municipal Court of Prague, section B, file 3608, corporate ID no: 64 94 82 42 (hereinafter referred to as the „Depositary“).

D) INFORMATION ABOUT THE PARTY ENSURING CUSTODY OR OTHER SAFEKEEPING OF THE FUND'S ASSETS,

if more than 1% of the fund's assets are kept or otherwise held in custody with the said party

Only the Depositary ensures custody or control over the transformed fund's assets.

E) IDENTIFICATION OF ASSETS EXCEEDING 1% OF VALUE OF THE FUND'S ASSETS

As of 31 December 2018, stating the total acquisition price and fair value at the end of the specified period

ISIN	Název cenného papíru	Měna	Typ	Poživovací cena (v tis. Kč)	Reálná hodnota (v tis. Kč)	Podíl na majetku fondu
CZ0002005689	HZL WHB var 23	CZK	Hypoteční zástavní listy	965 868	962 518	2,13
FR0013110103	BPCE var/23	CZK	Korporátní dluhopisy	501 000	498 543	1,10
IE00BWC52L19	PIMCOIGCZK	CZK	Podílové listy	640 000	572 530	1,27
LU1676335794	UBS - Convertible	CZK	Podílové listy	492 661	462 274	1,02
CZ0001004105	CR var/27	CZK	Státní dluhopisy	3 689 088	3 727 145	8,24
CZ0001001317	CR 3,75/20	CZK	Státní dluhopisy	3 440 909	3 245 731	7,18
CZ0001001796	CR 4,20/36	CZK	Státní dluhopisy	2 404 738	2 370 939	5,24
CZ0001004253	CR 2,4/25	CZK	Státní dluhopisy	2 504 451	2 275 275	5,03
CZ0001003834	CR 1,5/19	CZK	Státní dluhopisy	1 741 531	1 757 609	3,89
CZ0001005375	CR 2,75/29	CZK	Státní dluhopisy	1 709 753	1 742 850	3,85
CZ0001003859	CR 2,50/28	CZK	Státní dluhopisy	1 495 148	1 495 360	3,31
CZ0001004477	CR 0,95/30	CZK	Státní dluhopisy	1 485 165	1 492 296	3,30
CZ0001002851	CR 3,85/21	CZK	Státní dluhopisy	1 961 265	1 830 378	4,05
CZ0001005243	CR 2,00/33	CZK	Státní dluhopisy	1 266 804	1 273 864	2,82
CZ0001004113	CR var/20	CZK	Státní dluhopisy	1 124 601	1 123 286	2,48
CZ0001002471	CR 5,00/19	CZK	Státní dluhopisy	2 046 513	1 927 329	4,26
CZ0001004469	CR 1,00/26	CZK	Státní dluhopisy	1 176 845	1 082 611	2,39
CZ0001002547	CR 5,70/24	CZK	Státní dluhopisy	1 872 020	1 752 685	3,88
CZ0001005037	CR 0,25/27	CZK	Státní dluhopisy	903 215	912 224	2,02
CZ0001001945	CR 4,70/22	CZK	Státní dluhopisy	2 131 005	1 951 605	4,32
US731011AR30	POLAND150719	USD	Státní dluhopisy	561 253	471 502	1,04
Reverzní REPO	PPF banka	CZK	Peněžní trh	2 199 323	2 199 323	4,86
Reverzní REPO	Česká spořitelna	CZK	Peněžní trh	1 399 749	1 399 749	3,10
Reverzní REPO	Komerční banka	CZK	Peněžní trh	999 753	999 753	2,21
Reverzní REPO	Komerční banka	CZK	Peněžní trh	999 580	999 580	2,21

F) INFORMATION ABOUT LITIGATIONS OR ARBITRATIONS INVOLVING THE FUND'S ASSETS

In 2017, there were no litigations or arbitrations concerning the transformed fund.

G) INFORMATION ABOUT THE FUND'S NET ASSETS FOR THE LAST THREE PERIODS

	NAV* (CZK)
31.12.2015	1 707 871
31.12.2016	1 580 440
31.12.2017	467 906
31.12.2018	43 832

I) INFORMATION ABOUT THE STRUCTURE OF AND CHANGES IN THE FUND'S ASSETS

Assets (CZK thousand)	31.12.2017	31.12.2018
Receivables from banks	6 353 188	6 200 315
a) payable on demand	458 419	302 260
b) other receivables	5 894 769	5 898 055
Debt securities	33 429 920	36 695 840
Stocks, share certificates and other shares	2 120 375	2 323 041
Other assets	63 709	8 448
Total	41 967 192	45 227 644

J) INFORMATION ABOUT CONSIDERATION PAID TO THE DESIGNATED PENSION MANAGEMENT COMPANY FOR MANAGING THE FUND'S ASSETS

(CZK thousand)	31.12.2017	31.12.2018
Consideration for assetmanagement	319 201	341 029

The consideration for managing assets of the transformed fund as at the end of the specified period amounted to 0.8 % of the average annual balance sheet total after deducting the costs of acquisition, sale and holding of securities issued by the collective management fund pursuant to Sec.60, paragraph 3) of Act no. 427/2011 Coll.



Independent auditor's report

English translation

Independent auditor's report

to the participants of the fund Allianz transformovaný fond, Allianz penzijní společnost, a.s.

Opinion

We have audited the accompanying financial statements of fund Allianz transformovaný fond, Allianz penzijní společnost, a.s., with its registered office at sídlem Ke Štvanici 656/3, Praha 8 ("the Fund"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement for the year ended 31 December 2018 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance for the year ended 31 December 2018 in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

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

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Independent auditor's report

Responsibilities of the Statutory body of Allianz penzijní společnost, a.s. for the Financial Statements

The Statutory body of Allianz penzijní společnost, a.s. is responsible for the preparation and fair presentation of the Fund's financial statements in accordance with Czech accounting legislation and for such internal control as the Statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



Independent auditor's report

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

29 March 2019

PricewaterhouseCoopers Audit, s.r.o.
represented by

Marek Richter
Statutory Auditor, Licence No. 1800

This report is addressed to the participants of Allianz transformovaný fond, Allianz penzijní společnost, a.s.

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

BALANCE SHEET

AS AT 31 DECEMBER 2018 (Translated from the Czech original)

TCZK	Note	31.12.2018	31.12.2017
ASSETS			
3	9	6 200 315	6 353 188
of which:			
a) repayable on demand			
		302 260	458 419
b) other receivables			
		5 898 055	5 894 769
5	10	36 695 840	33 429 920
of which:			
a) issued by government institutions			
		31 993 903	28 906 886
b) issued by other entities			
		4 701 937	4 523 034
6	11	2 323 041	2 120 375
11	12	8 448	63 709
TOTAL ASSETS		45 227 644	41 967 192

TCZK	Note	31.12.2018	31.12.2017
LIABILITIES			
4	13,15	45 156 289	41 469 818
6	16	27 523	29 468
of which: a) provision for pensions and similar obligations			
		27 523	29 468
12		79 639	-
13	18	(331 250)	303 309
of which: a) on assets and liabilities			
		(331 250)	303 309
15	17	295 443	164 597
TOTAL LIABILITIES		45 227 644	41 967 192

TCZK	Note	31.12.2018	31.12.2017
OFF-BALANCE SHEET ITEMS			
Off-balance sheet assets			
4	20	1 080 418	2 161 194
8	21	45 148 854	41 896 485
OFF-BALANCE SHEET LIABILITIES			
10	9	5 847 216	5 582 971
12	20	1 229 751	2 113 703

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(Translated from the Czech original)

TCZK	Note	2018	2017
1	3	698 416	592 639
of which: interest on debt securities			
		652 317	593 551
3		49 130	49 197
c) other income from shares and ownership interests			
		49 130	49 197
5	4	(372 054)	(336 320)
6	5	(85 673)	(142 471)
Other operating income			
	6	3 679	4 060
16		10 464	1 394
17		(8 519)	(3 902)
19		295 443	164 597 22
23	19	-	-
24		295 443	164 597

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

(Translated from the Czech original)

TCZK	Capital funds	Revaluation gains (losses)	Profit (loss)	Total
Balance at 1/1/2017		1 211 534	368 906	1 580 440
FX gains (losses) and revaluation gains (losses) not included in profit or loss				
		(908 225)	-	(908 225)
Net profit (loss) for the period				
		-	164 597	164 597
Allocated profit sharing to the pension insurance participants				
		-	(368 906)	(368 906)
Balance at 31/12/2017		303 309	164 597	467 906
Balance at 1/1/2018				
		303 309	164 597	467 906
FX gains (losses) and revaluation gains (losses) not included in profit or loss				
		(634 559)	-	(634 559)
Net profit (loss) for the period				
		-	295 443	295 443
Transfers to funds				
	79 639	-	-	79 639
Allocated profit sharing to the pension insurance participants				
		-	(164 597)	(164 597)
Balance at 31/12/2018	79 639	(331 250)	295 443	43 832

NOTES TO THE FINANCIAL STATEMENTS 2018

1. GENERAL INFORMATION

(a) Description of the fund

Establishment and description of the fund

Allianz transformovaný fond, Allianz penzijní společnost, a.s. ("the Fund" or "the Entity") was established by Allianz penzijní společnost, a.s. ("the Company"), based on a licence granted by the Czech National Bank under Decision ref. no. 2012/10254/570, dated 24 October 2012, which took effect on 26 October 2012.

Transformation process

In accordance with Act No. 427/2011 Coll., on Supplementary Pension Savings, the Company prepared a transformation project that was approved by the Czech National Bank on 24 October 2012. Based on the project, the pension fund Allianz penzijní fond, a.s. was dissolved as at 31 December 2012. On 1 January 2013, the pension company Allianz penzijní společnost, a.s. and the transformed fund Allianz transformovaný fond, Allianz penzijní společnost, a.s. were registered.

Pursuant to Section 182 of Act No. 427/2011 Coll., on Supplementary Pension Savings, and the transformation project, the assets and liabilities of the dissolving company were split between Allianz penzijní společnost, a.s. and Allianz transformovaný fond, Allianz penzijní společnost, a.s. In accordance with this Section, the assets and liabilities related to supplementary pension insurance were transferred to the transformed fund as at 1 January 2013.

Supplementary pension insurance participants

As at 31 December 2018, the Fund administered contributions of 400 thousand participants in supplementary pension insurance (2017: 416 thousand).

Information about the pension company

The pension company that manages the Fund's assets is Allianz penzijní společnost, a.s., identification number (IČO) 256 12 603, with its registered office at Ke Štvanici 656/3, 186 00 Prague 8. The Company was registered on 1 January 2013. The Company was granted a licence to operate as a pension company based on Decision of the Czech National Bank ref. no. 2012/10254/570, dated 24 October 2012. The decision took effect on 26 October 2012.

Principal activities of the Company:

- Accumulation of contributions from participants in supplementary pension insurance and support provided by the state in respect of the participants and administration of the contributions pursuant to Act No. 42/1994 Coll.,
- Accumulation of participants' contributions, employee contributions and state contributions pursuant to Act No. 427/2011 Coll., on Supplementary Pension Savings, to be placed in participation funds, management of assets in participation funds and payment of supplementary pension insurance benefits.

Depository

Depository services are rendered by UniCredit Bank Czech Republic and Slovakia, a.s., identification number (IČO) 649 48 242, with its registered office at Želetavská 1525/1, 140 92 Prague 4 - Michle ("the Depository"), on the basis of a depository agreement dated 13 December 2013.

(b) Basis of preparation of the financial statements

The financial statements have been prepared on the basis of accounts maintained in accordance with:

- Act No. 563/1991, on Accounting, as amended,
- Decree No. 501/2002, issued by the Ministry of Finance, as amended,
- Czech accounting standards for financial institutions, issued by the Ministry of Finance.

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

The financial statements are based on the assumption that the Entity will continue as a going concern and that there is no circumstance that would restrict or prevent the Entity's ability to continue as a going concern in the foreseeable future.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns (TCZK). Numbers in brackets represent negative amounts.

These financial statements are non-consolidated.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Transaction date

Depending on the transaction type, the transaction date is generally defined as:

- the date of payment or cash collection,
- the date of purchase or sale of foreign currency or securities,
- the date of executing a payment,
- the date on which (foreign currency) funds are credited, as stated in an account statement,
- the trade and settlement date for spot transactions, i.e. purchases or sales of financial instruments or commodities where the period between concluding and settling the transaction does not exceed two days,
- the trade and settlement date for derivatives transactions.

The Entity has determined that spot transactions (i.e. accounting transactions involving the purchase or sale of financial assets with a usual term of delivery) are recorded directly in an appropriate asset or liability account on the trade date.

The Fund derecognises a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Fund loses this control if it exercises the rights to the benefits defined in a contract, or if such rights expire or are waived by the Fund.

When a financial liability or part thereof is extinguished (e.g. the obligation specified in a contract is discharged or cancelled or expires), the Entity will no longer recognise the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability (or part thereof) extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

(b) Securities

Initial recognition

Upon initial recognition, securities are measured at cost, which includes direct transaction costs.

Subsequent measurement

For the purposes of subsequent measurement, securities that are recognised in assets are classified into the following categories:

- available-for-sale securities,
- held-to-maturity securities.

Available-for-sale securities

Available-for-sale securities are measured at fair value and gains/losses from this revaluation are recognised in equity under "Revaluation gains (losses)". When a security is sold, the respective revaluation difference is recognised in profit or loss under "Gain or loss from financial operations".

For debt securities in this portfolio, interest income is recognised under "Interest income and similar income".

For debt securities, any foreign exchange gains/losses are recognised in profit or loss under "Gain or loss from financial operations". Foreign exchange gains/losses in respect of equity securities are part of revaluation to fair value and are recognised in equity under "Revaluation gains (losses)".

If a loss arising from a change in the fair value of an available-for-sale security is recognised in equity and there is objective evidence that the security is impaired, the loss is released from equity and charged to expenses.

Held-to-maturity securities

Securities in this portfolio may only include debt securities that the Entity has the positive intention and ability to hold to maturity.

Securities in this portfolio are measured at amortised cost, with accrued interest income being part of the carrying amount of these securities. Interest income is recognised under "Interest income and similar income".

Adjustments are established to held-to-maturity debt securities. Adjustments to these securities are established to reflect the change in the risk profile of the issuer (but not the change in risk-free interest rates), calculated on an individual basis.

Fair value

The Fund determines fair value in accordance with International Financial Reporting Standards as adopted by the European Union.

Fair value means a market value that is announced on the local or foreign exchange or on other public (organised) market. The Company uses the market value that is announced no later than the date of preparation of the financial statements and that is closest to that date. If the market value is not available or if it does not appropriately reflect the fair value, the fair value is determined using a qualified estimate.

Interest income

Interest income is defined as:

- a) (for coupon debt securities) the accrued coupon specified in issue terms and conditions and the accrued difference between the nominal value and net cost, described as a premium or discount. Net cost is defined as the cost of a coupon bond reduced by the accrued coupon as at the date of acquisition of the security,
- b) (for zero-coupon bonds and bills of exchange/promissory notes) the accrued difference between the nominal value and cost.

Interest income in respect of debt securities is amortised through the income statement from the date of purchase, using the effective interest rate method. In the case of debt securities with a residual maturity of less than one year from the date of purchase, the premium or discount is amortised through the income statement on a straight-line basis from the date of purchase to the date of maturity.

Derecognition of securities

When securities are sold, the Entity uses the average cost method to measure their disposal.

Dividend income

The Fund recognises dividends on shares/units net of withholding tax (deducted abroad).

(c) Reverse repurchase agreements

Transactions where securities purchased under a resale agreement (reverse repurchase agreement) at a predetermined price are accounted for as loans collateralised by the securities that are being purchased and resold.

These loans are recognised in the balance sheet under "Receivables from banks and credit unions" or "Receivables from customers – credit union members".

Securities received under reverse repurchase agreements are only recorded in the off-balance sheet under "Collaterals and pledges received".

Income arising from reverse repurchase agreements as the difference between the selling and purchase price is accrued over the period of the transaction and recognised in the income statement as "Interest income and similar income".

(d) Receivables and adjustments

Operating receivables are recognised at nominal value less adjustments (if any). Unrecoverable receivables are written off, once bankruptcy proceedings regarding a debtor are over or if it is not probable that they will be recovered.

Adjustments established are recognised as an expense; their utilisation is recognised, together with expenses or losses associated with a reduction of assets, in the income statement. The release of adjustments no longer considered necessary is recognised in income.

Adjustments for assets maintained in foreign currencies are established in the relevant currency.

(e) Recognition of receivables relating to state contributions to participants

The Fund does not recognise any receivables from the Ministry of Finance relating to state contributions paid to participants. State contributions are recognised as and when received from the Ministry of Finance.

(f) Accounts of supplementary pension insurance participants

Contributions obtained from participants are recognised in other liabilities of the Fund.

(g) Establishment of provisions

A provision represents a probable cash outflow of uncertain timing or amount. A provision is recognised as an expense amounting to the best estimate of the outflow of resources required to settle a present obligation.

A provision is recognised if the following criteria are met:

- a) a present obligation (legal or constructive) exists as a result of a past event,
- b) it is probable or certain that an outflow of economic benefits will be required to settle the obligation ("probable" means a probability exceeding 50%), and
- c) the amount of the obligation can be estimated reliably.

Provision for pensions and similar obligations**Liability adequacy test**

The Fund establishes provisions for liabilities arising from supplementary pension insurance contracts. The amounts of the provisions are 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 supplementary pension insurance contracts.

The liability adequacy testing is based on the discounted cash flow 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 adjusted by market value margins. 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 as calculated using actuarial methods. Future liabilities relate in particular to pension payments, valorisation of pensions and expenses.

The annuity option is calculated separately for the portfolio of participants in the saving phase and for the portfolio of participants in the pension payment phase using the same model (and thus also the same estimate) as that used for the adequacy test. The Fund establishes a provision only based on the liability adequacy test, and does not establish a provision for the annuity option.

(h) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at the Czech National Bank official rate prevailing 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 prevailing as at the balance sheet date. The net foreign exchange gain/loss arising from the translation of foreign currency assets and liabilities, except for investments denominated in foreign currencies and items that hedge currency risk resulting from agreements not yet recorded in the Fund's balance sheet or from expected future transactions, is recognised in the income statement as "Gain or loss from financial operations".

(i) Derivatives

A derivative is a financial instrument that meets the following conditions:

- a) its fair value changes in response to the change in a specified interest rate, price of a security, commodity price, foreign exchange rate, price index, credit rating or credit index, or other variable ("underlying asset"),
- b) it requires a small or no initial net investment, compared with other types of contract based on a similar response to changes in market factors,
- c) it is settled at a future date, with the period from the trade date to the settlement date exceeding that of a spot transaction.

Derivatives are recognised in the balance sheet at fair value. Positive fair values of derivatives are recognised in assets under "Other assets". Negative fair values of derivatives are recognised in liabilities under "Other liabilities".

The fair value of financial derivatives is the present value of expected cash flows from these transactions, determined using valuation models generally accepted on the market which use parameters ascertained on the active market, such as foreign exchange rates, interest rates applicable to relevant maturities based on a yield curve, etc.

In the off-balance sheet, derivatives are recorded at the non-discounted contractual value of the underlying instrument under "Receivables from fixed term transactions", "Receivables from options", "Liabilities from fixed term transactions" and "Liabilities from options".

Trading derivatives

Derivatives held for trading are recognised in the balance sheet at fair value. Gains and losses from changes in fair value are recorded in the income statement under "Gain or loss from financial operations".

(j) Taxation**Current tax**

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

Deferred tax

Effective from 1 January 2015, a zero corporate income tax rate has been introduced for funds of pension companies. As a result, the Fund did not recognise deferred tax on temporary differences between the carrying and tax value of assets and liabilities.

(k) Corrections of prior period errors and changes in accounting policies

Corrections to prior period expenses or income are recognised as current period expenses or income, with the exception of corrections of material errors relating to prior periods.

Corrections of material errors in the recognition of prior period income or expenses and changes in accounting policies are recognised under "Retained profits (or accumulated losses)" in the Fund's balance sheet.

In the period from 1 January 2018 to 31 December 2018, the Fund did not make any corrections of material errors or changes in accounting policies.

3. INTEREST INCOME AND SIMILAR INCOME

TCZK	2018	2017
Interest on debt securities	652,317	593,551
Interest from reverse repurchase agreements	45,956	(1,318)
Interest on current accounts and term deposits	143	406
TOTAL	698,416	592,639

The negative interest income from reverse repurchase agreements in 2017 is influenced by the rates available on the banking market at the end of the accounting period.

4. COMMISSION AND FEE EXPENSE

TCZK	2018	2017
Commission and fee expense from		
management of assets	341,029	319,201
appreciation of assets	30,874	17,065
bank fees	151	54
TOTAL	372,054	336,320

The fee for the management of the Fund's assets amounts to 0.8% (2017: 0.8%) of the average annual balance sheet amount, less the cost of purchase, sale and holding of securities issued by a collective investment fund pursuant to Section 60 (3) of Act No. 427/2011 Coll.

The fee for the appreciation of the Fund's assets is calculated as a 10% share (2017: 10%) of the Fund's reported profit before the fee is recorded. The fee will be paid once the financial statements are approved by the Company's general meeting.

5. GAIN OR LOSS FROM FINANCIAL OPERATIONS

TCZK	2018	2017
Gain/(loss) from securities transactions	(88,716)	(78,523)
Gain/(loss) from derivative transactions	(47,165)	128,223
Foreign exchange gain/(loss)	50,208	(192,171)
TOTAL	(85,673)	(142,471)

6. OTHER OPERATING INCOME

A significant portion of other operating income relates to income from participants' contributions that remain in the Fund's income in accordance with the law. In 2018, such income from contributions totalled TCZK 3,346 (31 December 2017: TCZK 3,504).

Another significant item is income from bonuses allocated to clients who terminated their supplementary pension insurance contracts early and thus did not comply with the conditions for bonus payment. In 2018, such income amounted to TCZK 333 (31 December 2017: TCZK 556).

7. GEOGRAPHIC SEGMENTATION OF REVENUES

TCZK	CR	EU	Mimo EU	Celkem
2018				
Interest from shares and ownership interests	--	49,130	--	49,130
Interest income and similar income	664,682	30,991	2,743	698,416
Gain or loss from financial operations	7,883	(100,722)	7,166	(85,673)
Other operating revenues	3,679	--	--	3,679
TOTAL	676,244	(20,601)	9,909	665,552
2017				
Interest from shares and ownership interests	--	49,000	197	49,197
Interest income and similar income	560,908	27,813	3,918	592,639
Gain or loss from financial operations	(154,513)	27,370	(15,328)	(142,471)
Other operating revenues	4,060	--	--	4,060
TOTAL	410,455	104,183	(11,213)	503,425

8. TRANSACTIONS WITH RELATED PARTIES

TCZK	31.12.2018	31.12.2017
Receivables		
derivatives	--	53,547
Payables		
from management paid to the Company	24,865	23,102
from appreciation of assets paid to the Company	30,874	17,065
derivatives	69,739	4,204

TCZK	2018	2017
Income		
from derivatives	23,776	53,547
Expenses		
for management paid to the Company	341,029	319,201
for appreciation of assets paid to the Company	30,874	17,065
for derivatives	71,085	4,204

TCZK	31.12.2018	31.12.2017
Off-balance sheet assets		
Receivables from fixed term transactions	1,031,258	2,122,034
Values placed under management	45,148,854	41,896,485
Off-balance sheet liabilities		
Liabilities from fixed term transactions	1,178,671	2,062,623

9. RECEIVABLES FROM BANKS AND CREDIT UNIONS

TCZK	31.12.2018	31.12.2017
Current accounts at banks	302,260	458,419
Term deposits at banks	--	250,406
Reverse repurchase agreements	5,898,055	5,644,363
TOTAL	6,200,315	6,353,188

As at 31 December 2018, the Fund acquired treasury bill CZ0001005235 at the market value of TCZK 5,847,216 within reverse repurchase agreements. Treasury bills are recorded in the off-balance sheet in "Collaterals and pledges received".

10. DEBT SECURITIES

(a) Classification of debt securities into individual portfolios based on the Fund's intention

TCZK	31.12.2018	31.12.2017
Available-for-sale debt securities	22,417,504	22,750,467
Held-to-maturity debt securities	14,278,336	10,679,453
Net book value	36,695,840	33,429,920

(b) Analysis of available-for-sale debt securities

TCZK	31.12.2018	31.12.2017
Issued by financial institutions		
– Listed on a recognised CZ exchange	1,386,243	1,928,078
– Listed on another exchange	1,958,281	1,240,103
Issued by non-financial institutions		
– Listed on a recognised CZ exchange	876,090	931,460
– Listed on another exchange	481,323	423,393
Issued by government sector		
– Listed on a recognised CZ exchange	16,922,608	17,628,982
– Listed on another exchange	792,959	598,451
TOTAL	22,417,504	22,750,467

Securities listed on another exchange with a market value of TCZK 3,232,563 (31 December 2017: TCZK 2,261,947) are traded mainly on regulated OECD markets.

(c) Analysis of held-to-maturity debt securities

TCZK	31.12.2018	31.12.2017
Issued by government sector		
– Listed on a recognised CZ exchange	14,278,336	10,679,453
TOTAL	14,278,336	10,679,453

11. SHARES, UNITS AND OTHER INVESTMENTS

(a) Classification of shares, units and other investments into individual portfolios based on the Fund's intention

TCZK	31.12.2018	31.12.2017
Shares, units and other available-for-sale investments	2,323,041	2,120,375
Net book value	2,323,041	2,120,375

(b) Analysis of available-for-sale shares, units and other investments

TCZK	31.12.2018	31.12.2017
Issued by other institutions		
– Listed on another exchange	2,323,041	2,120,375
TOTAL	2,323,041	2,120,375

Securities listed on another exchange as at 31 December 2018 with a market value of TCZK 2,323,041 (2017: TCZK 2,120,375) are traded mainly on regulated OECD markets.

12. OTHER ASSETS

TCZK	31.12.2018	31.12.2017
Receivables from securities transactions	8,448	10,162
Positive fair value of derivatives (see note 20)	--	53,547
TOTAL	8,448	63,709

13. OTHER LIABILITIES - ACCOUNTS OF SUPPLEMENTARY PENSION INSURANCE PARTICIPANTS

TCZK	31.12.2018	31.12.2017
Participants' contributions	27,341,093	25,045,366
Employers' contributions	8,719,710	7,912,388
Allocated profit sharing	3,738,079	3,609,447
State support	5,228,401	4,852,582
TOTAL PARTICIPANTS' ACCOUNTS	45,027,283	41,419,783

Based on a decision of the general meeting, the Company expects to distribute the Fund's entire profit for 2018 to supplementary pension insurance participants.

14. BENEFITS PAID

	Amount in TCZK	Number of contracts
Structure of benefits paid in 2018		
Lump-sum settlement	1,085,110	14,625
Surrender	209,963	7,935
Transfers to other funds	477,408	8,647
Pensions	26,888	312
Other (premature contract termination, pay-out of pension to beneficiaries)	91,436	1,394
Total benefits paid in 2018	1,890,804	32,913
Structure of benefits paid in 2017		
Lump-sum settlement	1,042,625	20,649
Surrender	201,482	9,195
Transfers to other funds	345,122	5,483
Pensions	19,923	285
Other (premature contract termination, pay-out of pension to beneficiaries)	75,312	1,475
Total benefits paid in 2016	1,684,464	37,087

15. OTHER LIABILITIES – OTHER

TCZK	31.12.2018	31.12.2017
Payables due to state	2,925	2,870
Estimated payables	55,739	40,167
Negative fair value of derivatives (see note 20)	70,342	6,998
TOTAL	129,006	50,035

Estimated payables include written payments for the management and appreciation of the Fund's assets for 2018.

16. PROVISIONS

Provision for pensions

in TCZK	Value of provisions at 31.12.2017	Addition	Release	Value of provisions at 31.12.2018
Retirement pension	29,353	8,471	10,454	27,370
Survivor pension	115	48	10	153
TOTAL	29,468	8,519	10,464	27,523

The Fund establishes a provision for pensions in accordance with the methods described in note 2 (g). Based on the liability adequacy test carried out in respect of the portfolio of the current pensioners at 31 December 2018, the value of pensioners' accounts is insufficient and the Company has therefore established the provisions stated in the above table.

In the calculation of a provision for pensions as at 31 December 2018, the most significant economic and actuarial assumptions were as follows:

(a) The modelled costs of the Fund were derived from the actual administrative, investment and acquisition costs. Based on these data, the 2018 expense per participant in the pension payment phase was determined. The Fund projected future costs using annual cost inflation as determined based on market conditions.

(b) To project future revenues and to determine the discount rates, best estimates of the future revenues of the Fund as at 31 December 2018 were used. In accordance with the existing procedure, the model assumed a profit sharing of 85 % of the annual profit would be allocated to participants.

(c) The following assumptions were used to model contract terminations:

- To determine the probability of death, generation mortality rates were used, based on the population mortality rates provided by 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.
- The percentage of participants opting for a pension instead of a lump sum payment and the probability of contract termination (participants transferring to another pension fund, or lapses) are based on the Company's current experience. The projection assumed the current experience will continue.

17. PROPOSED PROFIT DISTRIBUTION

As at the balance sheet date, the Company's board of directors had not decided on the distribution of profit for the year ended 31 December 2018, amounting to TCZK 295,443.

The Company expects that based on a decision of the general meeting the entire reported profit of the Fund for 2018 will be allocated to the supplementary pension insurance participants.

18. REVALUATION GAINS AND LOSSES

TCZK	Available-for-sale securities	Total
Balance at 31 December 2017	303,309	303,309
Decrease/Increase	(634,559)	(634,559)
BALANCE AT 31 DECEMBER 2018	(331,250)	(331,250)

The decrease in revaluation gains and losses is caused first by a decrease in the volume of available-for-sale securities and second by the development in the market prices of bonds in 2018.

19. INCOME TAX AND DEFERRED TAX ASSET

Current tax for the current period

For the period ended 31 December 2018 the Fund did not account for current tax – as a result of new legislation regarding corporate income tax for pension companies' funds, i.e. the introduction of a zero tax rate, the Fund does not account for a current tax liability in the period. For the period ended 31 December 2017 the Fund reported a tax of TCZK 0.

20. RECEIVABLES AND LIABILITIES FROM FIXED TERM TRANSACTIONS AND OPTIONS

(a) Nominal and fair values of fixed term transactions and options

	31.12.2018			31.12.2017		
	Receivables	Off-balance sheet items Liabilities	Fair value	Receivables	Off-balance sheet items Liabilities	Fair value
Trading derivatives						
Forward exchange contracts	1,031,258	1,178,671	(67,739)	2,112,034	2,062,623	49,347
Interest rate swaps	49,160	51,080	(2,603)	49,160	51,080	(2,798)
Total	1,080,418	1,229,751	(70,342)	2,161,194	2,113,703	46,549

The above off-balance sheet receivables and liabilities are stated at nominal non-discounted values.

All of the above financial instruments were negotiated on the interbank market (OTC).

(b) Residual maturity of fixed term transactions and options

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

TCZK	Up to	3 months	1 year	Over	Not	Total
	3 months	to 1 year	to 5 years	5 years	specified	
At 31 December 2018						
Trading derivatives						
Forward exchange contracts (receivables)	1,031,258	--	--	--	--	1,031,258
Forward exchange contracts (liabilities)	1,178,671	--	--	--	--	1,178,671
Interest rate swaps (receivables)	49,160	--	--	--	--	49,160
Interest rate swaps (liabilities)	51,080	--	--	--	--	51,080
At 31 December 2017						
Trading derivatives						
Forward exchange contracts (receivables)	2,112,034	--	--	--	--	2,112,034
Forward exchange contracts (liabilities)	2,062,623	--	--	--	--	2,062,623
Interest rate swaps (receivables)	--	--	49,160	--	--	49,160
Interest rate swaps (liabilities)	--	--	51,080	--	--	51,080

21. VALUES PLACED UNDER MANAGEMENT

The Fund placed all of its assets under the management of the Company.

22. FINANCIAL INSTRUMENTS – MARKET RISK

The Fund is exposed to market risks arising from the open positions of transactions involving interest rate, equity and currency instruments that are sensitive to changes in financial market conditions.

Cash accumulated in the Fund can be primarily placed in bonds that are issued by a member state of the Organisation for Economic Co-operation and Development (OECD) or a central bank of that state, and in bonds for which an OECD member state accepted a guarantee. This also applies to bonds issued by the European Investment Bank, the European Bank for Reconstruction and Development or the International Bank for Reconstruction and Development or any other international financial institution of which the Czech Republic is a member, and to other bonds that are traded on a regulated OECD market for which a permit has been granted by the relevant member state authority.

Investments can be made in units of open-ended unit trusts, securities that are traded on a regulated OECD market for which a permit has been granted by the relevant member state authority, movable assets representing a guarantee that cash has been stored securely, except for securities, real estate providing a guarantee that cash has been stored securely, intended, in whole or in part, for business or residential purposes, and on condition that the revenue from real estate generated in proper management is attributed to the Fund's assets.

(a) Risk management

The Fund's primary risk management tool comprises limits on the share of individual types of financial instruments in the Fund's portfolio, as prescribed under Act No. 427/2011 Coll., on Supplementary Pension Savings, the Statutes and the investment strategy.

Market risks are measured using the Value at Risk ("VaR") method. Value at Risk represents a potential loss arising from unfavourable market movements within a certain time period at a certain confidence level. The Fund determines Value at Risk by simulating a large number of scenarios of potential changes in the financial

markets. Value at Risk is measured based on a one-month holding period and a confidence level of 95%. The results of this model are back-tested and compared with the actual results achieved in the financial markets. If the Fund identifies any inaccuracies, the model is adjusted to be in line with the current trend in the financial markets. The Value at Risk relating to the interest rate and equity risk was as follows:

	At 31. 12. 2018	Average 2018	At 31. 12. 2017	Average 2017
VaR for interest rate instruments	0.48%	0.58%	0.11%	0.13%
VaR for equity instruments	0.19%	0.20%	0.07%	0.06%

As a result of its activities, the Fund is exposed to certain risks. The Fund's approach to managing these risks is described below.

(b) Liquidity risk

Liquidity risk includes both the risk that the Fund is unable to finance its assets using instruments with appropriate maturity and the risk that the Fund is unable to dispose of its assets for the appropriate price within the appropriate time period.

The Fund 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 cannot be specified for liabilities to participants in supplementary pension savings/supplementary pension insurance due to the nature of the product and because payment of the benefit can be requested after the entitlement to the benefit arises.

The Fund regularly assesses liquidity risk, in particular by monitoring changes in the structure of inflows and outflows of participants' accounts. The Fund also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid instruments, such as state treasury bills and similar government bonds.

Residual maturity of the Fund's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
At 31 December 2018						
Receivables from banks	6,200,315	--	--	--	--	6,200,315
Debt securities	523,962	4,643,416	11,461,403	20,067,059	--	36,695,840
Shares, units and other investments	--	--	--	--	2,323,041	2,323,041
Other assets	8,448	--	--	--	--	8,448
Total	6,732,725	4,643,416	11,461,403	20,067,059	2,323,041	45,227,644
Payables from participants' contributions	--	--	--	--	45,027,283	45,027,283
Other liabilities	58,665	70,341	--	--	--	129,006
Provisions	--	--	--	--	27,523	27,523
Equity	--	--	--	--	43,832	43,832
Total	58,665	70,341	11,461,403	20,067,059	45,098,638	45,227,644
Gap	6,674,060	4,573,075	11,461,403	20,067,059	(42,775,597)	
Cumulative gap	6,674,060	11,247,135	22,708,538	42,775,597		
At 31 December 2017						
Receivables from banks	6,353,188	--	--	--	--	6,353,188
Debt securities	--	4,173,468	13,575,481	15,680,971	--	33,429,920
Shares, units and other investments	--	--	--	--	2,120,375	2,120,375
Other assets	63,709	--	--	--	--	63,709
Total	6,416,897	4,173,468	13,575,481	15,680,971	2,120,375	41,967,192
Payables from participants' contributions	--	--	--	--	41,419,783	41,419,783
Other liabilities	44,371	--	2,794	--	2,870	50,035
Provisions	--	--	--	--	29,468	29,468
Equity	--	--	--	--	467,906	467,906
Total	44,371	--	2,794	--	41,920,027	41,967,192
Gap	6,372,526	4,173,468	13,572,687	15,680,971	(39,799,652)	
Cumulative gap	6,372,526	10,545,994	24,118,681	39,799,652		

The above tables show the residual maturity of the carrying amounts of the individual financial instruments, not the total cash flows generated by these instruments.

(c) Equity risk

Equity risk is the risk of movement in the prices of equity instruments held in the Fund's portfolio and financial derivatives derived from these instruments. The main source of this risk is trading in equity instruments. The risks associated with equity instruments are managed through limits, which are defined in accordance with the law, the Statutes and the investment strategy of the Fund.

(d) Currency risk

Assets and liabilities denominated in foreign currency, including off-balance sheet exposures, represent the Fund's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in the income statement. The Fund's foreign currency position in the most significant currencies is as follows:

The Fund's foreign currency position

TCZK	EUR	USD	CZK	CELKEM
At 31 December 2018				
Receivables from banks	72,600	59,354	6,068,361	6,200,315
Debt securities	496,541	612,081	35,587,218	36,695,840
Shares, units and other investments	762,741	525,496	1,034,804	2,323,041
Other assets	--	2,504	5,944	8,448
Total	1,331,882	1,199,435	42,696,327	45,227,644
Payables from participants' contributions	--	--	45,027,283	45,027,283
Other liabilities	6,882	63,459	58,665	129,006
Provisions	--	--	27,523	27,523
Equity	--	--	43,832	43,832
Total	6,882	63,459	45,157,303	45,227,644
Net foreign currency position	1,325,000	1,135,976	(2,460,976)	--
Off-balance sheet assets	--	--	1,080,418	1,080,418
Off-balance sheet liabilities	528,933	700,818	--	1,229,751
At 31 December 2017				
Receivables from banks	31,582	15,063	6,306,543	6,353,188
Debt securities	288,046	598,451	32,543,422	33,429,920
Shares, units and other investments	462,668	567,950	1,089,756	2,120,375
Other assets	45,443	18,266	--	63,709
TOTAL	827,740	1,199,730	39,939,722	41,967,192
Payables from participants' contributions	--	--	41,419,783	41,419,783
Other liabilities	4,203	--	45,832	50,035
Provisions	--	--	29,468	29,468
Equity	--	--	467,906	467,906
TOTAL	4,203	--	41,962,989	41,967,192
Net foreign currency position	823,537	1,199,730	(2,023,267)	--
Off-balance sheet assets	479,488	--	1,681,706	2,161,194
Off-balance sheet liabilities	1,032,582	596,148	484,973	2,113,703

23. FINANCIAL INSTRUMENTS – CREDIT RISK

The Fund is exposed to the risk that the issuer of a security that was acquired in the Fund's portfolio or other counterparty does not meet its obligation to pay the agreed interest or principal. As the Fund only invests in securities with a high credit rating, the risk is minimal.

24. MATERIAL SUBSEQUENT EVENTS

The Company's management is not aware of any events that have occurred and that would require an adjustment of the financial statements as at 31 December 2018.

Date of preparation 29 March 2019

Stamp and signature of statutory representative:

Name and signature:
Ing. Dušan Quis

Person responsible for accounting
Ing. Anna Švehlová

Name and signature:
Ing. Sonia Mihaylova
Slavtcheva, MBA

Person responsible for financial statements
Ing. Anna Švehlová


ALLIANZ STATUTORY CONSERVATIVE SUBSCRIBER FUND

ALLIANZ PENZIJNÍ
SPOLEČNOST, A. S.

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ALLIANZ ÚČASTNICKÝ POVINNÝ KONZERVATIVNÍ FOND, ALLIANZ PENZIJNÍ SPOLEČNOST, A.S.

In accordance with Sec. 44 of Decree No. 117/2012 Coll., on detailed regulation of activities of subscriber funds and pension funds, Allianz penzijní společnost, a. s. presents its Annual Report pursuant to Sec. 42, paragraph 1 of the said Decree.

Allianz Statutory Conservative Subscriber Fund by Allianz penzijní společnost, a. s. (hereinafter referred to as the „statutory conservative fund“) was formed as a statutory conservative subscriber fund pursuant to Act No. 427/2011 Coll., on supplementary pension savings, for the purpose of operating supplementary pension saving schemes in the so-called 3rd pillar of the pension system, which consists of collecting contributions from subscribers, employers and the state pursuant to the said Act for placement of the same in subscriber funds, managing assets held in subscriber funds and payment of benefits under supplementary pension schemes.

The statutory conservative fund is a set of assets belonging to all subscribers and other parties who became beneficiaries of subscriber funds, all on a prorated basis according to the number of pension units. Assets held in the statutory conservative fund are managed by the pension management company in its name and on subscriber's account. The assets are not part of assets of the pension management company that manages the fund's assets. The statutory conservative fund is a fund pursuing a conservative investment strategy.

A) INFORMATION ABOUT THE PENSION MANAGEMENT COMPANY MANAGING THE FUND

Name: Allianz penzijní společnost, a. s.
Registered office: Ke Štvanici 656/3, 186 00, Prague 8
E-mail and website: info@allianz.cz, www.allianz.cz
Commercial register: Municipal Court of Prague, section B, file 4972
Corporate ID number: 25 61 26 03
Registered capital: 50 100 000 Kč
Shareholder: Allianz pojišťovna, a. s. (100 %)
Auditor: KPMG Česká republika Audit, s.r.o.

Allianz penzijní společnost, a.s. (hereinafter referred to as „pension management company“) has been managing the transformed fund since 1 January 2013. Czech National Bank approved the Statute of Allianz transformed fund in connection with the transformation of Allianz penzijní fond, a.s. on 24 October 2012 under reference no. 2012/10254/570.

B) INFORMATION ABOUT THE FUND'S PORTFOLIO MANAGERS

The investment manager of the transformed fund is Allianz penzijní společnost, a.s. (hereinafter referred to as the „pension management company“), entered in the Commercial Register maintained by the Municipal Court of Prague, section B, file 4972.

Portfolio managers: Petr Podolka, Jiří Šnobl

C) INFORMATION ABOUT THE FUND'S DEPOSITARY

during the specified period, and about the term of its engagement

The sole depositary of the statutory conservative fund as of 3 January 2014 is UniCredit Bank Czech Republic and Slovakia, a. s., having its registered office at: Želetavská 1525/1, postal code: 140 92, Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court of Prague, section B, file 3608, corporate ID No. 64 94 82 42 (hereinafter referred to as the „Depositary“).

D) INFORMATION ABOUT THE PARTY ENSURING CUSTODY OR OTHER SAFEKEEPING OF THE FUND'S ASSETS,

if more than 1% of the fund's assets are kept or otherwise held in custody with the said party

Only the Depositary ensures custody or control over the statutory conservative fund's assets.

E) IDENTIFICATION OF ASSETS EXCEEDING 1% OF VALUE OF THE FUND'S ASSETS

as of 31 December 2018, stating the total acquisition price and fair value as at the end of the specified period

ISIN	Název cenného papíru	Měna	Typ	Pořizovací cena (v tis. Kč)	Reálná hodnota (v tis. Kč)	Podíl na majetku fondu
CZ0001004105	CR var/27	CZK	Státní dluhopisy	60 381	61 365	6,33
CZ0001005664	CZTB 11/1/2019	CZK	Státní dluhopisy	40 023	39 985	4,13
CZ0001004113	CR var/20	CZK	Státní dluhopisy	35 094	35 171	3,63
CZ0001003123	CR var/23	CZK	Státní dluhopisy	10 544	10 548	1,09
Depozitum	J&T Banka	CZK	Peněžní trh	16 176	16 176	1,67
Reverzní REPO	PPF banka	CZK	Peněžní trh	375 025	375 025	38,70
Reverzní REPO	PPF banka	CZK	Peněžní trh	324 735	324 735	33,51
Hotovost	Komerční banka	CZK	Peněžní trh	39 865	39 865	4,11
Hotovost	UniCredit Bank	CZK	Peněžní trh	66 141	66 141	6,83

F) INFORMATION ABOUT LITIGATIONS OR ARBITRATIONS INVOLVING THE FUND'S ASSETS

In 2018, there were no litigations or arbitrations concerning the statutory conservative fund.

G) INFORMATION ABOUT THE FUND'S NET ASSETS AND NET ASSETS ATTRIBUTABLE TO ONE PENSION UNIT FOR THE LAST THREE PERIODS

	Unit price (CZK)	NAV* (CZK)
31.12.2015	1,0402	188 596 730,93
31.12.2016	1,0398	366 840 014,75
31.12.2017	1,0228	624 389 893,29
31.12.2018	1,0259	961 172 055,29

* Net asset value (NAV)

I) INFORMATION ABOUT THE STRUCTURE OF AND CHANGES IN THE FUND'S ASSETS

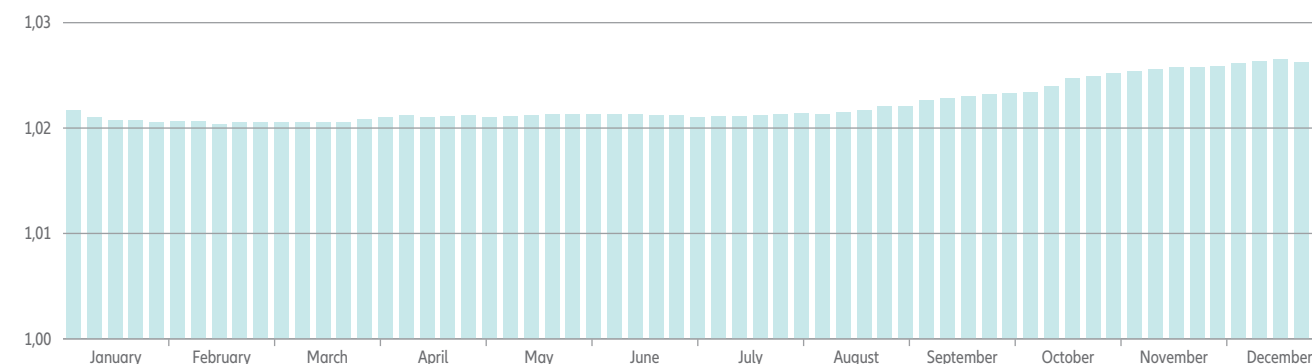
Assets (CZK thousand)	31.12.2017	31.12.2018
Receivables from banks	413 527	821 942
a) payable on demand	119 927	106 006
b) other receivables	293 600	715 936
Debt securities	213 664	147 068
Stocks, share certificates and other shares	-	-
Other assets	-	33
Total	627 191	969 043

J) INFORMATION ABOUT CONSIDERATION PAID TO THE DESIGNATED PENSION MANAGEMENT COMPANY FOR MANAGING THE FUND'S ASSETS

(CZK)	31.12.2017	31.12.2018
Consideration for assetmanagement	1 937	3 145

The consideration for managing assets of the statutory conservative fund as at the end of the specified period amounted to 0,4 % of the average annual value of the fund's net assets. The pension management company charged no consideration during the specified period.

H) DEVELOPMENT OF THE PENSION UNIT VALUE IN 2018



K) INFORMATION ABOUT QUANTITATIVE RESTRICTIONS AND METHODS APPLIED FOR ASSESSMENT OF RISK ASSOCIATED WITH TECHNIQUES AND INSTRUMENTS FOR EFFECTIVE MANAGEMENT OF ASSETS HELD IN THE SUBSCRIBER FUND

The basic risk management tools involve limits applied to shares of individual financial instrument types held in the portfolio, defined in compliance with the requirements of Act No. 427/2011 Coll., on supplementary pension savings, the fund's statute and investment strategy.



Independent auditor's report

English translation

Independent auditor's report

to the participants of the fund Allianz účastnický povinný konzervativní fond, Allianz penzijní společnost, a.s.

Opinion

We have audited the accompanying financial statements of fund Allianz účastnický povinný konzervativní fond, Allianz penzijní společnost, a.s., with its registered office at sídlem Ke Štvanici 656/3, Praha 8 ("the Fund"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement for the year ended 31 December 2018 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance for the year ended 31 December 2018 in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

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

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.



Independent auditor's report

Responsibilities of the Statutory body of Allianz penzijní společnost, a.s. for the Financial Statements

The Statutory body of Allianz penzijní společnost, a.s. is responsible for the preparation and fair presentation of the Fund's financial statements in accordance with Czech accounting legislation and for such internal control as the Statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



Independent auditor's report

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

29 March 2019

PricewaterhouseCoopers Audit, s.r.o.
represented by

Marek Richter
Statutory Auditor, Licence No. 1800

This report is addressed to the participants of Allianz účastnický povinný konzervativní fond, Allianz penzijní společnost, a.s.

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

BALANCE SHEET

AS AT 31 DECEMBER 2018 (Translated from the Czech original)

TCZK	Note	31.12.2017	31.12.2016
ASSETS			
3	8	821 942	413 527
Receivables from banks and credit unions			
of which: a) repayable on demand			
b) other receivables			
5	9	147 068	213 664
Debt securities			
of which: a) issued by government institutions			
11		33	-
Other assets			
TOTAL ASSETS		969 043	627 191

TCZK	Note	31.12.2017	31.12.2016
LIABILITIES			
4	10	7 871	2 801
Other liabilities			
9	11	26 259	19 013
Share premium			
12	11	936 858	610 470
Capital funds			
14	13	(5 092)	2 673
Retained profits (or accumulated losses)			
15	13	3 147	(7 766)
Profit (loss) for the accounting period			
TOTAL LIABILITIES		969 043	627 191

TCZK	Note	31.12.2017	31.12.2016
OFF-BALANCE SHEET ITEMS			
Off-balance sheet assets			
8	12	961 172	624 390
Values placed under management			
OFF-BALANCE SHEET LIABILITIES			
10	8	683 973	146 684
Collaterals and pledges received			

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(Translated from the Czech original)

tis. Kč	Bod	2017	2016
1	3	7 191	4 302
Interest income and similar income			
of which: interest on debt securities			
5	4	(3 145)	(1 938)
Commission and fee expense			
6	5	(899)	(10 130)
Gain or loss from financial operations			
19		3 147	(7 766)
Current year profit (loss) from ordinary activities before tax			
24		3 147	(7 766)
Net profit (loss) for the period			

NOTES TO THE FINANCIAL STATEMENTS 2018

1. GENERAL INFORMATION

(a) Description of the fund

Establishment and description of the fund

Allianz účastnický povinný konzervativní fond, Allianz penzijní společnost, a.s. ("the Fund") was established by Allianz penzijní společnost, a.s. ("the Company"), based on a licence granted by the Czech National Bank under the decision with a reference number 2012/12805/570, dated 21 December 2012 that took effect on 21 December 2012. The Fund started its activities on 5 February 2013.

Supplementary pension savings participants

As at 31 December 2018, the Fund administered contributions of 24,233 participants in supplementary pension savings.

Information about the pension company

The pension company that manages the Fund's assets is Allianz penzijní společnost, a.s., identification number (IČO) 256 12 603, with its registered office at Ke Štvanici 656/3, 186 00 Prague 8. The Company was registered in 1994 (formerly Allianz penzijní fond, a.s.). The Company was granted a licence to operate as a pension company based on a decision of the Czech National Bank, reference number 2012/10254/570 dated 24 October 2012. The decision took effect on 26 October 2012.

Principal business of the Company:

- Accumulation of contributions from participants in supplementary pension insurance and support provided by the State in respect of the participants and administration of the contributions pursuant to Act No. 42/1994 Coll.,
- Accumulation of participants' contributions, employers' contributions and state contributions pursuant to Act No. 427/2011 Coll., on Supplementary Pension Savings, to be placed in participation funds, management of assets in participation funds and payment of supplementary pension insurance benefits.

Depository

Depository services have been rendered by UniCredit Bank Czech Republic and Slovakia, a.s., with its registered office at Želetavská 1525/1, 140 92 Praha 4 – Michle, identification number (IČO): 649 48 242 ("the Depository") on the basis of a depository agreement dated 13 December 2013.

(b) Basis of preparation of the financial statements

The financial statements have been prepared on the basis of accounts maintained in accordance with:

- Act No. 563/1991, on Accounting, as amended,
- Regulation No. 501/2002 issued by the Ministry of Finance, as amended,
- Czech accounting standards for financial institutions, issued by the Ministry of Finance.

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

The financial statements are based on the assumption that the entity will continue as a going concern and that there is no circumstance that would restrict or prevent the entity's ability to continue as a going concern in the foreseeable future.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns (TCZK). Numbers in brackets represent negative amounts.

These financial statements are non-consolidated.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Transaction date

Depending on the transaction type, the transaction date is generally defined as:

- the date of payment or cash collection,
- the date of purchase or sale of foreign currency or securities,
- the date of executing a payment,
- the date on which (foreign currency) funds are credited, as stated in an account statement,
- the trade and settlement date for spot transactions, i.e. purchases or sales of financial instruments or commodities where the period between concluding and settling the transaction is no longer than two days,
- the trade and settlement date for derivative transactions.

The Entity has determined that spot transactions (i.e. accounting transactions involving the purchase or sale of financial assets with a usual term of delivery) are recorded directly in an appropriate asset or liability account on the trade date.

The Fund derecognises a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Fund loses this control if it exercises the rights to the benefits defined in a contract, or if such rights expire or are waived by the Fund.

When a financial liability or part thereof is extinguished (e.g. the obligation specified in a contract is discharged or cancelled or expires), the Entity will no longer recognise the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability (or part thereof) extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

(b) Accounts of retirement savings participants

Contributions obtained from participants are recognised in the Fund's equity in the following items:

- capital funds,
- share premium.

(c) Recognition of receivables relating to state contributions to participants

The Fund does not recognise any receivables from the Ministry of Finance relating to state contributions paid to participants. State contributions are recognised as and when received from the Ministry of Finance.

(d) Securities

Initial recognition

Upon initial recognition, securities are measured at cost, which includes direct transaction costs.

Subsequent measuring

For the purposes of subsequent measurement, securities that are recognised in assets and that are not considered investments in group undertakings or associated companies, are recognised as securities measured at fair value through profit or loss.

Securities measured at fair value through profit or loss

Securities in this portfolio must meet one of the following criteria:

- Securities are intended for trading
- Upon initial recognition, the entity classifies the security as a security measured at fair value through profit or loss

Securities measured at fair value through profit or loss are recognised at fair value.

Gains/losses from this measurement are recognised in profit or loss under "Gain or loss from financial operations". For debt securities, the entity first recognises interest income under "Interest income and similar income" and subsequently recognises the revaluation to fair value under "Gain or loss from financial operations".

Fair value

The Fund determines fair value in accordance with International Financial Reporting Standards as adopted by the European Union.

Fair value means a market value that is announced on the local or foreign exchange or on other public (organised) market. The Fund uses the market value that is announced no later than the date of preparation of the financial statements and that is closest to that date. If the market value is not available or if it does not appropriately reflect the fair value, the fair value is determined using a qualified estimate.

Interest income

Interest income primarily include debt security coupons and the accrued/deferred income. Interest incomes/expenses are recognised on an accrual basis using a straight-line method.

Derecognition of securities

When securities are sold, the entity uses the average cost method to measure their disposal.

(e) Reverse repurchase agreements

Transactions where securities purchased under a resale agreement (reverse repurchase agreement) at a predetermined price are accounted for as loans collateralised by the securities that are being purchased and resold.

These loans are recognised in the balance sheet under "Receivables from banks and credit unions" or "Receivables from customers – credit union members".

Securities received under reverse repurchase agreements are only recorded in the off-balance sheet under "Collaterals and pledges received".

Income arising from reverse repurchase agreements as the difference between the selling and purchase price is accrued over the period of the transaction and recognised in the income statement as "Interest income and similar income".

(f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at the Czech National Bank official rate prevailing 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 prevailing as at the balance sheet date. The net foreign exchange gain/loss arising from the translation of foreign currency assets and liabilities, except for investments denominated in foreign currencies and items that hedge currency risk resulting from agreements not yet recorded in the Fund's balance sheet or from expected future transactions, is recognised in the income statement as "Gain or loss from financial operations".

(g) Taxation**Current tax**

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

Deferred tax

Effective from 1 January 2015, a zero corporate income tax rate has been introduced for funds of pension companies. As a result, the Fund did not recognise deferred tax on temporary differences between the carrying and tax value of assets and liabilities.

(h) Corrections of prior period errors and changes in accounting policies

Corrections to prior period expenses or income are recognised as current period expenses or income, with the exception of corrections of material errors relating to prior periods.

Corrections of material errors in the recognition of prior period income or expenses and changes in accounting policies are recognised under "Retained profits (or accumulated losses)" in the Fund's balance sheet.

In the period from 1 January 2018 to 31 December 2018, the Fund did not make any corrections of material errors or changes in accounting policies.

3. INTEREST INCOME AND SIMILAR INCOME

TCZK	2018	2017
Interest on debt securities	790	3,862
Interest on current accounts and term deposits	6,401	440
TOTAL	7,191	4,302

4. FEE AND COMMISSION EXPENSE

TCZK	2018	2017
Fee for management of assets	(3,145)	(1,937)
Fee for appreciation of assets	-	(1)
TOTAL	(3,145)	(1,938)

The fee for management of the Fund's assets is 0.4% (2017: 0.4%) of the average annual value of the Fund's capital.

The fee for appreciation of assets is calculated as 10% (2017: 10%) share of the difference between the average value of the pension unit and the highest average annual value of the pension unit since the creation of the Fund multiplied by the average number of pension units in the year.

5. GAIN OR LOSS FROM FINANCIAL OPERATIONS

TCZK	2018	2017
Gain/loss from securities transactions	(899)	(10,130)
TOTAL	(899)	(10,130)

6. REVENUES BY GEOGRAPHICAL SEGMENTS

TCZK	ČR	EU	Non-EU	Total
2018				
Interest income and similar income	7,191	-	-	7,191
Gain or loss from financial operations	(899)	-	-	(899)
TOTAL	6,292	-	-	6,292
2017				
Interest income and similar income	4,302	-	-	4,302
Gain or loss from financial operations	(10,130)	-	-	(10,130)
TOTAL	(5,828)	-	-	(5,828)

7. TRANSACTIONS WITH RELATED PARTIES

TCZK	31.12.2018	31.12.2017
Receivables / (Payables)		
Fee for management paid to the Company	(198)	(27)
Fee for appreciation of assets paid to the Company	-	(1)
TOTAL	(198)	(28)

TCZK	2018	2017
Expenses		
Fee for management paid to the Company	(3,145)	(1,937)
Fee for appreciation of assets paid to the Company	-	(1)
TOTAL	(3,145)	(1,938)

TCZK	31.12.2018	31.12.2017
Off-balance sheet assets		
Values placed under management	961,172	624,390
TOTAL	961,172	624,390

8. RECEIVABLES FROM BANKS AND CREDIT UNIONS

TCZK	31.12.2018	31.12.2017
Current accounts at banks	106,006	119,927
Term deposits	16,176	143,849
Reverse repurchase agreements	699,760	149,950
TOTAL	821,942	413,527

As at 31 December 2018, the Fund acquired treasury bill CZ0001005581 at the market value of TCZK 683,937 within reverse repurchase agreements. Treasury bills are recorded in the off-balance sheet in "Collaterals and pledges received".

9. DEBT SECURITIES**(a) Classification of debt securities into individual portfolios based on the Fund's intention**

TCZK	31.12.2018	31.12.2017
Debt securities at fair value through profit or loss	147,068	213,644
NET BOOK VALUE	147,068	213,644

(b) Analysis of debt securities measured at fair value through profit or loss

TCZK	31.12.2018	31.12.2017
Issued by government institutions		
- Listed on exchange in the Czech Republic	147,068	213,644
TOTAL	147,068	213,644

As at 31 December 2018 securities costing TCZK 147,068 (as at 31 December 2017: TCZK 213,664) are traded at the Prague Stock Exchange.

10. OTHER LIABILITIES

TCZK	31.12.2018	31.12.2017
Payables to participants	7,673	2,773
Estimated payables	198	28
TOTAL	7,871	2,801

11. EQUITY

TCZK	31.12.2018	31.12.2017
Fund's equity (TCZK)	961,172	624,390
Number of retirement units (pieces)	936,880,932	610,469,984
Fund's equity per one retirement unit	1.0259	1.0228

The current value of a retirement unit is defined as the value of the pension fund's equity which reflects the corresponding portion of standard expenses having an impact on the pension fund's equity, as at the date on which the current value of the retirement unit relating to one retirement unit is determined. Retirement units are recorded in personal retirement accounts of all participants in relation to the pension fund as at the date on which the current value of the retirement unit is determined.

Credited and written-off retirement units

TCZK	Number of retirement units	Value of retirement units (nominal value)	Value of retirement units (share premium)
Balance at 1 January 2017	352,793,023	352,793	11,373
Credited retirement units	337,706,408	337,706	10,043
Written-off retirement units	(80,029,447)	(80,029)	(2,403)
BALANCE AT 31 DECEMBER 2017	610,469,984	610,470	19,013
Credited retirement units	471,593,903	471,594	10,507
Written-off retirement units	(145,182,955)	(145,183)	(3,261)
BALANCE AT 31 DECEMBER 2018	936,880,932	936,881	26,259

Benefits paid

	2018	2017
Number of contracts	1,584	865
Total benefits paid (in TCZK)	140,912	76,168

The number of contracts corresponds with the total number of terminated one-off benefits. The participant's contributions can be invested in several funds depending on the chosen strategy.

12. ACCOUNTS OF PARTICIPANTS

TCZK	31.12.2018	31.12.2017
Participants' and employers' contributions	963,117	629,483
Fund's appreciation	(1,945)	(5,093)
Total	961,172	624,390

13. PROPOSED PROFIT DISTRIBUTION

As at the balance sheet date, the board of directors of the Company did not decide on the distribution of loss of TCZK 3,147 for the period ended 31 December 2018. Prior period loss of TCZK 7,766 was allocated to Retained earnings.

14. INCOME TAX

Effective from 1 January 2015, a zero corporate income tax rate has been introduced for funds of pension companies.

15. VALUES PLACED UNDER MANAGEMENT

The Fund placed all of its assets under management of the Company. Values placed under management represent Fund's equity.

16. FINANCIAL INSTRUMENTS – MARKET RISK

The Fund is exposed to market risks arising from the open positions of transactions involving interest rate, equity and currency instruments that are sensitive to changes in financial market conditions.

(a) Řízení rizik

The Fund uses as primary risk management tool limits on the share of individual types of financial instruments in the Fund's portfolio, as prescribed under Act No. 427/2011 Coll. on Supplementary Pension Savings, the Statutes and the investment strategy.

Market risks are measured using the Value at Risk ("VaR") method. Value at Risk represents a potential loss arising from unfavourable market movements within a certain time period at a certain confidence level. The Fund determines Value at Risk through stochastic simulation of a large number of scenarios of potential changes in the financial markets. Value at Risk is measured based on a one-day holding period and a confidence level of 95%. The results of this model are back-tested on a daily basis and compared with the actual results achieved in the financial markets. If the Fund identifies any inaccuracies, the model is adjusted to be in line with the current trend in the financial markets. The Value at Risk relating to individual types of risks was as follows:

In %	at 31. 12. 2018	Average 2018	at 31. 12. 2017	Average 2017
VaR for interest rate instruments	0,03	0,03	0,12	0,12

As a result of its activities, the Fund is exposed to a certain number of risks. The Fund's approach to managing these risks is described below.

(b) Liquidity risk

Liquidity risk includes both the risk that the Fund is unable to finance its assets using instruments with appropriate maturity and the risk that the Fund is unable to dispose of its assets for the appropriate price within the appropriate time period.

The Fund 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 cannot be specified for liabilities to participants in supplementary pension savings/supplementary pension insurance due to the nature of the product and because payment of the benefit can be requested after the entitlement to the benefit arises.

The Fund regularly assesses liquidity risk, in particular by monitoring changes in the structure of inflows and outflows of participants' accounts. The Fund also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid instruments such as state treasury bills and similar government bonds.

Residual maturity of the Fund's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over to 5 years	Not specified	Total
At 31 December 2018						
Receivables from banks	122,182	699,760	-	-	-	821,942
Debt securities	39,985	-	45,719	61,364	-	147,068
Other assets	33	-	-	-	-	33
TOTAL	162,200	699,760	45,719	61,364	-	969,043
Payables from participants' contributions	7,673	-	-	-	-	7,673
Other liabilities	198	-	-	-	-	198
Provisions	-	-	-	-	-	-
Equity	-	-	-	-	961,172	961,172
TOTAL	7,871	-	-	-	961,172	969,043
Gap	154,329	699,760	45,719	61,364	(961,172)	-
CUMULATIVE GAP	154,329	854,089	899,808	961,172	-	-
At 31 December 2017						
Receivables from banks	413,527	-	-	-	-	413,527
Debt securities	6,044	-	60,952	146,668	-	213,664
TOTAL	419,571	-	60,952	146,668	-	627,191
Payables from participants' contributions	2,773	-	-	-	-	2,773
Other liabilities	28	-	-	-	-	28
Provisions	-	-	-	-	-	-
Equity	-	-	-	-	624,390	624,390
TOTAL	2,801	-	-	-	-	627,191
Gap	416,770	-	60,952	146,668	(624,390)	-
CUMULATIVE GAP	416,770	416,770	477,722	624,390	-	-

The above tables show the residual maturity of the carrying amounts of the individual financial instruments, not the total cash flows generated by these instruments.

(c) Currency risk

As at 31 December 2018 and as at 31 December 2017, all of the Fund's assets and liabilities were denominated in CZK. The Fund was not thus exposed to currency risk in the relevant period.

17. FINANCIAL INSTRUMENTS – CREDIT RISK

The Fund is exposed to the risk that the issuer of a security that was acquired in the Fund's portfolio or other counterparty does not meet its obligation to pay the agreed interest or principal. As the Fund only invests in securities with a high credit rating, the risk is minimal.

18. MATERIAL SUBSEQUENT EVENTS

The Company's management is not aware of any events that have occurred and that would require an adjustment of the financial statements as at 31 December 2018.

Date of preparation 29 March 2019

Stamp and signature of statutory representative:

Name and signature:
Ing. Dušan Quis



Name and signature:
Ing. Sonia Mihaylova
Slavtcheva, MBA



Person responsible for accounting
Ing. Anna Švehlová



Person responsible for financial statements
Ing. Anna Švehlová



ALLIANZ BALANCED SUBSCRIBER FUND

ALLIANZ PENZIJNÍ
SPOLEČNOST, A. S.

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ALLIANZ VYVÁŽENÝ ÚČASTNICKÝ FOND, ALLIANZ PENZIJNÍ SPOLEČNOST, A.S.

In accordance with Sec. 44 of Decree No. 117/2012 Coll., on detailed regulation of activities of subscriber funds and pension funds, Allianz penzijní společnost, a. s. presents its Annual Report pursuant to Sec. 42, paragraph 1 of the said Decree.

Allianz Balanced Subscriber Fund by Allianz penzijní společnost, a. s. (hereinafter referred to as the „balanced fund“) was formed as a subscriber fund pursuant to Act No. 427/2011 Coll., on supplementary pension savings, for the purpose of operating supplementary pension saving schemes in the so-called 3rd pillar of the pension system, which consists of collecting contributions from subscribers, employers and the state pursuant to the said Act for placement of the same in subscriber funds, managing assets held in subscriber funds and payment of benefits under supplementary pension schemes.

The balanced fund is a set of assets belonging to all subscribers and other parties who became beneficiaries of subscriber funds, all on a prorated basis according to the number of pension units.

Assets held in the balanced fund are managed by the pension management company in its name and on subscriber's account. The assets are not part of assets of the pension management company that manages the fund's assets. The balanced fund is a fund pursuing a balanced investment strategy.

A) INFORMATION ABOUT THE PENSION MANAGEMENT COMPANY MANAGING THE FUND

Name: Allianz penzijní společnost, a. s.
Registered office: Ke Štvanici 656/3, 186 00, Prague 8
E-mail and website: info@allianz.cz, www.allianz.cz
Commercial register: Municipal Court of Prague, section B, file 4972
Corporate ID number: 25 61 26 03
Registered capital: 50 100 000 Kč
Shareholder: Allianz pojišťovna, a. s. (100 %)
Auditor: KPMG Česká republika Audit, s.r.o.

Allianz penzijní společnost, a.s. (hereinafter referred to as „pension management company“) has been managing the transformed fund since 1 January 2013. Czech National Bank approved the Statute of Allianz transformed fund in connection with the transformation of Allianz penzijní fond, a.s. on 24 October 2012 under reference no. 2012/10254/570.

B) INFORMATION ABOUT THE FUND'S PORTFOLIO MANAGERS

The investment manager of the transformed fund is Allianz penzijní společnost, a.s. (hereinafter referred to as the „pension management company“), entered in the Commercial Register maintained by the Municipal Court of Prague, section B, file 4972.

Portfolio managers: Petr Podolka, Jiří Šnobl

C) INFORMATION ABOUT THE FUND'S DEPOSITARY

during the specified period, and about the term of its engagement

The new depositary of the balanced fund as of 3 January 2014 is UniCredit Bank Czech Republic and Slovakia, a. s., having its registered office at: Želetavská 1525/1, postal code: 140 92, Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court of Prague under section B, file 3608, corporate ID no. 64 94 82 42.(hereinafter referred to as the „Depositary“).

D) INFORMATION ABOUT THE PARTY ENSURING CUSTODY OR OTHER SAFEKEEPING OF THE FUND'S ASSETS,

if more than 1% of the fund's assets are kept or otherwise held in custody with the said party

Only the Depositary ensures custody or control over the dynamic fund's assets.

E) IDENTIFICATION OF ASSETS EXCEEDING 1% OF VALUE OF THE FUND'S ASSETS

as of 31 December 2018, stating the total acquisition price and fair value as at the end of the specified period

ISIN	Název cenného papíru	Měna	Typ	Požizovací cena (v tis. Kč)	Reálná hodnota (v tis. Kč)	Podíl na majetku fondu
CZ0001004105	CR var/27	CZK	Státní dluhopisy	15 107	15 341	2,10
US4642872000	iShare Core S&P 500 ETF	USD	Podílové listy	6 461	7 681	1,05
US8085247067	Schwab EM	USD	Podílové listy	12 754	11 426	1,56
US8085248883	SCHWAB ETF	USD	Podílové listy	16 384	13 080	1,79
US9229083632	VANGUARD S&P 500 ETF	USD	Podílové listy	16 452	15 480	2,12
IE00BKM4GZ66	iShares MSCI	USD	Podílové listy	17 342	17 252	2,36
LU0378453376	ComStage ETF Nikkei 225	EUR	Podílové listy	18 540	17 951	2,45
IE00B5BMR087	ETF iShares Core S&P 500 UCITS	USD	Podílové listy	26 529	24 985	3,42
IE00B4LSYX21	iShare Japan	EUR	Podílové listy	29 897	28 907	3,95
US46432F8344	iShares IntExUS	USD	Podílové listy	38 717	33 950	4,64
IE00B3XXRP09	VanguardSP500	USD	Podílové listy	37 188	38 915	5,32
IE00B60SWX25	SourceEuStoxx50	EUR	Podílové listy	52 420	46 736	6,39
IE00BWC52L19	PIMCOGIGCZK	CZK	Podílové listy	65 000	61 136	8,36
XS1799097073	BNP var/25	CZK	Korporátní dluhopisy	9 630	9 185	1,26
Depozitum	J&T Banka	CZK	Peněžní trh	22 191	22 191	3,03
Reverzni REPO	PPF banka	CZK	Peněžní trh	270 018	270 018	36,91
Hotovost	UniCredit Bank	CZK	Peněžní trh	34 232	34 232	4,68
Hotovost	Komerční banka	CZK	Peněžní trh	30 000	30 000	4,10

F) INFORMATION ABOUT LITIGATIONS OR ARBITRATIONS INVOLVING THE FUND'S ASSETS

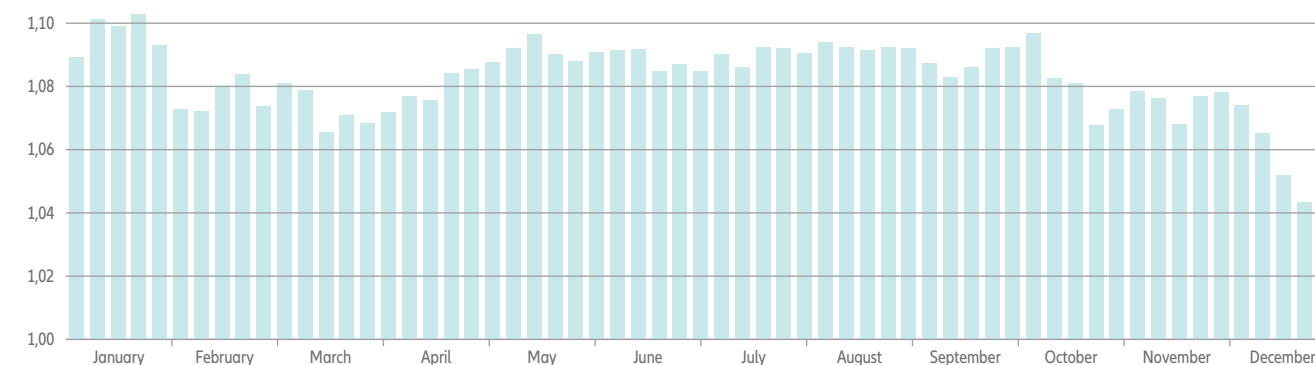
In 2018, there were no litigations or arbitrations concerning the balanced fund.

G) INFORMATION ABOUT THE FUND'S NET ASSETS AND NET ASSETS ATTRIBUTABLE TO ONE PENSION UNIT FOR THE LAST THREE PERIODS

	Unit price (CZK)	NAV* (CZK)
31.12.2015	1,0713	138 858 575,39
31.12.2016	1,0950	271 260 170,87
31.12.2017	1,0871	484 752 433,26
31.12.2018	1,0478	726 890 803,31

* Net asset value (NAV)

H) DEVELOPMENT OF THE PENSION UNIT VALUE IN 2018



I) INFORMATION ABOUT THE STRUCTURE OF AND CHANGES IN THE FUND'S ASSETS

Assets (CZK thousand)	31.12.2017	31.12.2018
Receivables from banks	201 077	358 326
a) payable on demand	89 287	66 117
b) other receivables	111 790	292 209
Debt securities	68 884	24 526
Stocks, share certificates and other shares	216 962	348 487
Other assets	72	180
Total	486 995	731 519

J) INFORMATION ABOUT CONSIDERATION PAID TO THE DESIGNATED PENSION MANAGEMENT COMPANY FOR MANAGING THE FUND'S ASSETS

(CZK)	31.12.2017	31.12.2018
Consideration for asset management	2 760	4 408

The consideration for managing assets of the balanced fund as at the end of the specified period amounted to 0,8 % of the average annual value of the fund's net assets.

K) INFORMATION ABOUT QUANTITATIVE RESTRICTIONS AND METHODS APPLIED FOR ASSESSMENT OF RISK ASSOCIATED WITH TECHNIQUES AND INSTRUMENTS FOR EFFECTIVE MANAGEMENT OF ASSETS HELD IN THE SUBSCRIBER FUND

The basic risk management tools involve limits applied to shares of individual financial instrument types held in the portfolio, defined in compliance with the requirements of Act No. 427/2011 Coll., on supplementary pension savings, the fund's statute and investment strategy.



Independent auditor's report

English translation

Independent auditor's report

to the participants of the fund Allianz vyvážený účastnický fond, Allianz penzijní společnost, a.s.

Opinion

We have audited the accompanying financial statements of fund Allianz vyvážený účastnický fond, Allianz penzijní společnost, a.s., with its registered office at sídlem Ke Štvanici 656/3, Praha 8 ("the Fund"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement for the year ended 31 December 2018 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance for the year ended 31 December 2018 in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

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

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40785521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.



Independent auditor's report

Responsibilities of the Statutory body of Allianz penzijní společnost, a.s. for the Financial Statements

The Statutory body of Allianz penzijní společnost, a.s. is responsible for the preparation and fair presentation of the Fund's financial statements in accordance with Czech accounting legislation and for such internal control as the Statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



Independent auditor's report

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

29 March 2019

PricewaterhouseCoopers Audit, s.r.o.
represented by

Marek Richter
Statutory Auditor, Licence No. 1800

This report is addressed to the participants of Allianz vyvážený účastnický fond, Allianz penzijní společnost, a.s.

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

BALANCE SHEET

AS AT 31 DECEMBER 2018 (Translated from the Czech original)

TCZK	Note	31.12.2018	31.12.2017
ASSETS			
3	9	358 326	201 077
Receivables from banks and credit unions			
of which:			
a) repayable on demand			
		66 117	89 287
b) other receivables			
		292 209	111 790
5	10	24 526	68 884
Debt securities			
of which:			
a) issued by government institutions			
		15 341	68 884
b) issued by other entities			
		9 185	-
6	11	348 487	216 962
Shares, units and other investments			
11		180	72
Other assets			
TOTAL ASSETS			
		731 519	486 995

TCZK	Note	31.12.2018	31.12.2017
LIABILITIES			
4	12	4 628	2 242
Other liabilities			
9	13	53 442	32 914
Share premium			
12	13	693 653	445 893
Capital funds			
14	15	5 946	9 166
Retained profits (or accumulated losses)			
15	15	(26 150)	(3 220)
Profit (loss) for the accounting period			
TOTAL LIABILITIES			
		731 519	486 995

TCZK	Note	31.12.2018	31.12.2017
OFF-BALANCE SHEET ITEMS			
Off-balance sheet assets			
8	17	726 891	484 753
Values placed under management			
OFF-BALANCE SHEET LIABILITIES			
10		263 604	
Collaterals and pledges received			

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(Translated from the Czech original)

TCZK	Note	2018	2017
1	3	201 076	2 317
Interest income and similar income			
of which: interest on debt securities			
		89 286	2 027
3	4	3 704	2 266
Income from shares and ownership interests			
5	5	(4 427)	(3 586)
Commission and fee expense			
6	6	(28 434)	(4 218)
Gain or loss from financial operations			
19		(26 150)	(3 221)
Current year profit (loss) from ordinary activities before tax			
24		(26 150)	(3 221)
Net profit (loss) for the period			

NOTES TO THE FINANCIAL STATEMENTS 2018

1. GENERAL INFORMATION

(a) Description of the fund

Establishment and description of the fund

Allianz vyvážený účastnický fond, Allianz penzijní společnost, a.s. ("the Fund") was established by Allianz penzijní společnost, a.s. ("the Company"), based on a licence granted by the Czech National Bank under the decision with a reference number 2012/12806/570, dated 21 December 2012 that took effect on 21 December 2012. The Fund started its activities on 5 February 2013.

Supplementary pension savings participants

As at 31 December 2018, the Fund administered contributions of 23,950 participants in supplementary pension savings.

Information about the pension company

The pension company that manages the Fund's assets is Allianz penzijní společnost, a.s., identification number (IČO) 256 12 603, with its registered office at Ke Štvanici 656/3, 186 00 Prague 8. The Company was registered in 1994 (formerly Allianz penzijní fond, a.s.). The Company was granted a licence to operate as a pension company based on a decision of the Czech National Bank, reference number 2012/10254/570 dated 24 October 2012. The decision took effect on 26 October 2012.

Principal activities of the Company:

- Accumulation of contributions from participants in supplementary pension insurance and support provided by the State in respect of the participants and administration of the contributions pursuant to Act No. 42/1994 Coll.,
- Accumulation of participants' contributions, employers' contributions and state contributions pursuant to Act No. 427/2011 Coll., on Supplementary Pension Savings, to be placed in participation funds, management of assets in participation funds and payment of supplementary pension insurance benefits.

Depositary

Depositary services have been rendered by UniCredit Bank Czech Republic and Slovakia, a.s., with its registered office at Želetavská 1525/1, 140 92 Praha 4 – Michle, identification number (IČO) 649 48 242 ("the Depositary") on the basis of a depositary agreement dated 13 December 2013.

(b) Basis of preparation of the financial statements

The financial statements have been prepared on the basis of accounts maintained in accordance with:

- Act No. 563/1991, on Accounting, as amended,
- Regulation No. 501/2002 issued by the Ministry of Finance, as amended,
- Czech accounting standards for financial institutions, issued by the Ministry of Finance.

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

The financial statements are based on the assumption that the entity will continue as a going concern and that there is no circumstance that would restrict or prevent the entity's ability to continue as a going concern in the foreseeable future.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns (TCZK). Numbers in brackets represent negative amounts.

These financial statements are non-consolidated.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Transaction date

Depending on the transaction type, the transaction date is generally defined as:

- the date of payment or cash collection,
- the date of purchase or sale of foreign currency or securities,
- the date of executing a payment,
- the date on which (foreign currency) funds are credited, as stated in an account statement,
- the trade and settlement date for spot transactions, i.e. purchases or sales of financial instruments or commodities where the period between concluding and settling the transaction is no longer than two days,
- the trade and settlement date for derivative transactions.

The Entity has determined that spot transactions (i.e. accounting transactions involving the purchase or sale of financial assets with a usual term of delivery) are recorded directly in an appropriate asset or liability account on the trade date.

The Fund derecognises a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Fund loses this control if it exercises the rights to the benefits defined in a contract, or if such rights expire or are waived by the Fund.

When a financial liability or part thereof is extinguished (e.g. the obligation specified in a contract is discharged or cancelled or expires), the Entity will no longer recognise the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability (or part thereof) extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

(b) Accounts of retirement savings participants

Contributions obtained from participants are recognised in the Fund's equity in the following items:

- capital funds,
- share premium.

(c) Recognition of receivables relating to state contributions to participants

The Fund does not recognise any receivables from the Ministry of Finance relating to state contributions paid to participants. State contributions are recognised as and when received from the Ministry of Finance.

(d) Securities

Initial recognition

Upon initial recognition, securities are measured at cost, which includes direct transaction costs.

Subsequent measuring

For the purposes of subsequent measurement, securities that are recognised in assets and that are not considered investments in group undertakings or associated companies, are recognised as securities measured at fair value through profit or loss.

Securities measured at fair value through profit or loss

Securities in this portfolio must meet one of the following criteria:

- Securities are intended for trading
- Upon initial recognition, the entity classifies the security as a security measured at fair value through profit or loss

Securities measured at fair value through profit or loss are recognised at fair value.

Gains/losses from this measurement are recognised in profit or loss under "Gain or loss from financial operations". For debt securities, the entity first recognises interest income under "Interest income and similar income" and subsequently recognises the revaluation to fair value under "Gain or loss from financial operations".

Fair value

The Fund determines fair value in accordance with International Financial Reporting Standards as adopted by the European Union.

Fair value means a market value that is announced on the local or foreign exchange or on other public (organised) market. The Fund uses the market value that is announced no later than the date of preparation of the financial statements and that is closest to that

date. If the market value is not available or if it does not appropriately reflect the fair value, the fair value is determined using a qualified estimate.

Interest income

Interest income primarily include debt security coupons and the accrued/deferred income. Interest incomes/expenses are recognised on an accrual basis using a straight-line method.

Derecognition of securities

When securities are sold, the entity uses the average cost method to measure their disposal.

Dividend income

The Fund recognises dividends on shares/units net of withholding tax (deducted abroad).

(e) Reverse repurchase agreements

Transactions where securities purchased under a resale agreement (reverse repurchase agreement) at a predetermined price are accounted for as loans collateralised by the securities that are being purchased and resold.

These loans are recognised in the balance sheet under "Receivables from banks and credit unions" or "Receivables from customers – credit union members".

Securities received under reverse repurchase agreements are only recorded in the off-balance sheet under "Collaterals and pledges received".

Income arising from reverse repurchase agreements as the difference between the selling and purchase price is accrued over the period of the transaction and recognised in the income statement as "Interest income and similar income".

(f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at the Czech National Bank official rate prevailing 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 prevailing as at the balance sheet date. The net foreign exchange gain/loss arising from the translation of foreign currency assets and liabilities, except for investments denominated in foreign currencies and items that hedge currency risk resulting from agreements not yet recorded in the Fund's balance sheet or from expected future transactions, is recognised in the income statement as "Gain or loss from financial operations".

(g) Taxation**Current tax**

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

Deferred tax

Effective from 1 January 2015, a zero corporate income tax rate has been introduced for funds of pension companies. As a result, the Fund did not recognise deferred tax on temporary differences between the carrying and tax value of assets and liabilities.

(h) Corrections of prior period errors and changes in accounting policies

Corrections to prior period expenses or income are recognised as current period expenses or income, with the exception of corrections of material errors relating to prior periods.

Corrections of material errors in the recognition of prior period income or expenses and changes in accounting policies are recognised under "Retained profits (or accumulated losses)" in the Fund's balance sheet.

In the period from 1 January 2018 to 31 December 2018, the Fund did not make any corrections of material errors or changes in accounting policies.

3. INTEREST INCOME AND SIMILAR INCOME

TCZK	2018	2017
Interest on debt securities	343	2,027
Interest on current accounts and term deposits	2,664	290
TOTAL	3,007	3,217

4. INCOME FROM SHARES AND OWNERSHIP INTEREST

TCZK	2018	2017
Dividends received – investments funds	3,704	2,266
Total	3,704	2,266

The fee for management of the Fund's assets is 0.8% (2017: 0.8%) of the average annual value of the Fund's capital.

The fee for appreciation of assets is calculated as 15% (2017: 15%) share of the difference between the average value of the pension unit and the highest average annual value of the pension unit since the creation of the Fund multiplied by the average number of pension units in the year

5. FEE AND COMMISSION EXPENSE

TCZK	2018	2017
Fee for management of assets	(4,408)	(2,740)
Fee for appreciation of assets	(19)	(846)
TOTAL	(4,427)	(3,586)

6. GAIN OR LOSS FROM FINANCIAL OPERATIONS

tis. Kč	2018	2017
Gain/loss from share and unit transactions	(26,278)	3,138
Gain/loss from debt securities transactions	(2,214)	(7,017)
Foreign exchange gain/loss	58	(339)
TOTAL	(28,434)	(4,218)

7. REVENUES BY GEOGRAPHICAL SEGMENTS

TCZK	CR	EU	Non-EU	Total
2018				
Interest income and similar income	2,851	156	-	3,007
Interest from shares and ownership interests	606	1,341	1,757	3,704
Gain or loss from financial operations	(480)	(16,183)	(11,771)	(28,434)
TOTAL	2,977	(14,686)	(10,014)	(21,723)
2017				
Interest income and similar income				
Interest from shares and ownership interests	2,305	12	-	2,317
Gain or loss from financial operations	-	1,154	1,112	2,266
TOTAL	(6,552)	1,779	555	(4,218)

8. TRANSACTIONS WITH RELATED PARTIES

TCZK	31.12.2018	31.12.2017
Receivables / (Payables)		
Fee for management paid to the Company	197	163
Fee for appreciation of assets paid to the Company	(19)	(846)
TOTAL	178	(683)

TCZK	2018	2017
Expenses		
Fee for management paid to the Company	(4,408)	(2,740)
Fee for appreciation of assets paid to the Company	(19)	(846)
TOTAL	(4,427)	(3,586)

TCZK	31.12.2018	31.12.2017
Off-balance sheet assets		
Values placed under management	726,891	484,753
TOTAL	726,891	484,753

9. RECEIVABLES FROM BANKS AND CREDIT UNIONS

TCZK	31.12.2018	31.12.2017
Current accounts at banks	66,117	89,287
Term deposits	22,191	111,790
Reverse repo	270,118	-
TOTAL	358,326	201,077

As at 31 December 2018, the Fund acquired treasury bill CZ0001005581 at the market value of TCZK 263,604 within reverse repurchase agreements. Treasury bills are recorded in the off-balance sheet in "Collaterals and pledges received".

10. DEBT SECURITIES**(a) Classification of debt securities into individual portfolios based on the Fund's intention**

TCZK	31.12.2018	31.12.2017
Debt securities at fair value through profit or loss	24,526	68,884
NET BOOK VALUE	24,526	68,884

(b) Analysis of debt securities measured at fair value through profit or loss

TCZK	31.12.2018	31.12.2017
Issued by other financial institutions		
- Listed on another exchange	9,185	-
Issued by government institutions		
- Listed on exchange in the Czech Republic	15,341	60,455
- Listed on another exchange	-	8,429
TOTAL	24,526	68,884

Securities listed on another exchange with a market value of TCZK 9,185 at 31 December 2018 (31 December 2017: TCZK 8,429) are traded mainly on OECD markets.

11. SHARES, UNITS AND OTHER INVESTMENTS**(a) Classification of shares, units and other investments into individual portfolios based on the Fund's intentions**

TCZK	31.12.2018	31.12.2017
Shares measured at fair value through profit or loss	22,016	12,125
Units measured at fair value through profit or loss	326,471	204,837
NET BOOK VALUE	348,487	216,962

(b) Analysis of shares, units and other available-for-sale investments

TCZK	31.12.2018 Market value	31.12.2017 Market value
Issued by investment funds		
- Listed on exchange in the Czech Republic	3,507	8,298
- Listed on another exchange	336,147	208,664
Issued by government institutions		
- Listed on exchange in the Czech Republic	8,833	-
- Listed on another exchange	-	-
TOTAL	348,487	216,962

Securities listed on another exchange with a market value of TCZK 336,147 at 31 December 2018 (31 December 2017: TCZK 208,664) are traded mainly on OECD markets.

12. OTHER LIABILITIES

TCZK	31.12.2018	31.12.2017
Payables to participants	4,806	1,559
Estimated payables	(178)	683
TOTAL	4,628	2,242

13. EQUITY

TCZK	31.12.2018	31.12.2017
Fund's equity (TCZK)	726,891	484,753
Number of retirement units (pieces)	693,727,661	445,893,255
Fund's equity per one retirement unit	1.0478	1.0871

The current value of a retirement unit is defined as the value of the pension fund's equity which reflects the corresponding portion of standard expenses having an impact on the pension fund's equity, as at the date on which the current value of the retirement unit relating to one retirement unit is determined. Retirement units are recorded in personal retirement accounts of all participants in relation to the pension fund as at the date on which the current value of the retirement unit is determined.

Credited and written-off retirement units

TCZK	Number of retirement units	Value of retirement units (nominal value)	Value of retirement units (share premium)
Balance at 1 January 2017	247,716,188	247,716	14,379
Credited retirement units	252,520,794	252,521	23,589
Written-off retirement units	(54,343,728)	(54,344)	(5,054)
BALANCE AT 31 DECEMBER 2017	445,893,254	445,893	32,914
Credited retirement units	343,429,865	343,430	28,416
Written-off retirement units	(95,595,458)	(95,595)	(7,887)
BALANCE AT 31 DECEMBER 2018	693,727,661	693,728	53,443

Benefits paid

	2018	2017
Number of contracts	1,193	734
Total benefits paid (in TCZK)	69,197	37,232

The number of contracts corresponds with the total number of terminated one-off benefits. One contract may occur in a number of funds.

14. ACCOUNTS OF PARTICIPANTS

TCZK	31.12.2018	31.12.2017
Participants' and employers' contributions	747,096	478,807
Fund's appreciation	(20,205)	5,946
TOTAL	726,891	484,753

15. PROPOSED PROFIT DISTRIBUTION

As at the balance sheet date, the board of directors of the Company did not decide on the distribution of loss of TCZK 26,150 for the period ended 31 December 2018. Prior period loss totalling TCZK 3,221 was allocated to Retained profits.

16. INCOME TAX

Effective from 1 January 2015, a zero corporate income tax rate has been introduced for funds of pension companies.

17. VALUES PLACED UNDER MANAGEMENT

The Fund placed all of its assets under management of the Company. Values placed under management represent total assets of the Fund's equity.

18. FINANCIAL INSTRUMENTS – MARKET RISK

The Fund is exposed to market risks arising from the open positions of transactions involving interest rate, equity and currency instruments that are sensitive to changes in financial market conditions.

(a) Risk management

The Fund uses as primary risk management tool limits on the share of individual types of financial instruments in the Fund's portfolio, as prescribed under Act No. 427/2011 Coll. on Supplementary Pension Savings, the Statutes and the investment strategy.

Market risks are measured using the Value at Risk ("VaR") method. Value at Risk represents a potential loss arising from unfavourable market movements within a certain time period at a certain confidence level. The Fund determines Value at Risk through stochastic simulation of a large number of scenarios of potential changes in the financial markets. Value at Risk is measured based on a one-day holding period and a confidence level of 95%. The results of this model are back-tested on a daily basis and compared with the actual results achieved in the financial markets. If the Fund identifies any inaccuracies, the model is adjusted to be in line with the current trend in the financial markets. The Value at Risk relating to individual types of risks was as follows:

In %	at 31. 12. 2018	Average 2018	at 31. 12. 2017	Average 2017
VaR for interest rate instruments	0.02	0.04	0.05	0.06
VaR for equity instruments	2.26	2.09	0.56	0.53

As a result of its activities, the Fund is exposed to certain risks. The Fund's approach to managing these risks is described below.

(b) Liquidity risk

Liquidity risk includes both the risk that the Fund is unable to finance its assets using instruments with appropriate maturity and the risk that the Fund is unable to dispose of its assets for the appropriate price within the appropriate time period.

The Fund 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 cannot be specified for liabilities to participants in supplementary pension savings/supplementary pension insurance due to the nature of the product and because payment of the benefit can be requested after the entitlement to the benefit arises.

The Fund regularly assesses liquidity risk, in particular by monitoring changes in the structure of inflows and outflows of participants' accounts. The Fund also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid instruments such as state treasury bills and similar government bonds.

Residual maturity of the Fund's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over to 5 years	Not specified	Total
At 31 December 2018						
Receivables from banks	358,326	-	-	-	-	358,326
Debt securities	-	-	-	24,526	-	24,526
Shares, units and other investments	-	-	-	-	348,487	348,487
Other assets	180	-	-	-	-	180
TOTAL	358,506	-	-	24,526	348,487	731,519
Payables from participants' contributions	4,806	-	-	-	-	4,806
Other liabilities	(178)	-	-	-	-	(178)
Equity	-	-	-	-	726,891	726,891
Total	4,628	-	-	-	726,891	731,519
Gap	353,878	-	-	24,526	(378,404)	-
CUMULATIVE GAP	353,878	353,878	353,878	378,404	-	-
At 31 December 2017						
Receivables from banks	201,077	-	-	-	-	201,077
Debt securities	-	-	29,657	39,227	-	68,884
Shares, units and other investments	-	-	-	-	216,962	216,962
Other assets	72	-	-	-	-	72
TOTAL	201,149	-	29,657	39,227	216,962	486,955
Payables from participants' contributions	1,559	-	-	-	-	1,559
Other liabilities	683	-	-	-	-	683
Equity	-	-	-	-	484,753	484,753
Total	2,242	-	-	-	484,753	486,995
Gap	198,907	-	29,657	39,227	(267,791)	-
CUMULATIVE GAP	198,907	198,907	228,564	367,791	-	-

The remaining maturity of assets and liabilities of the Fund

The above tables represent the remaining maturity of carrying amounts of the individual financial instruments, and not all the cash flows which follow from these instruments.

(c) Currency risk

Assets and liabilities denominated in foreign currency, including off-balance sheet exposures, represent the Fund's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in the income statement. The Fund's foreign currency position in the most significant currencies is as follows:

The Fund's foreign currency position

TCZK	EUR	USD	CZK	OTHER	TOTAL
At 31 December 2018					
Receivables from banks	-	1 242	356 441	340	358 326
Debt securities	-	-	24 526	-	24 526
Shares, units and other investments	96 653	171 741	73 476	6 617	348 487
Other assets	-	-	180	-	180
TOTAL	96 653	172 983	454 623	6 957	731 519
Payables from participants' contributions	-	-	4 806	-	4 806
Other liabilities	-	-	(178)	-	(178)
Equity	-	-	-	726 891	726 891
TOTAL	-	-	-	726 891	731 519
Net foreign currency position	96 653	172 983	449 995	(719 934)	-
At 31 December 2017					
Receivables from banks	128	1 028	199 921	-	201 077
Debt securities	-	-	68 884	-	68 884
Shares, units and other investments	85 948	93 110	37 904	-	216 962
Other assets	-	-	72	-	72
TOTAL	86 076	94 138	306 781	-	486 995
Payables from participants' contributions	-	-	1 559	-	1 559
Other assets	-	-	683	-	683
Equity	-	-	-	484,753	484,753
TOTAL	-	-	2,242	484,753	486,995
Net foreign currency position	86,076	94,138	304,539	(484,753)	-

19. FINANCIAL INSTRUMENTS – CREDIT RISK

The Fund is exposed to the risk that the issuer of a security that was acquired in the Fund's portfolio or other counterparty does not meet its obligation to pay the agreed interest or principal. As the Fund only invests in securities with a high credit rating, the risk is minimal.

20. MATERIAL SUBSEQUENT EVENTS

The Company's management is not aware of any events that have occurred and that would require an adjustment of the financial statements as at 31 December 2018.

Date of preparation 29 March 2019

Stamp and signature of statutory representative:

Name and signature:
Ing. Dušan Quis

Person responsible for accounting
Ing. Anna Švehlová

Name and signature:
Ing. Sonia Mihaylova
Slavtcheva, MBA

Person responsible for financial statements
Ing. Anna Švehlová


ALLIANZ DYNAMIC SUBSCRIBER FUND

ALLIANZ PENZIJNÍ
SPOLEČNOST, A. S.



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ALLIANZ DYNAMICKÝ ÚČASTNICKÝ FOND, ALLIANZ PENZIJNÍ SPOLEČNOST, A.S.

In accordance with Sec. 44 of Decree No. 117/2012 Coll., on detailed regulation of activities of subscriber funds and pension funds, Allianz penzijní společnost, a. s. presents its Annual Report pursuant to Sec. 42, paragraph 1 of the said Decree.

Allianz Dynamic Subscriber Fund by Allianz penzijní společnost, a. s. (hereinafter referred to as the „dynamic fund“) was formed as a subscriber fund pursuant to Act No. 427/2011 Coll., on supplementary pension savings, for the purpose of operating supplementary pension saving schemes in the so-called 3rd pillar of the pension system, which consists of collecting contributions from subscribers, employers and the state pursuant to the said Act for placement of the same in subscriber funds, managing assets held in subscriber funds and payment of benefits under supplementary pension schemes.

The dynamic fund is a set of assets belonging to all subscribers and other parties who became beneficiaries of subscriber funds, all on a prorated basis according to the number of pension units.

Assets held in the dynamic fund are managed by the pension management company in its name and on subscriber's account. The assets are not part of assets of the pension management company that manages the fund's assets. The dynamic fund is a fund pursuing a dynamic investment strategy.

A) INFORMATION ABOUT THE PENSION MANAGEMENT COMPANY MANAGING THE FUND

Name: Allianz penzijní společnost, a. s.
Registered office: Ke Štvanici 656/3, 186 00, Prague 8
E-mail and website: info@allianz.cz, www.allianz.cz
Commercial register: Municipal Court of Prague, section B, file 4972
Corporate ID number: 25 61 26 03
Registered capital: 50 100 000 Kč
Shareholder: Allianz pojišťovna, a. s. (100 %)
Auditor: KPMG Česká republika Audit, s.r.o.

Allianz penzijní společnost, a.s. (hereinafter referred to as „pension management company“) has been managing the transformed fund since 1 January 2013. Czech National Bank approved the Statute of Allianz transformed fund in connection with the transformation of Allianz penzijní fond, a.s. on 24 October 2012 under reference no. 2012/10254/570.

B) INFORMATION ABOUT THE FUND'S PORTFOLIO MANAGERS

The investment manager of the transformed fund is Allianz penzijní společnost, a.s. (hereinafter referred to as the „pension management company“), entered in the Commercial Register maintained by the Municipal Court of Prague, section B, file 4972.

Portfolio managers: Petr Podolka, Jiří Šnobl

C) INFORMATION ABOUT THE FUND'S DEPOSITARY

during the specified period, and about the term of its engagement

The new depositary of the dynamic fund as of 3 January 2014 will be UniCredit Bank Czech Republic and Slovakia, a. s., having its registered office at: Želetavská 1525/1, postal code: 140 92, Prague 4 – Michle, entered in the Commercial Register maintained by the Municipal Court of Prague under section B, file 3608, corporate ID No. 64 94 82 42. (hereinafter referred to as the „Depositary“).

D) INFORMATION ABOUT THE PARTY ENSURING CUSTODY OR OTHER SAFEKEEPING OF THE FUND'S ASSETS,

if more than 1% of the fund's assets are kept or otherwise held in custody with the said party

Only the Depositary ensures custody or control over the dynamic fund's assets.

E) IDENTIFICATION OF ASSETS EXCEEDING 1% OF VALUE OF THE FUND'S ASSETS

as of 31 December 2018, stating the total acquisition price and fair value as at the end of the specified period

ISIN	Název cenného papíru	Měna	Typ	Požizovací cena (v tis. Kč)	Reálná hodnota (v tis. Kč)	Podíl na majetku fondu
XS185467723	Santander var25	CZK	Korporátní dluhopisy	24 000	24 003	3,31
CZ0003519472	NET4GAS 2.25/21	CZK	Korporátní dluhopisy	23 988	24 414	3,36
LU1681045453	Amndi EM UC USD	USD	Podílové listy	9 935	9 899	1,36
US78463X5095	SPDR EM ETF	USD	Podílové listy	15 039	13 115	1,81
US8085247067	Schwab EM	USD	Podílové listy	15 172	13 647	1,88
LU0274211217	db x-trackDJ50	EUR	Podílové listy	19 292	16 191	2,23
IE00BKM4GZ66	iShares MSCI	USD	Podílové listy	23 145	23 002	3,17
US46432F8344	iShares IntExUS	USD	Podílové listy	28 058	25 023	3,45
US8085248883	SCHWAB ETF	USD	Podílové listy	49 509	39 893	5,50
IE00B60SWX25	SourceEuStoxx50	EUR	Podílové listy	45 439	41 382	5,70
IE00B4LSYX21	iShare Japan	EUR	Podílové listy	45 033	43 339	5,97
LU0378453376	ComStage ETF Nikkei 225	EUR	Podílové listy	48 311	44 542	6,14
IE00B5BMR087	ETF iShares Core S&P 500 UCITS	USD	Podílové listy	54 258	48 846	6,73
IE00BJ0K0Q92	DBX MSCI World ETF	USD	Podílové listy	55 600	50 701	6,99
IE00B3XXRP09	VanguardSP500	USD	Podílové listy	54 515	55 653	7,67
AT0000652011	Erste Bank	EUR	Akcie	8 416	7 473	1,03
CZ0008019106	Komerční banka	CZK	Akcie	8 715	7 708	1,06
CZ0005112300	ČEZ, a.s.	CZK	Akcie	9 548	10 780	1,49
Depozitum	J&T Banka	CZK	Peněžní trh	11 121	11 121	1,53
Reverzní REPO	PPF banka	CZK	Peněžní trh	65 004	65 004	8,96
Hotovost	UniCredit Bank	CZK	Peněžní trh	41 652	41 652	5,74
Hotovost	Komerční banka	CZK	Peněžní trh	30 000	30 000	4,13

F) INFORMATION ABOUT LITIGATIONS OR ARBITRATIONS INVOLVING THE FUND'S ASSETS

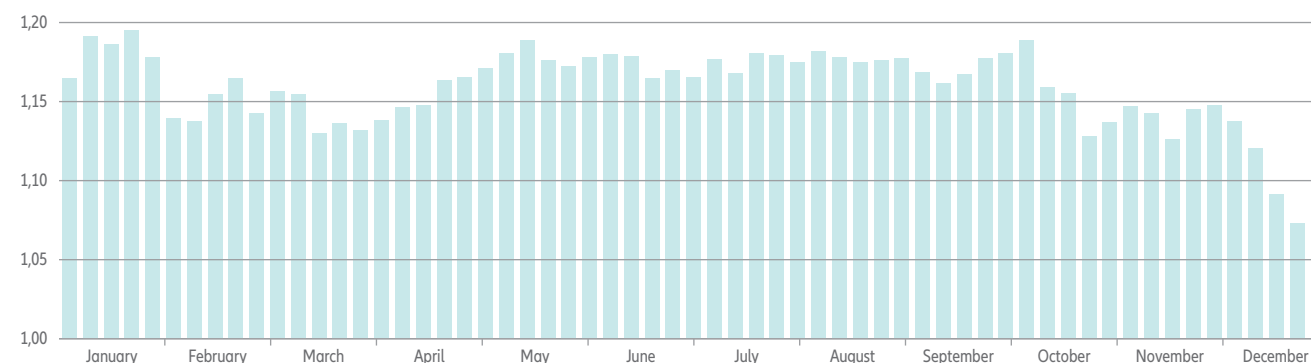
In 2018, there were no litigations or arbitrations concerning the dynamic fund.

G) INFORMATION ABOUT THE FUND'S NET ASSETS AND NET ASSETS ATTRIBUTABLE TO ONE PENSION UNIT FOR THE LAST THREE PERIODS

	Unit price (CZK)	NAV* (CZK)
31.12.2015	1,0980	130 029 166,69
31.12.2016	1,1146	248 289 568,24
31.12.2017	1,1600	477 866 236,10
31.12.2018	1,0804	721 008 169,22

* Net asset value (NAV)

H) DEVELOPMENT OF THE PENSION UNIT VALUE IN 2018



I) INFORMATION ABOUT THE STRUCTURE OF AND CHANGES IN THE FUND'S ASSETS

Assets (CZK thousand)	31.12.2017	31.12.2018
Receivables from banks	81 793	150 425
a) payable on demand	25 234	74 300
b) other receivables	56 559	76 125
Debt securities	37 931	48 417
Stocks, share certificates and other shares	360 033	525 916
Other assets	93	850
Total	479 850	725 608

J) INFORMATION ABOUT CONSIDERATION PAID TO THE DESIGNATED PENSION MANAGEMENT COMPANY FOR MANAGING THE FUND'S ASSETS

(CZK)	31.12.2017	31.12.2018
Consideration for assetmanagement	3 209	5 637

The consideration for managing assets of the dynamic fund as at the end of the specified period amounted to 1,0 % of the average annual value of the fund's net assets.

K) INFORMATION ABOUT QUANTITATIVE RESTRICTIONS AND METHODS APPLIED FOR ASSESSMENT OF RISK ASSOCIATED WITH TECHNIQUES AND INSTRUMENTS FOR EFFECTIVE MANAGEMENT OF ASSETS HELD IN THE SUBSCRIBER FUND

The basic risk management tools involve limits applied to shares of individual financial instrument types held in the portfolio, defined in compliance with the requirements of Act No. 427/2011 Coll., on supplementary pension savings, the fund's statute and investment strategy.



Independent auditor's report

English translation

Independent auditor's report

to the participants of the fund Allianz dynamický účastnický fond, Allianz penzijní společnost, a.s.

Opinion

We have audited the accompanying financial statements of fund Allianz dynamický účastnický fond, Allianz penzijní společnost, a.s., with its registered office at sídlem Ke Štvanici 656/3, Praha 8 ("the Fund"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement for the year ended 31 December 2018 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance for the year ended 31 December 2018 in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

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

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic. Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.



Independent auditor's report

Responsibilities of the Statutory body of Allianz penzijní společnost, a.s. for the Financial Statements

The Statutory body of Allianz penzijní společnost, a.s. is responsible for the preparation and fair presentation of the Fund's financial statements in accordance with Czech accounting legislation and for such internal control as the Statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



Independent auditor's report

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

29 March 2019

PricewaterhouseCoopers Audit, s.r.o.
represented by

Marek Richter
Statutory Auditor, Licence No. 1800

This report is addressed to the participants of Allianz dynamický účastnický fond, Allianz penzijní společnost, a.s.

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

BALANCE SHEET

AS AT 31 DECEMBER 2018 (Translated from the Czech original)

TCZK	Note	31.12.2018	31.12.2017
ASSETS			
3	9	150 425	81 793
Receivables from banks and credit unions			
of which: a) repayable on demand			
		74 300	25 234
b) other receivables			
		76 125	56 559
5	10	48 417	37 931
Debt securities			
of which: a) issued by government institutions			
		-	30 604
b) issued by other entities			
		48 417	7 327
6	11	525 916	360 033
Shares, units and other investments			
11		850	93
Other assets			
TOTAL ASSETS		725 608	479 850

TCZK	Note	31.12.2018	31.12.2017
LIABILITIES			
4	12	4 600	1 984
Other liabilities			
9	13	84 633	44 069
Share premium			
12	13	666 742	411 968
Capital funds			
14	15	21 829	9 678
Retained profits (or accumulated losses)			
15	15	(52 196)	12 151
Profit (loss) for the accounting period			
TOTAL LIABILITIES		725 608	479 850

TCZK	Note	31.12.2017	31.12.2016
OFF-BALANCE SHEET ITEMS			
Off-balance sheet assets			
8	17	721 009	477 866
Values placed under management			
OFF-BALANCE SHEET ITEMS			
Off-balance sheet assets			
10		62 906	
Collaterals and pledges received			

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(Translated from the Czech original)

tis. Kč	Bod	2017	2016
1	3	1 707	348
Interest income and similar income			
of which: interest on debt securities			
		572	219
3	4	7 838	3 695
Income from shares and ownership interests			
5	5	(6 731)	(4 370)
Commission and fee expense			
6	6	(55 010)	12 478
Gain or loss from financial operations			
19		(52 196)	12 151
Current year profit (loss) from ordinary activities before tax			
23	16	-	-
Income tax			
24		(52 196)	12 151
Net profit (loss) for the period			

NOTES TO THE FINANCIAL STATEMENTS 2018

1. GENERAL INFORMATION

(a) Description of the fund

Establishment and description of the fund

Allianz dynamický účastnický fond, Allianz penzijní společnost, a.s. ("the Fund") was established by Allianz penzijní společnost, a.s. ("the Company"), based on a licence granted by the Czech National Bank under decision ref. no. 2012/12806/570, dated 21 December 2012, which took effect on 21 December 2012. The Fund started its activities on 5 February 2013.

Supplementary pension savings participants

As at 31 December 2018, the Fund administered contributions of 16,244 participants in supplementary pension savings.

Information about the pension company

The pension company that manages the Fund's assets is Allianz penzijní společnost, a.s., identification number (IČO) 256 12 603, with its registered office at Ke Štvanici 656/3, 186 00 Prague 8. The Company was registered in 1994 (formerly Allianz penzijní fond, a.s.). The Company was granted a licence to operate as a pension company based on decision of the Czech National Bank ref. no. 2012/10254/570, dated 24 October 2012. The decision took effect on 26 October 2012.

Principal activities of the Company:

- Accumulation of contributions from participants in supplementary pension insurance and support provided by the state in respect of the participants and administration of the contributions pursuant to Act No. 42/1994 Coll.,
- Accumulation of participants' contributions, employers' contributions and state contributions pursuant to Act No. 427/2011 Coll., on Supplementary Pension Savings, to be placed in participation funds, management of assets in participation funds and payment of supplementary pension insurance benefits.

Depositary

Depositary services have been rendered by UniCredit Bank Czech Republic and Slovakia, a.s., with its registered office at Želetavská 1525/1, 140 92 Praha 4 – Michle, identification number (IČO): 649 48 242 ("the Depositary"), on the basis of a depositary agreement dated 13 December 2013.

(b) Basis of preparation of the financial statements

The financial statements have been prepared on the basis of accounts maintained in accordance with:

- Act No. 563/1991, on Accounting, as amended,
- Regulation No. 501/2002 issued by the Ministry of Finance, as amended,
- Czech accounting standards for financial institutions, issued by the Ministry of Finance.

The financial statements have been prepared under the historical cost convention on the basis of full accrual accounting, except for selected financial instruments that are stated at fair value.

The financial statements are based on the assumption that the entity will continue as a going concern and that there is no circumstance that would restrict or prevent the entity's ability to continue as a going concern in the foreseeable future.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns (TCZK). Numbers in brackets represent negative amounts.

These financial statements are non-consolidated.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Transaction date

Depending on the transaction type, the transaction date is generally defined as:

- the date of payment or cash collection,
- the date of purchase or sale of foreign currency or securities,
- the date of executing a payment,
- the date on which (foreign currency) funds are credited, as stated in an account statement,
- the trade and settlement date for spot transactions, i.e. purchases or sales of financial instruments or commodities where the period between concluding and settling the transaction does not exceed two days,
- the trade and settlement date for derivative transactions.

The entity has determined that spot transactions (i.e. accounting transactions involving the purchase or sale of financial assets with a usual term of delivery) are recorded directly in an appropriate asset or liability account on the trade date.

The Fund derecognises a financial asset or part thereof from the balance sheet if it loses control of the contractual rights to the financial asset or part thereof. The Fund loses this control if it exercises the rights to the benefits defined in a contract, or if such rights expire or are waived by the Fund.

When a financial liability or part thereof is extinguished (e.g. the obligation specified in a contract is discharged or cancelled or expires), the entity will no longer recognise the financial liability or part thereof in the balance sheet. The difference between the carrying amount of a liability (or part thereof) extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

(b) Accounts of retirement savings participants

Contributions obtained from participants are recognised in the Fund's equity in the following items:

- capital funds,
- share premium.

(c) Recognition of receivables relating to state contributions to participants

The Fund does not recognise any receivables from the Ministry of Finance relating to state contributions paid to participants. State contributions are recognised as and when received from the Ministry of Finance.

(d) Securities

Initial recognition

Upon initial recognition, securities are measured at cost, which includes direct transaction costs.

Subsequent measuring

For the purposes of subsequent measurement, securities that are recognised in assets and that are not considered investments in group undertakings or associated companies, are recognised as securities measured at fair value through profit or loss.

Securities measured at fair value through profit or loss

Securities in this portfolio must meet one of the following criteria:

- Securities are intended for trading
- Upon initial recognition, the entity classifies the security as a security measured at fair value through profit or loss

Securities measured at fair value through profit or loss are recognised at fair value.

Gains/losses from this measurement are recognised in profit or loss under "Gain or loss from financial operations". For debt securities, the entity first recognises interest income under "Interest income and similar income" and subsequently recognises the revaluation to fair value under "Gain or loss from financial operations".

Fair value

The Fund determines fair value in accordance with International Financial Reporting Standards as adopted by the European Union.

Fair value means a market value that is announced on the local or foreign exchange or on other public (organised) market. The Fund uses the market value that is announced no later than the date of preparation of the financial statements and that is closest to that

date. If the market value is not available or if it does not appropriately reflect the fair value, the fair value is determined using a qualified estimate.

Interest income

Interest income primarily include debt security coupons and the accrued/deferred income. Interest incomes/expenses are recognised on an accrual basis using a straight-line method.

Derecognition of securities

When securities are sold, the entity uses the average cost method to measure their disposal.

Dividend income

The Fund recognises dividends on shares/units net of withholding tax (deducted abroad).

(e) Reverse repurchase agreements

Transactions where securities purchased under a resale agreement (reverse repurchase agreement) at a predetermined price are accounted for as loans collateralised by the securities that are being purchased and resold.

These loans are recognised in the balance sheet under "Receivables from banks and credit unions" or "Receivables from customers – credit union members".

Securities received under reverse repurchase agreements are only recorded in the off-balance sheet under "Collaterals and pledges received".

Income arising from reverse repurchase agreements as the difference between the selling and purchase price is accrued over the period of the transaction and recognised in the income statement as "Interest income and similar income".

(f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at the Czech National Bank official rate prevailing 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 prevailing as at the balance sheet date. The net foreign exchange gain/loss arising from the translation of foreign currency assets and liabilities, except for investments denominated in foreign currencies and items that hedge currency risk resulting from agreements not yet recorded in the Fund's balance sheet or from expected future transactions, is recognised in the income statement as "Gain or loss from financial operations".

(g) Taxation**Current tax**

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

Deferred tax

Effective from 1 January 2015, a zero corporate income tax rate has been introduced for funds of pension companies. As a result, the Fund did not recognise deferred tax on temporary differences between the carrying and tax value of assets and liabilities.

(h) Corrections of prior period errors and changes in accounting policies

Corrections to prior period expenses or income are recognised as current period expenses or income, with the exception of corrections of material errors relating to prior periods.

Corrections of material errors in the recognition of prior period income or expenses and changes in accounting policies are recognised under "Retained profits (or accumulated losses)" in the Fund's balance sheet.

In the period from 1 January 2018 to 31 December 2018, the Fund did not make any corrections of material errors or changes in accounting policies.

3. INTEREST INCOME AND SIMILAR INCOME

TCZK	2018	2017
Interest on debt securities	572	219
Interest on current accounts and term deposits	1,135	129
TOTAL	1,707	348

4. INCOME FROM SHARES AND OWNERSHIP INTEREST

TCZK	2018	2017
Dividends received – investments funds	-	1,678
Dividends received – shares	7,838	2,017
TOTAL	7,838	3,695

5. FEE AND COMMISSION EXPENSE

TCZK	2018	2017
Fee for management of assets	(5,637)	(3,209)
Fee for appreciation of assets	(1,094)	(1,161)
TOTAL	(6,731)	(4,370)

The fee for management of the Fund's assets is 1.0% (2017:1.0%) of the average annual value of the Fund's capital.

The fee for appreciation of assets is calculated as 15% (2017: 15%) share of the difference between the average value of the pension unit and the highest average annual value of the pension unit since the creation of the Fund multiplied by the average number of pension unites in the year.

6. GAIN OR LOSS FROM FINANCIAL OPERATIONS

tis. Kč	2018	2017
Gain/loss from debt securities transactions	(47)	(794)
Gain/loss from share and unit transactions	(54,670)	13,712
Foreign exchange gain/loss	(293)	(440)
Total	(55,010)	12,478

7. REVENUES BY GEOGRAPHICAL SEGMENTS

TCZK	CR	EU	Non-EU	Total
2018				
Interest income and similar income	1,707	-	-	1,707
Interest from shares and ownership interests	2,004	2,821	3,013	7,838
Gain or loss from financial operations	(1,837)	(35,932)	(17,241)	(55,010)
Total	1,874	(33,111)	(14,228)	(45,465)
2017				
Interest income and similar income	345	-	3	348
Interest from shares and ownership interests	1,214	801	1,680	3,695
Gain or loss from financial operations	1,493	8,168	2,817	12,478
Total	3,052	8,969	4,500	16,521

8. TRANSACTIONS WITH RELATED PARTIES

TCZK	31.12.2018	31.12.2017
Receivables / (Payables)		
Fee for management paid to the Company	115	239
Fee for appreciation of assets paid to the Company	(1,094)	(1,161)
TOTAL	(980)	(922)

TCZK	2018	2017
Expenses		
Fee for management paid to the Company	(5,637)	(3,209)
Fee for appreciation of assets paid to the Company	(1,094)	(1,161)
TOTAL	(6,731)	(4,370)

TCZK	31.12.2018	31.12.2017
Off-balance sheet assets		
Values placed under management	721,009	477,866
TOTAL	721,009	477,866

9. RECEIVABLES FROM BANKS AND CREDIT UNIONS

TCZK	31.12.2018	31.12.2017
Current accounts at banks	74,300	25,234
Term deposits	11,121	56,559
Reverse repo	65,004	-
TOTAL	150,425	81,793

As at 31 December 2018, the Fund acquired treasury bill CZ0001005581 at the market value of TCZK 62,906 within reverse repurchase agreements. Treasury bills are recorded in the off-balance sheet in "Collaterals and pledges received".

10. DEBT SECURITIES**(a) Classification of debt securities into individual portfolios based on the Fund's intention**

TCZK	31.12.2018	31.12.2017
Debt securities at fair value through profit or loss	48,417	37,931
NET BOOK VALUE	48,417	37,931

(b) Analysis of debt securities measured at fair value through profit or loss

TCZK	31.12.2018	31.12.2017
Issued by non-financial institutions		
– Listed on exchange in the Czech republic	24,414	3,112
Issued by government institutions		
– Listed on exchange in the Czech republic	-	30,604
Issued by financial institutions		
– Listed on another exchange	24,003	4,215
TOTAL	48,417	37,931

Securities listed on another exchange with a market value of TCZK 24,003 at 31 December 2018 (31 December 2017: TCZK 4,215) are traded mainly on OECD markets.

11. SHARES, UNITS AND OTHER INVESTMENTS**(a) Classification of shares, units and other investments into individual portfolios based on the Fund's intentions**

TCZK	31.12.2018	31.12.2017
Shares measured at fair value through profit or loss	97,614	78,486
Units measured at fair value through profit or loss	428,302	281,547
NET BOOK VALUE	525,916	360,033

(b) Analysis of shares, units and other available-for-sale investments

TCZK	31.12.2018	31.12.2017
Issued by investment funds		
– Listed on another exchange	-	230,694
Issued by financial institutions		
– Listed on another exchange	453,804	76,815
– Listed on exchange in the Czech republic	12,565	13,812
Issued by non-financial institutions		
– Listed on another exchange	41,748	18,108
– Listed on exchange in the Czech republic	17,799	20,604
TOTAL	525,916	360,033

Securities listed on another exchange with a market value of TCZK 325 617) are traded mainly on OECD markets.

12. OTHER LIABILITIES

TCZK	31.12.2018	31.12.2017
Payables to participants	3,620	1,062
Estimated payables	980	922
TOTAL	4,600	1,984

13. EQUITY

TCZK	31.12.2018	31.12.2017
Fund's equity (TCZK)	721,009	477,866
Number of retirement units (pieces)	666,734,407	411,968,475
Fund's equity per one retirement unit	1.0804	1.1600

The current value of a retirement unit is defined as the value of the pension fund's equity which reflects the corresponding portion of standard expenses having an impact on the pension fund's equity, as at the date on which the current value of the retirement unit relating to one retirement unit is determined. Retirement units are recorded in personal retirement accounts of all participants in relation to the pension fund as at the date on which the current value of the retirement unit is determined.

Credited and written-off retirement units

TCZK	Number of retirement units	Value of retirement units (nominal value)	Value of retirement units (share premium)
Balance at 1 January 2017	222,761,635	222,761	15,843
Credited retirement units	232,307,105	232,307	34,627
Written-off retirement units	(43,100,265)	(43,100)	(6,401)
BALANCE AT 31 DECEMBER 2017	411,968,475	411,968	44,069
Credited retirement units	326,468,373	326,468	52,019
Written-off retirement units	(71,702,442)	(71,702)	(11,454)
BALANCE AT 31 DECEMBER 2018	666,734,407	666,735	84,634

Benefits paid

	2018	2017
Number of contracts	971	504
Total benefits paid (in TCZK)	65,053	39,576

The number of contracts corresponds with the total number of terminated one-off benefits. One contract may occur in a number of funds.

14. ACCOUNTS OF PARTICIPANTS

TCZK	31.12.2018	31.12.2017
Participants' and employers' contributions	751,376	456,037
Fund's appreciation	(30,367)	21,829
TOTAL	721,009	477,866

15. PROPOSED PROFIT DISTRIBUTION

As at the balance sheet date, the board of directors of the Company did not decide on the distribution of profit of TCZK 52,196 for the period ended 31 December 2018. Prior period profit totaling TCZK 12,151 was allocated to Retained profits.

16. INCOME TAX

Effective from 1 January 2015, a zero corporate income tax rate has been introduced for funds of pension companies.

17. VALUES PLACED UNDER MANAGEMENT

The Fund placed all of its assets under the management of the Company. Values placed under management represent Fund's equity.

18. FINANCIAL INSTRUMENTS – MARKET RISK

The Fund is exposed to market risks arising from the open positions of transactions involving interest rate, equity and currency instruments that are sensitive to changes in financial market conditions.

(a) Risk management

The Fund's primary risk management tool comprises limits on the share of individual types of financial instruments in the Fund's portfolio, as prescribed under Act No. 427/2011 Coll., on Supplementary Pension Savings, the Statutes and the investment strategy.

Market risks are measured using the Value at Risk ("VaR") method. Value at Risk represents a potential loss arising from unfavourable market movements within a certain time period at a certain confidence level. The Fund determines Value at Risk through stochastic simulation of a large number of scenarios of potential changes in the financial markets. Value at Risk is measured based on a one-day holding period and a confidence level of 95%. The results of this model are back-tested on a daily basis and compared with the actual results achieved in the financial markets. If the Fund identifies any inaccuracies, the model is adjusted to be in line with the current trend in the financial markets. The Value at Risk relating to individual types of risks was as follows:

In %	at 31. 12. 2018	Average 2018	at 31. 12. 2017	Average 2017
VaR for interest rate instruments	0.11	0.05	0.05	0.05
VaR for equity instruments	3.79	3.53	0.73	0.86

As a result of its activities, the Fund is exposed to certain risks. The Fund's approach to managing these risks is described below.

(b) Liquidity risk

Liquidity risk includes both the risk that the Fund is unable to finance its assets using instruments with appropriate maturity and the risk that the Fund is unable to dispose of its assets for the appropriate price within the appropriate time period.

The Fund 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 cannot be specified for liabilities to participants in supplementary pension savings/supplementary pension insurance due to the nature of the product and because payment of the benefit can be requested after the entitlement to the benefit arises.

The Fund regularly assesses liquidity risk, in particular by monitoring changes in the structure of inflows and outflows of participants' accounts. The Fund also holds, as part of its liquidity risk management strategy, a portion of its assets in highly liquid instruments such as state treasury bills and similar government bonds.

Residual maturity of the Fund's assets and liabilities

TCZK	Up to 3 months	3 months to 1 year	1 year to 5 years	Over to 5 years	Not specified	Total
At 31 December 2018						
Receivables from banks	150,425	-	-	-	-	150,425
Debt securities	-	-	-	48,417	-	48,417
Shares, units and other investments	-	-	-	-	525,916	525,916
Other assets	850	-	-	-	-	850
TOTAL	151,275	-	-	48,417	525,916	725,608
Payables from participants' contributions	3,620	-	-	-	-	3,620
Other liabilities	980	-	-	-	-	980
Provisions	-	-	-	-	-	-
Own capital	-	-	-	-	721,009	721,009
TOTAL	4,600	-	-	-	721,009	725,608
Gap	146,675	-	-	48,417	(195,093)	-
Cumulative Gap	146,675	146,675	146,675	195,092	-	-
At 31 December 2017						
Receivables from banks	81,793	-	-	-	-	81,793
Debt securities	-	-	3,112	34,819	-	37,931
Shares, units and other investments	-	-	-	-	360,033	360,033
Other assets	93	-	-	-	-	93
TOTAL	81,886	-	3,112	34,819	360,033	479,850
Payables from participants' contributions	1,062	-	-	-	-	1,062
Provisions	922	-	-	-	-	922
Equity	-	-	-	-	-	-
Own capital	-	-	-	-	477,866	477,866
TOTAL	1 984	-	-	-	477 866	479 850
Gap	79 902	-	3 112	34 819	(117 833)	-
Cumulative Gap	79 902	79 902	83 014	117 833	-	-

The above tables show the residual maturity of the carrying amounts of the individual financial instruments, not the total cash flows generated by these instruments.

(c) Currency risk

Assets and liabilities denominated in foreign currency, including off-balance sheet exposures, represent the Fund's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in the income statement. The Fund's foreign currency position in the most significant currencies is as follows:

The Fund's foreign currency position

TCZK	EUR	USD	CZK	OTHER	TOTAL
At 31 December 2018					
Receivables from banks	400	1,721	147,778	527	150,425
Debt securities	-	-	48,417	-	48,417
Shares, units and other investments	161,743	319,776	34,382	10,015	525,916
Other assets	-	-	-	850	850
TOTAL	162,143	321,497	230,577	11,392	725,608
Payables from participants' contributions	-	-	3,620	-	3,620
Other liabilities	-	-	980	-	980
Equity	-	-	721,009	-	721,009
TOTAL	-	-	725,609	-	725,608
Net foreign currency position	162,143	319,497	(495,032)	11,392	-
At 31 December 2017					
Receivables from banks	138	897	80,727	31	81,793
Debt securities	-	-	37,931	-	37,931
Shares, units and other investments	184,974	137,019	36,521	1,519	360,033
Other assets	-	-	93	-	93
TOTAL	185,112	137,916	155,272	1,550	479,850
Payables from participants' contributions	-	-	1,062	-	1,062
Other assets	-	-	922	-	922
Own capital	-	-	477,866	-	477,866
TOTAL	-	-	479,850	-	479,850
Net foreign currency position	185,112	137,916	(324,578)	1,550	-

19. FINANCIAL INSTRUMENTS – CREDIT RISK

The Fund is exposed to the risk that the issuer of a security that was acquired in the Fund's portfolio or other counterparty does not meet its obligation to pay the agreed interest or principal. As the Fund only invests in securities with a high credit rating, the risk is minimal.

20. MATERIAL SUBSEQUENT EVENTS

The Company's management is not aware of any events that have occurred and that would require an adjustment of the financial statements as at 31 December 2018.

Date of preparation 29 March 2019

Stamp and signature of statutory representative:

Name and signature:
Ing. Dušan Quis

Person responsible for accounting
Ing. Anna Švehlová

Name and signature:
Ing. Sonia Mihaylova
Slavtcheva, MBA

Person responsible for financial statements
Ing. Anna Švehlová


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