



**Separate financial statements prepared in accordance
with International Financial Reporting Standards
as adopted by the European Union
and Independent auditors' report
for the year ended 31 December 2019**

**Annual report
for the year ended 31 December 2019**



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Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholder, Supervisory Board and the Management Board of VÚB Asset Management, správ. spol., a.s.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of VÚB Asset Management, správ. spol., a.s. ("the Company"), which comprise the separate statement of financial position as at 31 December 2019, separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2019, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audits and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the separate financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Fee and commission income

The amount of fee and commission income for the year ended 31 December 2019: EUR 18,791 thousand (31 December 2018: EUR 18,323 thousand).



Refer to Note 2.19 (Fees and commissions) and Note 17 (Fee and commission income) of the separate financial statements.

Key audit matter	Our response
<p>Fee and commission income accounts for the majority of the Company's revenues for the year ended 31 December 2019.</p> <p>Fee and commission income comprises administration fees, fees for distribution of mutual fund certificates, termination fees and other fees and commissions. The administration fees are earned from the funds under the Company's management and are recognized in profit or loss over the period to which they relate. Fees for distribution of mutual fund certificates and termination fees are earned from the investors in the funds and recognized on the respective distribution and termination of the mutual fund certificates (i.e. at a point in time).</p> <p>We focused on this area due to the high daily volume of underlying transactions with an effect on the amount of fee and commission income coupled with the multitude of the fee rates applied and substantial number of transactions that require measuring underlying net asset values. The integrity, completeness and accuracy of the data underlying the fee calculations is also a key area of our audit focus.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none">• Assessing and testing the design, implementation and operating effectiveness of the key internal controls relating to the calculation and recognition of fee and commission income.• Assessing and testing the design, implementation and operating effectiveness of internal controls over daily remeasurement of the net asset values of the funds under management;• Assisted by our own IT specialists, assessing and testing the design, implementation and operating effectiveness of the Company's controls over the integrity of the IT systems used for processing of fee and commission income, including controls over access rights, data and change management to these systems;• Tracing fee rates applied by the Company in its assessment of the fees and related fee calculation formulas to the statutes of the funds managed by the Company;• For the year ended 31 December 2019, developing an independent expectation of:<ul style="list-style-type: none">○ administration fees - based on daily net asset values of the funds under management for the year, fee rates and calculation formulas stated in the funds' statutes. As part of our work, assisted by our own valuation specialists, we independently assessed the net asset value of the funds' investment portfolios by comparing these amounts to publicly available quoted prices and obtaining confirmations of the investments from custodians;○ fees for distribution of mutual fund certificates - based on volume of mutual fund certificates sold derived from the system independent



of the accounting function and fee rates stated in the funds' statutes,

- termination fees - based on volume of mutual fund certificates bought derived from the system independent of the accounting function and fee rates stated in the funds' statutes,

Comparing our expectation with the amounts recognized by the Company and investigating any significant differences;

- Inspecting a sample of manual journal entries related to fee and commission income recognized during and after the reporting period through the date of our audit report and tracing the details of the entries with relevant underlying documentation. Investigating any unusual transactions or relationships;
- Assessing the accuracy and completeness of the revenue recognition related disclosures against the requirements of the relevant financial reporting standards.

Responsibilities of the Management Board and Those Charged with Governance for the Separate Financial Statements

The Management Board is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with IFRS EU, and for such internal control as the Management Board determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Management Board 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 Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 separate financial statements.



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

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

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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 those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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

Reporting on Information in the Annual Report

The Management Board is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the separate financial statements does not cover other information in the Annual Report.



In connection with our audit of the separate financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report of the Company, we consider whether it includes the disclosures required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the separate financial statements, in our opinion:

- the information given in the Annual Report for the year 2019 is consistent with the separate financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of audit, we are required to report if we have identified material misstatement in the Annual Report that we have obtained prior to the date of this auditors' report. We have nothing to report in this respect.

Additional requirements on the content of the auditors' report according to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities

Appointment and approval of an auditor

We have been appointed as statutory auditors by the Management Board of the Company on 17 April 2019 on the basis of approval by its General Meeting on 12 March 2019. The period of our total uninterrupted engagement, including previous renewals (extensions of the period for which we were originally appointed) and reappointments as statutory auditors, is eight years.

Consistency with the additional report to the audit committee

Our audit opinion as expressed in this report is consistent with the additional report to the Supervisory Board, exercising the function of the Audit Committee, which was issued on the same date as the date of this report.

Non-audit services


No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities were provided and we remained independent of the Company in conducting the audit.

We did not provide any services to the Company or accounting entities controlled by the Company, other than the statutory audit services and services disclosed in the separate financial statements.

6 February 2020
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96




Responsible auditor:
Ing. Petra Černáková
License UDVA No. 1120

Separate statement of financial position as at 31 December 2019

in thousands of euro

	Note	2019	2018
Assets			
Due from banks	3	1,067	4,535
Financial assets at fair value through profit or loss	4	18,575	16,381
Subsidiaries	5	2,938	2,938
Receivables from funds	6	1,694	1,512
Current income tax receivable		328	-
Intangible assets	7	170	189
Property, equipment and other tangible assets	8	355	29
Deferred income tax asset	9	353	565
Other assets	10	65	114
		<u>25,545</u>	<u>26,263</u>
Liabilities			
Current income tax liability		-	85
Accrued expenses	11	1,387	1,385
Lease liabilities	12	327	-
Other liabilities	13	532	1,572
		<u>2,246</u>	<u>3,042</u>
Equity			
Share capital	14	4,094	4,094
Share premium	14	38,438	38,438
Legal reserve fund	14	819	819
Other funds	14	(37,934)	(37,934)
Retained earnings		13,312	13,312
Net profit for the year		4,570	4,492
		<u>23,299</u>	<u>23,221</u>
		<u>25,545</u>	<u>26,263</u>

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

These financial statements were authorised for issue by the Management Board on 6 February 2020.



RNDr. Ing. Marian Matušovič PhD
Member of the Management Board



Marco Bus
Chairman of the Management Board

**Separate statement of profit or loss and other comprehensive income
for the year ended 31 December 2019**

<i>in thousands of euro</i>	Note	2019	2018
Interest and similar expense	16	(2)	-
Fee and commission income	17	18,791	18,323
Fee and commission expense	18	(13,707)	(13,417)
Net fee and commission income		5,084	4,906
Dividend income	5	2,640	2,737
Net income/(loss) from trading	19	76	(85)
Other income		59	39
Personnel expenses	20	(1,155)	(1,210)
Other operating expenses	21	(1,462)	(1,342)
Amortisation of intangible assets	7	(48)	(43)
Depreciation of property, equipment and other tangible assets	8	(93)	(16)
Operating expenses		(2,758)	(2,611)
Profit before tax		5,099	4,986
Income tax expense	9	(529)	(494)
Net profit for the year		<u>4,570</u>	<u>4,492</u>
 Basic and diluted earnings per share	 14	 <u>3.71</u>	 <u>3.64</u>

Net profit for the year equals comprehensive income.

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

Separate statement of changes in equity for the year ended 31 December 2019

<i>in thousands of euro</i>	Share capital	Share premium	Legal reserve fund	Other funds	Retained earnings	Total
1 January 2018	4,094	38,438	819	(37,934)	13,312	18,730
Transactions with shareholder						
Dividends	-	-	-	-	-	-
Net profit for the year (comprehensive income)	-	-	-	-	4,492	4,492
31 December 2018	<u>4,094</u>	<u>38,438</u>	<u>819</u>	<u>(37,934)</u>	<u>17,804</u>	<u>23,221</u>
1 January 2019	4,094	38,438	819	(37,934)	17,804	23,221
Transactions with shareholder						
Dividends	-	-	-	-	(4,492)	(4,492)
Net profit for the year (comprehensive income)	-	-	-	-	4,570	4,570
31 December 2019	<u>4,094</u>	<u>38,438</u>	<u>819</u>	<u>(37,934)</u>	<u>17,882</u>	<u>23,299</u>

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

Separate statement of cash flows for the year ended 31 December 2019

<i>in thousands of euro</i>	Note	2019	2018
Cash flows from operating activities			
Profit before tax		5,099	4,986
Adjustments for:			
Depreciation of property, equipment and other tangible assets		93	16
Right-of-use assets		(409)	-
Amortisation of intangible assets		48	43
Interest and similar income		-	-
Interest and similar expenses		2	-
Dividend income		(2,640)	(2,737)
Unrealised (gain)/loss from trading		(76)	85
<i>Operating profit before changes in working capital</i>		<u>2,117</u>	<u>2,393</u>
Changes in receivables from funds		(182)	536
Changes in other assets		55	(48)
Changes in other liabilities, accrued expenses and lease liabilities		(715)	661
Tax paid		<u>(732)</u>	<u>(652)</u>
<i>Net cash from operating activities</i>		<u>543</u>	<u>2,890</u>
Cash flows from investing activities			
Interest received		-	-
Interest paid		(2)	-
Dividend received		2,640	2,737
Purchase of financial assets at fair value through profit or loss		(2,118)	(3,036)
Purchase of intangible assets and property and equipment		<u>(39)</u>	<u>(54)</u>
<i>Net cash from/(used in) investing activities</i>		<u>481</u>	<u>(353)</u>
Cash flows from financing activities			
Dividends paid		<u>(4,492)</u>	<u>-</u>
<i>Net cash used in financing activities</i>		<u>(4,492)</u>	<u>-</u>
Net change in cash and cash equivalents		(3,468)	2,537
Cash and cash equivalents at beginning of the year	3	4,535	1,998
Cash and cash equivalents at end of the year	3	<u>1,067</u>	<u>4,535</u>

The accompanying notes on pages 12 to 48 form an integral part of these financial statements.

1. General information

VÚB Asset Management, správ. spol., a.s. ('the Company'), IČO 35786272, DIČ 2021522690, with its registered seat at Mlynské Nivy 1, 820 04 Bratislava, was established on 17 April 2000 in compliance with the provisions of Act No. 385/1999 Coll. on Collective Investments ('the Act'), as amended. The Company was registered in the Commercial Register Bratislava 1 on 17 April 2000, insertion 2416/B.

The core activities of the Company are the creation and administration of mutual funds.

Date of approval of the Financial Statements for the preceding accounting period

The Financial Statements of the Company as at 31 December 2018, i.e. for the preceding accounting period, were approved by the shareholder at the Company's general meeting on 12 March 2019.

Funds under administration

The Company has established and as at 31 December 2019 was administering the following fourteen open-ended mutual funds :

Name of mutual fund	Audited by
VÚB AM VYVÁŽENÝ RASTOVÝ FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM STREDOEURÓPSKY DLHOPISOVÝ FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM KONZERVATÍVNE PORTFÓLIO, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM DYNAMICKÉ PORTFÓLIO, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM REZERVNÝ FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM ACTIVE MAGNIFICA, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM ACTIVE BOND FUND, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM AKCIOVÉ PORTFÓLIO, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM MAGNIFICA EDÍCIA I, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM MAGNIFICA EDÍCIA II, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM MAGNIFICA EDÍCIA III, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM EDÍCIA SVET, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.
VÚB AM EDÍCIA 2018, o.p.f. VÚB Asset Management, správ. spol., a.s.	KPMG Slovensko spol. s r.o.

The accounting records, financial reporting and assets of the funds are maintained separately from the accounting records, financial reporting and assets of the Company.

1. General information (continued)

VÚB AM VYVÁŽENÝ RASTOVÝ FOND, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 29 October 2001, and started issuing mutual fund certificates on 5 November 2001. The Fund focuses on investing accumulated assets mainly in publicly traded securities, especially debt securities and shares of new markets (using approximately 50:50 ratio), regions, industries, and companies operating in the markets of Middle and East Europe. The Fund invests into liquid securities, which offer an above-average yield or show great growth potential.

VÚB AM STREDOEURÓPSKY DLHOPISOVÝ FOND, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 22 August 2003, and started issuing mutual fund certificates on 1 September 2003. The Fund focuses on investing accumulated assets, as determined by the Act, mainly in bonds denominated in EUR, CZK, HUF, PLN, LTL, LVL, HRK, BGN, RON, TRY and other national currencies, particularly of countries converging to European Monetary Union and in derivative instruments.

Based on the decision no. 100-000-135-792 and no. NBS1-000-030-180 from 7 December 2018, that became effective on 21 December 2018, the National Bank of Slovakia effectively granted permission to change the name of mutual fund VÚB AM DLHOPISOVÝ KONVERGENTNÝ FOND, otvorený podielový fond VÚB Asset Management, správ. spol., a.s. to VÚB AM STREDOEURÓPSKY DLHOPISOVÝ FOND, otvorený podielový fond VÚB Asset Management, správ. spol., a.s. on 19 February 2019.

VÚB AM KONZERVATÍVNE PORTFÓLIO, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 17 January 2006, and started issuing mutual fund certificates on 9 February 2006. The Fund focuses on investing accumulated assets particularly into transferrable securities, money market instruments, bonds issued in the Slovak Republic, foreign bonds, shares issued by Slovak or foreign entities in the Slovak Republic or abroad, mutual fund certificates of other open-ended mutual funds, other securities issued by the European funds and securities issued by other collective investment entities including mutual fund certificates of open-ended mutual funds administered by the Company and in derivative instruments.

VÚB AM DYNAMICKÉ PORTFÓLIO, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 17 January 2006, and started issuing mutual fund certificates on 9 February 2006. The Fund focuses on investing accumulated assets particularly into the mutual fund certificates of other open-end mutual funds, other securities issued by European funds and securities issued by other collective investment entities, including mutual fund certificates of open-ended mutual funds administered by the Company and European funds administered by administration companies from the Intesa Sanpaolo group, financial derivative instruments, shares, bonds issued in Slovak Republic or abroad, transferrable securities and money market instruments.

VÚB AM REZERVNÝ FOND, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 12 April 2018. The Fund was renamed from the fund with the original name VÚB AM PRIVÁTNÝ EUROVÝ FOND. This Fund focuses on investment, especially in transferable securities and in those money market instruments denominated in EUR, and in derivative instruments.

Based on the decision no. 100-000-103-362 and no. NBS 1-000-023-153 from 2 May 2018, that became effective on 4 May 2018, the National Bank of Slovakia effectively granted permission to merge VÚB AM FOND BANKOVÝCH VKLADOV, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s. into VÚB AM REZERVNÝ FOND on 12 July 2018.

VÚB AM ACTIVE MAGNIFICA, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 5 January 2013. This fund was created as a result of redesigning the VÚB AM PRIVÁTNE PORTFÓLIO – MIX30, which was renamed. The Fund focuses on three main asset classes: fixed income (EMU government debt), equities (European, US, Emerging markets) and commodities. Exposure to these asset classes is built up by investments in ETFs, mutual funds and foreign exchange hedging contracts. The aim is to maximise performance in the medium risk within an investment horizon of at least four years.

VÚB AM ACTIVE BOND FUND, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 7 October 2013, and started issuing mutual fund certificates on 31 October 2013. Fund mainly focuses on investments into bond mutual funds managed by well-known foreign asset management companies. Within its investment strategy, it aims to invest into bonds with above-average performance within their asset class. In the investment selection process, the stress is put on choosing the best mutual funds in a given category based on the assessment of independent rating agencies.

1. General information (continued)

VÚB AM AKCIOVÉ PORTFÓLIO, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 11 July 2019 and started issuing mutual fund certificates on 11 July 2019. The Fund appreciates the funds by investing primarily in publicly traded funds (ETFs) of the equity type, or futures contracts on equity markets and, to a lesser extent, in bond and money markets. Most assets of the fund are actively managed, i.e. the fund asset structure changes dynamically, following the actual and expected development on financial markets.

VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s., was established on 23 September 2015 and started issuing mutual fund certificates on 1 November 2015. The fund focuses mainly on investments into fund share certificates in equity, debt or mixed markets and money market instruments. Most assets of the fund are actively managed, i.e. the fund's asset structure changes dynamically, following the actual and expected development on financial markets. Exposure of the fund to equity markets may not exceed 22% of the fund's assets.

On 27 November 2018, based on the decision no. 100-000-135-791 and no. NBS 1-000-030-179, that became effective on 10 December 2018, the National Bank of Slovakia effectively granted permission to merge FLEXIBLE MAGNIFICA FUND, an open-ended mutual fund of VÚB Asset Management, správ. spol., a.s. into VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND on 22 March 2019.

VÚB AM MAGNIFICA EDÍCIA I, an open-ended mutual fund, was established on 12 April 2016 and started issuing mutual fund certificates on 16 April 2016 with the Subscription period lasting until 30 June 2016. The reference period started on 1 July 2016 and will end on 30 April 2021. The fund focuses mainly on investments into fund share certificates in equity and debt and money market instruments. Most assets of the fund are actively managed, i.e. the fund asset structure changes dynamically, following the actual and expected development on financial markets.

VÚB AM MAGNIFICA EDÍCIA II, an open-ended mutual fund, was established on 5 September 2016 and started issuing mutual fund certificates on 10 September 2016 with the Subscription period lasting until 15 December 2016. The reference period started on 16 December 2016 and will end on 15 May 2020. The fund focuses mainly on investments into fund share certificates in equity and debt and money market instruments. Most assets of the fund are actively managed, i.e. the fund asset structure changes dynamically, following the actual and expected development on financial markets.

VÚB AM MAGNIFICA EDÍCIA III, an open-ended mutual fund, was established on 7 April 2017 and started issuing mutual fund certificates on 13 April 2017 with the Subscription period lasting until 30 June 2017. The reference period started on 1 July 2017 and will end on 30 April 2021. The fund focuses mainly on investments into fund share certificates in equity and debt and money market instruments. Most assets of the fund are actively managed, i.e. the fund asset structure changes dynamically, following the actual and expected development on financial markets.

VÚB AM EDÍCIA SVET, an open-ended mutual fund, was established on 22 September 2017 and started issuing mutual fund certificates on 28 September 2017 with the Subscription period lasting until 15 December 2017. The reference period started on 16 December 2017 and will end on 30 April 2021. The fund focuses mainly on investments into fund share certificates in equity and debt and money market instruments. Most assets of the fund are actively managed, i.e. the fund asset structure changes dynamically, following the actual and expected development on financial markets.

VÚB AM EDÍCIA 2018, an open-ended mutual fund, was established on 27 April 2018 and started issuing mutual fund certificates on 17 May 2018 with the Subscription period lasting until 17 August 2018. The reference period started on 18 August 2018 and ended on 30 April 2023. The fund focuses mainly on investments into fund share certificates in equity and debt and money market instruments. Most assets of the fund are actively managed, i.e. the fund asset structure changes dynamically, following the actual and expected development on financial markets.

Depository

The Company's depository is Všeobecná úverová banka, a.s., a member of the Intesa Sanpaolo S.p.A Group, Mlynské Nivy 1, 829 90 Bratislava.

1. General information (continued)

Management Board

The members of the Management Board of the Company as at 31 December 2019 and 2018 are:

	31 December 2019	31 December 2018
Chairman:	Marco Bus	Marco Bus
Members:	RNDr. Ing. Marian Matušovič, PhD. Liuba Samotyeva (from 12 March 2019) Marco Canton (until 12 March 2019)	RNDr. Ing. Marian Matušovič, PhD. Marco Canton

Proxy

Proxy of the Company as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Members:	JUDr. Božena Malecká RNDr. Peter Šenk Ing. Juraj Vaško	JUDr. Božena Malecká (from 9 August 2018) RNDr. Peter Šenk (from 9 August 2018) Ing. Juraj Vaško (from 9 August 2018)

Two members together can act on behalf of the Company.

Supervisory Board

The members of the Supervisory Board of the Company as at 31 December 2019 and 2018 are:

	31 December 2019	31 December 2018
Chairman:	Prof. Giorgio di Giorgio	Prof. Giorgio di Giorgio
Members:	Doc. Ing. Tomáš Výrost , PhD. Massimo Mazzini Alexander Resch Oreste Auleta	Doc. Ing. Tomáš Výrost , PhD. Massimo Mazzini Alexander Resch Oreste Auleta (from 9 August 2018) Bruno Alfieri (until 8 August 2018)

Structure of the group

In 2013, the Company became the new centre of the rationalisation project of the existing operations of the financial group of Intesa Sanpaolo S.p.A (the 'ISP Group') for asset management in Eastern Europe. The creation of this centre was the result of a strategic cooperation between Eurizon Capital and the International Subsidiary Banks Division of ISP. The Company assumed the role of the parent of a subgroup, which covers the Hungarian company CIB Befektetési Alapkezelő Zrt. and the Croatian company PBZ Invest d.o.o.

On 9 June 2019, Eurizon Capital SGR S.p.A., seated at Piazzetta Giordano dell' Amore 3, 20121 Milano, Italy, a member of the ISP Group, became the direct parent company of VÚB Asset Management, správ. spol., a.s.

1. General information (continued)

The Company is a member of the following group:

	Direct Parent Company	Ultimate Parent Company
Name:	Eurizon Capital SGR S.p.A.	Intesa Sanpaolo S.p.A
Consolidated financial statements archived with:	Piazzetta Giordano dell' Amore 3, 20121 Milano, Italy	Piazza San Carlo 156, 10 121 Torino, Italy

The Company has applied the exemption from the obligation to prepare consolidated financial statements and consolidated annual report in accordance with the Article 22 (8) of the Act on Accounting: its ultimate parent company Intesa Sanpaolo S.p.A owns more than a 90 % share in the Company and prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union. The Company and all its subsidiaries are included in these consolidated financial statements.

2. Accounting methods and policies

2.1 Basis of preparation

The separate financial statements of the Company ('the financial statements') as at 31 December 2019 have been prepared as ordinary financial statements in accordance with section 17 (6) of the Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2019 until 31 December 2019 and have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB') and with interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ('IFRIC') as approved by the European Union Commission in accordance with the Regulation of the European Parliament and Council of European Union.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for financial instruments at fair value through profit or loss, which are measured at fair value.

The financial statements are presented in thousands of euro ('€'), which is the Company's functional currency and rounded to the nearest thousand, unless indicated otherwise.

Negative balances are presented in brackets.

2.2 Significant accounting judgements and estimates

In the process of preparation of the financial statements, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates is determining the fair value of financial instruments. Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques, which include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2.11 indicate that the Company controls a mutual fund. The Company acts as fund manager to 14 open-ended mutual funds. Determining whether the Company controls such fund usually focuses on the assessment of the aggregate economic interest of the Company in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager.

The Company has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds. For further disclosure in respect of the asset value of the mutual funds under management see Note 26.

Measurement of lease liabilities and rights-of-use assets

The application of IFRS 16 required the Company to make judgments that affect the measurement of lease liabilities and the rights-of-use assets (note 2.14). These include: determining the contracts that fall within the scope of IFRS 16, determining the period over which the leased asset will be used and determining the interest rate used to discount future cash flows.

The assessment of the lease term the Company takes into account not only the non-cancellable period and the contractual period, but also the option to extend the lease if the Company plans to exercise such options. The specified lease term shall also be used as the economic period of the right of use for which that right will be depreciated.

2.3 Changes in accounting policies

IFRS 16 supersedes International Accounting Standard 17 Leases ('IAS 17') and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduced a number of limited scope exceptions for lessees which include:

- Leases with a lease term of 12 months or less and containing no purchase options;
- Leases where the underlying asset has a low value ('small-ticket' leases).

2. Accounting methods and policies (continued)

Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases are retained.

Leases in which the Company is a lessee

The application of the new standard resulted in recognition of additional assets and liabilities in the statement of financial position related to operating leases in which the Company acts as a lessee.

In the Statement of Financial Position the Company recognises new assets under 'Property, equipment and other tangible assets'; and liabilities under 'Leasing liabilities' (Note 2.14) for its operating leases of office premises. The nature of the expenses related to these operating leases has changed as the Company has begun to depreciate the right-of-use assets in the Statement of profit or loss and other comprehensive income on under 'Depreciation of property, equipment and other tangible assets'; and interest expense on lease liabilities under 'Interest and similar expenses' (Note 2.16).

Previously, the Company recognised operating lease expenses on a straight-line basis over the time of the lease, and recognised liabilities only to the extent of timing difference between the actual lease payments and the expense recognised.

As at 1 January 2019, the Company recognised lease liabilities along with Right-of-use asset in the amount of € 409 thousand.

As at 31 December 2018, the Company disclosed minimum lease payments under non-cancellable leases in the amount of € 45 thousand. Under this approach, the company assessed leases without a fixed contractual lease period only for the duration of the notice period, which was generally three months.

As at 1 January 2019, the Company applied incremental borrowing rate of 0.58% for contracts relating to office premises. The management assessed the expected lease term for five years.

Transition

The Company applied IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore no adjustment to the opening balance of Retained earnings at 1 January 2019 was recognised, with no restatement of comparative information.

The Company applied the practical expedient to grandfather the definition of lease on transition. This means that it applied IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. Contracts with residual maturity up to one year were treated as short-term leases.

The explanation of differences between minimum lease payments for operating lease according to IAS 17 and lease liabilities recognised in the Statement of financial position at the date of initial application is as follows:

€'000	1 January 2019
Minimum lease payments for operating lease according to IAS 17	45
Change from three months non-cancellable period to useful life of right-of-use	386
Leases with a lease term of 12 months or less (short-term leases)	(16)
Gross lease liabilities	415
Discounting	(6)
Total lease liabilities according to IFRS 16	409

2. Accounting methods and policies (continued)

Standards and interpretations relevant to the Company's operations issued but not yet effective

Standards issued but not yet effective or not yet adopted by the EU up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2020.

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2020.

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Company does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The European Commission decided to defer the endorsement indefinitely.

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements.

2.4 Foreign currency transactions and translation

Transactions in foreign currency are translated into the functional currency using the reference exchange rates determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of the accounting transaction or at any other day if required by special regulation.

At the reporting date, the assets and liabilities denominated in foreign currency (except for advance payments made and advance payments received) are translated into the functional currency using the reference exchange rates determined and declared by the European Central Bank or National Bank of Slovakia as at the reporting date. The transaction in foreign currency is retranslated into the functional currency using the exchange rate valid at the date of the accounting transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as 'Net income from trading' in the statement of profit or loss and other comprehensive income.

2. Accounting methods and policies (continued)

2.5 Financial instruments – date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the settlement date. Derivatives are recognised on a trade date basis.

2.6 Initial recognition of financial instruments

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. From 1 January 2018, the Company classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms into measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. At initial recognition, the financial assets and liabilities are measured at fair value.

2.7 Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or
- either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

If the Company owns more than one piece of the same security, the weighted average method is used at the disposal of the investment.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

2.8 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if, and only if, there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2. Accounting methods and policies (continued)

2.9 Due from banks

Due from banks represent current account balances and term deposits with commercial banks.

Due from banks are initially recognised when they are originated. Due from banks are initially recorded at their fair value. Subsequently, due from banks are carried at amortised cost if they meet both of the following conditions and are not designated as at FVTPL:

- they are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company measures loss allowances for due from banks at an amount equal to lifetime expected credit losses. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

2.10 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise securities held for trading.

Securities held by the Company for trading represent financial assets held by the Company for the purpose of trading and generating profit from short-term fluctuations in prices.

After their initial recognition, financial assets at fair value through profit or loss are measured at their fair value. The fair value of financial assets owned, for which an active market exists, and where a market value can be reliably estimated, is measured at the quoted market prices. If the value of financial assets cannot be assessed using this method, the value is assessed by the Company upon agreement with the depository, using different generally accepted valuation methods. Such methods reflect the latest interest rates of financial instruments having either the same or comparable characteristics, the credibility of the issuer of securities, the residual maturity and the currency in which payments flowing from the ownership title to these financial assets are denominated.

Changes in fair values are recorded to expense or revenue accounts and are reported as 'Net income from trading' in the statement of profit or loss and other comprehensive income and debited or credited to appropriate securities accounts.

2.11 Subsidiaries

Subsidiaries are entities controlled by the Company. The Company 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Company having power over an entity.

Subsidiaries are recorded at cost as per the books of Intesa SanPaolo Group less impairment losses. The impairment loss is measured using the Dividend discount model.

Dividend discount model

The Management of the companies subject to the impairment test provide a projection of dividends expected to be paid out by their companies in a period of five years. The model calculates the present value of these cash flows, discounting them at the interest rate resulting from the CAPM (Capital Asset Pricing Model). Cash flows after the period of five years are determined by the present value of the perpetuity with a particular estimated growth rate, determined at Intesa Sanpaolo Group level specifically for the Slovak market.

2. Accounting methods and policies (continued)

2.12 Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Company does not intend to sell them immediately or in the near term. Receivables are initially recognised when they are originated. A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequently, receivables are carried at amortised cost if they meet both of the following conditions and are not designated as at FVTPL

- they are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company measures loss allowances for receivables at an amount equal to lifetime expected credit losses. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

2.13 Intangible assets

Intangible assets are recorded at historical cost less accumulated depreciation and impairment losses.

Amortisation plan

Amortisation is calculated on a straight-line basis in order to write off the cost of each asset to its residual value over its estimated useful economic life as follows:

Number of years

Software	7
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Amortisation methods, useful lives and net book values are reassessed at each balance sheet date.

2.14 Leasing – Right-of-use and Lease Liabilities

The Company identified a lease contract for office space reported under 'Property, equipment and other tangible assets' in the category 'Buildings' (Note 2.15).

Leases in which the Company is a lessee

The Company applies single accounting model that requires the lessee to recognise assets and liabilities for all leases excluding exceptions listed in the Standard. The Company has decided to apply exemptions for short-term leases (in relation to cars and office premises) and leases for which the underlying asset is of low value.

Based on the accounting policy applied the Company recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which is comprised of:

- The amount of the initial measurement of the lease liability;
- Any lease payments made prior to or at the commencement date, deducted the incentives received for that lease;
- Any initial direct costs incurred by the lessee;
- An estimate of the costs that the lessee will have to incur for the dismantling and removal of the leased asset or for the restoration of the site where the asset is located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

The right-of-use is recognised as part of 'Property, equipment and other tangible assets'. The periods of expected use of the leased assets are set out in Note 2.15.

2. Accounting methods and policies (continued)

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company recognises liability retirement obligations mainly in relation to leased premises which would need to be restored to previous state when the lease ends. Liability retirement obligations are capitalised as part of the cost of right-of-use assets and depreciated over the asset's estimated useful life. The Company estimates the fair value of liability retirement obligations using average premises reinstatement cost and the discount rate which equals the risk-free interest rate for the Company and the currency of the lease contract.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments exclude variable elements which are dependent on external factors. Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the profit and loss in the line 'Other operating expenses'.

The lease payments are discounted using the Company's incremental borrowing rate or the rate implicit in the lease contract. Interest expense is recognised in the statement of profit or loss in the line 'Interest and similar expense'.

The lease term determined by the Company is comprised of:

- non-cancellable period of lease contracts,
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Subsequently the Company measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect lease payments made, and
- re-measuring the carrying amount to reflect any reassessment or lease modifications.

Liabilities are recognised separately in the Statement of Financial Position under 'Lease liabilities'.

2.15 Property, equipment and other tangible assets

Property, equipment and other tangible assets are recorded at their acquisition cost less accumulated depreciation and impairment losses.

Acquisition cost includes the purchase price plus other costs related to the acquisition, such as freight, duties and commissions. Irrecoverable value added tax is also part of the acquisition cost.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency are capitalised. Upkeep, maintenance and repair costs are expensed as incurred.

Depreciation plan

Property, equipment and other tangible assets is depreciated using the straight-line method over the estimated useful lives of the assets.

2. Accounting methods and policies (continued)

The estimated useful lives are as follows:

	Number of years
Buildings (rights-of-use)	5
Property and equipment	4
Furniture and office equipment	4 – 6
Other items of property and equipment	4 – 6

Depreciation methods, useful lives and net book values are reassessed at each balance sheet date.

2.16 Liabilities

Liabilities are initially recorded at their fair value. Subsequently, they are carried at amortised cost.

2.17 Provisions

A provision represents a liability of uncertain timing or amount. Provisions are made if the following criteria are met:

- an obligation (legal or constructive) to perform exists, resulting from past events,
- it is probable that the event will occur and that it will require a cash outflow representing economic benefits,
- the amount of the obligation can be reliably estimated.

2.18 Recognition of revenue and expense

Revenues and expenses are accounted for on an accruals basis, i.e. regardless of their actual financial settlement.

Interest income and expense are recognised in the statement of profit or loss and other comprehensive income using the effective yield of the interest-earning asset or interest-bearing liability. Interest income and expense include interest on coupons earned on securities and the gradually earned difference between the nominal value and the net acquisition cost of securities, i.e. discounts and premiums.

2.19 Fees and commissions

Fee and commission income from contracts with the funds is measured based on consideration specified with a customer. The Company recognizes revenue when it transfers control over a service to a customer. The following description provides information about the nature and timing of the satisfaction of performance obligation in contracts with the funds.

Fee and commission income comprises administration fees, fees for distribution of mutual fund certificates, termination fees and other fees and commissions. The administration fees are earned from the funds under the Company's management and are accrued over the period to which they relate. Fees for distribution of mutual fund certificates and termination fees are earned from the investors in the funds and recognized on the respective distribution and termination of the mutual fund certificate. These fees are reported as 'Fee and commission income' in the accompanying statement of profit or loss and other comprehensive income.

The Company pays fees mainly for the distribution of the open-ended mutual funds based on specific contracts with VÚB Bank. These are recognized on the respective distribution and termination of the mutual fund certificate. Fees paid are reported as 'Fee and commission expense'.

2.20 Dividend income

Dividend income is recognized in the statement of profit or loss and other comprehensive income on the date the dividend is declared.

2.21 Net income from trading

Net income from trading includes gains and losses arising from purchases, disposals and changes in the fair value of financial assets and liabilities including securities. It also includes the result of all foreign currency transactions.

2. Accounting methods and policies (continued)

2.22 Personnel expenses

Contributions are made to the state's medical, retirement benefit, health and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of social security payments is charged to the statement of profit or loss and other comprehensive income in the same period as the related salary cost. The Company takes part in the voluntary additional old-age pension savings program for its employees. Based on this program, the Company does not have to recognise any additional liabilities to its employees.

2.23 Income tax

Income tax comprises current income tax and deferred income tax.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on temporary differences between the tax base of assets or liabilities and their carrying amount using the balance sheet method. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company also pays other indirect operating taxes which are included in 'Other operating expense'.

2.24 Regulatory requirements

In compliance with the provisions of Act No. 203/2011 on Collective Investments, the Company is subject to several limitations in respect of risk limitations and risk spreading relating to its investment activities.

2.25 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash on hand and amounts due from banks with contractual maturity up to three months.

3. Due from banks

The breakdown of balances on bank accounts and term deposits as at 31 December 2019 and 31 December 2018 is as follows:

in thousands of euro

	2019	2018
Current accounts	1,067	2,035
Term deposits	-	2,500
	<u>1,067</u>	<u>4,535</u>

The Company has current accounts in € and HUF with its authorised depository Všeobecná úverová banka, a.s.

The structure of term deposits as at 31 December 2019 is as follows:

<i>in thousands of euro</i>	Curr- ency	Principal	Accrued interest	Total	Interest rate	Maturity
Bank						
Všeobecná úverová banka, a.s.	EUR	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>		

The structure of term deposits as at 31 December 2018 is as follows:

<i>in thousands of euro</i>	Curr- ency	Principal	Accrued interest	Total	Interest rate	Maturity
Banka						
Všeobecná úverová banka, a.s.	EUR	2 500	-	2 500	0,015%	31.01.19
		<u>2 500</u>	<u>-</u>	<u>2 500</u>		

4. Financial assets at fair value through profit or loss

The structure of financial assets at fair value through profit or loss as at 31 December 2019 and 31 December 2018 is as follows:

in thousands of euro

	2019	2018
Securities held for trading	18,575	16,381

The Company held the following financial assets at fair value through profit or loss as at 31 December 2019:

<i>in thousands of euro</i>	CCY	Units	Acquisition cost	Unit FV in CCY	Fair Value
Securities held for trading					
VÚB AM REZERVNÝ FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	502,917,143	18,450	0.036867	18,541
VÚB AM KONZERVATÍVNE PORTFÓLIO, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	336,461	13	0.038138	13
VÚB AM DYNAMICKÉ PORTFÓLIO, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	153,829	6	0.043613	7
VÚB AM VYVÁŽENÝ RASTOVÝ FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	138,609	6	0.052307	7
VÚB AM ACTIVE BOND FUND, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	54,486	6	0.123718	7
			18,481		18,575

The Company held the following financial assets at fair value through profit or loss as at 31 December 2018:

<i>in thousands of euro</i>	CCY	Units	Acquisition cost	Unit FV in CCY	Fair Value
Securities held for trading					
VÚB AM REZERVNÝ FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	445,795,433	16,348	0.036693	16,357
VÚB AM KONZERVATÍVNE PORTFÓLIO, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	252,233	10	0.037291	9
VÚB AM DYNAMICKÉ PORTFÓLIO, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	115,259	5	0.039186	5
VÚB AM VYVÁŽENÝ RASTOVÝ FOND, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	105,533	5	0.043725	5
VÚB AM ACTIVE BOND FUND, o.p.f. VÚB Asset Management, správ. spol., a.s.	EUR	41,518	5	0.114005	5
			16,373		16,381

Financial assets recorded at fair value through profit or loss are subject to the risk of fair value change as a result of market interest rate changes and changes in equity market prices.

5. Subsidiaries

in thousands of euro

	Share in %	2019	2018
CIB Befektetési Alapkezelő Zrt.	100	2,278	2,278
PBZ Invest d.o.o.	100	660	660
		<u>2,938</u>	<u>2,938</u>

PBZ Invest d.o.o. has its registered seat at Ilica 5 - Oktogon, 10 000 Zagreb, Croatia. CIB Befektetési Alapkezelő Zrt. has its registered seat at Medve utca 4-14, 1027 Budapest, Hungary. Both companies provide asset management services.

The Company is not a partner with unlimited liability in any other company.

Dividend income from subsidiaries was as follows:

in thousands of euro

	2019	2018
CIB Befektetési Alapkezelő Zrt.	2,350	2,373
PBZ Invest d.o.o.	290	364
	<u>2,640</u>	<u>2,737</u>

6. Receivables from funds

The structure of receivables from funds as at 31 December 2019 and 31 December 2018 is as follows:

in thousands of euro

	2019	2018
VÚB AM DYNAMICKÉ PORTFÓLIO, o.p.f.	410	347
VÚB AM ACTIVE MAGNIFICA, o.p.f.	335	268
VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND, o.p.f.	168	157
VÚB AM ACTIVE BOND FUND, o.p.f.	179	148
VÚB AM KONZERVATÍVNE PORTFÓLIO, o.p.f.	101	134
VÚB AM VYVÁŽENÝ RASTOVÝ FOND, o.p.f.	192	117
VÚB AM FLEXIBLE MAGNIFICA FUND, o.p.f.	-	85
(merged into VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND, o.p.f.)	-	-
VÚB AM STREDOEUROPSKY DLHOPISOVÝ FOND, o.p.f.	69	74
VÚB AM MAGNIFICA EDÍCIA III, o.p.f.	51	47
VÚB AM EDÍCIA SVET, o.p.f.	49	42
VÚB AM MAGNIFICA EDÍCIA II, o.p.f.	31	33
VÚB AM MAGNIFICA EDÍCIA I, o.p.f.	24	22
VÚB AM REZERVNÝ FOND, o.p.f.	15	19
VÚB AM EDÍCIA 2018, o.p.f.	20	19
VÚB AM AKCIOVÉ PORTFÓLIO, o.p.f.	50	-
	<u>1,694</u>	<u>1,512</u>

7. Intangible assets

The movement of intangible assets in 2019 is as follows:

<i>in thousands of euro</i>	Software	Other intangible assets	Assets in progress	Total
Acquisition cost				
1 January 2019	885	-	-	885
Additions	-	-	29	29
Disposals	-	-	-	-
Transfers	29	-	(29)	-
31 December 2019	914	-	-	914
Accumulated amortisation				
1 January 2019	(697)	-	-	(697)
Amortisation for the year	(48)	-	-	(48)
Disposals	-	-	-	-
31 December 2019	(745)	-	-	(745)
Net book value				
1 January 2019	189	-	-	189
31 December 2019	170	-	-	170

The movement of intangible assets in 2018 is as follows:

<i>in thousands of euro</i>	Software	Other intangible assets	Assets in progress	Total
Acquisition cost				
1 January 2018	831	-	14	845
Additions	-	-	40	40
Disposals	-	-	-	-
Transfers	54	-	(54)	-
31 December 2018	885	-	-	885
Accumulated amortisation				
1 January 2018	(653)	-	-	(653)
Amortisation for the year	(43)	-	-	(43)
Disposals	-	-	-	-
31 December 2018	(697)	-	-	(697)
Net book value				
1 January 2018	178	-	14	192
31 December 2018	189	-	-	189

Intangible assets comprise mainly software used to perform the valuation of the funds' assets, administration of the clients' database and risk management. The estimated useful life of the software is in line with the depreciation and amortisation plan of the Company (seven years). In order to maintain the highest efficiency and effectiveness, the software is being upgraded continuously. Upgrades of the software extend its useful life.

The gross book value of fully amortised assets that are still used by the Company was € 559 thousand as at 31 December 2019 (31 December 2018 € 559 thousand).

8. Property, equipment and other tangible assets

The movement of property, equipment and other tangible assets in 2019 is as follows:

<i>in thousands of euro</i>	Buildings	Furniture and office equipment	Other tangible assets	Assets in progress	Total
Acquisition cost					
1 January 2019	96	3	3	-	102
Additions	409	-	-	10	419
Disposals	(10)	-	(2)	-	(12)
Transfers	10	-	-	(10)	-
31 December 2019	505	3	1	-	509
Accumulated depreciation					
1 January 2019	(68)	(2)	(3)	-	(73)
Depreciation for the year	(93)	-	-	-	(93)
Disposals	10	-	2	-	12
31 December 2019	(151)	(2)	(1)	-	(154)
Net book value					
1 January 2019	28	1	-	-	29
31 December 2019	354	1	-	-	355

Of which right-of-use assets:

	Buildings	Total
Acquisition cost		
1 January 2019	-	-
Additions	409	409
Disposals	-	-
31 December 2019	409	409
Accumulated depreciation		
1 January 2019	-	-
Depreciation for the year	(82)	(82)
Disposals	-	-
31 December 2019	(82)	(82)
Net book value		
1 January 2019	-	-
31 December 2019	327	327

As of 1 January 2019, the Company applied IFRS 16 Leases under which it recognizes right-of-use assets on the line Property, equipment and other tangible assets and liabilities on the line Lease liabilities (Note 2.3) in the statement of financial position for its operating leases of office space.

8. Property, equipment and other tangible assets (continued)

The movement of property, equipment and other tangible assets in 2018 is as follows:

<i>in thousands of euro</i>	Buildings	Furniture and office equipment	Other tangible assets	Assets in progress	Total
Acquisition cost					
1 January 2018	103	3	3	-	109
Additions	-	-	-	14	14
Disposals	(21)	-	-	-	(21)
Transfers	14	-	-	(14)	-
31 December 2018	96	3	3	-	102
Accumulated depreciation					
1 January 2018	(72)	(2)	(3)	-	(77)
Depreciation for the year	(16)	-	-	-	(16)
Disposals	20	-	-	-	20
31 December 2018	(68)	(2)	(3)	-	(73)
Net book value					
1 January 2018	31	1	-	-	32
31 December 2018	28	1	-	-	29

The gross book value of fully depreciated assets that are still used by the Company was € 49 thousand as at 31 December 2019 (€ 49 thousand as at 31 December 2018).

The Company's insurance covers all standard risks to tangible assets and intangible assets (theft, robbery, natural hazards, vandalism, and other damages).

At 31 December 2019 and 31 December 2018, no property, equipment and other tangible assets were pledged by the Company to secure transactions with counterparties.

9. Taxes

The effective tax rate differs from the statutory tax rate in 2019 and in 2018. The reconciliation of the Company's profit before tax with the actual corporate income tax is as follows:

in thousands of euro

	2019		2018	
	Tax base	Tax at applicable tax rate (21%)	Tax base	Tax at applicable tax rate (21%)
Profit before tax	5,099	(1,071)	4,986	(1,047)
Tax effect of expenses that are not deductible in determining taxable profit				
Tax deductible expense upon payment	1,281	(269)	2,272	(477)
Creation of reserves for bonuses	220	(46)	257	(54)
Creation of provisions for accrued expenses	43	(9)	71	(15)
Representation expenses	29	(6)	38	(8)
Other	119	(25)	26	(6)
	<u>1,692</u>	<u>(356)</u>	<u>2,664</u>	<u>(560)</u>
Tax effect of revenues that are deductible in determining taxable profit				
Dividends received	(2,640)	554	(2,726)	572
Tax deductible expense upon payment – paid	(2,254)	473	(1,529)	321
Use of reserves for bonuses	(221)	46	(286)	60
Use of reserves for accrued expenses	(89)	19	(65)	14
Release of reserves for bonuses	-	-	-	-
Other	(85)	19	-	-
	<u>(5,300)</u>	<u>1,111</u>	<u>(4,606)</u>	<u>967</u>
Current income tax	<u>1,503</u>	<u>(317)</u>	<u>3,044</u>	<u>(640)</u>
Deferred income tax at 21%		<u>(212)</u>		<u>146</u>
Income tax expense		<u>(529)</u>		<u>(494)</u>
Effective tax rate		<u>10.37 %</u>		<u>9.90 %</u>

9. Taxes (continued)

Deferred income tax

In 2019 and 2018, the Company accounted for deferred income tax from taxable temporary differences between the carrying amount of assets and liabilities and their tax written-down value.

Deferred income taxes as at 31 December 2019 are calculated on all temporary differences using a tax rate of 21% (31 December 2018: 21 %) as follows:

<i>in thousands of euro</i>	December 2019	Income/ (loss)	December 2018
Difference between tax value and net book value tangible assets	(69)	(69)	-
Difference between tax value and net book value of lease liabilities	69	69	-
Other liabilities – tax base after payment	353	(212)	565
Deferred income tax asset	<u>353</u>	<u>(212)</u>	<u>565</u>

Deferred income taxes as at 31 December 2018 are calculated on all temporary differences using a tax rate of 21% as follows:

<i>in thousands of euro</i>	2018	Income/ (loss)	2017
Other liabilities – tax base after payment	<u>565</u>	<u>146</u>	<u>419</u>
Deferred income tax asset	<u>565</u>	<u>146</u>	<u>419</u>

10. Other assets

The structure of other assets as at 31 December 2019 and 31 December 2018 is as follows:

<i>in thousands of euro</i>	2019	2018
Other receivables and prepayments	65	97
Other assets	-	17
	<u>65</u>	<u>114</u>

There are no overdue receivables within other assets. The Company did not create any impairment losses for receivables as at 31 December 2019 and 31 December 2018.

11. Accrued expenses

The breakdown of accrued expenses as at 31 December 2019 and 31 December 2018 is as follows:

<i>in thousands of euro</i>	2019	2018
VÚB – administration fees	957	888
VÚB – admission fees	238	217
ISP Group Services	21	69
VÚB – other	26	65
Generali – administration fees	42	36
Epsilon – administration fees	30	29
Eurizon – administration fees	17	24
Audit	18	18
Competitions for salesmen	5	16
Eurizon – service level agreement	6	6
Eurizon – license agreement	2	2
Other	25	15
	1,387	1,385

12. Lease liabilities

Lease liabilities resulting from the lease of office premises during 2019 were as follows:

<i>in thousands of euro</i>	2019	2018
1 January 2019 (initial recognition under IFRS 16)	409	-
Accrued interest	2	-
Leasing payments: interest	(2)	-
Leasing payments: principal	(82)	-
31 December 2019	327	

13. Other liabilities

The breakdown of other liabilities as at 31 December 2019 and 31 December 2018 is as follows:

<i>in thousands of euro</i>	2019	2018
Year-end bonuses	356	358
Undrawn vacations	67	56
Payables to employees	40	36
Social security payables	26	24
Other direct and indirect taxes	14	11
Social fund	(4)	2
Supervisory Board remuneration	-	1
VÚB Leasing	-	1
VÚB, a.s. – fees	-	1,062
Other liabilities	32	21
	532	1,572

There were no overdue payables within the balance of other liabilities (short-term and long-term) as at 31 December 2019 and 31 December 2018.

13. Other liabilities (continued)

The movements in social fund liability were as follows:

<i>in thousands of euro</i>	1 Jan 2019	Creation	Use	31 Dec 2019
Social fund	2	11	(17)	(4)

<i>in thousands of euro</i>	1 Jan 2018	Creation	Use	31 Dec 2018
Social fund	-	19	(17)	2

14. Equity

The movements on the equity accounts are detailed in the Statement of changes in equity.

Share capital

The shareholding structure of the Company is as follows:

	2019	2018
Eurizon Capital SGR S.p.A.	100.0 %	100.0 %

On 9 June 2018 Eurizon Capital SGR S.p.A. became sole shareholder of the Company.

The share capital as at 31 December 2019 in the amount of € 4,094 thousand consists of 1,233 ordinary shares (as at 31 December 2018 the share capital was in the amount of € 4,094 and consisted of 1,233 ordinary shares) with a nominal value of € 3,320 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares of the Company were authorized, issued and fully paid as at 31 December 2019 and 2018.

Earnings per share of the Company as at 31 December 2019 and as at 31 December 2019:

<i>in thousands of euro</i>	2019	2018
Net profit for the year	4,570	4,492
Number of shares	1,233	1,233
Basic and diluted earnings per share	3.71	3.64

Share premium and Other funds

Compensation for the issue of new shares in 2013 were in-kind contributions in the form of holdings in the companies PBZ Invest d.o.o. as a contribution of the shareholder Privredna Banka Zagreb d.d. and CIB Befektetési Alapkezelő Zrt. as a contribution of the shareholder Eurizon Capital S.A. The fair value of these companies was allocated between the share capital in the amount of € 2,434 thousand and the share premium in the amount of € 38,438 thousand.

As the transaction was a common control transaction, the value was subsequently adjusted to the value that had been recognised in the original parent companies before the transaction. The value adjustment of € (37,934) thousand is recognised under Other funds.

Legal reserve fund

Under the Slovak Commercial Code, all companies are required to maintain a legal reserve fund to cover future losses. The Company is obliged to contribute an amount to the fund each year that is not less than 10% of its annual net profit until the aggregate amount reaches a minimum level equal to 20 % of the issued share capital. The aggregate amount of legal reserve fund is € 819 thousand as at 31 December 2018, which represents the level of 20% of the issued share capital (as at 31 December 2017: € 819 thousand, which represented the level of 20% of the issued share capital).

14. Equity (continued)

Distribution of profit

On 12 March 2019, the General Assembly meeting was held, at which the shareholders approved the 2018 profit distribution as follows:

<i>in thousands of euro</i>	2018
Dividend payment to shareholders	4,492
	<u>4,492</u>

Proposed distribution of profit

The Management Board will propose the following 2019 profit distribution at the General Assembly meeting to be held on 10 March 2020:

<i>in thousands of euro</i>	2019
Dividend payment to shareholders	4,570
	<u>4,570</u>

15. Off-balance sheet liabilities

In the normal course of business, the Company enters into agreements under operating leases for premises and transportation vehicles for employees. As at 31 December 2018, the total amount of future payments arising from irrevocable operating lease agreements within 1 year: €45 thousand and 1 – 5 years: €0 thousand.

16. Interest and similar expense

The breakdown of net interest expense is as follows:

<i>in thousands of euro</i>	2019	2018
Lease liabilities	(2)	-
	<u>(2)</u>	<u>-</u>

17. Fee and commission income

In the following table fee and commission income from contracts with the funds in the scope of IFRS 15 is disaggregated by main type of services:

<i>in thousands of euro</i>	2019				2018	
	Admini- stration fees	Fees for sale of mu- tual fund certificates	Termina- tion fees	Other fees and commi- ions	Total	Total
Dynamické portfólio, o.p.f.	3,563	881	83	-	4,527	3,365
Active Magnifica, o.p.f.	2,688	568	22	74	3,352	2,916
Active Bond Fund, o.p.f.	1,560	401	4	116	2,081	2,189
Flexibilný konzervatívny fond, o.p.f.	1,858	208	6	52	2,124	2,055
Konzervat. portfólio, o.p.f.	1,315	4	41	-	1,360	1,809
Vyváž. rastový fond, o.p.f.	1,572	304	22	-	1,898	1,278
Flexible Magnifica fund, o.p.f. (merged to Flex. konz. fond)	192	3	-	-	195	1,198
Stredoeurópsky dlhopis. fond, o.p.f.	786	48	8	-	842	866
Magnifica Edícia III, o.p.f.	558	-	-	11	569	592
Edícia svet, o.p.f.	518	-	-	10	528	544
Edícia 2018, o.p.f.	223	-	-	5	228	466
Magnifica Edícia II, o.p.f.	381	-	-	1	382	426
Magnifica Edícia I, o.p.f.	262	-	-	4	266	277
Rezervný fond, o.p.f.	196	-	-	-	196	186
Akciové portfólio, o.p.f.	51	180	1	-	232	-
Ostatné poplatky				11	11	26
	<u>15,723</u>	<u>2,597</u>	<u>187</u>	<u>284</u>	<u>18,791</u>	<u>18,323</u>

18. Fee and commission expense

The breakdown of expenses for fees and commissions is as follows:

<i>in thousands of euro</i>	2019	2018
Fees for fund administration	(11,079)	(10,692)
Fees for sale of mutual fund certificates	(2,616)	(2,714)
Bank fees	(6)	(6)
Other fees	(6)	(5)
	<u>(13,707)</u>	<u>(13,417)</u>

19. Net income/(loss) from trading

The breakdown of net loss from trading is as follows:

<i>in thousands of euro</i>	2019	2018
Income/(loss) from securities	86	(72)
Realised FX losses	(10)	(13)
	<u>76</u>	<u>(85)</u>

20. Personnel expenses

The breakdown of personnel expenses as at 31 December 2019 is as follows:

<i>in thousands of euro</i>	Key management personnel	Employees	Total
Wages and salaries	(322)	(361)	(683)
Bonuses for 2019	(197)	(7)	(204)
Social security costs	(116)	(152)	(268)
			<u>(1,155)</u>

The breakdown of personnel expenses as at 31 December 2018 is as follows:

<i>in thousands of euro</i>	Key management personnel	Employees	Total
Wages and salaries	(356)	(324)	(680)
Bonuses for 2018	(206)	(9)	(215)
Bonuses for 2017	(23)	-	(23)
Social security costs	(145)	(147)	(292)
			<u>(1,210)</u>

Average number of employees by categories:

	2019	2018
Key management personnel	1	1
Middle management	5	5
Administration	18	17
Headcount as at 31 December	<u>24</u>	<u>23</u>
Average number of employees	<u>21</u>	<u>21.7</u>

The average number of employees as well as employees in Administration include two employees (2018: two employees) on maternity leave as at 31 December 2019.

21. Other operating expenses

The breakdown of other operating expenses is as follows:

<i>in thousands of euro</i>	2019	2018
Advisory services	(397)	(417)
IT systems maintenance	(209)	(237)
Rent	(39)	(176)
Advertising and promotional activities	(405)	(121)
Fee to NBS, Investment Guarantee Fund	(140)	(114)
Market information providers (Bloomberg, Reuters)	(53)	(49)
Travelling	(43)	(40)
Supervisory Board remuneration	(19)	(31)
Audit	(34)	(27)
Education	(14)	(16)
Office supplies	(8)	(15)
Fuel	(6)	(8)
Other car expenses	(8)	(8)
Archive	(6)	(6)
Copy machine service	(2)	(5)
Other	(79)	(72)
	(1,462)	(1,342)

The breakdown of audit and assurance services is as follows:

<i>in thousands of euro</i>	2019	2018
Audit of the separate financial statements	(26)	(26)
Audit of the consolidation package	(1)	(1)
	(27)	(27)

Expenses for the statutory audit of the mutual funds under the Company's administration are recorded as an expense of the individual funds.

22. Financial and operational risk management

The purpose of risk management is to achieve an optimal ratio between the risk profile of the Company and its profitability. The Company, based on the activities it performs, is exposed particularly to the following types of risks: credit, market and operational risk. The risk management process comprises mainly risk identification, risk quantification, reporting, and preventing and detecting measures.

Due to the non-complex structure of the financial instruments portfolio, the Company is exposed to credit risk, liquidity risk, interest rate risk and operational risk. The Company is not exposed to share price risk. Nor is the Company exposed to currency risk since the Company maintains its accounting books in euro and its activities are conducted in euro and generally the investments are made only into funds investing into financial assets denominated in euro.

22.1 Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans to banks as well as investment securities.

In order to achieve the required appreciation of the invested assets and acceptable risk position, as at 31 December 2019 and 31 December 2018, the Company only invested into low-risk instruments with a short duration denominated in €. The Company does not require collateral to minimise credit risk, which reflects the nature of the Company's operations and counterparties.

22. Financial risk management (continued)

The Company does not use any internal ratings to assess the credit quality of the financial assets. The quality of financial assets based on external credit risk ratings was as follows:

<i>in thousands of euro</i>	External rating	2019	2018
Amounts due from banks	A2 *	1,067	4,535
Financial assets at fair value through profit or loss	n/a	18,575	16,381
Receivables from funds	n/a	1,694	1,512

* external rating according to Moody's rating agency

The Company did not establish an allowance for impairment losses as there was no evidence of impairment for the financial assets.

21.2 Liquidity risk

Liquidity risk is defined as the risk that the Company is not able to meet its payment obligations when they fall due (funding liquidity risk). Normally, the Company is able to cover cash outflows with cash inflows, highly liquid assets and its ability to obtain credit. With regard to the highly liquid assets in particular, there may be strains in the market that make them difficult (or even impossible) to sell or be used as collateral in exchange for funds. From this perspective, the Company's liquidity risk is closely tied to the market liquidity conditions (market liquidity risk).

The following table provides a breakdown of financial assets by their residual contractual maturity from the balance sheet date to the agreed due date. If there is a possibility of early repayment, or if a repayment schedule exists which enables an early repayment, the table is prepared with the most prudent classification of the due date. Those financial assets without an agreed due date are disclosed commonly within the category 'unspecified maturity'.

The residual maturity of financial assets as at 31 December 2019 is as follows:

<i>in thousands of euro</i>	Within 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Unspecified maturity	Total
Financial assets							
Amounts due from banks	1,067	-	-	-	-	-	1,067
Financial assets at fair value through profit or loss	-	-	-	-	-	18,575	18,575
Receivables from funds	1,694	-	-	-	-	-	1,694
	<u>2,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,575</u>	<u>21,336</u>

The residual maturity of financial liabilities as at 31 December 2019 is as follows:

<i>in thousands of euro</i>	Within 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Unspecified maturity	Total
Financial liabilities							
Lease liabilities	7	14	63	243	-	-	327

22. Financial risk management (continued)

The residual maturity of financial assets as at 31 December 2018 is as follows:

<i>in thousands of euro</i>	Within 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Unspecified maturity	Total
Financial assets							
Amounts due from banks	4,535	-	-	-	-	-	4,535
Financial assets at fair value through profit or loss	-	-	-	-	-	16,381	16,381
Receivables from funds	1,512	-	-	-	-	-	1,512
	<u>6,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,381</u>	<u>22,428</u>

The residual maturity of financial liabilities as at 31 December 2018 is as follows:

<i>in thousands of euro</i>	Within 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Unspecified maturity	Total
Financial liabilities							
Lease liabilities	-	-	-	-	-	-	-

22.3 Interest rate risk

The Company is exposed to interest rate risk as the value of certain financial instruments will vary due to market changes in interest rates and the maturity of interest-earning assets will differ from the maturity of interest-bearing liabilities used as the source of financing the assets. The extent to which the financial instrument is exposed to interest rate risk can be derived from the period during which the interest rate is fixed to the financial instrument.

An overview of statement of financial position items by the agreed period during which the underlying interest rate is fixed for the item as at 31 December 2019 is as follows:

<i>in thousands of euro</i>	Within 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Unspecified maturity	Total
Financial assets							
Amounts due from banks	1,067	-	-	-	-	-	1,067
Financial assets at fair value through profit or loss	-	-	-	-	-	18,575	18,575
Receivables from funds	1,694	-	-	-	-	-	1,694
	<u>2,761</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,575</u>	<u>21,336</u>

22. Financial risk management (continued)

An overview of statement of financial position items by the agreed period during which the underlying interest rate is fixed for the item as at 31 December 2018 is as follows:

<i>in thousands of euro</i>	Within 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Unspe- cified maturity	Total
Financial assets							
Amounts due from banks	4,535	-	-	-	-	-	4,535
Financial assets at fair value through profit or loss	-	-	-	-	-	16,381	16,381
Receivables from funds	1,512	-	-	-	-	-	1,512
	<u>6,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,381</u>	<u>22,428</u>

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

31 December 2019 in thousands of euro

Assets

Due from banks	1,067	-	1,067
Financial assets at fair value through profit or loss	-	18,575	18,575
Subsidiaries	-	2,938	2,938
Receivables from funds	1,694	-	1,694
Current income tax receivable	328	-	328
Intangible assets	-	170	170
Property, equipment and other tangible assets	-	355	355
Deferred income tax asset	-	353	353
Other assets	44	21	65

	Less than 12 months	Over 12 months	Total
	1,067	-	1,067
	-	18,575	18,575
	-	2,938	2,938
	1,694	-	1,694
	328	-	328
	-	170	170
	-	355	355
	-	353	353
	44	21	65
	<u>3,133</u>	<u>22,412</u>	<u>25,545</u>
Liabilities			
Accrued expenses	(1,387)	-	(1,387)
Lease liabilities	(20)	(307)	(327)
Other liabilities	(532)	-	(532)
	<u>(1,939)</u>	<u>(307)</u>	<u>(2,246)</u>

22. Financial risk management (continued)

31 December 2018 in thousands of euro	Less than 12 months	Over 12 months	Total
Assets			
Due from banks	4,535	-	4,535
Financial assets at fair value through profit or loss	-	16,381	16,381
Subsidiaries	-	2,938	2,938
Receivables from funds	1,512	-	1,512
Intangible assets	-	189	189
Property, equipment and other tangible assets	-	29	29
Deferred income tax asset	-	565	565
Other assets	97	17	114
	<u>6,144</u>	<u>20,119</u>	<u>26,263</u>
Liabilities			
Current income tax liability	(85)	-	(85)
Accrued expenses	(1,385)	-	(1,385)
Other liabilities	(1,572)	-	(1,572)
	<u>(3,042)</u>	<u>-</u>	<u>(3,042)</u>
	<u>3,102</u>	<u>20,119</u>	<u>23,221</u>

22.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations. The Company adopted the Standardised Approach for Operational Risk management and measurement.

23. Adequacy of own funds

The Management Company is obliged to comply with regulatory requirements issued primarily by the NBS, which are set out under Act No. 203/2011 on collective investment and under the Decree of NBS No. 7/2011 about proportionality of own resources. These include limits and restrictions on capital adequacy. These requirements apply to all management companies in Slovakia and their compliance is determined on the basis of reports submitted by the management company under statutory accounting rules.

The summary of these requirements valid for 2019 is as follows:

- Initial capital of the Company is at least € 125 thousand.
- The Company is obliged to observe the adequacy of own funds. Own funds of the management company are appropriate under this Act, unless they are below:
 - a) € 125 thousand plus 0.02% of the value of the assets in the funds managed by the Company exceeding € 250,000,000, this amount is not increased when it reaches € 10,000,000,
 - b) One quarter of average general operating costs of the management company for the previous calendar year. If the management company operated for less than one year, a quarter of the amount of general operating costs referred to in its business plan.
- The Company may not acquire in its property or property in the open-ended mutual fund, which it manages, more than 10% of the total nominal value of shares with voting rights issued by one issuer.
- The Company may not acquire in its property or assets to the open-ended mutual fund, which manages, shares with voting rights which would enable the Company to exercise a significant influence on the management of the issuer located in the territory of the Slovak republic, or in a non EU State.
- The Company is required to comply with restrictions on the acquisition of significant influence in the management of the issuer established in EU Member State, provided by the law of that Member State, taking into account the property in the mutual fund, which it manages.
- Internal organisation of the Company shall provide risk minimisation for the holders of mutual fund certificates or for the Company's clients by preventing conflict of interest between the Company and its clients, between two of its clients mutually, between one of its clients and the holders of mutual fund certificates or between the holders of mutual fund certificates.

23. Adequacy of own funds (continued)

The Company regularly and on a timely basis informs the NBS about the amount of initial capital, its own resources and structure according to the NBS measure No. 7/2011 on asset management company's own resources and attaches the information about proportionality of own resources according to the law No. 203/2011 on collective investments.

<i>in thousands of euro</i>	Indicator value 2019	Indicator value 2018
Limit of initial capital	653	660
Paid up share capital	4,094	4,094
Share premium	38,438	38,438
Retained earnings	13,312	13,312
Items decreasing value of own funds	(3,107)	(3,117)
Reserve fund and other funds	(37,115)	(37,115)
Accumulated losses of previous periods	-	-
Capital total	15,622	15,612
Data on compliance with the limits of own funds	2,392 %	2,366 %

Limit of initial capital was fulfilled at 2,392 % (2018: 2,366 %).

24. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities as at 31 December 2019 is as follows:

<i>in thousands of euro</i>	Note	Carrying amount	Fair value
Amounts due from banks	3	1,067	1,067
Financial assets at fair value through profit or loss	4	18,575	18,575
Receivables from funds	6	1,694	1,694

The fair value of financial assets and liabilities as at 31 December 2018 is as follows:

<i>in thousands of euro</i>	Note	Carrying amount	Fair value
Amounts due from banks	3	4,535	4,535
Financial assets at fair value through profit or loss	4	16,381	16,381
Receivables from funds	6	1,512	1,512

The following table shows an analysis of financial instruments disclosed at fair value by level of the fair value hierarchy:

<i>in thousands of euro</i>		December 2019			
	Note	Level 1	Level 2	Level 3	Total
Amounts due from banks	3	-	1,067	-	1,067
Financial assets at fair value through profit or loss	4	-	18,575	-	18,575
Receivables from funds	6	-	-	1,694	1,694

24. Fair value of financial assets and liabilities (continued)

in thousands of euro

		December 2018			
	Note	Level 1	Level 2	Level 3	Total
Amounts due from banks	3	-	4,535	-	4,535
Financial assets at fair value through profit or loss	4	-	16,381	-	16,381
Receivables from funds	6	-	-	1,512	1,512

The Company uses the following hierarchy for the determination and disclosure of fair value of financial instruments based on the valuation technique:

Level 1: Quoted (unadjusted) prices from active markets for identical assets or liabilities;

Level 2: Other techniques, by which all inputs which have a significant impact on the posted fair value are observable, either directly or indirectly;

Level 3: Techniques that use inputs with significant impact on the posted fair value, but these inputs are not based on observable market data.

Amounts due from banks

Amounts due from banks represent current account balances and short-term deposits with a maturity period of less than 14 days. Accordingly, the book value is considered to be the fair value.

Financial assets at fair value through profit or loss

All securities are carried at quoted market prices. VUM AM calculates value of assets and liabilities in each mutual fund, as well as net asset value (NAV of mutual fund). Value of mutual fund share certificates is derived from NAV, simply by dividing NAV by the number of shares, which is in line with regulation of National Bank of Slovakia (NBS). NBS sets out guidelines on how to calculate NAV in a standard mutual fund or special public mutual fund. NBS also provides method how to calculate value of new shares when issuing new shares in open mutual funds for each work day. This calculation is based on day's closing values of individual components of Fund's assets (foreign currencies components are translated to euro at the official European Central Bank rates prevailing at the end of the day).

Receivables from funds

Receivables from funds represent due management fees from the funds. As they are short-term the book value is considered to be the fair value.

25. Financial assets and liabilities in foreign currencies

All financial assets and liabilities of the Company were denominated in EUR as at 31 December 2019.

26. Related parties transactions

Related parties are those counterparties that represent:

- enterprises that directly, or indirectly, through one or more intermediaries, control, or are controlled by, have a significant influence or are under common control of the reporting enterprise;
- associates – enterprises in which the parent company has significant influence and which are neither a subsidiary nor a joint venture;
- individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and anyone expected to influence, or be influenced by, that person in their dealings with the Company;
- key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and officers of the Company and close members of the families of such individuals; and
- enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.

26. Related parties transactions (continued)

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. All transactions with related parties were performed on an arm's length basis.

The breakdown of receivables and payables with related parties as at 31 December 2019 is as follows:

<i>in thousands of euro</i>	Mutual Funds VUB AM ⁽¹⁾	Share- holders ⁽²⁾	Other companies in ISP group ⁽³⁾	Generali ⁽⁴⁾	KMP ⁽⁵⁾	Total
Assets						
Amounts due from banks	-	-	1,067	-	-	1,067
Financial assets at fair value through profit or loss	18,575	-	-	-	-	18,575
Available-for-sale financial assets	-	-	21	-	-	21
Subsidiaries	-	-	2,938	-	-	2,938
Property, equipment and other tangible assets	-	-	329	-	-	329
Receivables from funds	1,694	-	-	-	-	1,694
Other assets	-	-	2	-	-	2
	<u>20,269</u>	<u>-</u>	<u>4,357</u>	<u>-</u>	<u>-</u>	<u>24,626</u>
Liabilities						
Accrued expenses	-	25	1,272	42	-	1,339
Lease liabilities	-	-	327	-	-	327
Other liabilities	-	-	-	-	357	357
	<u>-</u>	<u>25</u>	<u>1,599</u>	<u>42</u>	<u>357</u>	<u>2,023</u>

⁽¹⁾ Mutual Funds VÚB AM – Related party (a)

⁽²⁾ Eurizon Capital SGR S.p.A. – Shareholder of the Company (a)

⁽³⁾ Všeobecná úverová banka, a.s.; Consumer Finance Holding, a.s.; VÚB Leasing a. s.; Eurizon Capital S.A.; Epsilon SGR; PBZ Invest d.o.o.; CIB Befektetési Alapkezelő Zrt.; Intesa Sanpaolo S.p.A – Related parties (a)

⁽⁴⁾ VÚB Generali dôchodková správcovská spoločnosť, a.s. – Related party (a)

⁽⁵⁾ KMP – Key management personnel and supervisory board (d)

The breakdown of receivables and payables with related parties as at 31 December 2018 is as follows:

<i>in thousands of euro</i>	Mutual Funds VUB AM ⁽¹⁾	Share- holders ⁽²⁾	Other companies in ISP group ⁽³⁾	Generali ⁽⁴⁾	KMP ⁽⁵⁾	Total
Assets						
Amounts due from banks	-	-	4,535	-	-	4,535
Financial assets at fair value through profit or loss	16,381	-	-	-	-	16,381
Subsidiaries	-	-	2,938	-	-	2,938
Receivables from funds	1,512	-	-	-	-	1,512
Other assets	-	-	45	-	-	45
	<u>17,893</u>	<u>-</u>	<u>7,518</u>	<u>-</u>	<u>-</u>	<u>25,411</u>
Liabilities						
Accrued expenses	-	-	1,300	36	-	1,336
Other liabilities	-	-	1,063	-	359	1,422
	<u>-</u>	<u>-</u>	<u>2,363</u>	<u>36</u>	<u>359</u>	<u>2,758</u>

26. Related parties transactions (continued)

Summary of transactions with group companies and other related parties during the year 2019:

<i>in thousands of euro</i>	Mutual Funds VUB AM ⁽¹⁾	Share- holders ⁽²⁾	Other companies in ISP group ⁽³⁾	Generali ⁽⁴⁾	KMP ⁽⁵⁾	Total
Interest and similar expense	-	-	(2)	-	-	(2)
Fee and commission income	18,779	-	7	-	-	18,786
Fee and commission expense	-	-	(13,550)	(154)	-	(13,704)
Dividend income	-	-	2,640	-	-	2,640
Net loss from trading	-	-	(8)	-	-	(8)
Other income	-	-	28	-	-	28
Personnel expenses	-	-	-	-	(635)	(635)
Other operating expenses	-	(117)	(700)	-	(19)	(836)
Depreciation of property, equipment and other tangible assets	-	-	(83)	-	-	(83)
	<u>18,779</u>	<u>(117)</u>	<u>(11,668)</u>	<u>(154)</u>	<u>(654)</u>	<u>6,186</u>

⁽¹⁾ Mutual Funds VÚB AM – Related party (a)

⁽²⁾ Eurizon Capital SGR S.p.A. - shareholder of the Company (a)

⁽³⁾ Všeobecná úverová banka, a.s., Consumer Finance Holding, a.s.; VÚB Leasing a. s.; Eurizon Capital S.A. ; Epsilon SGR; PBZ Invest d.o.o.; CIB Befektetési Alapkezelő Zrt.; Intesa Sanpaolo S.p.A – Related parties (a)

⁽⁴⁾ VÚB Generali dôchodková správcovská spoločnosť, a.s. – Related party (a)

⁽⁵⁾ KMP – Key management personnel and supervisory board (d)

Summary of transactions with group companies and other related parties during the year 2018:

<i>in thousands of euro</i>	Mutual Funds VUB AM ⁽¹⁾	Share- holders ⁽²⁾	Other companies in ISP group ⁽³⁾	Generali ⁽⁴⁾	KMP ⁽⁵⁾	Total
Interest and similar income	-	-	-	-	-	-
Fee and commission income	18,297	-	22	-	-	18,319
Fee and commission expense	-	-	(13,269)	(144)	-	(13,413)
Dividend income	-	-	2,738	-	-	2,738
Net income from trading	-	-	(11)	-	-	(11)
Other income	-	-	23	-	-	23
Personnel expenses	-	-	(3)	-	(729)	(732)
Other operating expenses	-	-	(681)	-	(45)	(726)
	<u>18,297</u>	<u>-</u>	<u>(11,181)</u>	<u>(144)</u>	<u>(774)</u>	<u>6,198</u>

See note 20, regarding the remuneration of key management personnel.

26. Related parties transactions (continued)

The asset value of mutual funds managed by VÚB Asset Management, správ. spol., a.s. is shown in the table below:

<i>in thousands of euro</i>	Mutual funds' assets as at 31 December 2019	Mutual funds' assets as at 31 December 2018
VÚB AM DYNAMICKÉ PORTFÓLIO, o.p.f.	314,668	231,589
VÚB AM ACTIVE MAGNIFICA, o.p.f.	253,425	219,810
VÚB AM KONZERVATÍVNE PORTFÓLIO, o.p.f.	150,156	197,125
VÚB AM ACTIVE BOND FUND, o.p.f.	201,236	196,593
VÚB AM REZERVNÝ FOND, o.p.f.	162,234	194,885
VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND, o.p.f.	198,736	178,827
VÚB AM FLEXIBLE MAGNIFICA FUND, o.p.f. (merged to VÚB AM FLEXIBILNÝ KONZ. FOND)	-	86,181
VÚB AM EDÍCIA SVET, o.p.f.	68,884	67,266
VÚB AM MAGNIFICA EDÍCIA III, o.p.f.	67,620	68,266
VÚB AM STREDOEURÓPSKY DLHOPISOVÝ FOND, o.p.f.	59,645	62,635
VÚB AM VYVÁŽENÝ RASTOVÝ FOND, o.p.f.	95,825	58,417
VÚB AM MAGNIFICA EDÍCIA II, o.p.f.	45,913	49,394
VÚB AM EDÍCIA 2018, o.p.f.	36,580	35,496
VÚB AM MAGNIFICA EDÍCIA I, o.p.f.	30,815	30,736
VÚB AM AKCIOVÉ PORTFÓLIO, o.p.f.	20,309	-
	1,706,046	1,677,220

27. Subsequent events

The Company plans to rebrand its trade mark and change its trade name to Eurizon Asset Management Slovakia, správ. spol., a.s. during the year 2020. Up to this date, the Board of Directors has approved the schedule of operations related to rebranding.

There were no other events after 31 December 2019 that would have a material effect on a fair presentation of the matters disclosed in these financial statements.



RNDr. Ing. Marian Matušovič PhD.
Member of the Management Board



Marco Bus
Chairman of the Management Board

Annual Report 2019

VÚB Asset Management, správ. spol.,

CONTENT

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1. Company Details

Business Name: VÚB Asset Management, správ. spol., a.s.
Legal Form: Joint-stock company
CRNo.: 35 786 272
Business Register: District Court Bratislava I, Section: Sa, File No.: 2416/B
Registered Office: Mlynské Nivy 1, 820 04 Bratislava 24
Date of Establishment: 17 April 2000

Scope of Business:

- Establishment and management of standard funds and European standard funds

Mutual Funds under Management as of 31 December 2019:

- VÚB AM REZERVNÝ FOND,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM KONZERVATÍVNE PORTFÓLIO,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM ACTIVE BOND FUND,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM MAGNIFICA EDÍCIA I,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM MAGNIFICA EDÍCIA II,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM MAGNIFICA EDÍCIA III,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM EDÍCIA SVET,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM EDÍCIA 2018,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM ACTIVE MAGNIFICA,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM FLEXIBLE MAGNIFICA FUND,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
(effective on 22 March 2019 merged into successor fund VUB AM FLEXIBILNÝ KONZERVATÍVNY FOND)

- VÚB AM STREDOEURÓPSKY DLHOPISOVÝ FOND,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
(change of the name from VÚB AM DLHOPISOVÝ KONVERGENTNÝ FOND as at 19 February 2019)
- VÚB AM DYNAMICKÉ PORTFÓLIO,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM VYVÁŽENÝ RASTOVÝ FOND,
open-end mutual fund of VÚB Asset Management, správ. spol., a.s.
- VÚB AM AKCIOVÉ PORTFÓLIO,
otvorený podielový fond VÚB Asset Management, správ. spol., a.s.

Depository: Všeobecná úverová banka, a. s.
Registered Office: Mlynské Nivy 1, 829 90 Bratislava

Shareholder: 100% Eurizon Capital SGR S.p.A.

VÚB AM is 100% shareholder in 2 subsidiaries, PBZ Invest in Croatia and CIB IFM in Hungary. VÚB AM does not have an organizational unit abroad.

Supervisory Board: Prof. Giorgio Di Giorgio - chairman
Alexander Resch - member
Massimo Mazzini - member
Oreste Auleta - member
Doc. Ing. Tomáš Výrost, PhD. - member

Management Board: Marco Bus - chairman
RNDr. Ing. Marian Matušovič, PhD. - member and CEO
Marco Canton – member until 12 March 2019
Liuba Samotyeva – member from 12 March 2019

Proxy: JUDr. Božena Malecká
RNDr. Peter Šenk
Ing. Juraj Vaško

2. Report of Management Board on Company's Activities and Equity in 2019

Market Environment in 2019

In the course of the year 2019 the financial markets were significantly growing almost on all its fronts. The investors also witnessed volatility, which was a little lower than the previous year, when the trade war between the U.S.A and China was launched and also when German industry ran into serious problems. However these factors in economy persisted last year and therefore the world economic growth was slowing down. It dropped below three percent, to the lowest level since Great recession in 2009.

The main reason for growth of shares, bonds, real estates and commodities was the result of the monetary policy of the main world central banks: FED and ECB but also of other. Whereas before the end of the year 2018 the monetary authorities were toughening their policy (FED was increasing the interest rates, ECB ended with quantitative easing), new economic problems springing mainly from stagnation of world foreign trade, made them to turn their course.

In 2019 FED cut its key short-term rate three times: from the range 2.25-2.50% to 1.50-1.75%. On the other hand, the European Central Bank cut its deposit rate further into minus: from -0.4% to -0.5% and again it restarted the regular purchases of assets with the target of cutting also the long-term interest rates.

Earlier expected, further growth of rates has in this way been postponed to indefinite time, which increased expected volumes of money in circulation, lowered interest rates and supported the asset prices. Also, the reports about arising tariff "truce" between the United States and China or about the controlled Brexit expected on 31 January 2020 were gradually adding optimism to the markets.

Therefore, a significantly positive year was recorded in the equity markets. In terms of dollars and without the impact of dividends, the mostly followed equity market i.e. the American equity market strengthened as follows: broad index of the biggest companies S&P 500 increased by 28.9%, industrial Dow Jones by 22.3% and the technological index Nasdaq Composite by as much as 35.2%. So, for the American equities it was the best year since 2013. Also, the equity markets in Greece and in Germany, but also in China or Japan were getting on well.

Thanks to lower interest rates also the bonds strengthened, because their prices together with the rates fluctuate in indirect proportion. The bonds reached their pinnacle at the time of the peak of the trade war in August, when their yields within the maturity decreased in many countries to historically low (negative) levels. In the advanced markets the yields over ten years stayed above zero only in the U.S.A. and the United Kingdom. Contrary to that the German yield curve was negative up to the maturity of 30 years. In the Eurozone the yields in long maturities continued to remain low.

As far as the development of the Euro exchange rate against the American dollar is concerned, weaker data from the Eurozone against the U.S.A. continued to be good for the dollar roughly until the September 2019. However since that time the common currency strengthened moderately. Last year the exchange rates of Visegrad currencies were relatively stable, when at first the local economies showed to be relatively resistant against slowing down in the Eurozone - with the exception of the Hungarian forint, which again noticeably weakened. At the close of the year the Czech koruna and the Polish zloty slightly strengthened with the growing optimism of international investors.

All mentioned facts had impact on performance of the mutual funds managed by the asset management company VÚB Asset Management, správ. spol., a.s. (hereinafter only "VÚB AM").

Market Scenario for 2020

Only the slow growth of global economy could continue in 2020 - apparently still lower than the year before. In the U.S.A. it would mean the eleventh year of continuous growth, although with slower tempo than two percent. In the Eurozone it can be less than one percent and China will apparently slow down under its official government target of six percent.

Also low interest rates and yields go together with the slow growth, on many deposits they do not exceed inflation, where under absence of more significant shocks they could continue to motivate the investors into searching for higher profits in more risky assets than in government bonds. However also the expectations of moderate improvement of economic environment have been already reflected by the markets, which can again strengthen the "safety ports" in case of further bad news.

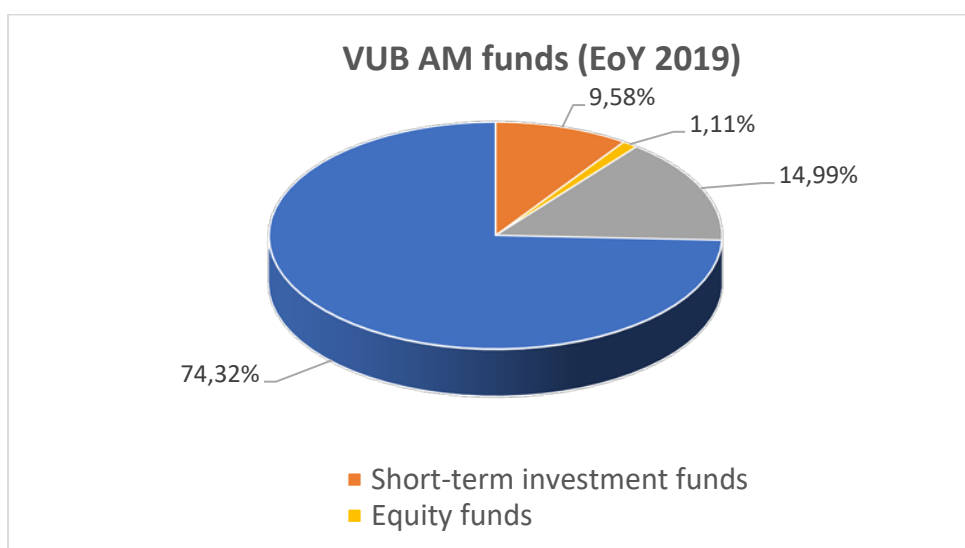
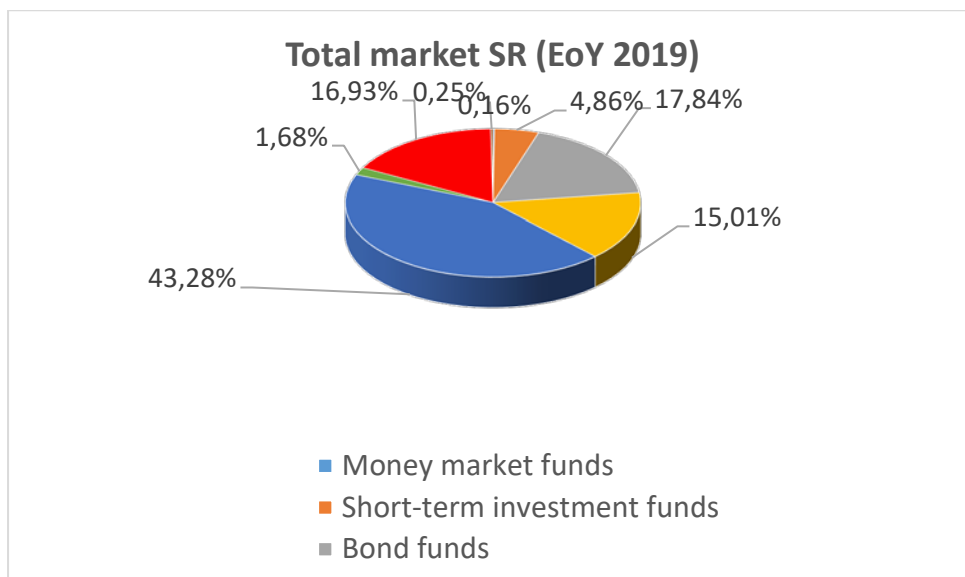
There will probably be many sources again of uncertainty on the financial market, such as e.g. continuing trade talks between the U.S.A. and China, American presidential election in November, negotiations of London about final trade and investment relations with the European Union or other unforeseeable geopolitical tensions.

The attention will to an extensive degree be concentrated also on central banks - i.e. on the fact, whether and to what degree the present statements regarding the prospects of course stability of monetary policy will be fulfilled. Under the continuing minimum economic growth on the old continent the ECB may reassess for the time being relatively low volume of regular purchase of assets (20 mld. a month, in addition to that with the new boss Christine Lagarde it will also reassess its overall strategy and tools, inclusive inflation target "under or close to two percent". An important topic will be also independence of FED management from political pressure, in particular from Donald Trump, fighting for re-election.

Market of Collective Investment in Slovakia

Based on the data published by the Slovak Association of Asset Management Companies (SASS) as of 31/12/2019 the net value of assets in mutual funds, fund of institutional investors and portfolios under management amounted to EUR 10,402.7 mil., thus representing increase by 14% compared with the end of 2018. Out of the total volume under management the open-end mutual funds amounted to EUR 9,331.4 mil.

As far as the market share at the end of the year 2019 is concerned, the first position has belonged to the category of balanced funds (43.28%) for a long time, they are followed by bond funds (17.84%) and real estate funds (16.93%). Equity funds represented the fourth highest market share (15.01%). In comparison with the previous year the proportion of funds of short-term investments dropped to the level of 4.86%.



Source : SASS; data as of 31 December 2019

The volume of investments of clients into mutual funds was in 2019 higher than in the previous year, therefore it can be considered to be successful. As at 29/11/2019 the total volume of net sales represented the amount of EUR 494.5 mil. The category of balanced funds booked the highest volume (EUR +277.3 mil.). They were followed by real estate funds (EUR +156.6 mil.) and equity funds (EUR +91.7 mil.). The categories of more conservative products booked negative net sales as follows: short-term investment funds (EUR -32.7 mil.), bond funds (EUR -7.6 mil.). Negative net sales of the mentioned funds can be seen for a longer period of time in the course of several recent years.

Position of VÚB Asset Management, správ. spol., a.s., in the Slovak market of

From the point of view of market share the asset management company VÚB AM confirmed its stable position on the Slovak market of collective investment. With its market share of 17.74% it maintained its second position and at the end of 2019 it was managing the assets in the amount of EUR 1,706.05 mil. The assets managed by mutual funds Eurizon Capital SA represented the amount of EUR 97.44 mil. which corresponded to the market share of 1.01%.

Effective from 19/02/2019 the Management Board of VÚB AM approved the change of the name VÚB AM Dlhopisový Konvergentný fond to VÚB AM Stredoeurópsky Dlhopisový fond.

On the basis of the previous approval of the National Bank of Slovakia awarded by the decision No.: 100-000-135-791 ad Ref. No.: NBS1-000-030-179 dated 27 November 2018, which became effective on 10 December 2018 VÚB AM FLEXIBLE MAGNIFICA FUND, open mutual fund VÚB Asset Management, správ. spol., a.s. which became effective on 22 March 2019 merged into successive fund VÚB AM FLEXIBILNÝ KONZERVATÍVNY FOND, open mutual fund of VÚB Asset Management, správ. spol., a.s.

Company	AUM 31/12/18 (EUR mln.)	AUM 31/12/2019 (EUR mln.)	AUM change YTD	Market Share 31/12/18	Market Share 31/12/2019	Market Share change YTD	Duplications 31/12/19 (EUR mln.)
TAM (Raiffeisen)	2 022,59	2 259,04	11,7%	24,14%	23,49%	-0,65%	292,53
Raiffeisen	31,15	17,88	-42,6%	0,37%	0,19%	-0,18%	0,53
VÚB AM (ISP)	1 662,73	1 706,05	2,6%	19,85%	17,74%	-2,11%	98,13
Eurizon	20,46	97,44	376,2%	0,24%	1,01%	0,77%	0,00
AM SLSP (Erste)	1 176,76	1 332,94	13,3%	14,05%	13,86%	-0,19%	116,26
ESPA (Erste)	264,29	347,27	31,4%	3,15%	3,61%	0,46%	245,33
PP	1 275,66	1 538,62	20,6%	15,23%	16,00%	0,77%	76,35
KBC	340,75	373,53	9,6%	4,07%	3,88%	-0,19%	0,18
ČSOB	88,86	114,91	29,3%	1,06%	1,19%	0,13%	5,66
Amundi	593,82	729,75	22,9%	7,09%	7,59%	0,50%	0,00
IAD Investments	378,05	468,39	23,9%	4,51%	4,87%	0,36%	8,38
AXA	203,67	245,15	20,4%	2,43%	2,55%	0,12%	0,00
Others	319,28	387,86	21,5%	3,81%	4,03%	0,22%	0,00
Total	8 378,07	9 618,85	14,8%	100%	100%		843,3

Source : SASS; data as of 31 December 2019

TOP 10 Funds in Slovakia 2019	Net sales 2019 (EUR)
TAM - Q Fund	117 669 998,69
AM SLSP Global Renta, o.p.f.	105 974 831,44
TAM - Raiffeisen Sicherheit	90 887 950,58
J&T BOND EUR zmiešaný o.p.f.	74 208 706,13
VÚB AM - Dynamické portfólio	57 535 068,27
TAM - Balanced Fund	53 884 663,47
IAD - Prvý realitný fond	49 105 502,23
PP - Office real estate fund o.p.f.	42 885 456,48
TAM - Raiffeisen Ertrag	34 614 737,73
Eurizon Fund - Azioni Strategia Flessibile	33 879 743,52

Source : SASS; data as of 31 December 2019

Open-End Mutual Funds of VUB AM and Sales Support

At the end of the year our company managed 14 open-end mutual funds. VÚB AM Rezervný fond (REF) ranks among the short investment funds. The category of bond funds is represented by VÚB AM Active Bond fund (ABF) and VÚB AM Stredoeurópsky Dlhopisový fond (SEF). Ten funds are from the category of mixed funds and they are intended for retail segment. These are the following funds: VÚB AM Vyvážený Rastový fond (VRF), VÚB AM Konzervatívne Portfólio (KOP), VÚB AM Dynamické Portfólio (DOP), VÚB AM Active Magnifica (AMG), VÚB AM Flexibilný Konzervatívny fond (FLK), VÚB AM Magnifica Edícia I (ME1), VÚB AM Magnifica Edícia II (ME2), VÚB AM Magnifica Edícia III (ME3), VÚB AM Edícia Svet (ESV) a VÚB AM Edícia 2018 (E18). VÚB AM Akciové portfólio (APO) belongs to the group of equity funds.

A more detailed information on individual mutual funds inclusive all documents provided by the law can be found on our web page www.vubam.sk

In July 2019 the company VÚB AM extended its spectrum of products by the fund VÚB AM Akciové portfólio. At the end of the year 2019 the volume of the managed assets in the mentioned fund represented the volume of EUR 20.309 mil. In the course of the year VÚB AM provided also supporting activities to the funds distributor, i.e. to the company VÚB, a.s. in the area of the sale of 11 funds Eurizon Capital in the form of workshop and training sessions of the branch network.

Towards the end of 2019 the company VÚB AM generated profits in the amount of EUR 4.570 mil., with the cost-income ratio of 51%. The ratio operating costs - average assets under management represented 15.3 basis points. More detailed information on individual financial indicators can be found in the financial statements.

The number of employees in VÚB AM as of December 31, 2019 was 24.

CIB Befektetési Alapkezelő Zrt.

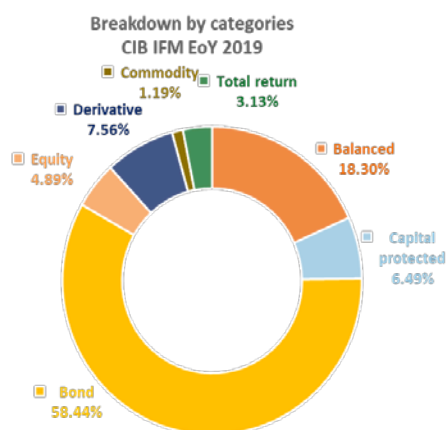
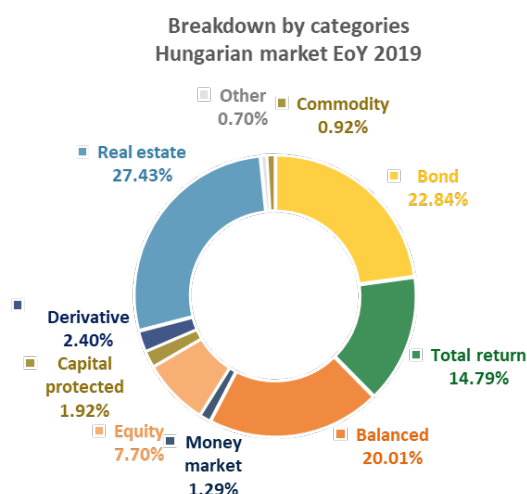
Year 2019 was the poorest in a decade in terms of growth for CIB Investment Fund Management Ltd (hereinafter, the "CIBIFMCo"). CIBIFMCo was not able to keep its market share, although with strong effort managed to keep the 4th position. Depreciation of the forint also obstructed to keep AuM in EUR, all in all the 1 457,95 mln EUR in investment funds managed by CIBIFMCo on 1 January 2019 had decreased to 1 311,30 mln EUR by 31 December 2018 due to the devastating effect of HGB Plus bonds on the Hungarian fund market.

The overall Hungarian investment fund market lost a bit less in AuM %, but as reflected in column 4 of the table all major companies (except one) suffered losses. The market, with 19 168,2 mln EUR in managed assets at the beginning of the year decreased down to 17 991,2 mln EUR by the end of December 2019, which represents a declining rate of -6.14% due to the EURHUF exchange rate (-2.7%) effect as well.

Company	AUM 31/12/18 (EUR mln.)	AUM 31/12/19 (EUR mln.)	AUM change YTD	Market Share 31/12/18	Market Share 31/12/19	Market Share change YTD
CIB IFM	1453,2	1311,3	-9,76%	7,58%	7,29%	-0,29%
OTP	3055,2	3010,8	-1,45%	15,94%	16,74%	0,80%
K&H	2326,8	2696,3	15,88%	12,14%	14,99%	2,85%
ERSTE	3212,6	3134,5	-2,43%	16,76%	17,42%	0,66%
BB GE Capital	1118,1	959,2	-14,21%	5,83%	5,33%	-0,50%
Hold	1385,8	1077,2	-22,27%	7,23%	5,99%	-1,24%
Raiffeisen	532,9	532,6	-0,05%	2,78%	2,96%	0,18%
AEGON	878,8	851,0	-3,17%	4,58%	4,73%	0,15%
Amundi	439,8	358,6	-18,46%	2,29%	1,99%	-0,30%
MKB	849,5	766,1	-9,81%	4,43%	4,26%	-0,17%
TOTAL	19 168,2	17 991,2	-6,14%			

Data source: Hungarian Funds Association; as of December 31, 2019

At the beginning of the year the range of investment fund products consisted of 45 public investment funds, which grew by 3. In term of asset mix, the investment funds managed by CIBIFMCo are overweighed heavily in short bond funds and better than the market in fixed term, (partial) capital protected derivative funds category.



Data source: Hungarian Funds Association; as of December 31, 2019

As a consequence of the processes described above, the CIBIFMCo's generated high net profit of 1.9 mln EUR, 5% below budget. CIBIFMCo's efficiency position remained good with cost-income ratio of 52%. Operating expenses to average AuM represented 12.9 basis points.

PBZ Invest d.o.o.

The Croatian fund market grew in 2019 by 456 mln EUR (+17.7%). PBZ Invest UCITS AuM increased by 95,8 mln EUR as of EoY2019 (+16.95%) and kept the third place in terms of AuM in UCITS funds in Croatia. During 2019 PBZ Invest was mainly the second biggest company on the Croatian market, growing faster than its direct competitor. Market share dropped by 0.14 p.p. on annual basis due to the one-off redemption of a big corporate unit holder at the end of 2019.

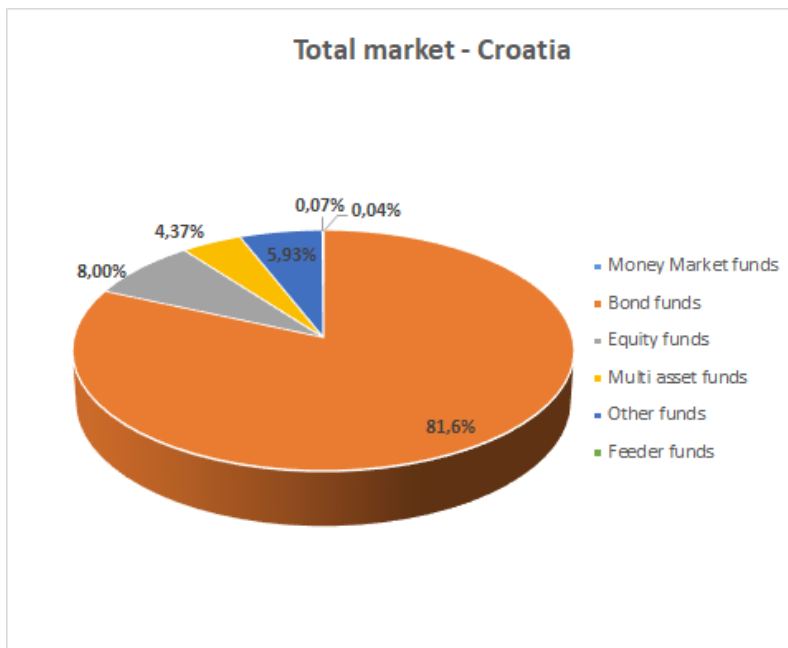
Company (UCITS data)	AUM 31/12/17 (EUR mln.)	AUM 31/12/18 (EUR mln.)	AUM 31/12/19 (EUR mil.)	AUM change YTD	Market Share 31/12/17	Market Share 31/12/18	Market Share 31/12/19	Market Share change YTD (p.p.)
ZB Invest	604,9	688,8	838,3	21,71%	24,57%	26,72%	27,63%	0,91%
Erste Invest	580,1	582,3	670,1	15,06%	23,56%	22,60%	22,09%	-0,51%
PBZ INVEST	544,0	565,3	661,1	16,95%	22,09%	21,93%	21,79%	-0,14%
Intercapital AM	175,1	216,3	277,7	28,42%	7,11%	8,39%	9,16%	0,76%
RBA Invest	194,3	177,7	233,1	31,17%	7,89%	6,90%	7,68%	0,79%
HPB Invest	108,5	132,5	137,4	3,73%	4,41%	5,14%	4,53%	-0,61%
OTP Invest	119,2	107,4	105,6	-1,66%	4,84%	4,17%	3,48%	-0,69%
Others	136,2	107,0	110,2	2,95%	5,53%	4,15%	3,63%	-0,52%
TOTAL	2.462	2.577	3.034	17,70%	100,00%	100,00%	100,00%	

Data source: Croatian Financial Services Supervisory Agency (HANFA – CFSSA); as of 31 December 2019

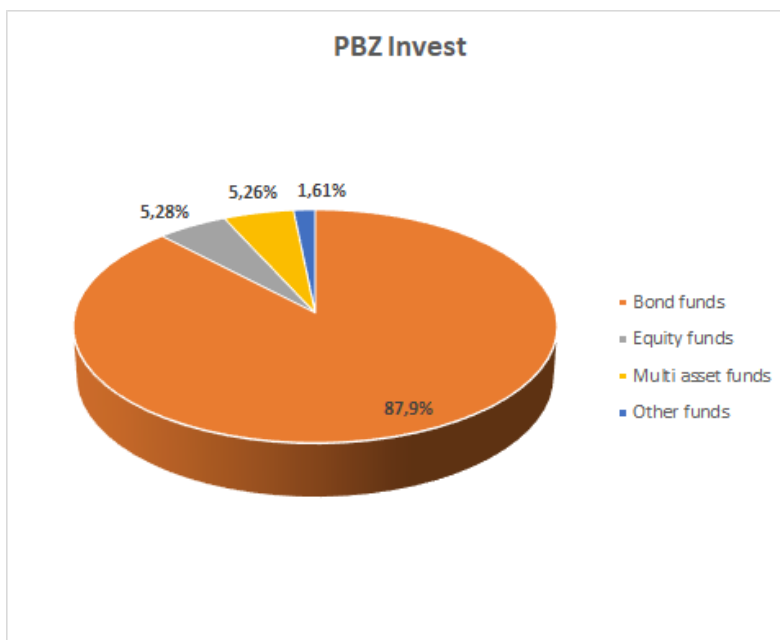
The company manages 12 mutual funds and managed accounts. In 2019 PBZ Invest merged PBZ E-START fund and PBZ Euro Short Term Bond fund and submitted to the Regulator the request for approval for one new fund (PBZ Conservative 30). Managed accounts AuM increased strongly in 2019 (41% or 9,87 mln EUR).

Bestselling funds in 2019 were PBZ Bond fund (98 mln EUR or 28% of total gross sales), PBZ START fund (94,3 mln EUR or 26.7%) and PBZ Conservative 10 fund (50,3 mln EUR or 14.2%). Best positive net sales performance in 2019 was achieved by PBZ Bond fund (+57 mln EUR). Total number of clients in the Company's funds decreased by 2.519 (-3.6%), to 67.478, mainly because of the change in the distribution policy by the main distributor of the Company and the transformation of the money market funds in bond funds. As of EoY2019 retail clients represent 99.75% of total number of clients.

In terms of asset mix in the Croatian market at the EoDec 2019, PBZ Invest managed 87.9% in bond funds (6,3 p.p. above market), 5.28% in equity funds (-2,7 p.p. less than market), 5.26% in balanced fund and 1.61% in other – flexible funds. The existing money market funds under management of PBZ Invest were transformed in bond funds at the beginning of 2019, following the application of the new money market funds regulation.



Data source: Croatian Financial Services Supervisory Agency (HANFA – CFSSA); as of 31 December 2019



PBZ Flexible 30 and PBZ International Multi Asset fund are in the "Other" funds in total market RH

Data source: Croatian Financial Services Supervisory Agency (HANFA – CFSSA); as of 31 December 2019

Best performing PBZ Invest funds in 2019 were PBZ Equity fund (+19.43%), PBZ Global fund (+14.47%) and PBZ Flexible 30 fund (+7.45%).

According to the International Financial Reporting Standards as adopted by the EU, PBZ Invest posted in 2019 a net profit of EUR 351,356 thous.

In 2020 after 20 years of business in the Slovak market of collective investment the company VÚB AM will be confirming its strong position in the area of high-quality services for the clients and development of innovative products.

The Main Objectives of VÚB AM for 2020 are as follows:

- Implementing of the rebranding process of the company VÚB AM to Eurizon Asset Management Slovakia. After 20 years since the formation of the company and 7 years since the successful formation of CEE AM HUB of the group of ISP/Eurizon Capital in Slovakia it will be another significant milestone within the integration process
- Continuation in the cooperation, coordination, sharing of know-how and best practices in joint projects among Eurizon Capital, Intesa Sanpaolo Bank and VUB Bank in the area of process optimisation and improvement of services for the clients.
- Focus in particular on financial literacy increase also through implementation of present day trends in the field of modern education, communication with the clients and marketing (e.g. educative videos, communication through social media, etc.)
- Continuation in extension of the spectrum of products of the funds VÚB AM and Eurizon Capital SA, which are going to supplement appropriately the existing portfolio so that it covers the whole scale of investment strategies required by the clients, namely with focus on creation of sufficiently diversified portfolio and long-term investment saving
- Continuation in the implementation and improvement of service model of investment advisory with concentration on affluent and upper mass segment and also on Private banking.
- Continuation in improvement of operation model of company functioning also by further implementation of group IT solutions, in particular in the area of portfolio management, risk management and compliance.

The Management Board shall submit the following proposal for distribution of profit for 2019 at the General Meeting:

In thousands of EUR

Dividends paid out to shareholders
Allocation to Statutory Reserved Fund
Allocation to retained profit

2019

4,570