

# Annual Report 2012

# Registered Office

Investiční společnost České spořitelny, a. s.  
Evropská 2690/17  
160 00 Praha 6, Dejvice  
Czech republic

# Abbreviation Used

AMA (Advanced Measurement Approach) – calculation method of capital requirements towards credit risk

AIR – Accrued interest income

Consumer Discretionary – Sector of non-essential services

ČNB – Czech National Bank

ČS – Česká spořitelna, a. s.

EMEA region – Central and Eastern Europe, Near and Middle East and Africa

Emerging markets – Markets of developing countries

FF – Fund of Funds

High Yield bonds – Bonds bearing a credit risk with a higher coupon

IRB (Internal Rating Based Approach) – calculation method of capital requirements towards credit risk

ISČS – Investiční společnost České spořitelny, a. s.

Large Caps – Companies with a big capitalization

OPF – Open-Ended Mutual Fund (OEMF)

ROAA (Return On Average Assets) – profitability of average assets

ROAE (Return On Average Equity) – profitability of average assets

Small Caps – Companies with a lower capitalization

STA (Standardized Approach) – calculation method of capital requirements towards credit risk

Utilities – Sector of publicly useful services

VaR (Value at Risk) – Value of the market risk

At the end of the year 2012, Investiční společnost České spořitelny, a.s. managed the following 30 open-ended mutual funds; of which 17 funds are standard funds according to the Act on Collective Investment. A further 13 funds are special funds, thereof one fund presented below the line is a qualified investors' fund.

When managing assets of the open-ended mutual funds, the investment company meets the legal requirements of European Union.

#### List of mutual funds managed as of December 31, 2012:

ISIN	Type of Fund	Type of Fund according AKAT ČR	Abbreviated name of the Mutual Fund
CZ0008472271	standard	very short term bond fund	SPOROINVEST
CZ0008472263	standard	bond	SPOROBOND
CZ0008472297	standard	bond	TRENDBOND
CZ0008472230	standard	bond	ČS korporátní dluhopisový
CZ0008472412	standard	bond	HIGH YIELD dluhopisový OPF
X	standard	bond	BONDINVEST 5 tis. Kč
CZ0008472289	standard	equity	SPOROTREND
CZ0008472248	standard	equity fund of funds	GLOBAL STOCKS FF
CZ0008472404	standard	equity	TOP STOCKS
CZ0008472321	standard	mixed fund of funds	KONZERVATIVNÍ MIX FF
CZ0008472339	standard	mixed fund of funds	VYVÁŽENÝ MIX FF
CZ0008472347	standard	mixed fund of funds	DYNAMICKÝ MIX FF
CZ0008472305	standard	mixed fund of funds	AKCIOVÝ MIX FF
CZ0008473261	standard	mixed	Smíšený fond
CZ0008473147	special fund of funds	mixed	OSOBNÍ PORTFOLIO 4
CZ0008473279	special fund of funds	mixed	PLUS - OPF
CZ0008472255	standard	mixed	FOND ŘÍZENÝCH VÝNOSŮ
CZ0008472735	standard	life cycle fund	ČS FOND ŽIVOTNÍHO CYKLU 2020 FF
CZ0008472750	standard	life cycle fund	ČS FOND ŽIVOTNÍHO CYKLU 2030 FF
CZ0008473188	special fond securities	money market	LIKVIDITNÍ FOND
CZ0008472974	special fund of funds	mixed	Privátní portfolio AR 0
CZ0008472800	special fund of funds	mixed	Privátní portfolio AR 25
CZ0008472792	special fund of funds	mixed	Privátní portfolio AR 50
CZ0008472818	special fund of funds	mixed	Privátní portfolio AR 75
CZ0008473451	special fund of funds	mixed	Privátní portfolio AR AKCIE
CZ0008473469	special fund of funds	mixed	Privátní portfolio AR REALITY
CZ0008473477	special fund of funds	mixed	Privátní portfolio AR ALTERNATIVNÍ INVESTICE
CZ0008473030	special fund of funds	equity	Institucionální akciový FF
CZ0008473659	special fond securities	bond	DLUHOPISOVÝ FOND

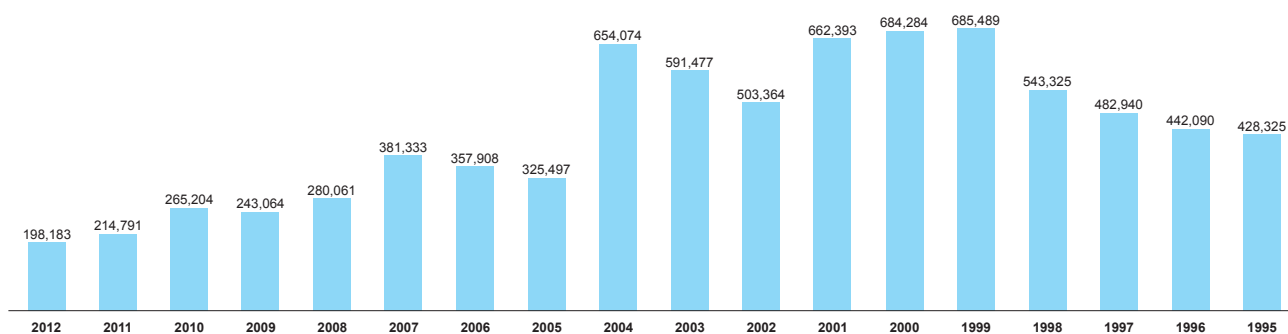
Besides publicly offered funds, ISČS manages special fund of qualified investors – Fond 2005

# Selected ISČS Financial Indicators

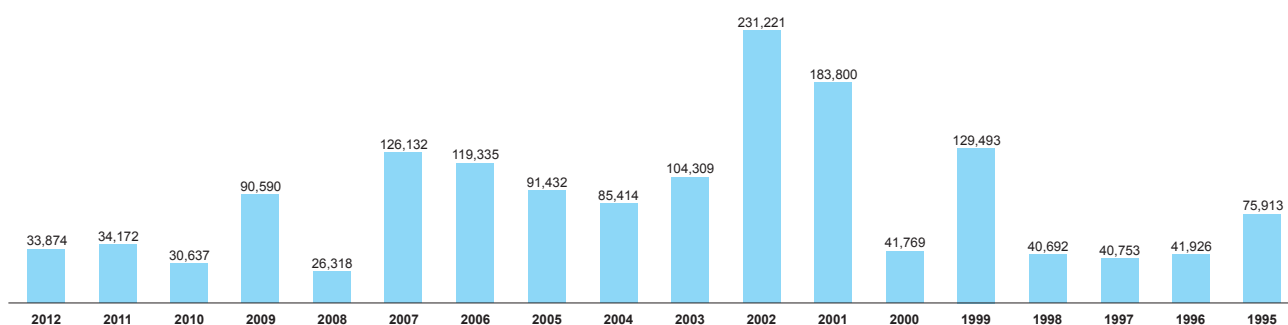
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total Assets (CZK '000)	198,183	214,791	265,204	243,064	280,061	381,333	357,908	325,497	654,074
Registered Capital (Equity) (CZK '000)	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Net Asset Value (CZK '000)	137,080	126,309	115,682	175,603	196,318	296,098	289,216	261,969	597,185
Before Tax Profit (CZK '000)	42,288	41,130	41,819	114,976	38,170	166,438	157,727	121,117	115,107
Net Profit (CZK '000)	33,874	34,172	30,637	90,590	26,318	126,132	119,335	91,432	85,414
Number of Employees	23	24	25	22	22	21	15	24	31

	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total Assets (CZK '000)	591,477	503,364	662,393	684,284	685,489	543,325	482,940	442,090	428,325
Registered Capital (Equity) (CZK '000)	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Net Asset Value (CZK '000)	512,874	409,661	582,637	624,851	593,337	473,891	442,649	411,701	365,823
Before Tax Profit (CZK '000)	146,183	260,727	186,783	55,934	190,677	84,124	85,693	82,434	129,339
Net Profit (CZK '000)	104,309	231,221	183,800	41,769	129,493	40,692	40,753	41,926	75,913
Number of Employees	32	58	67	77	102	107	137	162	160

## Development of Asset Value (CZK '000)



## Development of Net Profit (CZK '000)



# Information on Investiční společnost České spořitelny, a.s.

According to provisions of section 210 and section 213 of the edict no. 123/2007 Coll.

## 1. Data on Capital (CZK thousand)

a) summary information on conditions and main characteristics of capital and its components		
b) summary value of the primary capital (Tier 1), amount of particular positive parts and negative items	Primary capital (Tier 1)	102,984
	Paid-in share capital incorporated in the trade register	70,000
	Required reserve funds	14,000
	Retained profit	18,984
	Intangible assets other than goodwill	0
c) summary value of the supplemental capital (Tier 2)	Supplemental capital (Tier 2)	0
d) summary value of capital for market risk coverage (Tier 3)	Capital for market risk coverage (Tier 3)	0
e) total value of allowable items from the primary and supplemental capitals, further independent presentation of the allowable item by reason of lack of expected credit risks coverage	Allowable items from primary and supplemental capitals (Tier 1 and Tier 2)	(542)
	Exceeding of others than important adjustments over the subordinated debt B	(542)
	Lack of coverage of expected credit risks at IRB	0
f) summary value of capital taking in account the allowable items in respect of the primary and supplemental capitals and of assigned limits of capital items	Capital	102,442

## 2. Data on Capital Requirements (CZK thousand)

a) towards credit risk subdivided into requirements according to the standardized access and according to the IRB access	Total capital requirements towards credit risk	11,363
	Total capital requirements towards credit risk, STA access	11,363
	Total capital requirements towards credit risk, IRB access	0
b) towards settlement risk		0
c) towards position, currency and commodity risks		54
d) towards operational risk		0
e) towards business portfolio design risk		0
f) towards other business portfolio instruments		0
g) other and transitory requirements arising from transition on the IRB or AMA access, if these accesses were used		0

Notice: An investment firm which provides a limited range of investment services or an investment firm with a limited dealing on its own account that assesses the capital requirements on the basis of overhead costs instead of the capital requirements for the operational risk, or instead of capital requirements for the credit, market and operational risks, indicates (assigns) the amount of these capital requirements.

Capital requirements on the basis of overhead costs	30,927
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## 3. Comparative Indicators

1. capital adequacy indicator	Capital Adequacy	26.50%
2. indebtedness (total debt minus clients' property / assets minus clients' property)		30.83%
3. indebtedness II (total debt minus clients' property / shareholders' capital)		44.57%
4. return on average assets (ROAA, assets minus clients' property)		17.09%
5. return on average equity (ROAE)		32.89%
6. return on sales (profit after taxes/return on investment services )		7.02%
7. general expenses per employee		4,659

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# Introduction by the Managing Director



**Mgr. Martin Burda, MBA**  
Chairman of the Board of Directors  
and CEO

## Dear friends,

The year 2012 was highly successful for most investors, with conservative and risk investment strategies bringing attractive yields. The team of portfolio managers at Investiční společnost České spořitelny again proved its outstanding professionalism and, in addition to the positive development of the markets, was able to contribute positive relative performance over and above the level of comparative indexes to the portfolios of funds and mandates under their management.

Perhaps the only point to spoil the view of last year from our perspective is the net outflow of assets from the funds we manage. Clients who have until now invested in conservative funds in a low risk environment are justifiably looking for investment alternatives that are more profitable over the long-term. Our range of quality mixed funds rightly interested a large number of clients leaving money market funds. Nonetheless, the overall balance of net sales for the past year is negative.

ISČS has nevertheless maintained a leading position on the open-ended mutual fund domestic market for some considerable time now. By the end of 2012, in fact, Investiční společnost České spořitelny, part of the Erste Asset Management holding, managed more than a quarter of the whole fund market in the Czech Republic. In addition to its mutual funds, ISČS also manages the resources of institutional clients of Česká spořitelna based on a contract of providing outsourcing services in the management of clients' assets.

Dear friends, I would like to use this opportunity to wish you the very best of success in your investments.

Prague, 26 March 2013

A handwritten signature in black ink, appearing to be 'M. Burda', written over a horizontal line.

Mgr. Martin Burda, MBA  
Chairman of the Board of Directors and CEO

# Report of the Board of Directors

## on the Business Activities of ISČS and the Balance of Its Assets

In 2012 the economic indicators of Investiční společnost České spořitelny, a. s. ("ISČS", the "Company") reached good values that exceeded expectations created at the start of the year based on trends on the financial market. The financial results were achieved despite a continuing negative sales environment. Main factors behind the positive financial result were the following:

- Improved asset product mix resulting in higher average gross margin
- Cost cutting initiatives
- Performance fees.

Investiční společnost České spořitelny reported a net profit of CZK 34 mil in 2012. The net profit will be distributed based on a decision of the sole shareholder exercising the powers of the general meeting in accordance with Section 190 of the Commercial Code.

The company's financial situation was good throughout the period under assessment. The company did not acquire any assets in the form of financial leasing in 2012 and does not have overdue trade receivables.

The company's registered capital comprises of 700 ordinary non publically traded shares each with nominal value of CZK 100 000, i.e. a total of CZK 70 000 000. Since 16 December 2009, the sole shareholder of ISČS has been Erste Asset Management GmbH., ("EAM"), owning 100% of registered capital and associated voting rights. The general reserves have reached the statutory-required 20% of the registered capital.

Neither ISČS nor EAM owns the assets of the open-ended unit trusts (OUT); they belong to unit holders in the unit trusts. The company's accounts are strictly separated from the accounts of the open-ended unit trusts.

ISČS is active solely on the market of the Czech Republic and its revenues are realised in the Czech Republic.

### Trading and Assets under Management

In 2012, the gross sales of ISCS funds reached CZK 13.2 billion, while gross redemptions reached CZK 17.0 billion. Net sales at a level of CZK 3.8 billion were a result of negative conditions in the Czech market. The market share of ISCS remained, despite the negative sales conditions, relatively stable.

The value of assets in ISČS funds declined due to net redemptions. The decline was partially compensated by a positive performance in ISČS funds. ISČS managed fund assets with a total value of CZK 50.2 billion at the end of 2012.

### ISČS' Market Position and Business Policy

The position of ISCS in the Czech market remained relatively stable. The company had to cope with accelerating redemptions, mainly from Sporinvest and, at the same time, declining gross sales. While

the total assets under management declined, the improving structure of assets under management was a key supportive factor. The share of Sporinvest on the retail products managed by ISCS declined from 43% at the beginning of the year to 32% at the end of 2012. Due to the historically low interest rate environment investors looked for higher profits through buying more risky assets.

This positive shift in product mix was a result of our continuing effort to offer investors bond and conservative balanced products as an alternative to money market products.

A significant change of the legal and regulatory environment is expected in 2013 in connection with the new Investment companies and investment funds act. The ISČS internal rulebooks and workflows base responds to these changes in an ongoing fashion. In the same way, ISČS' capital adequacy is at a sufficient level.

Česká spořitelna is ISČS' main distribution partner. The provision of collective investment services is linked to quality clients' asset management and to a range of funds that is constantly being perfected. In addition, clients are provided with quality advisory services through Česká spořitelna branches. Such information can also be obtained from the Client Centre of Česká spořitelna on phone number 800 207 207 and at the ISČS and ČS websites.

### Changes in Company Bodies

The board of directors had the following composition throughout 2012: Mgr. Martin Burda (chairman), Ing. Martin Řezáč CFA (deputy chairman) and Adrianus Janmaat (member).

The supervisory board remained stable through the whole 2012 in following composition: Mag. Heinz Bednar (chairman), RNDr. Petr Bobysud (deputy chairman) and Mag. Günther Mandl, Ing. Jiří Škorvaga, CSc., Ing. Daniel Heler and Pavel Kráčmar (members).

### Membership of Professional Organisations

ISČS is one of the founding members of the former Union of Investment Companies of the Czech Republic, which, after being transformed in January 2006, became the Fund and Asset Management Association of the Czech Republic, merged with the Capital Market Association and since 2008 has been active under the AKAT banner. The merger of these professional associations expanded the activities that the association covers. In addition to support and development of the collective investment market in sales of unit trusts, AKAT pushes for standards of honest business and accepted practices on the capital market and also covers asset management activities.

Prague, February 15, 2013

Board of Directors

Investiční společnost České spořitelny, a. s.





# Board of Directors and Supervisory Board

## of Investiční společnost České spořitelny, a. s.

### Board of Directors

#### **Mgr. Martin Burda, MBA\* (1971)**

##### **Chairman of the Board of Directors and Managing Director**

- Graduated from the Charles University, Faculty of Mathematics and Physics (1995),
- University of Pittsburgh (Katz Executive MBA Program) MBA (2007).
- Professional experience 17 years
- Member since September 1, 2009

\* Martin Burda resigned from the position of Chairman of the Board of Directors and left the company as of 31st March 2013.

#### **Ing. Martin Řezáč, CFA\* (1974)**

##### **Vice Chairman of the Board of Directors and Deputy Managing Director**

- Broker License issued by MF ČR (1997),
- Graduated from the University of Economics Prague, Faculty of International Relations (1998),
- CFA Institute (Charlottesville, Virginia, USA), active CFA charterholder (2002)
- Professional experience 12 years
- Member since September 1, 2009 and Vice-Chairman of the Board of Directors since December 13, 2011.

\* with effect from 2nd of April 2013 the Board of Directors elected Martin Řezáč as Chairman and CEO of Investiční společnosti České spořitelny

#### **Adrianus Janmaat, M.A. (1964)**

##### **Member of the Board of Directors**

- Graduated from the Free University of Amsterdam, Study of Contemporary History (1988)
- Diplomatic Academy of Vienna, Vienna School of International Studies, International Economics and Finance (1995)
- Professional experience 18 years
- Member since December 13, 2011

#### **Ing. Štěpán Mikolášek, CFA\* (1977)**

##### **Deputy CEO and director of Fund Management**

- Graduation of Vysoká škola ekonomická of Prague, focus: Finance (2000)
- Chartered Financial Analyst Course,
- CFA Institute, Charlottesville, USA (2004)
- Financial Analyst Seminar, Chicago, USA (2007)

\* with effect from 2nd of April 2013 the Board of Directors elected Štěpán Mikolášek as Vice Chairman of the Investiční společnost České spořitelny

### Supervisory Board

#### **Mag. Heinz Bednar (1962)**

##### **Chairman of the Supervisory Board**

- Graduated from the Vienna University of Economics and Business, Faculty of Social and Economic Sciences (1989)
- Professional experience 23 years
- Member since July 7, 2003 and chairman of the Supervisory Board since November 24, 2008

#### **RNDr. Petr Bobysud (1967)**

##### **Vice Chairman of the Supervisory Board**

- Graduated from the Charles University, Prague, Faculty of Mathematics and Physics (1990)
- MBA at CMC Graduate School of Business in Partnership with DePaul University, Chicago (2006).
- Professional experience 18 years
- Member since June 6, 2008 and Vice Chairman of the Supervisory Board since November 24, 2008.

#### **Ing. Daniel Heler (1960) – Member**

- Graduated from the University of Economics Prague, Faculty of Foreign Trade
- Short-term Attachment with J. P. Morgan, Goldman Sachs, S. Montagu, UBS, N. M. Rothschild, Shearson and Bayerische Hypobank
- Number of courses in global banking, banking profitability, retail banking strategy, treasury and risk management
- Professional experience 21 years
- Member since September 1, 2009

#### **Günther Mandl (1959) – Member**

- Graduated from the Realgymnasium in Vienna (1978)
- Bank qualifications of 1<sup>st</sup> and 2<sup>nd</sup> levels (1981, 1984)
- Professional experience 30 years
- Member since May 4, 2001

#### **Ing. Jiří Škorvaga, CSc. (1963) – Member**

- Graduated from the Institute of Chemical Technology Prague
- Postgraduate study in the Czechoslovak Academy of Sciences
- Professional experience 20 years
- Member since September 1, 2009

#### **Ing. Pavel Kráčmar (1966) – Member**

- Graduated from ČVUT, Faculty of Nuclear Sciences and Physical Engineering, Prague (1990)
- Number of courses at World Bank, EBRD, National Bank of Belgium, J. P. Morgan, UBS, Erste Group Bank
- Professional experience 22 years
- Member since March 15, 2011

# Portfolio managers ISČS

## ING. ŠTĚPÁN MIKOLÁŠEK, CFA (1977)

**CEO Deputy, Director of the Fund Management Division, portfolio manager**

- Graduate of Economic University Prague, Faculty of Finance (2000)
- Chartered Financial Analyst Course, CFA Institute, Charlottesville, USA (2004)
- Financial Analyst Seminar, Chicago, USA (2007)
- Professional experience in collective investment sector 13 years (thereof: portfolio manager professional experience) BONDINVEST (2001 – 2002)
- TREND BOND (2001 – until now)
- VYVÁŽENÝ MIX FF (2000 – 12/2012)
- Výnosový OPF – as of 7. 2. 2007 AKCIOVÝ MIX FF (2003 – 01/2007)
- High Grade dluhopisový FF as of 23. 10. 2007
- ČS balancovaný (08/2006 – 11/2009)
- HIGH YIELD dluhopisový FF – since 4. 11. 2008
- High Yield dluhopisový OPF (08/2006–11/2008)
- DLUHOPISOVÝ FOND (01/2012 – until now)
- SPOROBOND (12/2012 – until now)
- BONDINVEST ( 12/2012 – until now)
- OSOBNÍ PORTFOLIO 4 (12/2012 – until now)
- OPF PLUS (12/2012 – until now)

## MGR. TOMÁŠ ONDŘEJ, CFA (1973)

**Director of the Equity Funds Section and portfolio manager**

- Graduate of Palacký University Olomouc, Faculty of Natural Science, branch mathematics-geography; specialization mathematical analysis (1996)
- Broker licence, Ministry of Finance (1997)
- Chartered Financial Analyst Course, CFA Institute, Charlottesville, USA (2004)
- Professional experience in collective investment sector 15 years (thereof: portfolio manager professional experience) OPF EUROTREND (2000-2005)
- DYNAMICKÝ MIX FF (2002 – until now)
- GLOBAL STOCKS FF (2003 – until now)
- AKCIOVÝ MIX FF (02/2007- until now)
- ČS fond životního cyklu 2020 FF (09/2007- until now)
- ČS fond životního cyklu 2025 FF (09/2007 – 11/2009)
- ČS fond životního cyklu 2030 FF (09/2007 – until now)
- ČS fond životního cyklu 2040 FF (09/2007 – 11/2009)
- Institucionální akciový FF (11/2008 – until now)
- Fond cíleného výnosu, since 1. 2. 2010:
- OSOBNÍ PORTFOLIO 4 (06/2009 – 12/2012)
- OPF Plus (3/2010 – 12/2012)
- KONZERVATIVNÍ MIX FF (12/2012 – until now)
- VYVÁŽENÝ MIX FF (12/2012 – until now)
- Směšený fond (12/2012 – until now)

## ING. JÁN HÁJEK, CFA (1969)

**Portfolio manager**

- Graduate of Economic University Prague, Faculty of Finance (2000)
- Valuation models and M&A, Focal Financial Consulting, Inc., San Francisco, USA (1995)
- Portfolio Investment Management, Focal Financial Consulting, Inc., San Francisco, USA (1996)
- Modern Portfolio Management, Czech Finance Academy, Brno (2000)
- In-house practice – ING IM US & Latin America Funds, Atlanta, USA (2001)
- ING IM Portfolio Management Conference, The Hague, Netherlands (2001)
- Chartered Financial Analyst Course, CFA Institute, Charlottesville, USA (2002)
- In-house practice – KBC Securities, Brussels, Belgium (2003)
- CFA Analyst Seminar, Evanston, USA (2006)
- Professional experience in collective investment sector 9 years (thereof: portfolio manager professional experience) ING český akciový fond (07/1999-07/2001)
- BBL Dynamic Czech Republic Fund (07/1999-07/2001)
- TOP STOCKS (08/2006 – until now)
- Privátní portfolio AR AKCIE (11/2010 –until now)
- Privátní portfolio AR 25 (12/2012 – until now)
- Privátní portfolio AR 50 (12/2012 – until now)
- Privátní portfolio AR 75 (12/2012 – until now)
- Privátní portfolio AR 0 (12/2012 – until now)

## MGR. ING. JIŘÍ LENGÁL, CFA (1971)

**Portfolio manager**

- Graduate of Charles University, Faculty of Natural Science, Biochemical branch (1995);
- Graduate of Economic University Prague, Faculty of Finance (1998)
- Equity Markets and Analysis, Advanced Fixed Income Analysis, Derivatives, Monoco, Brno (1999 – 2002)
- Chartered Financial Analyst Course, CFA Institute, Charlottesville, USA (2005)
- Professional experience in collective investment sector 13 years (thereof: portfolio manager professional experience) SPOROTREND (2002 – until now)
- Směšený fond OPF (2/2010 – 12/2012)

## **ING. MARTIN ŠMÍD (1973)**

### **Portfolio manager**

- Graduate of Western Bohemian University, Cheb, Department of Finance and Banking (baccalaureate education) (1995)
- Graduate of Masaryk University, Brno, Faculty of Economics and Administration, Department of National Economy (graduate education) (1998)
- Fundamental Analysis and Rating, ČFA and Moneco, Brno (1999)
- Credit Risk and Credit Derivatives, ČFA and Moneco, Brno (1999)
- Derivatives, Citibank, Praha (2000)
- Advanced Fixed Income Analysis, Czech Finance Academy ČFA and Moneco, Brno (2001)
- Structured Products, ČFA and Moneco, Brno (2001)
- Professional experience in collective investment sector 15 years (thereof: portfolio manager professional experience) MERKUR (2000–2002)  
SPOROINVEST (2000 – until now)  
ČS korporátní dluhopisový (2004 – until now)  
OPATRNÝ MIX FF (07/2006 – 11/2009)  
LIKVIDITNÍ FOND (9/2009 – until now)  
Privátní portfolio AR ALTERNATIVNÍ INVESTICE (11/2010 – until now)  
Privátní portfolio AR REALITY (11/2010 – until now)  
FOND ŘÍZENÝCH VÝNOSŮ (12/2012 – until now)  
High Yield dluhopisový ((12/2012 – until now)

## **ING. JAROMÍR ZDRAŽIL (1972)**

### **Portfolio manager**

- Graduate of ČZU University, Department of Quality (1996)
- Brokerage Licence, Ministry of Finance (1996)
- Macroeconomy and Market, Czech Finance Academy (ČFA), Brno
- Foreign Securities, ČFA, Brno
- Treasury Game, Citibank (1999)
- Derivatives, Citibank (2001)
- Fixed Income Market and Analysis, ČFA, Brno (2001)
- Advanced Fixed Income Analysis, ČFA, Brno (2001)
- Credit Risk and Credit Derivatives, ČFA, Brno (2002)
- Assets Securitisation, ČFA, Brno (2002)
- International Fixed income and derivatives certificate, ICMA Centre (2008)
- Professional experience in collective investment sector 15 years (thereof: portfolio manager professional experience) FOND ŘÍZENÝCH VÝNOSŮ (2000 – 12/2012)  
SPOROBOND (2001 – 12/2012)  
BONDINVEST (2002 – 12/2012)  
KONZERVATIVNÍ MIX FF (2005 – 12/2012)  
OPATRNÝ MIX FF (2005 – 06/2006)  
Privátní portfolio AR 25 (10/2007 – 12/2012)  
Privátní portfolio AR 50 (10/2007 – 12/2012)  
Privátní portfolio AR 75 (10/2007 – 12/2012)  
Privátní portfolio AR 0 (04/2008 – 12/2012)  
High Yield dluhopisový OPF(11/2008 – 21/2012)

# Report of Performance

## of the ISČS Open-ended Mutual Funds in 2012

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• All mentioned open-end mutual funds are accounting entities without legal personality constituted by the Investiční společnost České spořitelny, a. s., according to the Act No. 248/92 Coll. and the Act No. 189/2004 Coll. They fully satisfy conditions of the European Union law.

• The depository bank of the funds is, on the basis of an agreement, Česká spořitelna, a. s.

• The auditor of ISČS and all the funds managed by it is Ernst & Young Audit, s.r.o.

# SPOROINVEST

## Characteristics

The short term bond fund. The biggest CZK denominated fund in the Czech Republic. Recommended investment horizon is one year and longer. The risk weight of the fund is 2 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund's portfolio contains primarily fixed or variable coupon bonds mostly with the intention of holding them until their maturity. Investments are made also in the treasury bills, bank deposits and eventually in derivative embedded bonds. The average duration of the mutual fund's portfolio is maximum 18 months. Preferred are debenture securities from issuers with credit rating of at least the investment grade.

## Commentary of the fund manager

The first half of 2012 was a time of stability on Czech crown money market. The Czech National Bank maintained a two-week repo rate of 0.75%. The first reduction of the repo rate, by 0.25%, came at the turn of June and July. With this move the central bank attempted to respond to the slowdown of the Czech economy and low demand inflation pressures. The Czech National Bank reduced the repo rate for the same reasons at the beginning of October (from 0.50% to 0.25%) and at the beginning of November to 0.05%. The repo rate was almost zero, therefore, as were the shorter Pribid

rates and in particular the yields on state treasury bills and short state bonds. Development was somewhat different on the euro money market, where short market interest rates started falling at the beginning of the year. The European Central Bank decided to reduce the repo rate only once, when in July it reduced the repo rate from 1.00% to 0.75%. Longer crown and euro interest rates (interest swaps) also responded to the slowdown of the growth of European economies and to the reduction of key interest rates and successively fell significantly throughout the year.

Credit markets enjoyed the interest of investors in 2012 and rose significantly most of the year (credit premiums were tightened). The exception here came in May and June, when there was a slight short-term stretching of credit premiums. The growth of credit markets was helped to a considerable extent by the environment of low interest rates, which forced investors to look for more profitable assets.

Sporoinvest exceeded the fund's comparative index (benchmark) for 2012. Mostly to thank for this appreciation in value were the profits on the growth of investment grade corporate bonds. The positive effect coming from the drop of, in particular, longer yields was restricted due to the basic conservative strategy of the fund, which limits the average modified duration of the fund's portfolio at low levels.

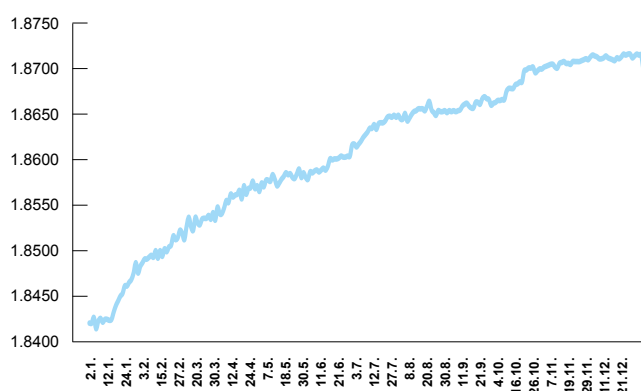
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
1,211,874,174	2,254,850	3,874,124,734	7,198,823	(2,662,250,560)	(4,943,973)

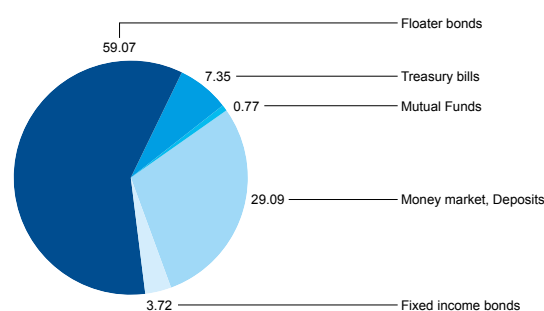
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
1996	1.0475	640,155	11,464	
1997	1.2018	1,647,359	170,751	14.73
1998	1.3560	4,300,250	303,624	12.83
1999	1.4765	16,815,290	875,952	8.89
2000	1.5392	16,500,129	825,804	4.25
2001	1.6005	16,854,709	815,365	3.98
2002	1.6514	27,180,475	609,021	3.18
2003	1.6864	29,065,175	447,819	2.12
2004	1.7302	41,077,774	804,358	2.60
2005	1.7571	45,808,501	682,568	1.55
2006	1.7861	44,693,383	744,200	1.68
2007	1.8106	47,578,847	624,765	1.35
2008	1.7568	29,996,955	(1,036,010)	(2.97)
2009	1.8194	27,356,545	867,117	3.56
2010	1.8437	26,844,303	360,924	1.34
2011	1.8423	20,730,995	(2,133)	(0.07)
2012	1.8696	16,057,319	270,296	1.48

## Development of the value of mutual fund's unit certificates of OPF SPOROINVEST in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# SPOROBOND

## Characteristics

The biggest open-ended mutual bond fund in the Czech Republic, designed for mid-term up to long-term investment with a recommended investment horizon of three years and longer. Its yields proceed from good-quality, primarily domestic bonds. The risk weight of the fund is 3 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The mutual fund invests primarily into government fixed-coupon bonds denominated in CZK, eventually also into government bonds from other countries with a mature bond market. The currency risk is in most cases hedged. Other investments go into corporate bonds, treasury bills, bank deposits, acquired are also bonds with embedded derivative or bonds connected with a right to their exchange for shares or priority right for subscription of shares. Proportional share of stock however must not exceed 10% of the fund's asset value. The aim of the investment policy is to provide the unit holders a growth of their unit certificates under the condition that the total risk profile of the mutual fund minimizes the possibility of a loss in the two years horizon.

## Commentary of the fund manager

Bond markets were strongly influenced by events in the eurozone throughout 2012. The Czech bond market maintained its status as a safe haven, a fact helped by the unflagging efforts of the Czech government to ensure fiscal consolidation. In fact the government did not relent in these efforts even in the face of the worse-than-expected development of the domestic economy.

The Czech National Bank responded to this development, successively reducing the basic repo rate several times during the year until it reached a technical zero.

Then in July the critical situation on the bond markets of peripheral EMU countries was calmed by statements coming out of the European Central Bank (ECB). The words of the governor assured financial markets that it would defend the preservation of the euro, ECB presenting a programme to help states with high interest costs.

The development described above led to a sharp decline in the yields of Czech state bonds along the entire yield curve and so in 2012 they showed double-figure profits.

This was fully manifested in the development of the price of fund unit, which was also supported by positive developments in the corporate bonds segment. On average, the fund invests around 25% of its portfolio in these.

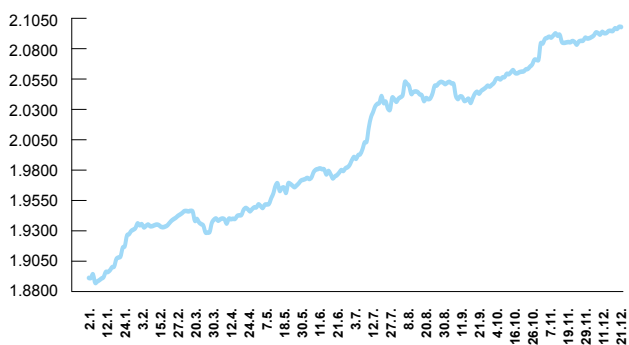
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
2,014,386,889	4,037,834	814,464,858	1,625,440	1,199,922,031	2,412,394

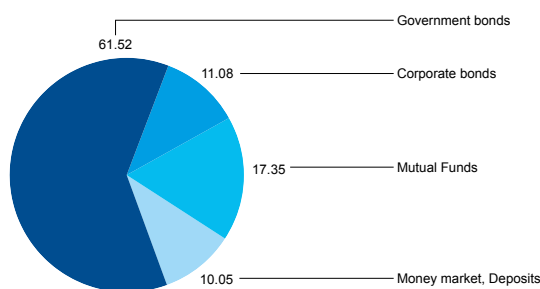
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
1998	1.1436	1,049,485	14,217	
1999	1.2540	2,337,973	148,078	9.65
2000	1.2999	2,066,500	139,621	3.66
2001	1.3920	2,734,958	114,541	7.09
2002	1.4865	8,449,694	253,799	6.78
2003	1.5155	13,182,477	339,031	1.95
2004	1.6105	11,177,841	338,075	6.27
2005	1.6708	14,011,416	438,910	3.76
2006	1.6993	12,830,908	206,039	1.75
2007	1.6784	10,082,466	(148,308)	(1.24)
2008	1.6507	5,869,153	(107,352)	(1.65)
2009	1.7674	5,074,421	314,716	7.07
2010	1.8408	7,534,238	231,675	4.15
2011	1.8919	7,932,211	196,813	2.78
2012	2.0947	11,297,139	952,533	10.72

### Development of the value of mutual fund's unit certificates of OPF SPOROBOND in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.



# TREND BOND

## Characteristics

The open-ended mutual bond fund, designed rather for long-term investment with a recommended investment horizon of at least three years. The risk weight of the fund is 4 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests mainly in government bonds of the Central and East European countries, which were denominated in local and strong currencies. It could be invested also in treasury bills, bank deposits, eventually in derivative embedded bonds. Up to 10% of the Fund's value can be invested in securities of the collective investment funds. The fund purchases preferably debenture securities from issuers with the long-term credit rating from the Standard & Poor's or from Moody's of at least on the investment grade. The mutual fund is managed in such a way that it should profit from eventual decline of interest yields and, at the same time, it would maximize its yields from the exchange rates movements.

## Commentary of the fund manager

The value of the fund's mutual fund certificate saw positive development from the beginning of 2012, a reflection of the excellent performance of the bond markets in our region. Investors thus received appreciation in value running into double-figures.

July's calming statements from the ECB, that the fall of the euro is not on the agenda and that ECB is prepared to play an active role in maintaining the entirety of the currency zone, had an effect from Western Europe.

Bonds from Hungary and Turkey, with their high interest yields, were among the leading lights in the portfolio. In the first case it was a matter of allaying fears over developments on the domestic political scene, which eventually began taking the measures demanded by international society. In the case of Turkey, meanwhile, the stabilising development of inflation also helped.

Moreover, the falling risk aversion helped the positive development of exchange rates and the fund took a preponderate position primarily on the Polish market.

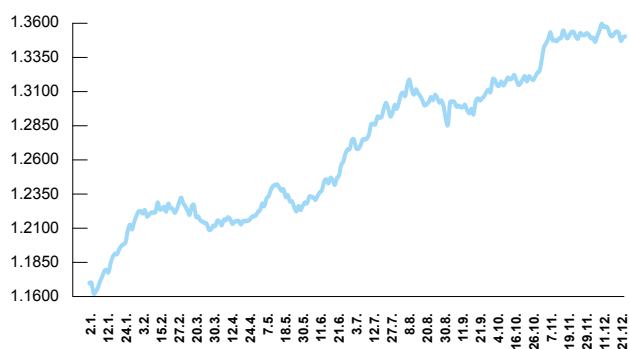
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
62,704,905	81,887	150,677,680	189,175	(87,972,775)	(107,288)

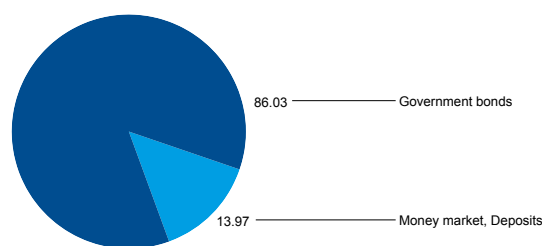
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2001	1.0237	395,802	3,205	
2002	1.0943	774,609	35,219	6.90
2003	1.0381	1,746,815	47,805	(5.14)
2004	1.1544	1,235,169	16,093	11.20
2005	1.1868	1,668,217	36,823	2.80
2006	1.1915	1,562,106	337	0.42
2007	1.2017	1,651,711	13,269	0.84
2008	1.1689	1,112,466	(48,306)	(2.73)
2009	1.2220	956,274	35,505	4.54
2010	1.2301	865,740	6,512	0.66
2011	1.1682	710,099	(42,007)	(5.03)
2012	1.3477	700,608	97,797	15.37

## Development of the value of mutual fund's unit certificates of OPF TREND BOND in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# ČS korporátní dluhopisový

## Characteristics

The open-ended mutual bond fund, designed for mid-term investment with a recommended investment horizon of at least three years. The risk weight of the fund is 4 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests mainly in bonds of the corporate, municipal, bank and government issuers from emerging markets of Europe, Near and Middle East and African countries. Investments are directed into bonds of above mentioned issuers that are traded on public market of the Organisation for Economic Co-operation and Development (OECD) countries.

The currency risk is hedged by means of standard hedging operations. The fund's portfolio consists mainly of bonds with fixed and variable coupon, denominated in EUR and USD. Investments go also into treasury bills, bank deposits, in some case even into bonds with embedded derivative.

The fund purchases preferably debenture securities from issuers with the long-term credit rating from the Standard & Poor's at least on the grade B- or from Moody's at least on the grade B3. The duration of the mutual fund's portfolio shall not exceed 10 years.

## Commentary of the fund manager

Credit markets, including the markets which the fund focuses on, enjoyed the interest of investors in 2012 and rose significantly most of the year (credit premiums were tightened). The only exception here came in May and June, when there was a slight short-term stretching of credit premiums. The second half of the year, however, was time for the further tightening of credit premiums. Credit spreads tightened by around 170 basis points (1.7%) during the year 2012 as a whole. The growth on the corporate bonds market from countries with emerging economies was supported by the environment of low interest rates, which forced investors to look for more profitable assets, and by events on the individual markets themselves. The uneventful exchange of the presidential and prime ministerial positions in Russia between Putin and Medvedev, for example, had a positive effect and for investors meant some degree of certainty that previous development would continue. The increase in Turkey's rating was manifested very significantly on the Turkish corporate bond market and this was followed by an increase in the rating of selected Turkish banks by two per cent to Baa2, meaning from speculative to investment level. On the other side of the coin, there was some degree of uncertainty on the Ukrainian corporate bond market that arose from suspended negotiations with the International Monetary Fund. Possible difficulties in financing the national debt therefore overflowed into Ukrainian corporate bonds, which then lagged behind the rest of the market quite considerably.

Overall positive development on the market was reflected in the very good performance of the fund last year.

The tightening of credit premiums, the high levels of interest on bonds and partly the significant fall of euro and dollar yield curves during the year all helped toward the higher level of appreciation.

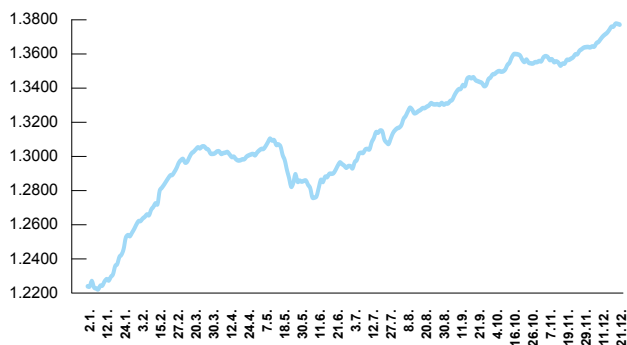
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
369,996,697	493,745	135,640,575	178,009	234,356,122	315,736

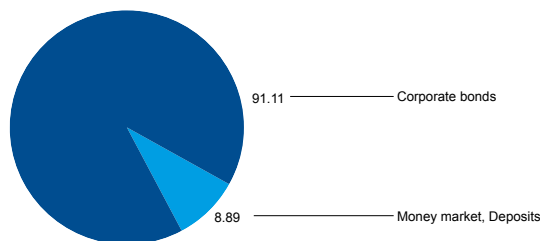
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2004	1.0216	874,829	66,520	
2005	1.0750	496,588	23,241	5.20
2006	1.0953	919,244	14,793	1.92
2007	1.0857	818,477	(7,738)	(0.88)
2008	0.8570	522,113	(151,352)	(21.06)
2009	1.1867	390,745	121,289	38.47
2010	1.2825	401,263	28,114	8.07
2011	1.2265	527,220	(26,439)	(4.37)
2012	1.3774	914,937	71,980	12.30

## Development of the value of mutual fund's unit certificates of OPF ČS korporátní dluhopisový in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# High Yield dluhopisový

## Characteristics

The open-ended mutual bond fund, designed for more experienced investors who can lay aside their invested capital for at least three years. The risk weight of the fund is 5 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

Aim of the strategy is to provide the unit holders with a longterm positive absolute performance of their crown investment into unit certificates, mainly by investments in bonds of corporate and bank issuers who have the long-term credit rating from the Standard & Poor's or from Moody's at least on the speculative grade. The issuers are mostly from Western and Eastern Europe. The fund's portfolio consists mainly of fixed and variable rate bonds issued in EUR or USD. The currency risk is hedged by means of standard hedging operations. Moreover, derivative embedded bonds, treasury bills and bank deposits may be purchased in the fund's portfolio.

## Commentary of the fund manager

Credit markets enjoyed the interest of investors in 2012 and rose significantly most of the year (credit premiums were tightened). The only exception here came in May and June, when there was a slight short-term stretching of credit premiums. Credit premiums did return to the level from the beginning of the year in the case of high-yield corporate bonds, but the high accruing interest maintained favourable overall appreciation levels. The second half of the year, however, was time for the further tightening of credit premiums. Credit spreads tightened by around 150 basis points (1.5%) during the year 2012 as a whole. The growth of credit markets was helped to a considerable extent by the environment of low interest rates, which forced investors to look for more profitable assets.

Positive development on the market was also reflected in the very good performance of the fund in 2012. The tightening of credit premiums, the high levels of interest on bonds and the significant fall of euro and dollar yield curves during the year all helped toward the higher level of appreciation.

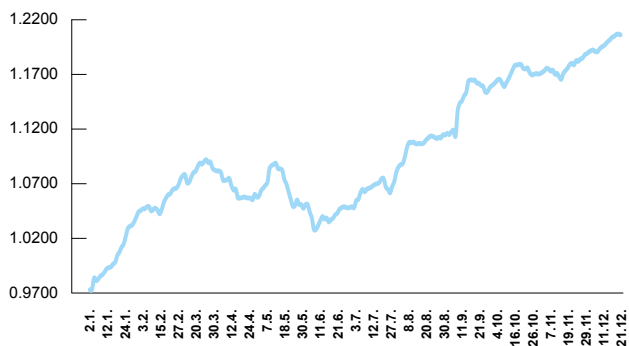
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
236,906,359	266,361	253,914,092	271,239	(17,007,733)	(4,878)

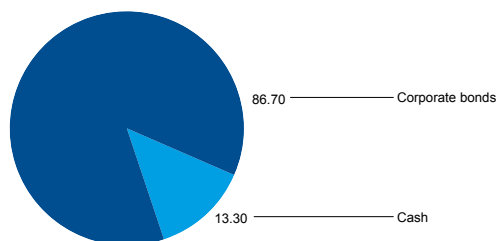
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2006	1.0186	25,928	395	
2007	0.9683	47,327	(2 916)	(4.96)
2008	0.6378	34,933	(17,757)	(34.13)
2009	1.0587	92,341	30,398	65.99
2010	1.1587	173,792	10,559	9.45
2011	0.9816	460,176	(66,362)	(15.28)
2012	1.2072	545,578	90,280	22.98

### Development of the value of mutual fund's unit certificates of OPF High Yield dluhopisový in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# BONDINVEST

## Characteristics

An open-ended mutual bond fund was designed for mid-term investment of 2–3 years. The risk weight of the fund is 3 on a scale 1-7 of the Synthetic risk and reward indicator.

Unit certificates of this open-ended mutual fund are in the form of a bearer security in documentary form. They were issued at the nominal value of CZK 5,000 and CZK 50,000.

The entire profit generated by the fund was used as a source for payment of the profit share, which were paid out to unit holders once a year. With effect from April 1, 2008, the statute of the fund has been changed according to the decision of the Czech National Bank; this change was connected among others with the change of the fund's type from the income to growth type and with termination of paying-off of the profit share.

## Investment strategy

This fund is not offered by Česká spořitelna any more. Operation of the type purchase, i.e. unit certificates redemption from the client will still be executed.

## Commentary of the fund manager

Bond markets were strongly influenced by events in the eurozone throughout 2012. The Czech bond market maintained its status as a safe haven, a fact helped by the unflagging efforts of the Czech government to ensure fiscal consolidation. In fact the government did not relent in these efforts even in the face of the worse-than-expected development of the domestic economy.

The Czech National Bank responded to this development, successively reducing the basic repo rate several times during the year until it reached a technical zero.

Then in July the critical situation on the bond markets of peripheral EMU countries was calmed by statements coming out of the European Central Bank. The words of the governor assured financial markets that it would defend the preservation of the euro, ECB presenting a programme to help states with high interest costs.

The development described above led to a sharp decline in the yields of Czech government bonds along the entire yield curve and so in 2012 they showed double-figure profits.

This was fully manifested in the development of the price of fund unit, which was also supported by positive developments in the corporate bonds segment. Part of the portfolio is invested in corporate bond funds.

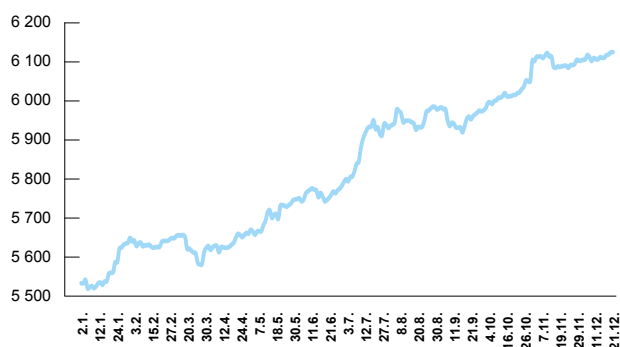
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
0	0	1,736	10,045	(1,736)	(10,045)

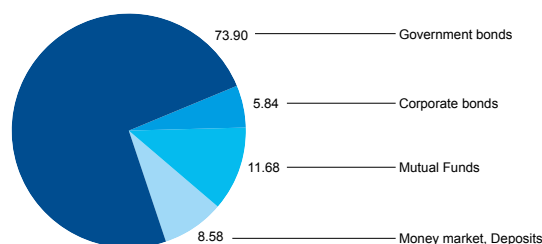
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
1996	5,368	238,234	22,047	
1997	5,605	184,027	24,830	13.41
1998	5,696	178,487	20,841	15.74
1999	5,750	195,947	23,976	10.75
2000	5,246	257,785	11,999	4.78
2001	5,415	286,069	17,360	7.87
2002	5,421	386,078	16,438	6.22
2003	5,316	426,991	14,395	2.18
2004	5,417	438,643	11,917	5.41
2005	5,482	446,403	16,340	3.78
2006	5,337	434,734	4,820	1.15
2007	5,174	363,837	(8,143)	(1.99)
2008	4,967	174,088	(7,706)	(4.00)
2009	5,194	144,035	6,073	4.57
2010	5,358	96,180	3,935	3.17
2011	5,533	74,300	2,895	3.28
2012	6,134	71,710	7,455	10.84

## Development of the value of mutual fund's unit certificates of OPF BONDINVEST in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.



# SPOROTREND

## Characteristics

An open-ended mutual equity fund is designed for dynamic investors who believe in positive development on stock markets of the EU member states, as well as other Eastern Europe states. It is designated for long-term investment with a horizon of 5 to 7 years. The risk weight of the fund is 7 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund manager invests mainly into the publicly traded liquid stock of trustful Czech and foreign issuers from the EU member states, candidate countries as well as another East European states. The fund invests also on the Russian and Turkish equity markets. The sector and regional allocation of the fund, as well as the selection of individual stocks, is managed with the aim of surpassing of the index investments returns. The equity risk is constrained by a broad diversification of the portfolio; nevertheless a high value volatility of unit certificates may occur. Moreover, also other investment instruments permitted for the collective investment of a standard fund by the Act on Collective Investment are bought into the mutual fund's portfolio.

## Commentary of the fund manager

The year 2012 began for stock markets with promising growth and the dream that European institutions and governments would take decisive steps to limit the consequences of the debt crisis and restore trust in financial markets. European central banks used the new, three-year liquidity instruments provided by the European Central Bank in abundance; in doing so they were able to allay fears that some banks could have difficulty refinancing their obligations in the situation in which the yields on the bonds of their motherlands were unsustainably high and that banks would therefore have to sell off their assets under the pressure. The fear on the financial markets began to recede, leading to decent growth of world stock markets, including those of Eastern Europe, in the first quarter.

Nonetheless, scepticism prevailed over time, since Europe had difficulty in finding consensus on how to effectively face up to a renewed "incursion" on the bond markets of the Mediterranean countries when, in the middle of the year, the yields on government bonds again rose to levels unsustainable over the long-term. The markets speculated over the degree of the economic slowdown in China and the strength of the revival of the American economy. The main victim, however, was Europe, where uncertainty and negative expectations among households and companies were projected in the economic slowdown or recession of certain economies.

A fundamental turnaround of sentiment came with July's statement by the head of the ECB Mario Draghi, who warned the markets that the European Central Bank was prepared to do everything necessary

to save the euro. A programme of market interventions, whereby the ECB would buy the bonds of selected European countries on the secondary market, won the political support of representatives of the countries of the eurozone. Whereas the threat of intervention by the ECB remained just that, other world central banks (Fed, Bank of England, Bank of Japan) continued in their programmes of buying assets, the aim being to squeeze medium- and long-term interest rates and in doing so support economic growth. The American Fed in particular promised to keep the basic rate at zero until 2015 and at the same time continue buying assets until there was a noticeable and steady improvement on the labour market.

The stock markets of Central and Eastern Europe found themselves towed along by European and world events. After losing profits from the first quarter during May and June, the exception here being Turkey, growth began in the summer that more or less continued until the end of the year. There were, however, huge differences between the performances of individual markets; whereas Turkey maintained the position of leader, with full-year appreciation in value of more than 50% (expressed in crowns), Russian stocks did not even come close to their March highest, rising only by around 6%. In Central Europe, Polish stocks performed well, adding more than 30% when expressed in crowns. Prague and Budapest added an almost identical 14%.

The exceptional performance of Turkish stocks was mainly based on the growth of financial names, when yields on domestic bonds fell, the volume of loans in the economy rose at a double-figure tempo and the risk aversion of investors towards Turkey fell considerably. Investors speculated that the credit rating of the country would be raised to the investment band, which one of the three biggest world ratings agencies (Fitch) actually did in November.

Even on the other markets, however, most success was achieved by shares in banks under the influence of the operations of central banks and declining risk aversion. Shares in companies such as Erste Bank, OTP Bank, PKO Bank Polski or Sberbank rose at a double-figure rate. Shares also rose in Poland in industries that did not do very well elsewhere in Europe (refineries, mineral extraction, gas distribution etc.); in contrast to this, the brakes were put on the growth of Hungarian stocks by the Orbán government's "unfriendly" measures towards other markets (going back on the promise to reduce a special bank tax from 2013 to half, the introduction of special taxes for telecommunications and distribution companies). By contrast, most names in mining and metallurgy fared poorly, as did some in power engineering. The markets were also merciless to shares in medium-sized and smaller companies, which in some cases had to face up to operating problems; the willingness of investors to pay for future profits and cash flow was almost zero, particularly during the period of turbulence in the middle of the year.

From the perspective of the mood of investors, 2012 was not too successful for Central and Eastern Europe, the exception being Turkey. Russia in particular had to face up to a continuing outflow of capital, including the resources of international institutional investors. The difference in the relative valuation of Eastern European markets towards Western Europe and emerging world markets continued to widen – whereas the MSCI Europe Emerging index was only trading at around 6.6 times the estimated profits at the end of the year (estimated 12-month P/E), investors in Western Europe and on global emerging markets were willing to pay considerably more for a unit of expected profits, around 10.7 to 11.5 times (estimated P/E for MSCI Emerging Markets Free or DJ Stoxx 600 Europe index).

The dip in the performance of the fund in the second half of 2011 was only partly rectified last year. The unsatisfactory performance in contrast to the benchmark was based on the higher share of Russia and shares from other post-Soviet countries in the portfolio of the fund at the expense of Turkey and Poland and the greater weight of industries that have fallen behind in relative terms. One considerable negative was the contribution of the performance of shares in certain smaller and medium-sized companies, which were sold off in May and June, from which only partial recovery was achieved by the end of the year.

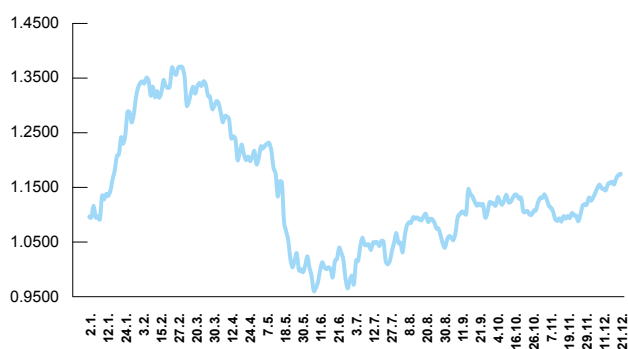
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
821,891,703	961,616	833,234,916	949,632	(11,343,214)	11,984

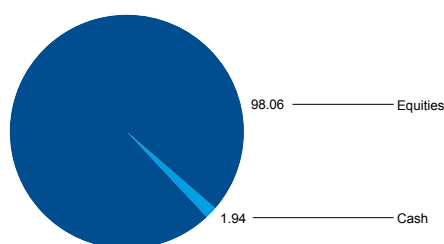
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
1998	0.8177	60,109	(7,518)	
1999	0.9052	169,186	9,710	10.7
2000	0.8810	829,873	(2,723)	(2.67)
2001	0.6918	675,596	(124,705)	(21.48)
2002	0.6998	564,658	(61,340)	1.16
2003	0.8776	969,641	29,859	25.41
2004	1.2452	1,906,051	160,412	41.89
2005	1.7585	4,190,543	961,264	41.20
2006	1.8858	6,037,961	339,256	7.33
2007	2.1200	6,779,405	705,186	12.44
2008	0.6897	2,168,390	(4,561,648)	(67.47)
2009	1.7681	5,472,732	3,390,881	156.36
2010	1.8051	5,383,946	141,848	2.09
2011	1.1002	3,400,234	(2,032,531)	(39.05)
2012	1.1761	3,621,643	209,197	6.90

### Development of the value of mutual fund's unit certificates of OPF SPOROTREND in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# GLOBAL STOCKS FF

## Characteristics

The fund is an open-ended mutual fund of funds designed for investment of at least five years. Its portfolio shows a broad diversification of investments focused on global markets. The risk weight of the fund is 6 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

An aim of the fund is to provide to unit holders a long-run valuation of unit certificates primarily by investing into globally spread portfolio of securities of equity funds of collective investment and in shares. Further, also other investment instruments permitted for the collective investment of a standard fund by the Act on Collective Investment can be bought into the mutual fund's portfolio.

## Commentary of the fund manager

The year 2012 was highly successful for stock markets. Back in December 2011 we set out a strategy for 2012, a strategy of full investment in stocks that we remained faithful to the entire year. The global MSCI ACWI index registered an appreciation in value of 17% with dividends. The main surprise for us was the very high increase in the prices of Czech state bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investment in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the desire to risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

The strengthening of the crown, which strengthened against the dollar by 3.68%, took away from the absolute performance of the fund. The fund's charter means that it does not hedge foreign exchange risk. The good selection of funds of renowned, world managers that exceeded their regional indexes, for example Threadneedle Euro Select Fund or Aberdeen funds in Asia and emerging markets, was most to thank for the positive relative performance of the fund. Very active trading in derivatives also played a part in exceeding the benchmark.

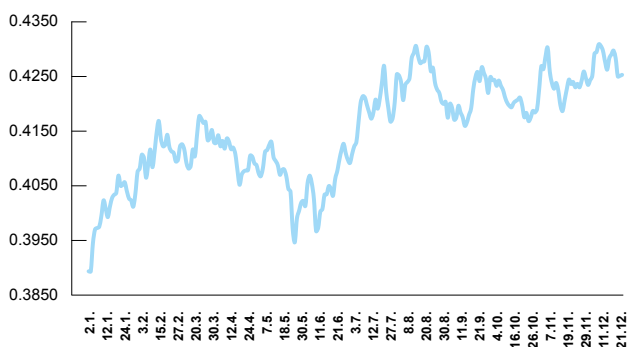
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
343,302,106	140,732	475,639,189	195,987	(132,337,083)	(55,255)

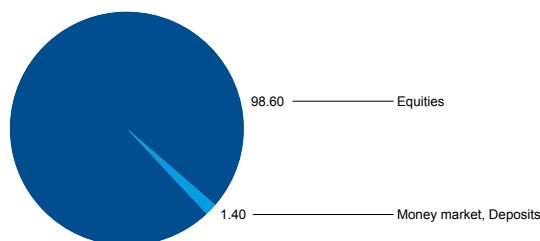
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2000	0.8490	135,936	(1,234)	
2001	0.6401	120,471	(31,119)	(24.61)
2002	0.3996	75,486	(42,241)	(37.57)
2003	0.4367	143,263	(12,943)	9.28
2004	0.4413	197,592	6,876	1.05
2005	0.5291	847,554	72,074	19.85
2006	0.5279	1,038,682	(2,979)	(0.04)
2007	0.4981	788,573	(45,268)	(5.75)
2008	0.2994	382,907	(288,472)	(39.89)
2009	0.3815	463,623	101,587	27.42
2010	0.4214	454,409	44,267	10.46
2011	0.3861	360,024	(37,304)	(8.35)
2012	0.4275	342,071	37,302	10.69

## Development of the value of mutual fund's unit certificates of OPF GLOBAL STOCKS FF in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# TOP STOCKS

## Characteristics

The open-ended mutual equity fund, designed for experienced investors who can afford to lay aside their invested capital for at least five years. The selection of the particular stock titles is managed with the aim of achieving regular positive annual valuation in CZK terms. At the same time, the potential of a long-term evaluation of the unit holders' investments shall be saved. The risk weight of the fund is 7 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund manager invests permanently on the stock market. The aim is to provide unit holders with a long-term evaluation of unit certificates through investment in a concentrated portfolio of shares traded in stock markets, denominated in relevant currencies. Particular shares for the long-term evaluation are purchased in the fund via active selection ("stock picking"), whereas the proportion in the portfolio of shares and investment instruments bearing shares risk may achieve from 66% to 100%. With regard to the emphasis on higher concentration of the portfolio and on a longer investment horizon of particular investments, the achieved assets turnover is rather low. The fund holds the currency risk resulting from investments in local currencies; this risk is actively managed by means of available hedging instruments.

## Commentary of the fund manager

In spite of the continuing scepticism of retail investors and investment strategists, developed stock markets last year showed some very decent appreciation in value. The American stock market, measured using the S&P500 index, rose by 13.4% in 2012. The rise in profitability of 5.2% was certainly lower than the 16% rise in profitability achieved in 2011, but this time an increase of relative valuation contributed towards last year's above-average performance after finding itself at a very pessimistic level at the beginning of 2012 as a result of continuing fears over the deepening crisis in the eurozone. The European stock market, meanwhile, measured using the Europe Stoxx 600 index, rose last year by an above-average 14.4%.

The fund was placed in fifth position out of seventeen funds in the performance table of internally-defined competing funds.

Contributing most to the above-average performance of the fund in 2012 was the appreciation in value of shares in Austriamicrosystems, Alnylam Pharmaceuticals and Pandora, which rose more than 100% last year. By contrast, last year's performance was most negatively affected by unsuccessful investment in Dendreon and Rovi.

Although the companies in the portfolio are currently maintaining above-average profitability growth in comparison with both developed market indexes, these companies are generally traded with a slight discount in relative valuation. I assume that the stocks currently found in the fund portfolio are even now significantly undervalued and that over time we will see a return of the rates of these stocks to something closer to levels that are more in line with their fundamental value. Investors are gradually turning their attention to the two most important factors for share performance over the long-term – the growth in the profitability of companies and the valuation of shares. The current analytical expectations of the economic activity of those individual companies in the ISČS Top Stocks fund portfolio are not, in my view, excessively optimistic and only their actual fulfilment should bring an attractive, double-figure yield at the current levels of relative valuation. The return of relative valuation values to far higher levels, corresponding to the ability of these selected companies to achieve above-average growth of profitability during the period of a full market cycle, could be a potentially significant bonus for the patient investor.

The volume of assets in the fund rose in 2012 from the initial CZK 1.455 thousand million to CZK 1.957 thousand million at the end of 2012, one reason being the addition of a new investment of CZK 276 million. Shares of Dendreon and Rovi were sold last year, these shares were bought at the beginning of 2012, and then new shares purchased in Amarin. Shares of Vivus that were previously included in the "Lieutenant Dan Portfolio" investment concept became an investment concept in their own right. Shares of Intercell were sold from the "Lieutenant Dan Portfolio" investment concept and shares of Threshold Pharmaceuticals, Achillion Pharmaceuticals, Celldex Therapeutics, Regulus Therapeutics and Sarepta Therapeutics bought. The ISČS Top Stocks fund portfolio contained 25 investment concepts on the last day of 2012.

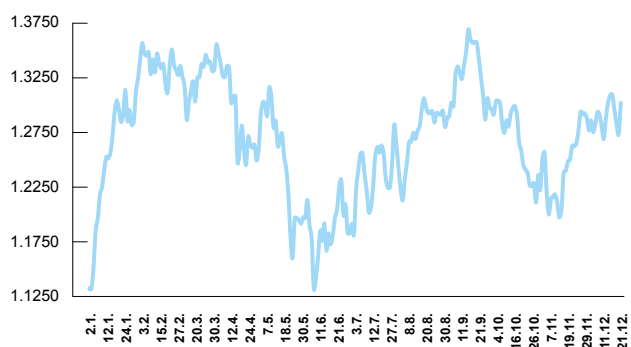
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
732,729,004	933,316	511,359,687	656,971	221,369,317	276,345

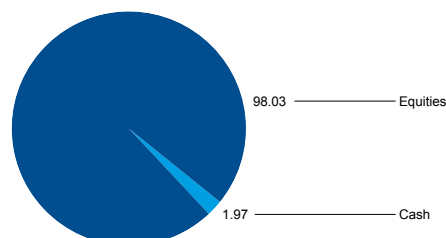
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2006	1.0085	167,852	2,186	
2007	1.1396	892,094	5,702	13.04
2008	0.4929	417,088	(531,559)	(56.75)
2009	0.9127	572,463	284,624	85.17
2010	1.2711	1,275,367	292,490	39.27
2011	1.1328	1,454,796	(181,272)	(10.88)
2012	1.2998	1,957,168	226,028	14.74

### Development of the value of mutual fund's unit certificates of OPF TOP STOCKS in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# KONZERVATIVNÍ MIX FF

## Characteristics

The open-ended profile fund of funds with a recommended investment horizon of three years. The fund is suitable for investment aims of continual formation of capital with complex investments spreading in its portfolio and in a conservative relation among the money, bond and stock markets. The risk weight of the fund is 3 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The aim of the mutual fund is to achieve in a long-run horizon a performance higher than a benchmark. Means collected in the mutual fund are invested primarily in securities of money market funds that supplement securities of bond funds and, in a smaller extent, equity funds. Further, also shares, bonds and money market instruments permitted by the law for the collective investment of a standard fund may be purchased into the mutual fund's portfolio. The portion of the stock part of the mutual fund's assets shall be actively managed; the neutral weight of this part of the mutual fund's assets shall be 10%.

## Commentary of the fund manager

The year 2012 was very successful for all more significant asset classes – government bonds, corporate bonds and stocks. Only commodities were unsuccessful, this due to the slowdown of the Chinese economy. We did not fundamentally alter our tactical allocation during the year. We set out a strategy for 2012 in December 2011 in which stocks and corporate bonds preponderated over government bonds, a strategy we remained faithful to the entire year, with only minor adjustments (the share of stocks in the portfolio fluctuated between 11% and 13%). This decision paid off, albeit with smaller differences that we originally anticipated (13% for

Czech government bonds, 17% for the global MSCI ACWI index with dividends and 19% for the HY bonds index). The main surprise for us was the very high increase in the prices of Czech state bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investments in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

Konzervativní Mix FF was the best mixed fund of 2012, coming first in the Mixed Fund 2012 category in Investment of the Year 2012, the 3rd annual analysis of the Czech investment market. The Investment of the Year 2012 project was organised by Fincentrum.



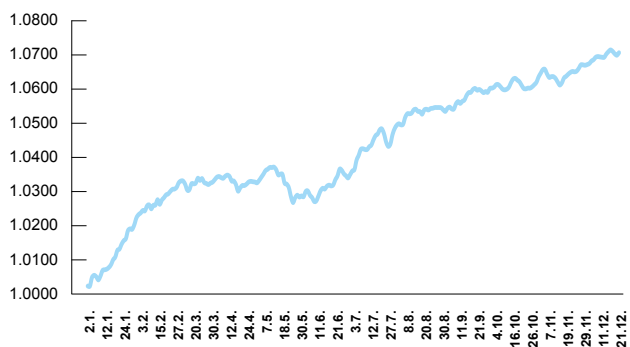
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
241,666,821	253,499	418,022,466	433,203	(176,355,645)	(179,704)

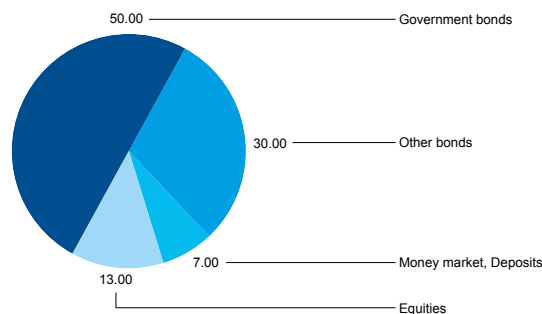
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2005	1.0098	521,766	2,426	
2006	1.0238	1,529,383	21,498	1.37
2007	1.0263	3,112,624	(4,476)	0.22
2008	0.8759	1,983,128	(411,946)	(14.65)
2009	0.9846	1,592,332	176,940	12.41
2010	1.0199	1,484,404	53,891	3.59
2011	1.0022	1,272,471	(25,476)	(1.74)
2012	1.0695	1,169,409	76,642	6.72

## Development of the value of mutual fund's unit certificates of OPF KONZERVATIVNÍ MIX FF in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.



# VYVÁŽENÝ MIX FF

## Characteristics

The open-ended profile fund of funds, designed for more experienced investors who can lay aside their invested capital for at least four years. The fund is suitable for investment aims of gradual capital creation with observance of rules of a steady distribution of investments (diversification) in its portfolio. The risk weight of the fund is 4 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

Means collected in the mutual fund are invested primarily in securities of funds of collective investment. The balanced portfolio consists in its basic neutral situation of 70% bond portion and an important, in neutral position 30% stock portion. The stock portion includes the most important global stock markets. Further, also shares, bonds and money market instruments permitted by the law for the collective investment of a standard fund can be purchased into the mutual fund's portfolio.

## Commentary of the fund manager

The year 2012 was very successful for all more significant asset classes – government bonds, corporate bonds and stocks. Only commodities were unsuccessful, this due to the slowdown of the Chinese economy. We did not fundamentally alter our tactical allocation during the year. We set out a strategy for 2012 in December 2011 in which stocks and corporate bonds preponderated over government bonds, a strategy we remained faithful to the entire year, with only minor adjustments (the share of stocks in the portfolio fluctuated between 31% and 34%). This decision paid off, albeit with smaller differences than we originally anticipated (13% for Czech government bonds, 17% for the global MSCI ACWI index with dividends and 19% for the HY bonds index). The main surprise for us was the very high increase in the prices of Czech state bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investments in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

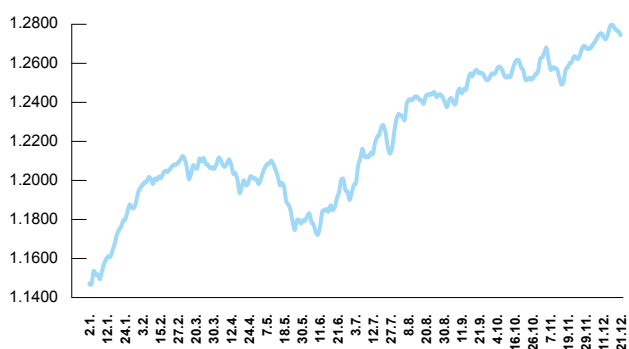
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
109,717,293	133,562	381,523,030	463,750	(271,805,737)	(330,188)

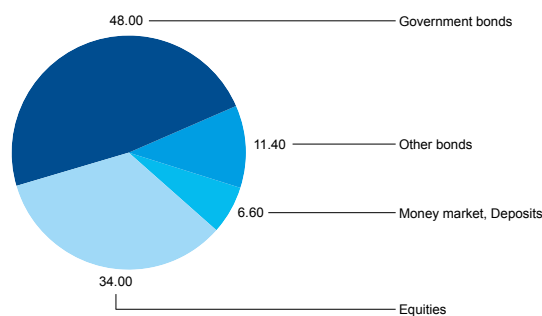
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2000	1.1518	1,603,375	(120,142)	
2001	1.0990	982,370	(205,266)	(4.58)
2002	1.0143	571,296	(82,874)	(7.71)
2003	1.0753	394,142	(18,038)	6.01
2004	1.1459	401,093	2,311	6.57
2005	1.2462	870,971	39,984	5.96
2006	1.2643	1,964,598	26,731	1.49
2007	1.2777	3,251,424	10,013	1.04
2008	0.9962	2,351,667	(729,812)	(22.03)
2009	1.1492	2,342,155	304,553	15.36
2010	1.2018	2,191,894	98,480	4.58
2011	1.1466	1,735,864	(93,299)	(4.59)
2012	1.2731	1,581,432	175,756	11.03

## Development of the value of mutual fund's unit certificates of OPF VYVÁŽENÝ MIX in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# DYNAMICKÝ MIX FF

## Characteristics

The open-ended profile fund of funds, designed for experienced investors; the recommended period of investment is at least five years. The basis of the balanced portfolio in the neutral position consists of the same portion of securities of equity funds and securities of bond funds of collective investment. The risk weight of the fund is 6 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund manager purchases into the fund's portfolio mainly securities of money market funds, further also of bond and equity funds of collective investment. Also shares, bonds and other investment instruments permitted by the law for the collective investment of a standard fund may be purchased into the mutual fund's portfolio. The portion of the stock part of the mutual fund's portfolio is actively managed; the neutral weight of this part of the mutual fund's assets shall be 50%. The fund bears the currency risk connected with investments in local currencies. This risk is in case of the stock portion actively managed by means of accessible hedging instruments.

## Commentary of the fund manager

The year 2012 was very successful for all more significant asset classes – government bonds, corporate bonds and stocks. Only commodities were unsuccessful, this due to the slowdown of the Chinese economy. We did not fundamentally alter our tactical allocation during the year. We set out a strategy for 2012 in December 2011 in which stocks and corporate bonds preponderated over government bonds, a strategy we remained faithful to the entire year, with only minor adjustments (the share of stocks in the portfolio fluctuated between 53% and 58%). This decision paid off, albeit with smaller differences than we originally anticipated (13% for Czech government bonds, 17% for the global MSCI ACWI index with dividends and 19% for the HY bonds index). The main surprise for us was the very high increase in the prices of Czech state bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investment in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

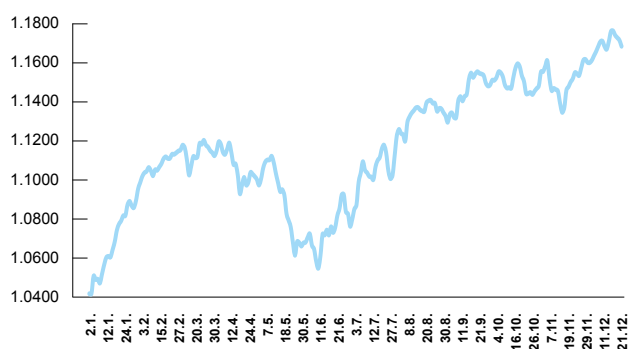
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
49,040,032	54,121	120,127,802	133,214	(71,087,770)	(79,093)

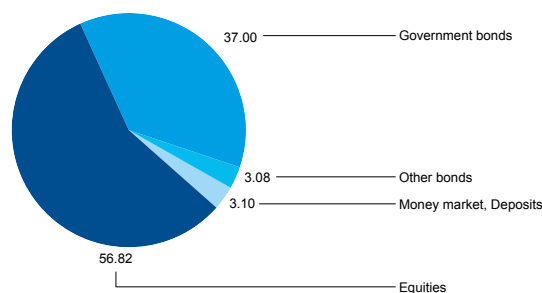
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2000	1.0659	1,525,851	(11,105)	
2001	1.1075	220,503	(29,789)	3.90
2002	0.9566	159,666	(14,961)	(13.63)
2003	1.0456	186,519	(5,662)	9.30
2004	1.1221	290,831	4,446	7.32
2005	1.2480	477,683	35,097	8.78
2006	1.2600	777,741	6,273	0.95
2007	1.2921	1,142,524	15,376	2.53
2008	0.8579	695,277	(377,549)	(33.60)
2009	1.0513	785,760	143,735	22.54
2010	1.1151	751,254	43,253	6.07
2011	1.0403	596,480	(47,232)	(6.71)
2012	1.1676	586,530	69,143	12.24

## Development of the value of mutual fund's unit certificates of OPF DYNAMICKÝ MIX FF in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# AKCIOVÝ MIX FF

## Characteristics

The fund is designed for experienced investors with capital market who can afford to lay aside their invested capital for at least five years. The risk weight of the fund is 6 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund manager now invests the money means in securities of money market funds and securities of bond and equity funds of collective investment. Further, also shares, bonds and other investment instruments permitted by the law for the collective investment of a standard fund may be purchased into the mutual fund's portfolio. The portion of the stock part of the mutual fund's portfolio as well as the regional and sector structure are actively managed. The neutral weight of the stock part of the mutual fund's assets shall be 75%. The fund bears the currency risk connected with investments in local currencies. This risk is in case of the stock portion actively managed by means of accessible hedging instruments.

## Commentary of the fund manager

The year 2012 was very successful for all more significant asset classes – government bonds, corporate bonds and stocks. Only commodities were unsuccessful, this due to the slowdown of the Chinese economy. We did not fundamentally alter our tactical allocation during the year. We set out a strategy for 2012 in December 2011 in which stocks and corporate bonds preponderated over government bonds, a strategy we remained faithful to the entire year, with only minor adjustments (the share of stocks in the portfolio fluctuated between 78% and 84%). This decision paid off, albeit with smaller differences than we originally anticipated (13% for Czech state bonds, 17% for the global MSCI ACWI index with dividends and 19% for the HY bonds index). The main surprise for us was the very high increase in the prices of Czech government bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investments in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

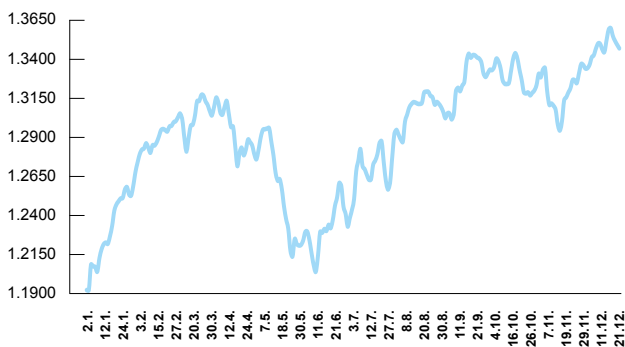
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
135,680,721	172,362	184,570,256	236,033	(48,889,535)	(63,671)

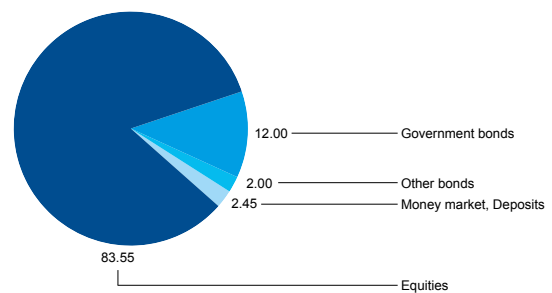
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
1999	1.0837	6,249,111	5,191	
2000	1.1571	4,533,427	16,208	6.77
2001	1.2293	1,069,727	162,010	6.24
2002	1.2973	777,462	24,197	5.53
2003	1.3232	1,043,138	65,620	2.00
2004	1.4647	1,001,035	50,642	10.69
2005	1.5535	1,122,498	62,436	6.08
2006	1.5891	1,106,759	22,654	2.41
2007	1.6390	1,258,875	32,098	3.13
2008	0.9691	633,747	(474,702)	(40.87)
2009	1.2646	777,721	182,421	30.49
2010	1.3406	757,935	43,293	6.01
2011	1.1903	611,224	(79,812)	(11.21)
2012	1.3469	625,890	78,338	13.16

## Development of the value of mutual fund's unit certificates of OPF AKCIOVÝ MIX FF in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Smíšený fond

## Characteristics

The fund is distinguished by higher turnover of equity portfolio and it is intended for those, who prefer active portfolio management and who wish to profit from relatively short-term investment occasions. Investor should be able to accept also a longer period of negative performance of the unit certificate value; therefore the fund is suitable for experienced investors who can afford to invest the capital at least for 5 years. Minimal investment into the fund is 1,000,000 CZK. The risk weight of the fund is 5 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund's target is to bring a higher yield than Czech government bonds and global equities using active changes of the weight of the equity part of portfolio, currency structure and modified duration of the bond part of portfolio. In minority, the instruments with the corporate bonds exposure can be added into the portfolio. The fund is managed with an emphasis on the total absolute return. The neutral weight of government bonds shall be 70% of the fund assets. This part of the portfolio is actively managed with respect to the interest risk on the CZK and EUR yield curve. The mutual fund bears a currency risk arising from investments in the local currencies; this risk is actively managed.

## Commentary of the fund manager

The year 2012 was very successful for all more significant asset classes – government bonds, corporate bonds and stocks. Only commodities were unsuccessful, this due to the slowdown of the Chinese economy. We set out a strategy for 2012 in December 2011 in which stocks preponderated over state bonds, a strategy we remained faithful to the entire year (the share of stocks in the portfolio fluctuated between 30 and 40% after a change of investment strategy in the spring). This decision paid off, albeit with smaller differences that we originally anticipated (13% for Czech government bonds, 17% for the global MSCI ACWI index with dividends). The main surprise for us was the very high increase in the prices of Czech government bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investment in bond funds. We partly changed the strategy of the fund at the end of the first half of the year and reduced the share of stocks in the portfolio from a neutral 60% to 30% (the new maximum share was set at 45%) as a result of the unsatisfactory performance of part of the stock portfolio, which invested in direct positions in Central and Eastern Europe. The fund now only invests in global index products in the form of ETFs.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

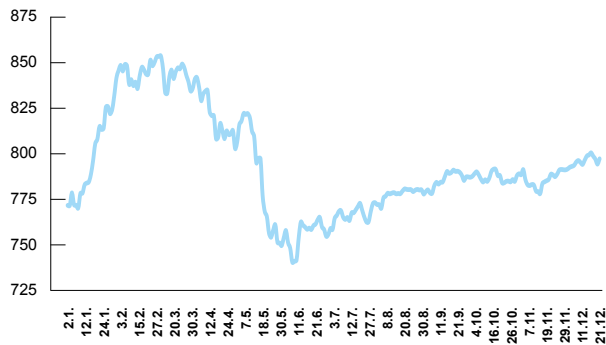
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
35	29	0	0	35	29

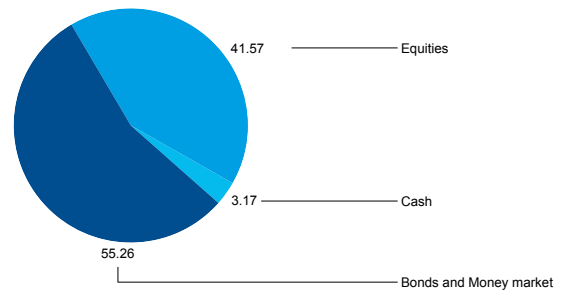
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2010	1,046.0369	1,819,636	119,237	
2011	769.6892	2,074,114	(432,519)	(26.42)
2012	795.3785	2,143,345	69,202	3.34

### Development of the value of mutual fund's unit certificates of OPF Smíšený fond in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.



# OSOBNÍ PORTFOLIO 4

## Characteristics

Growth fund of funds with a prevalence of securities of bond and equity funds of collective investment, designed for medium-term investments. Recommended time of investment is at least four years. Suitable for investors, whose reference currency is CZK and who are interested not only in mediated investments in a stable, broadly differentiated and liquid portion of the portfolio, but also in a long-term successive capital creation. The risk weight of the fund is 3 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The long-term aim of the fund is to achieve an average yearly appreciation that surpasses the level achieved by Czech government bonds. At the same time, the effort is focused on results, when the maximum loss during one year would be with a high probability limited on 3%. The priority aim however is to achieve a 100% hedging of the invested capital during every four years, starting always at June 1. Fund uses financial derivatives for the currency hedging.

## Commentary of the fund manager

The fund entered the New Year with very conservative investment, whereby the portfolio comprised only medium-term bonds and money market instruments. The reason for this conservative portfolio was the slump of risk assets last year and the low level of interest resources. After all, the fund will protect stakeholders' capital at 4 different levels into the future and it was first necessary to see a strengthening of the price of fund unit before acquiring risk assets. Bonds certainly helped this to a considerable extent.

Czech government bonds form the basis of the bond element of the portfolio and these strengthened continually throughout the year. Prices were supported during the first months by the falling yield margin as a result of good credit quality – the fall of yields in subsequent months was pulled along mainly by fears of faltering economic growth.

Corporate bonds, which also had a very positive year, joined the fund portfolio at a later date.

Once the fund's rate had strengthened, corporate bonds were bought in January and February, even in the high yield segment, which led to further strengthening, and this also allowed us to make alternative investments. Another turning point came with the reduction of the management fee, which increased the yield of the portfolio and allowed for the purchase of stocks, to a limited extent at least, in April. However, the share of these stocks in the portfolio did not exceed 4% during the year.

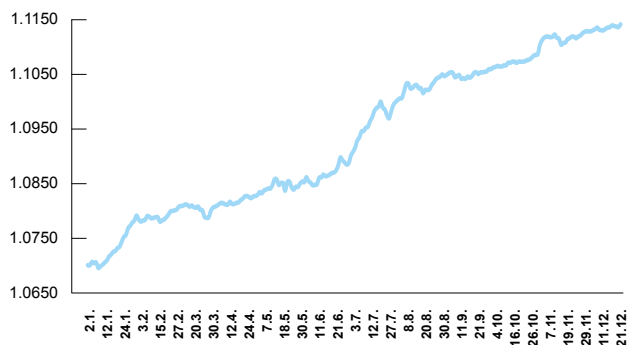
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
381,820,667	417,158	549,057,006	598,483	(167,236,339)	(181,325)

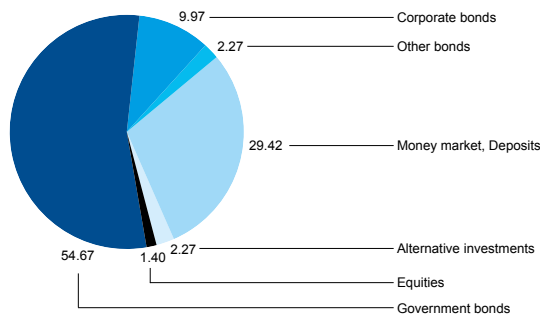
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2009	1.0555	51,813	1,812	
2010	1.0791	678,166	7,640	2.24
2011	1.0693	2,058,632	(21,985)	(0.91)
2012	1.1145	1,959,245	81,939	4.23

### Development of the value of mutual fund's unit certificates of OPF OSOBNÍ PORTFOLIO 4 in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# PLUS

## Characteristics

The investment is suitable for CZK investors, who are interested in stable, widely diversified and liquid part of portfolio composed of bond. Nevertheless if the prognosis of the equity, commodity and real estate market is positive, these investors consider profitable to invest significant part of assets into the investment instrument bearing the risk of such markets. The recommended investment horizon is at least 6 year. The fund is created especially for clients of the Pension Fund of Česká spořitelna and is oriented on long-term and regular investments, exclusively as a part of the “Pension Plus” package. The risk weight of the fund is 4 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The investment policy aims to provide unit certificates holders a long-term appreciation of unit certificate and to bring an average annual performance higher than the performance of Czech government bonds. The fund invests primarily into the bond funds of collective investment and equity funds of collective investments. The fund makes an effort to limit with high probability the maximal possible loss during one year on 5%. The fund aims to protect 100% of invested capital (without a formal guarantee) during every 6 years horizon, beginning always on December 31. Currency, credit and interest risk is actively managed by means of available hedging instruments

## Commentary of the fund manager

The fund entered into 2012 with very conservative investment, whereby the portfolio comprised only medium-term bonds and money market instruments. The reason for this conservative portfolio was the slump of risk assets last year and the low level of interest resources. After all, the fund will protect stakeholders' capital at 6 different levels into the future and it was first necessary to see a strengthening of the price of fund unit before acquiring risk assets. Bonds certainly helped this to a considerable extent.

Czech state bonds form the basis of the bond element of the portfolio and these strengthened continually throughout the year. Prices were supported during the first months by the falling yield margin as a result of good credit quality – the fall of yields in subsequent months was pulled along mainly by fears of faltering economic growth. Corporate bonds, which also had a very positive year, joined the fund portfolio at a later date.

Once the fund's rate had strengthened, corporate bonds were bought in January and February, even in the high yield segment, which led to further strengthening, and this also allowed us to make alternative investments. Another turning point came with the reduction of the management fee, which increased the yield of the portfolio and allowed for the purchase of stocks, to a limited extent at least, in April. However, the share of such stocks did not exceed 6% during the 1st half of the year. We had to completely remove stock investment in the second half of 2012 after another drop in the risk-free interest rate and were also able to reduce the risk in corporate bonds.

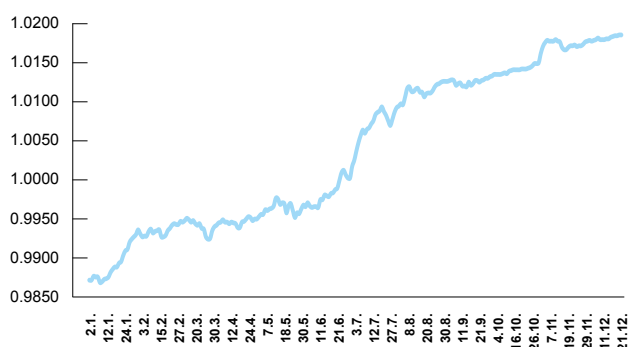
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
99,488,559	99,765	50,825,542	51,003	48,663,017	48,762

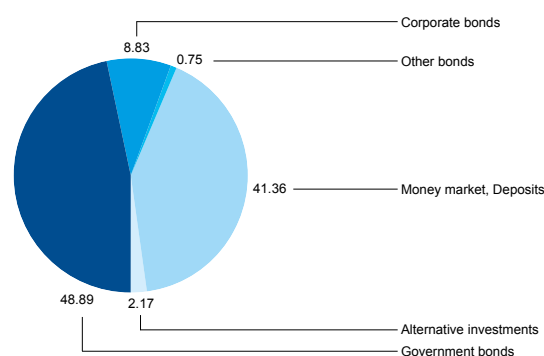
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2010	1.0169	70,653	684	
2011	0.9873	140,338	(3,167)	(2.91)
2012	1.0190	194,425	5,324	3.21

## Development of the value of mutual fund's unit certificates of OPF PLUS in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# FOND ŘÍZENÝCH VÝNOSŮ

## Characteristics

It is a balanced open-ended mutual fund with a prevalence bonds and money market instruments, which additionally invests into stock. The recommended investment horizon is from two to three years. The fund is suitable even for less experienced investors interested in participation in a possible growth of European stock markets. The risk weight of the fund is 3 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund manager invests in domestic short duration bonds, in money market instruments and in European shares with an expected high dividend yield, low volatility and low evaluation compared to their book value. A weight of shares and instruments bearing a risk of shares shall not exceed 25% of the mutual fund's assets value. In the case of a decline in value of shares in the fund's portfolio during the calendar year, their weight shall be gradually lowered so that the bond portion of the portfolio would make possible to achieve a positive appreciation of the fund in the given year. The criterion of the fund is to achieve a positive performance in every calendar year.

## Commentary of the fund manager

The first half of 2012 was a time of stability on Czech crown money market. The Czech National Bank maintained a two-week repo rate of 0.75%. The first reduction of the repo rate, by 0.25%, came at the turn of June and July. With this move the central bank attempted to respond to the slowdown of the Czech economy and low demand inflation pressures. The Czech National Bank reduced the repo rate for the same reasons at the beginning of October (from 0.50% to 0.25%) and at the beginning of November (0.05%). The repo rate was almost zero, therefore, as were the shorter Pribid rates and in particular the yields of short state bonds.

The environment of low interest rates last year did not allow for a more significant level of investment in stocks, particularly in the situation in which part of the portfolio was continually invested in riskier corporate bonds. The share of stocks was therefore between 2 and 4%, stocks being bought in the form of futures in European indexes. Even then they featured positively in the performance of the fund in 2012 given that the European share index added 15.7%, the total yield with dividends coming to 20.4%.

Credit markets enjoyed the interest of investors in 2012 and rose significantly most of the year (credit premiums were tightened). The exception here came in May and June, when there was a slight short-term stretching of credit premiums. The European index of investment grade corporate bonds with a short time to maturity showed an appreciation of value of 5.1% in 2012. It was precisely the stock and credit part of the portfolio that helped the fund achieve very good appreciation in value during the period of low interest rates.

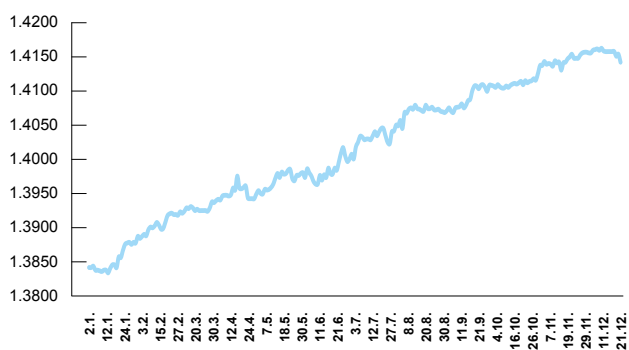
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
9,854,811	13,807	39,107,807	54,708	(29,252,996)	(40,901)

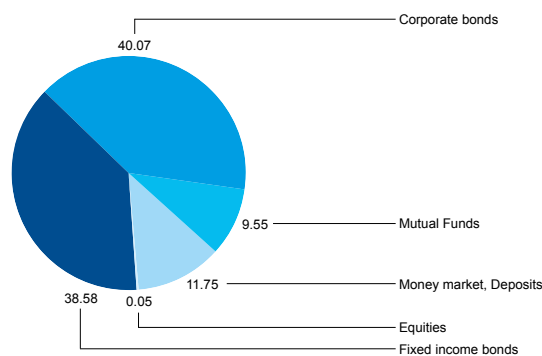
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
1999	1.0751	7,734,753	244,962	
2000	1.1532	5,127,905	(565,325)	7.26
2001	1.1964	1,057,377	59,101	3.75
2002	1.2474	923,048	13,080	4.26
2003	1.2547	871,467	4,865	0.59
2004	1.2757	826,385	18,031	1.67
2005	1.3156	775,029	24,346	3.11
2006	1.3310	745,213	8,884	1.19
2007	1.3284	681,260	(1,272)	(0.20)
2008	1.2903	593,728	(18,271)	(2.87)
2009	1.3858	594,991	41,685	7.40
2010	1.3992	573,338	5,641	0.97
2011	1.3841	531,306	(5,864)	(1.08)
2012	1.4151	501,816	11,410	2.24

## Development of the value of mutual fund's unit certificates of OPF Fond řízených výnosů in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# ČS fond životního cyklu 2020 FF

## Characteristics

It is an open-ended mutual fund of funds with an optimized investment strategy adjusted to long-term investment horizon. This fund is designed for investors who plan to retire in the year 2020 or around this year. The risk weight of the fund is 4 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests namely in securities of equity funds, bond funds, money market funds and in funds with performance linked to the development of commodities price according to a beforehand stipulated scheme of assets allocation, prepared for fund's unit holders who plan to retire around the year 2020. The stock portion shall be primarily invested by means of index funds unit certificates. The fund's construction allows from the very beginning for higher representation of assets classes with a higher yield potential (shares, commodities) and successive decrease of their exposition in such way that the fund in fact will be transformed in a money market fund at the end of the investment horizon. In the last two years before the target date will be the volatility of the share values near 0 degree.

## Commentary of the fund manager

The year 2012 was very successful for all more significant asset classes – government bonds, corporate bonds and stocks. Only commodities were unsuccessful, this due to the slowdown of the Chinese economy. The DJUBS commodity index, which is part of the fund's benchmark, with 5% weighting, decreased by 1.14% over the year. We did not fundamentally alter our tactical allocation during the year. We set out a strategy for 2012 in December 2011 in which stocks and corporate bonds preponderated over government bonds, a strategy we remained faithful to the entire year, which we held the entire year with only minor adjustments (the share of stocks in the portfolio fluctuated between 37% and 40%). This decision paid off, albeit with smaller differences that we originally anticipated (13% for Czech government bonds, 17% for the global MSCI ACWI index with dividends and 19% for the HY bonds index). The main surprise for us was the very high increase in the prices of Czech state bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investments in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

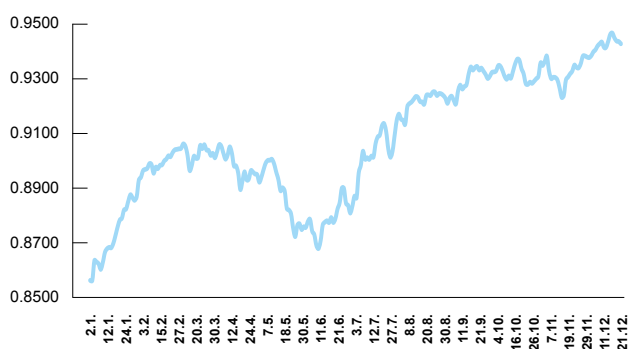
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
107,239,383	97,283	108,200,420	97,765	(961,037)	(482)

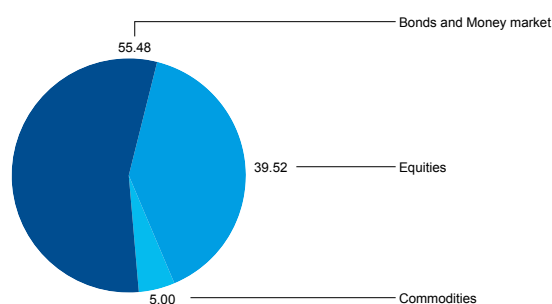
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2007	0.9966	14,636	(55)	
2008	0.6992	197,072	(44,317)	(29.84)
2009	0.8646	388,133	63,763	23.66
2010	0.9002	458,764	18,423	4.12
2011	0.8855	454,951	(24,148)	(4.97)
2012	0.9429	500,637	46,168	10.22

## Development of the value of mutual fund's unit certificates of OPF ČS fond životního cyklu 2020 FF in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.



# ČS fond životního cyklu 2030 FF

## Characteristics

The fund is an open-ended mutual fund of funds with an optimized Investment strategy adjusted to a long-term investment horizon. This fund is designed for investors who plan to retire in the year 2030 or around this year. The risk weight of the fund is 6 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests namely in securities of equity funds, bond funds, money market funds and in funds with performance linked to the development of commodities price according to a beforehand stipulated scheme of assets allocation, prepared for fund's unit holders who plan to retire around the year 2030. The stock portion will be primarily invested by means of index funds unit certificates. The fund's construction allows from the very beginning for higher representation of assets classes with a higher yield potential (shares, commodities) and successive decrease of their exposition in such way that the fund in fact will be transformed in a money market fund at the end of the investment horizon. In the last two years before the target date will be the volatility of the share values near 0 degree.

## Commentary of the fund manager

The year 2012 was very successful for all more significant asset classes – government bonds, corporate bonds and stocks. Only commodities were unsuccessful, this due to the slowdown of the Chinese economy. The DJUBS commodity index, which is part of the fund's benchmark, with 5% weighting, decreased by 1.14% over the year. We did not fundamentally alter our tactical allocation during the year. We set out a strategy for 2012 in December 2011 in which stocks and corporate bonds preponderated over government bonds, a strategy we remained faithful to the entire year, with only minor adjustments (the share of stocks in the portfolio fluctuated between 67% and 73%). This decision paid off, albeit with smaller differences than we originally anticipated (13% for Czech state bonds, 17% for the global MSCI ACWI index with dividends and 19% for the HY bonds index). The main surprise for us was the very high increase in the prices of Czech government bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest rates close to zero and the continuing influx of investments in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%.

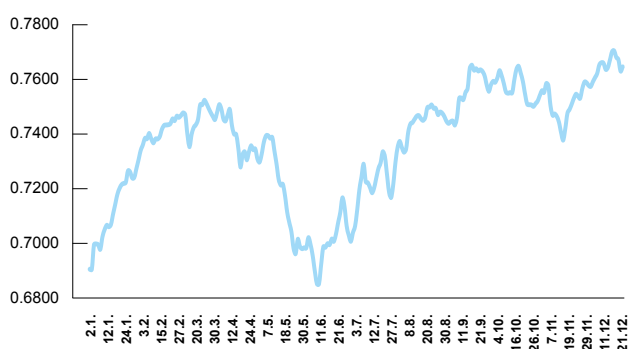
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
43,405,378	31,985	27,046,899	19,981	16,358,479	12,004

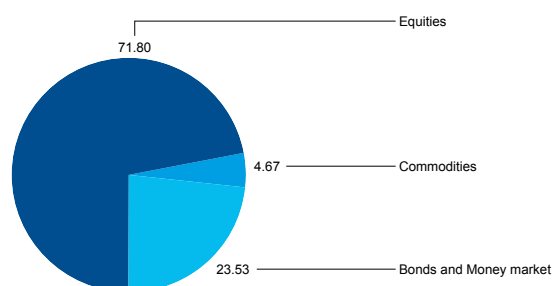
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2007	0.9943	13,361	(101)	
2008	0.5733	40,166	(21,114)	(42.34)
2009	0.7212	78,567	12,452	25.80
2010	0.7577	74,786	3,812	5.06
2011	0.6905	85,163	(7,679)	(8.87)
2012	0.7643	106,819	9,652	10.69

## Development of the value of mutual fund's unit certificates of OPF ČS fond životního cyklu 2030 FF in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# LIKVIDITNÍ FOND

## Characteristics

This fund is categorized as a money market fund. The recommended investment horizon is 6 months. The fund is designed for investors who endeavour to achieve a higher appreciation of their investments than the ordinary bank time deposits interests in the lower investment ranges. The risk weight of the fund is 1 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund's portfolio contains predominantly Czech treasury bills, Czech fixed interest government bonds with a maturity under one year and Czech variable interest government bonds. The time deposits in banks are also used. The securities are held until their maturity. The weighted average maturity of fund assets do not exceed 6 months. The weighted average life of fund assets do not exceed 12 months. The aim of the Investment strategy is to provide the most conservative investors with such a money market fund, which will assure the appreciation of invested means with the highest level of safety and reliability; all that under condition of retaining of the invested capital value (without a formal guarantee).

## Commentary of the fund manager

The first half of 2012 was a time of stability on Czech crown money market. The Czech National Bank maintained a two-week repo rate of 0.75%. The first reduction of the repo rate, by 0.25%, came at the turn of June and July. With this move the central bank attempted to respond to the slowdown of the Czech economy and low demand inflation pressures. The Czech National Bank reduced the repo rate for the same reasons at the beginning of October (from 0.50% to 0.25%) and at the beginning of November (0.05%). The repo rate was almost zero, therefore, as were the shorter Pribid rates and in particular the yields of state treasury bills and short state bonds. Three-month deposit rates fell during the year from values of around 0.80% to 0.17% at the end of the year. The yields on six-month and yearly state treasury bills fell from 0.87% and 1.01% respectively to values of between 0.10% and 0.15%.

Indeed the major slump in the yields on money market investment instruments was seen most in the performance of the Liquidity Fund. The core part of the portfolio consisted mainly of time deposits with domestic banks and state treasury bills the whole year round. Whereas treasury bills predominated at the beginning of the year, their share during the year gradually fell in favour of time deposits.

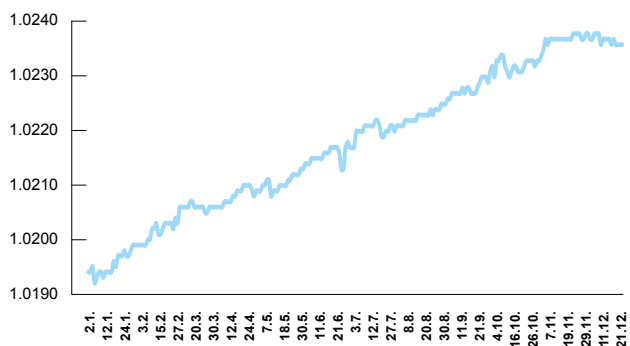
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
1,422,200,976	1,453,245	911,834,677	931,912	510,366,299	521,333

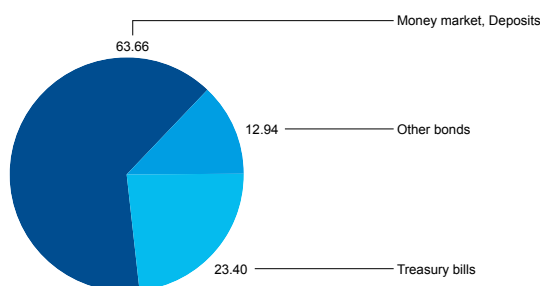
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2009	1.0040	452,437	915	
2010	1.0125	633,302	5,216	0.85
2011	1.0194	882,842	4,771	0.68
2012	1.0236	1,408,968	4,793	0.41

### Development of the value of mutual fund's unit certificates of OPF Likviditní fond in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Privátní portfolio AR 0

## Characteristics

This is a special fund of funds. The recommended time of investing is at least two years. The minimum initial purchase amount of unit certificates is CZK 1 million; but ISČS may issue unit certificates even for a lower amount. The risk weight of the fund is 3 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The aim of the fund's strategy is to provide the unit holders with a long-term appreciation of their unit certificates primarily through investments in securities of the bond funds of collective investment. The aim is achieved also by an occasional allocation of the dynamic part of the portfolio (bonds versus investment instruments bearing the real estate risk and the so-called alternative investments). The characteristic of this fund is the higher turnover of the dynamic part of its portfolio, controlled by the active management. The fund is namely subject to currency risk resulting from investments in local currencies. The currency, credit and interest risks are actively managed by means of accessible hedging instruments.

## Commentary of the fund manager

The year 2012 was controlled in large part by bonds. The yields offered fell to ever newer lows, a fact seen positively in the growth of current prices. Czech state bonds joined the northern part of the EMU and, as quality bonds, rose in price almost continually. The Czech National Bank itself reduced its main interest rate three times in the second half of the year, taking it down to what was practically zero. All shorter-term bonds (with maturity within 5 years) reached a yield-to-maturity of less than 1% gross. We increased the share of more aggressive bonds in reaction to the new, historically low interest environment of appreciation, but only to a limited extent with regard to the conservative nature of the fund.

The alternative part of the portfolio, including the Reico real estate fund, remained behind our expectations during the year as a whole. Hedge fund strategies went through a negative spell that had a negative effect on how the state influenced financial markets. As a result, markets are difficult to read and more volatile. Appreciation developed at a stable rate throughout the year and in the end actually exceeded our expectations.

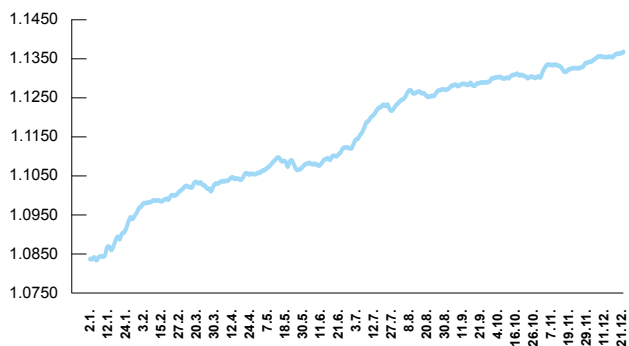
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
139,650,311	156,638	131,517,849	146,751	8,132,462	9,887

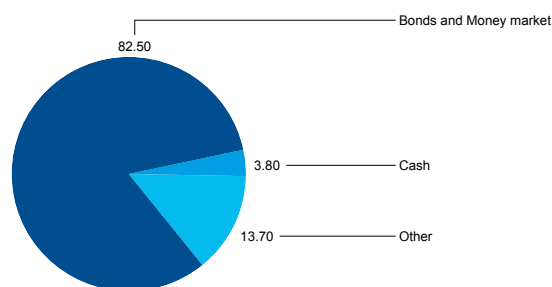
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2008	0.9909	130,131	(1,557)	
2009	1.0588	261,789	8,646	6.85
2010	1.0906	614,543	12,529	3.61
2011	1.0837	540,306	(3,410)	(0.63)
2012	1.1359	575,572	25,379	4.82

### Development of the value of mutual fund's unit certificates of OPF Privátní portfolio AR 0 in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Privátní portfolio AR 25

## Characteristics

It is a special open-ended mutual fund of funds. The characteristic of this fund is the higher turnover of the dynamic part of its portfolio. The fund is designed for favourers of the active management. The investor should be able to accept even the shorter periods of a negative development of the unit certificate's price. The recommended investment horizon is at least 4 years. The minimum initial investment in unit certificates is CZK 1 million. The risk weight of the fund is 3 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests namely in securities of bond and equity funds of collective investment. The currency, credit and interest risks are actively managed by means of attainable hedging instruments. The aim is achieved primarily by the active allocation of the dynamic portfolio's part (bonds versus investment instruments bearing equity risk, or real estate and the so-called alternative investments). The neutral weight of particular portions should in the long-run approach these values: bond markets 55%, stock markets 25%, real estate markets 10% and alternative investments 10%.

## Commentary of the fund manager

The beginning of the year had a positive feel to it, pepped up by the ECB and its activities aimed at supporting liquidity. We used the uniform growth of risk assets associated with this to make significant short-term increases in the investment stock quota of up to 90%. We assessed the routine nature and speed of growth as being overly optimistic with the arrival of spring and gradually reduced the level of investment. The market correction that followed, continuing on into June, confirmed this as being the right course of

action. The price correction was not particularly dramatic, but did wipe out all profits from the beginning of the year until then. It then took prices almost until the end of the year to rise again. The investment quota did not fall below 50% during the year. We began combining our level of stock investment globally via other financial assets at the close of the year, something that was seen in the significant increase in more aggressive bonds in the portfolio (high yield and emerging making up to 30% of the portfolio). It could be said that we favoured the stock markets of the USA over others throughout the year.

After a weaker start to the year, the bond markets took up the initiative quite markedly. The offered yields fell to ever newer lows, a fact seen positively in the growth of current prices. Czech state bonds joined the northern part of the EMU and, as quality bonds, rose in price almost continually. The Czech National Bank itself reduced its main interest rate three times in the second half, taking it down to what was practically zero. We increased our share of more aggressive bonds, a segment of the market we consider to be in very good condition, in reaction to the historically low interest environment. It can be said that we abandoned Eastern European bonds entirely.

The alternative part of the portfolio, including the Reico real estate fund, remained behind our expectations during the year as a whole. Hedge fund strategies went through a negative spell that had a negative effect on how the state influenced financial markets. As a result, markets are difficult to read and more volatile. Appreciation continued at a stable rate practically throughout the year and in the end actually exceeded our expectations.

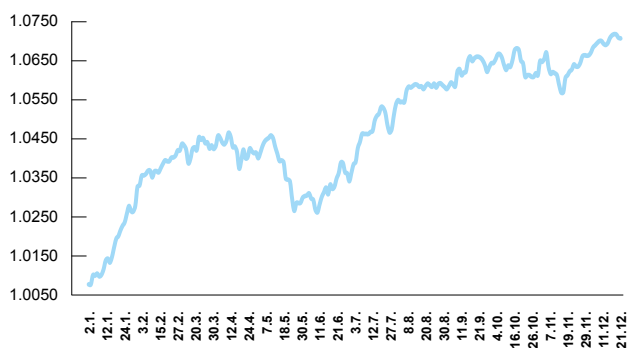
## Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
155,752,408	164,740	245,719,699	256,561	(89,967,291)	(91,821)

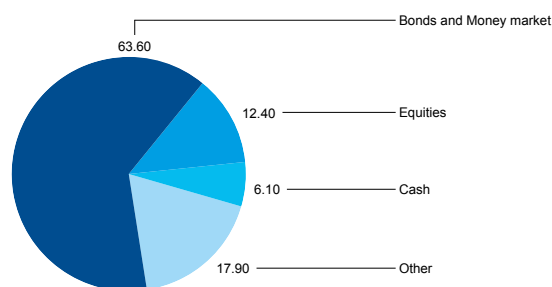
## Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2007	0.9924	552,261	823	
2008	0.9147	895,767	(73,457)	(7.77)
2009	1.0002	939,571	74,317	9.35
2010	1.0362	1,197,913	39,879	3.29
2011	1.0072	1,259,823	(40,285)	(2.80)
2012	1.0713	1,243,695	75,693	6.36

## Development of the value of mutual fund's unit certificates of OPF Privátní portfolio AR 25 in 2012 (CZK)



## Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.



# Privátní portfolio AR 50

## Characteristics

It is a special open-ended mutual fund of funds (OPF). The characteristic of this fund is the higher turnover of the dynamic part of its portfolio. The fund is designed for favourers of the active management. The investor should be able to accept even the shorter periods of a negative development of the unit certificate's price. The recommended investment horizon is at least 5 years. The minimum initial investment in unit certificates is CZK 1 million. The risk weight of the fund is 4 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests namely in securities of bond and equity funds of collective investment. The currency, credit and interest risks are actively managed by means of attainable hedging instruments. The aim is achieved primarily by the active allocation of the dynamic portfolio's part (bonds versus investment instruments bearing equity risk, or real estate and the so-called alternative investments). The neutral weight of particular portions should in the long-run approach these values: bond markets 30%, stock markets 50%, real estate markets 10% and alternative investments 10%.

## Commentary of the fund manager

The beginning of the year had a positive feel to it, pepped up by the ECB and its activities aimed at supporting liquidity. We used the uniform growth of risk assets associated with this to make significant short-term increases in the investment stock quota of up to 90%. We assessed the routine nature and speed of growth as being overly optimistic with the arrival of spring and reduced the level of investment. The market correction that followed, continuing on into June, confirmed this as being the right course of action. The

price correction was not particularly dramatic, but did wipe out all profits of the year until then. It then took prices almost until the end of the year to rise again. The investment quota did not fall below 50% during the year. We began combining our level of stock investment globally via other financial assets at the close of the year, something that was seen in the significant increase in more aggressive bonds in the portfolio (high yield and emerging making up to 40% of the portfolio). It could be said that we favoured the stock markets of the USA over others throughout the year and at the same time left behind fairly unattractive Eastern European stocks (including Russia) to quite a considerable extent.

After a weaker start to the year, the bond markets, including the more aggressive of them, took up the initiative quite markedly. The offered yields fell to ever newer lows, a fact seen positively in the growth of current prices. Czech state bonds joined the northern part of the EMU and, as quality bonds, rose in price almost continually. The Czech National Bank itself reduced its main interest rate three times in the second half of the year, taking it down to what was practically zero. We increased our share of more aggressive bonds, a segment of the market we consider to be in very good condition, in reaction to the new, historically low interest environment. It can be said that we abandoned Eastern European bonds entirely.

The alternative part of the portfolio, including the Reico real estate fund, remained behind our expectations during the year as a whole. Hedge fund strategies went through a negative spell that had a negative effect on how the state influenced financial markets. As a result, markets are difficult to read and more volatile. The appreciation in value achieved in the first half of the year was practically wiped out, but returned to the required trajectory in the second half.

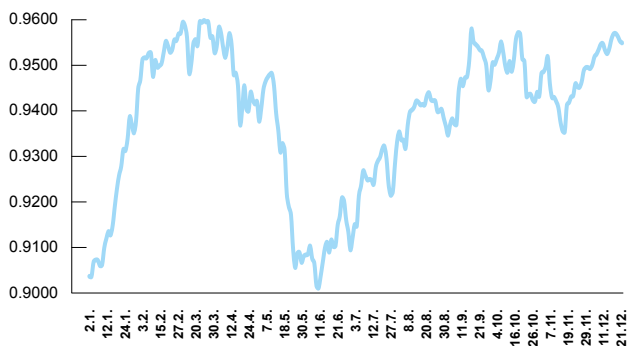
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
12,425,144	11,566	166,788,152	157,011	(154,363,008)	(145,445)

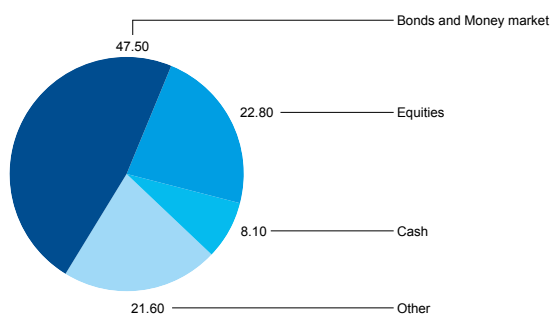
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2007	0.9863	433,837	781	
2008	0.8431	632,492	(105,326)	(14.47)
2009	0.9399	666,839	63,042	11.48
2010	0.9708	748,218	24,089	1.21
2011	0.9046	577,976	(44,009)	(6.82)
2012	0.9547	462,605	30,074	5.54

### Development of the value of mutual fund's unit certificates of OPF Privátní portfolio AR 50 in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Privátní portfolio AR 75

## Characteristics

It is a special open-ended mutual fund of funds. The characteristic of this fund is the higher turnover of the dynamic part of its portfolio. The fund is designed for favourers of the active management. The investor should be able to accept even the longer period of a negative development of the unit certificate's price. The recommended investment horizon is at least 7 years. The minimum initial investment in unit certificates is CZK 1 million. The risk weight of the fund is 5 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests namely in securities of bond and equity funds of collective investment. The currency, credit and interest risks are actively managed by means of attainable hedging instruments. The aim is achieved primarily by the active allocation of the dynamic portfolio's part (bonds versus investment instruments bearing equity risk, or real estate and the so-called alternative investments). The neutral weight of particular portions should in the long-run approach these values: stock markets 75%, real estate markets 10% and alternative investments 15%.

## Commentary of the fund manager

The beginning of the year had a positive feel to it, pepped up by the ECB and its activities aimed at supporting liquidity. We used the uniform growth of risk assets associated with this to make significant short-term increases in the investment stock quota of up to 90%. We assessed the routine nature and speed of growth as being overly optimistic with the arrival of spring and reduced the level of investment. The market correction that followed, continuing on into June, served to confirm this. The price correction was not particularly dramatic, but did wipe out all profits from the beginning of the year until then. It then took prices almost until the end of the year to rise again. During October, in fact, we reached a level of almost full investment. We began combining the level of stock investment globally via other financial assets at the end of the year, something seen in the fund's very first investment in the bond markets. The share of aggressive bonds (high yield and emerging) rose in the short-term to up to 40% of the portfolio. We had, of course, only 25% stocks in the portfolio at that time. It could be said that we favoured the stock markets of the USA over others throughout the year and at the same time left behind fairly unattractive Eastern European stocks (including Russia) to a considerable extent. Indeed Eastern Europe's considerable share in the portfolio was consigned to the past in November 2012. The long-term "strategic" share of 25% proved to be unjustified.

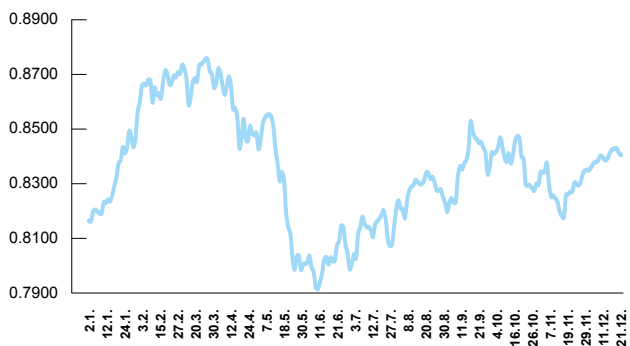
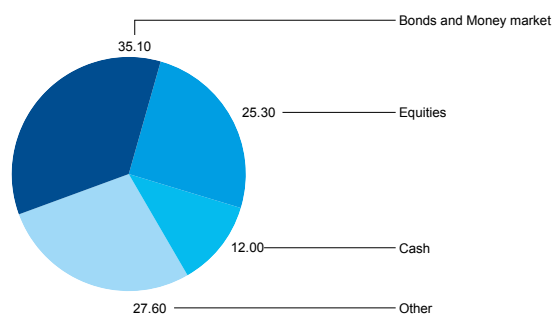
The alternative part of the portfolio, including the Reico real estate fund, remained behind our expectations during the year as a whole. Hedge fund strategies went through a negative spell that had a negative effect on how the state influenced financial markets. As a result, markets are difficult to read and more volatile. The price correction at the end of the first half of the year drove the appreciation of funds into negative figures. However, there was nothing unpleasant for the rest of the year and we were therefore able to achieve positive appreciation.

**Number of unit certificates issued and redeemed in 2012**

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
181,273	149	30,976,844	25,774	(30,795,571)	(25,625)

**Development of the funds main economic indicators**

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2007	0.9784	113,343	251	
2008	0.8149	123,346	(28,555)	(16.62)
2009	0.9034	157,683	13,156	10.86
2010	0.9142	149,297	1,495	1.01
2011	0.8163	105,102	(13,935)	(10.70)
2012	0.8404	82,328	2,852	2.94

**Development of the value of mutual fund's unit certificates of OPF Privátní portfolio AR 75 in 2012 (CZK)****Portfolio structure by type of assets in 2012**

Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Privátní portfolio AR AKCIE

## Characteristics

A special fund of funds. The fund is suitable for CZK investors, who are interested on returns from investments on equity markets and at the same time they wish to profit from relatively short-term investment occasions. Characteristic higher turn-over of the dynamic part of portfolio is available for those, who prefer an active management. Investor should be able to accept also longer period of negative performance as well as higher volatility of the unit certificate value. Recommended investment horizon is 5 years and longer. The risk weight of the fund is 6 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests primarily in equity funds of collective investments and other investment instruments bearing the equity risk. The portion of the equity part in the portfolio is actively managed, as well as its sector and regional structure. In the neutral weight, the equity instruments portion should be 100% of the portfolio. Currency, credit and interest risk is actively is actively managed. The fund has no benchmark; its target is a positive performance on defined investment horizon.

## Commentary of the fund manager

The beginning of the year 2012 had a positive feel to it, pepped up by the ECB and its activities aimed at supporting liquidity. We used the uniform growth of risk assets associated with this to make significant short-term increases in the investment stock quota of up to 90%. We assessed the routine nature and speed of growth as being overly optimistic with the arrival of spring and reduced the level of investment. The market correction that followed, continuing on into June, served to confirm this. The price correction was not particularly dramatic, but did wipe out all profits from the beginning of the year until then. It then took prices almost until the end of the year to rise again. The investment quota did not fall below 50% during the year. During October, in fact, we reached a level of almost full investment. It could be said that we favoured the stock markets of the USA over others throughout the year. November saw us decide to abandon our long-term position in Eastern European stocks after we found that there was no clear reason to prefer this region, Russia included. A growth trend began developing in the second half of the year, an extremely desirable situation for the fund's strategy.

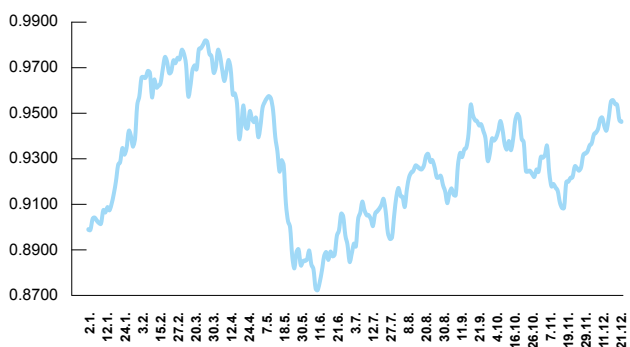
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
90,275,348	83,952	81,138,621	75,993	9,136,727	7,959

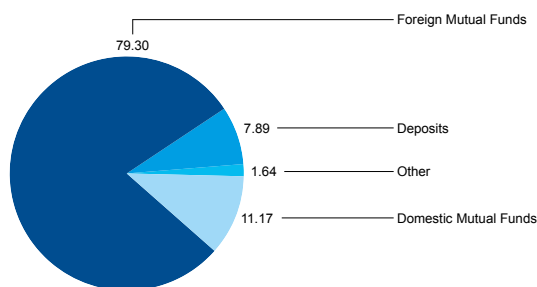
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2010	1.0306	73,348	2,388	
2011	0.8973	238,587	(32,305)	(12.92)
2012	0.9459	260,160	13,613	5.40

### Development of the value of mutual fund's unit certificates of OPF Privátní portfolio AR AKCIE in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Privátní portfolio AR REALITY

## Characteristics

A special fund of funds. It is focused on products with real estate theme. The fund's target is to bring to its shareholders the absolute return no matter the actual economical cycle. The portion of the real estate part in the portfolio is actively managed, as well as its sector and regional structure. Currency, credit and interest risk is actively managed. The risk weight of the fund is 5 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The fund invests primarily in the real estate funds of collective investment and other investment instruments bearing the real estate markets risk. The portion of the real estate part in the portfolio is actively managed, as well as its sector and regional structure. In the neutral weight, the real-estate instruments portion should be 100% of the portfolio. Currency, credit and interest risk is actively managed. The fund has no benchmark; its target is a positive performance on defined investment horizon.

## Commentary of the fund manager

The AR Reality fund focuses on investment instruments that carry a real estate risk. The products involving real estate that make up the fund's portfolio rose regardless of the region on which they focus. According to the S&P / Case-Shiller Composite index, which quotes real estate prices in 20 selected American cities, prices are stabilising. This fact is confirmed by funds that invest in the US real estate market, which have provided stakeholders with attractive appreciation in the value of their investments. Europe and Asia have been faring well too, both showing positive appreciation in value. The fund's portfolio was reduced in 2012 under the influence of buy-back at a value of 9 million.

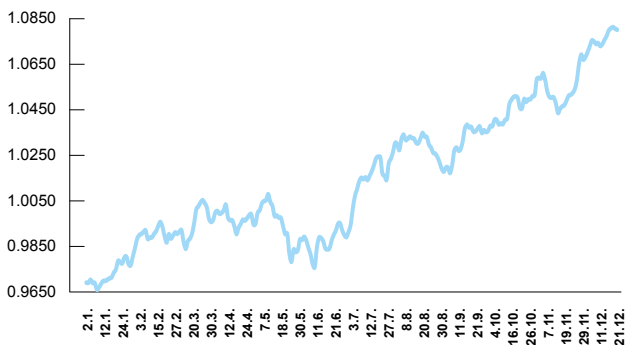
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
32,355,772	33,089	53,711,378	54,297	(21,355,606)	(21,208)

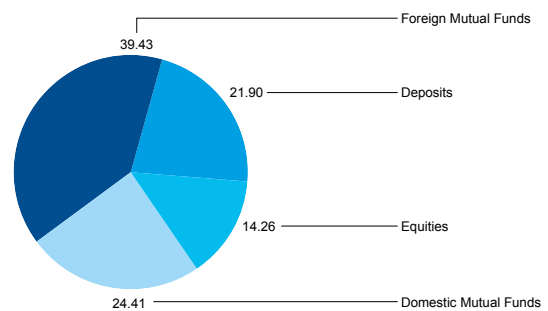
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2010	1.0088	44,644	656	
2011	0.9680	119,378	(5,058)	(4.04)
2012	1.0791	110,033	11,863	11.48

### Development of the value of mutual fund's unit certificates of OPF Privátní portfolio AR REALITY in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.



# Privátní portfolio AR ALTERNATIVNÍ INVESTICE

## Characteristics

A special fund of funds. The aim of the fund is to achieve long-term positive absolute performance. The fund is suitable for CZK investors, who are interested on returns from hedge funds of collective investment, commodity funds of collective investment and other alternative investment instruments. Recommended investment horizon is 5 years and longer. The risk weight of the fund is 5 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The aim of the Investment strategy of the fund is to provide investors the long-term positive absolute performance of their CZK investment via investing in unit certificates of mutual funds, investing primarily into alternative investment instruments. The portion of this part in the portfolio is actively managed, as well as its sector and regional structure. Currency, credit and interest risk is actively managed by means of available hedging instruments. The fund has no benchmark; its target is a positive performance on defined investment horizon.

## Commentary of the fund manager

After mixed development on financial markets in the first half of the year, there came a period of greater calm accompanied by a forming upward trend in the second half. Hedge funds that tried to use various strategies to increase the value of resources independent of market development had problems effectively managing resources, particularly in the first half of the year. Financial markets were too strongly influenced by political decision making, meaning that they were difficult to read.

We were able to increase correlation with stock markets in 2012 to some 0.66 and at the same time reduce correlation with the commodities market that is currently performing so poorly under 0.50. We obviously continued to maintain zero (meaning no) correlation with the bond market.

After a mixed first half, which ended with slightly negative appreciation, the year as a whole ended positively. This is an improvement on 2011, although the appreciation in value remained behind our expectations.

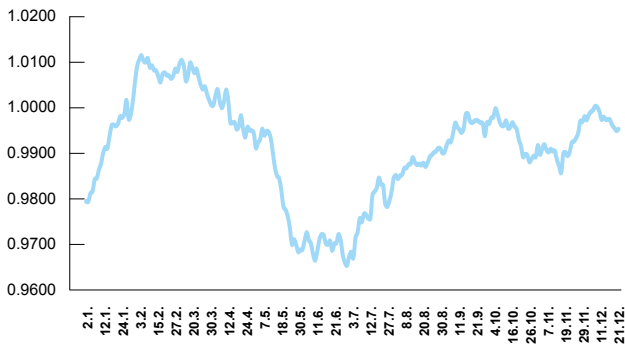
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
74,149,273	73,601	101,866,209	100,842	(27,716,936)	(27,241)

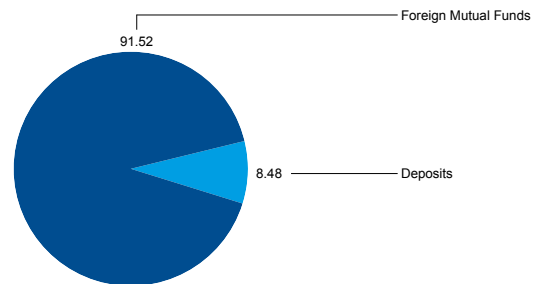
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2010	1.0198	55,907	971	
2011	0.9795	252,772	(12,530)	(3.95)
2012	0.9950	229,201	3,670	1.58

### Development of the value of mutual fund's unit certificates of OPF Privátní portfolio AR ALTERNATIVNÍ INVESTICE in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Institucionální akciový FF

## Characteristics

It is a special fund of funds. The fund is designed for investors with CZK as a reference currency CZK, who are looking for an easy way of taking part in the development of international stock markets by means of broadly diversified and liquid equity portion of the portfolio, which consists primarily of the securities of equity funds. Recommended time of investment is at least five years. The minimum initial investment in unit certificates is CZK 100 thousand. The risk weight of the fund is 7 on a scale 1-7 of the Synthetic risk and reward indicator.

## Investment strategy

The prevailing part of the fund's portfolio is created by securities of equity funds of collective investment, shares and investment instruments bearing equity risk. The dimension of the equity part as well as the sector and regional structure are actively managed. The currency, credit and interest risks are also actively managed by means of attainable hedging instruments. The fund can invest in the supplementary liquid assets such as deposits and time deposits.

## Commentary of the fund manager

The year 2012 was highly successful for stock markets. Back in December 2011 we set out a strategy for 2012, a strategy of full investment in stocks that we remained faithful to the entire year. The global MSCI share index (in dollars) saw an increase in value of 13.4%. The main surprise for us was the very high increase in the prices of Czech state bonds and those of other countries with a high rating as a result of the advised intention of central banks to keep interest close to zero and the continuing influx of investment in bond funds.

Looking at the year as a whole, the growth of stocks in Europe exceeded the growth of American stocks in spite of lagging behind considerably in the middle of the year. The decision taken by the ECB on the direct purchase of bonds from Italy and Spain changed the conditions on the market, headed off speculation surrounding the break-up of the eurozone and returned investors the confidence to take a risk. Stocks rose almost continually from June, a trend that carried on into 2013. American stocks rose in value by 13.4% in 2012 as a whole (16% including dividends), while the figure in Europe was 15.7% (20.4% including dividends). Emerging markets rose 18.5%. The markets in Central and Eastern Europe, with a 40% representation in the fund's benchmark, fared even better.

The perpetual buy-back and purchase of mutual fund certificates took away from the absolute performance of the fund, reaching a volume several times higher than the average NAV, and thus increased transaction costs. On the other side of the coin, the fund was helped by full foreign exchange hedging in relation to the dollar values of the indexes in its benchmark.

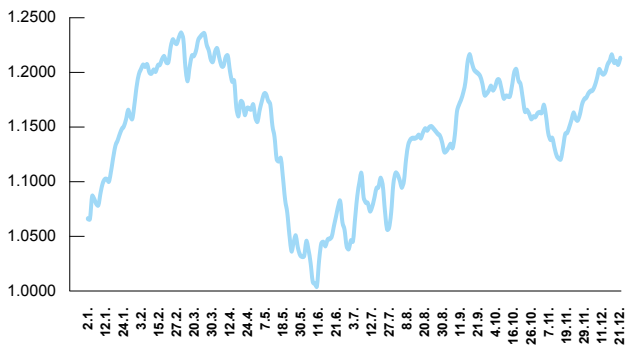
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
412,855,625	489,638	163,267,533	185,226	249,588,092	304,412

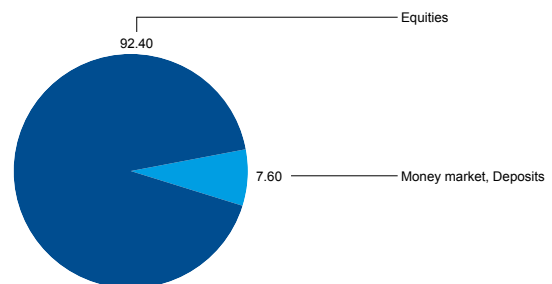
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2008	0.8696	56,317	(7,800)	
2009	1.2564	129,818	38,532	44.48
2010	1.3583	237,762	15,718	8.12
2011	1.0666	159,242	(48,970)	(21.48)
2012	1.2097	482,547	18,893	13.42

### Development of the value of mutual fund's unit certificates of OPF Institucionální akciový FF in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Dluhopisový fond

## Characteristics

The open-ended mutual bond fund is designed for the more conservative sector of investors to provide them with a medium to long-term appreciation of units mainly investing in bonds with low credit risk. The recommended minimum investment period is three years or more. The risk weight of the fund is 3 on a scale 1-7 of the synthetic risk and reward indicator.

## Investment strategy

The fund manager invests mainly into fixed-rate bonds portfolio, to a lesser extent floating rate bonds and treasury bills. These are bonds represent exposure primarily to the Czech government, reputable banks, occasionally to corporations with investment grade rating. In order to reduce interest rate risk, bonds are usually held until maturity. The manager also invests in banking deposits. The fund does not invest in equities.

Fund invests in government bonds, bonds of banks and other issuers who have the long-term credit rating from the Standard & Poor's or Fitch Ratings at least on the investment grade. Time to maturity may be up to 15 years.

## Commentary of the fund manager

Bond markets were strongly influenced by events in the eurozone throughout 2012. The Czech bond market maintained its status as a safe haven, a fact helped by the unflagging efforts of the Czech government to ensure fiscal consolidation. In fact the government did not relent in these efforts even in the face of the worse-than-expected development of the domestic economy.

The Czech National Bank responded to this development, successively reducing the basic repo rate several times during the year until it reached a technical zero.

Then in July the critical situation on the bond markets of peripheral EMU countries was calmed by statements coming out of the European Central Bank. The words of the governor assured financial markets that it would defend the preservation of the euro, ECB presenting a programme to help states with high interest costs.

The development described above led to a sharp decline in the yields of Czech state bonds along the entire yield curve and so in 2012 they showed double-figure profits.

The portfolio of the fund strategically concentrates on bonds with a shorter time to maturity, which, in light of the events described, also saw positive development throughout the year.

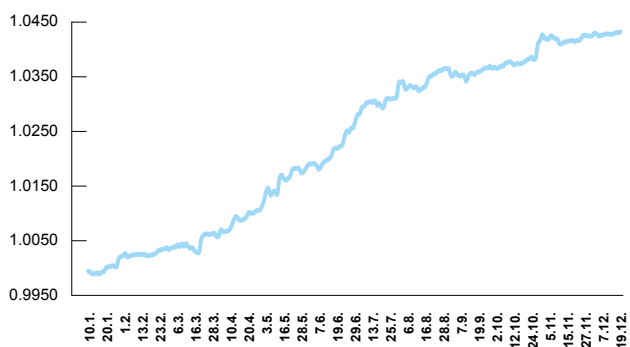
### Number of unit certificates issued and redeemed in 2012

Unit certificates issued		Unit certificates redeemed		Balance (+/-)	
no.	CZK 000	no.	CZK 000	no.	CZK 000
238,579,943	238,700	0	0	238,579,943	238,700

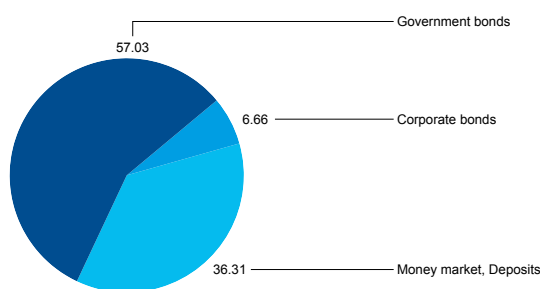
### Development of the funds main economic indicators

As of 31. 12.	Net asset value per unit (CZK)	Net asset value (CZK 000)	Profit / Loss after tax (CZK 000)	Performance (%) p.a.
2012	1.0428	248,815	10,115	4.28

### Development of the value of mutual fund's unit certificates of OPF Dluhopisový fond in 2012 (CZK)



### Portfolio structure by type of assets in 2012



Full names of open-end mutual funds are stated in statutes or prospectuses of the funds. Conformable with rules valid for the collective investment the manager of funds refers to the fact, that the present performance does not guarantee the performance in future. Investment in unit certificates implies a risk of a volatility of the current value of investment and yields of it and that the return on initially invested amount cannot be guaranteed.

# Supervisory Board Report

of Investiční společnost České spořitelny, a. s.  
with its registered seat Praha 6, Dejvice, Evropská 2690/17, PSČ 160 00, IČ 44796188,  
filed with the Commercial Register kept by the Municipal Court in Prague, Section B, entry 1154.

## **Statement of the Supervisory Board of Investiční společnost České spořitelny, a. s. on the Company's Final Accounts as of December 31, 2012, and on the Proposals for the Distribution of Profit**

The Supervisory Board reviewed on February 28, 2013 the final accounts of the company as of December 31, 2012, primarily the amount and structure of its assets and liabilities, the creation of profit/loss in 2012, as well as the proposal for the distribution of profit. On the basis of the accounting statements presented, final accounts, and an audit carried out by Ernst & Young Audit s.r.o., the Board concluded that the data is in line with the conditions for keeping of accounts, and that the final accounts reflect the financial situation and results of operations of the company. The Supervisory Board recommends that the sole shareholder at the General Meeting approves the financial statements for the year

2012 and the Supervisory Board takes into account the proposal for the profit distribution.

Vienna, February 28, 2013



Mag. Heinz Bednar  
Chairman of the Supervisory Board of  
Investiční společnost České spořitelny, a. s.

# Report on Relations

## between Related Parties under Section 66a, par. 9 of the Commercial Code for the Accounting Period January 1, 2012 – December 31, 2012

Investiční společnost České spořitelny, a.s., having its registered office at Praha 6, Dejvice, Evropská 2690/17, Postal Code 160 00, Corporate ID 44796188, incorporated in the Register of Companies, maintained by the District Court in Prague, section B, file 1154 (hereinafter only the “Administrator”), was in 2011 part of a business group in which the following relations between the Administrator and controlling entities, and further between the Administrator and entities controlled by the same controlling entities (hereinafter the “Related Entities”), exist.

This report on the relations between the entities stated below was prepared in accordance with Section 66a, par. 9 of Commercial Code 513/1991 Coll., as amended, for the accounting period January 1, 2012 – December 31, 2012 (hereinafter the “Accounting Period”). In the Accounting Period, the Administrator and the entities mentioned below entered into the contracts stated below and adopted or effected the following legal acts and other factual measures.

### A. Controlling Entities

**Erste Asset Management GmbH**, having its registered office at Habsburgergasse 2, 1010 Wien, Austria (“**EAM**”)  
Relation to the Company: directly controlling entity

**Erste Bank Beteiligungen GmbH**, having its registered office at Graben 21, Wien, Austria (“**EB Beteiligungen**”)  
Relation to the Company: indirectly controlling entity – entity controlling the company EAM

**Erste Group Bank AG**, having its registered office at Graben 21, Wien, Austria (“**Erste Group Bank**”)  
Relation to the Company: top parent, indirectly controlling entity – entity controlling the company EB Beteiligungen

### B. Other Related Entities

**Česká spořitelna, a.s.**, having its registered office at Olbrachtova 1929/62, Postal Code 140 00, Praha 4, Czech Republic, Corporate ID 45244782 (“**Česká spořitelna**”)  
Relation to the Company: other interconnected entities

**Penzijní fond České spořitelny, a.s.**, having its registered office at Poláčkova 1976/2, 140 21 Praha 4, Czech Republic, Corporate ID 61672033 (“**Penzijní fond ČS**”)  
Relation to the Company: other interconnected entities

**REICO investiční společnost České spořitelny, a.s.**, having its registered office at Antala Staška 2027/79, 140 00 Praha 4, Czech Republic, Corporate ID 27567117 (“**REICO**”)  
Relation to the Company: other interconnected entities

**s Autoleasing, a.s.**, having its registered office at Budějovická 1518/, Praha 4, Postal Code 140 00, Czech Republic, Corporate ID 27089444  
Relation to the Company: other interconnected entities

**Brokerjet České spořitelny, a.s.**, having its registered office at Evropská 2690/17, Praha 6, Postal Code 160 00, Czech Republic, Corporate ID 27089444  
Relation to the Company: other interconnected entities

**Procurement Services GmbH**, having its registered office at Brehmstrasse 12, Wien, Austria (“**sProserv GmbH**”)  
Relation to the Company: other interconnected entities

**Procurement Services CZ, s.r.o.**, having its registered office at Budějovická 1912/64B, Praha 4, Corporate ID 27631621 (“**sProserv CZ**”)  
Relation to the Company: other interconnected entities

### C. Transactions with Related Parties

Investment Company identified relations with related parties mentioned in part A and in part B, which were aggregated in below mentioned categories.

#### Transactions with related parties on the assets side of the balance sheet of Investment Company

##### Amounts due from banks

Investment Company deposits 69.5 mil. CZK in Česká spořitelna based on the Current Account Agreement. Any detriment based on this agreement incurred to Investment Company in the current accounting period.

##### Securities measured at fair value through profit or loss

Investment Company does not hold any units of related parties.

##### Other Assets

The Other Assets item consists of trade receivables from related parties including estimated receivables totalling 14.5 mil. CZK. It principally comprises receivables from Česká spořitelna, a.s.



The Investment Company incurred no detriment as a result of the above-mentioned agreement in current accounting period.

### Transactions with related parties on the liabilities side of the balance sheet of Investment Company

#### Other liabilities

The Other Liabilities item consists of trade payables to related parties, including estimated payables totalling 29.1 mil. CZK. It principally comprises payables to Česká spořitelna, a. s. The investment company incurred no detriment as a result of the above-mentioned agreement in current accounting period.

### Transactions with related parties having impact on the Profit and Lost Report of Investment Company

#### Interest Income

Within the scope of contracts with related parties, the Investment Company realised on current market or business terms in accounting period interest income totalling 0.27 mil. CZK. The investment company incurred no detriment as a result of the above-mentioned contracts in current accounting period.

#### Fees and Commission Income

Within the scope of contracts with related parties, the Investment Company realised on current market or business terms in accounting period fees and commission income, including fees and commission provisions for asset management and fund management, totalling 44.2 mil. CZK. The investment company incurred no detriment as a result of the above-mentioned contracts in current accounting period.

#### Fees and Commission Expenses

Within the scope of contracts with related parties, the Investment Company paid on current market or business terms in accounting period expenses on fees and commission totalling 324 mil. CZK. The investment company incurred no detriment as a result of the above-mentioned trading in current accounting period. The invest-

ment company incurred no detriment as a result of the above-mentioned contracts in current accounting period.

### Administrative expenses

Investment Company spent to related parties in accounting period on other administrative expenses on current market or business terms 15.7 mil. CZK. The other administrative expenses principally include the costs of outsourcing, risk management, rents, leasing, providing services. The investment company incurred no detriment as a result of the above-mentioned agreement in current accounting period.

### Other Operating Expenses

Within the scope of contracts with related parties, the Investment Company paid on current market or business terms in accounting period other operating expenses, which primarily include logo usage costs, totalling 1 mil. CZK. The investment company incurred no detriment as a result of the above-mentioned trading in current accounting period.

## D. Contractual Relations

In past accounting periods the Investment Company concluded contracts with related parties mentioned in part A and part B. The financial value of these contracts is stated in part C. In accounting period the Investment Company concluded new contracts with related parties mentioned in part A and part B. The financial value of these contracts is stated in part C.

Below mentioned list comprise more significant contracts concluded in accounting period with related parties.

Less significant contractual relations, from which Investment Company accepted or provided performance within the scope of related parties relations, which financial value for the account period is also stated in part C and simultaneously Investment Company incurred no detriment of such contract is not published in this report.

Contract name	Contractual Party	Subject matter of the contract	Detriment incurred
Contract on providing daily calculation of the mutual fund's equity, calculation of the unit certificate's actual value and connected activities	Česká spořitelna, a. s.	Outsourcing services in the area of daily calculation of the mutual fund's equity, calculation of the unit certificate's actual value and connected activities	none
Contract on providing outsourcing services for financial accounting, controlling, asset management, purchasing support, human resources, marketing, internal audit, corporate communications and IS / IT Security	Česká spořitelna, a. s.	Outsourcing services in the area of financial accounting, controlling, asset management, purchasing support, human resources, marketing, internal audit, corporate communications and IS / IT Security	none

## E. Other Legal Actions

Administrator during the accounting period 2012 took even executed no other legal actions in the interest, or at the initiative, of the individual related entities.

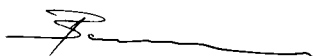
## F. Other Factual Provisions

Investment Company cooperates within Erste Group Bank on the group projects. Cooperating on these group projects the Administrator incurred no detriment.

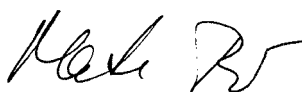
## G. Conclusion

Our review of the legal relations put in place between the Administrator and the Related Entities indicates that the Administrator incurred no detriment as a result of the contractual arrangements, other legal actions or other measures implemented, made or adopted by the Administrator during the accounting period 2012 in the interest, or at the initiative, of the individual related entities.

This report was discussed and approved by the Board of Directors of Investiční společnost České spořitelny, a. s. on February 2, 2012.



Mgr. Martin Burda  
předseda představenstva



Ing. Martin Řezáč  
místopředseda představenstva

# Information about the synthetic risk and reward indicator, which is providing the risk profile of the mutual fund

The risk profile of the mutual fund is characterized mainly by the synthetic risk and reward indicator<sup>1</sup>. The risk and reward indicator provides the relation between the chance of investment growth and the risk of the value decline. The way of presentation of the synthetic risk and reward indicator is directly specified in EU regulation<sup>2</sup>.

Mutual Fund Short Name	Synthetic Risk and Reward Indicator						
	← Potentially lower risk				Potentially higher risk →		
	← Potentially lower income			Potentially higher income →			
LIKVIDITNÍ FOND	1	2	3	4	5	6	7
SPOROINVEST	1	2	3	4	5	6	7
BONDINVEST	1	2	3	4	5	6	7
SPOROBOND	1	2	3	4	5	6	7
TREND BOND	1	2	3	4	5	6	7
ČS korporátní dluhopisový	1	2	3	4	5	6	7
High Yield dluhopisový	1	2	3	4	5	6	7
KONZERVATIVNÍ MIX FF	1	2	3	4	5	6	7
VYVÁŽENÝ MIX FF	1	2	3	4	5	6	7
DYNAMICKÝ MIX FF	1	2	3	4	5	6	7
AKCIOVÝ MIX FF	1	2	3	4	5	6	7
Smíšený fond	1	2	3	4	5	6	7
Institucionální akciový FF	1	2	3	4	5	6	7
SPOROTREND	1	2	3	4	5	6	7
TOP STOCKS	1	2	3	4	5	6	7
GLOBAL STOCKS FF	1	2	3	4	5	6	7
ČS fond životního cyklu 2020 FF	1	2	3	4	5	6	7
ČS fond životního cyklu 2030 FF	1	2	3	4	5	6	7
FOND ŘÍZENÝCH VÝNOSŮ	1	2	3	4	5	6	7
OSOBNÍ PORTFOLIO 4	1	2	3	4	5	6	7
PLUS	1	2	3	4	5	6	7
Privátní portfolio AR 0	1	2	3	4	5	6	7
Privátní portfolio AR 25	1	2	3	4	5	6	7
Privátní portfolio AR 50	1	2	3	4	5	6	7
Privátní portfolio AR 75	1	2	3	4	5	6	7
Privátní portfolio AR AKCIE	1	2	3	4	5	6	7
Privátní portfolio AR REALITY	1	2	3	4	5	6	7
Privátní portfolio AR ALTER. INVESTICE	1	2	3	4	5	6	7
Dluhopisový fond	1	2	3	4	5	6	7

The SRRI (a numerical scale of 1 to 7) is based on the volatility of the fund's unit certificate value in the past. Therefore assigning to the appropriate category of the SRRI is not an indicator of the future development. The assigning to the appropriate category of the SRRI can be revised from time to time. Neither the assigning of the fund into the lowest category of the SRRI means the investment without a risk. ISCS computes the SRRI of the fund on an ongoing basis according to the unified European methodology<sup>3</sup>.

<sup>1</sup> Section 7, par. 2 of the Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund

<sup>2</sup> COMMISSION REGULATION 583/2010 of 1 July 2010 implementing Directive 2009/65/EC (UCITS IV) of the European Parliament and of the Council as regards key investor information. The Czech Government regulation 189/2011 on providing the key information of the special fund of collective investment.

<sup>3</sup> CESR's guidelines on the methodology of the synthetic risk and reward indicator in the Key Investor Information Document

# Financial Section

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# Independent Auditor's Report

To the Shareholder of Investiční společnost České spořitelny, a. s.:

I. We have audited the financial statements of Investiční společnost České spořitelny, a. s., (“the Company”) as at 31 December 2012 presented in the annual report of the Company on pages 75 – 90 and our audit report dated 31 January 2013 stated the following:

“We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s. which comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s. as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.”

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

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 1–70 is consistent with that contained in the audited financial statements as at 31 December 2012. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

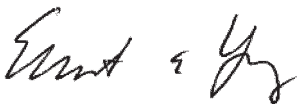
Based on our audit, the accounting information presented in the annual report is consistent, in all material respects, with the financial statements described above.

III. In addition, we have reviewed the accuracy of the information contained in the report on related parties of Investiční společnost České spořitelny, a. s., for the year ended 31 December 2012 presented in the annual report of the Company on pages 67–69. The management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and accuracy of the report on related parties. Our responsibility is to issue a report based on our review.

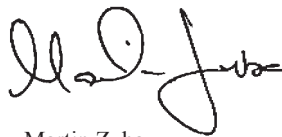
We conducted our review in accordance with the applicable International Standard on Review Engagements and the related Czech standard No. 56 issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the report on related parties is free from material misstatement. The review is limited primarily to enquiries of company personnel, to analytical procedures applied to financial data and to examining, on a test basis, the accuracy of information, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the report on related parties of Investiční společnost České spořitelny, a. s., for the year ended 31 December 2012 is materially misstated.

10 June 2013  
Prague, Czech Republic



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



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Independent Auditor's Report

To the Shareholder of Investiční společnost České spořitelny, a. s.:

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s. which comprise the balance sheet as at 31 December 2012, and the income statement, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s. see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

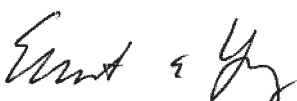
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s. as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

31 January 2013

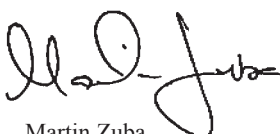
Prague, Czech Republic



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current year			Prior year	
		Gross	Adjustments	Net	Net	
<b>Assets</b>						
3	Amounts due from banks	005	69,500	0	69,500	73,619
	a) Repayable on demand	006	69,500	0	69,500	73,619
6	Shares, participation certificates and other interests	014	68,985	0	68,985	86,923
9	Intangible fixed assets	019	3,288	(3,288)	0	0
10	Tangible fixed assets	022	12,792	(12,249)	543	882
11	Other assets	024	58,431	0	58,431	52,404
	a) Trade receivables	025	1,121	0	1,121	696
	c) State – tax receivables	027	3,709	0	3,709	7,259
	d) Deferred tax asset	028	2,291	0	2,291	4,425
	e) Other	029	51,310	0	51,310	40,024
13	Prepayments and accrued income	031	724	0	724	963
	<b>Total assets</b>	<b>032</b>	<b>213,720</b>	<b>(15,537)</b>	<b>198,183</b>	<b>214,791</b>

(in thousands CZK)	Line	Current year	Prior year	
<b>Liabilities</b>				
4	Other liabilities	042	61,103	88,482
	a) Trade payables	043	754	28,474
	c) State – tax liabilities	045	2,405	609
	e) Social security payables	047	593	701
	f) Payables to employees	048	13,478	3,190
	g) Other payables	049	43,873	55,508
6	Reserves	051	0	0
	c) Other	054	0	0
8	Share capital	056	70,000	70,000
	a) Registered share capital paid up	057	70,000	70,000
10	Reserve funds and other funds from profit	060	14,222	14,219
	a) Mandatory reserve funds and risk funds	061	14,000	14,000
	c) Other funds from profit	063	222	219
14	Retained earnings	070	18,984	7,918
15	Profit or loss for the period	071	33,874	34,172
	<b>Total liabilities</b>	<b>072</b>	<b>198,183</b>	<b>214,791</b>



# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current Period	Previous Period
1 Interest income and similar income		274	263
3 Income from shares and unit certificates	05	0	0
c) Other income from shares and unit certificates	08	0	0
4 Commission and fee income	09	482,301	545,226
a) Management fee	10	482,121	545,046
b) Selling fees	11	0	0
c) Other finance income	12	180	180
5 Commission and fee expenses	13	334,990	383,063
a) Brokerage fees for the sale of participation certificates	14	312,482	364,520
c) Fees associated with the management of assets of funds	16	11,532	8,866
e) Other finance expenses	18	10,976	9,677
6 Net profit or loss from financial operations	19	4,357	(2,497)
7 Other operating income	20	0	463
a) Revenues from the sale of fixed assets and material	21	0	423
b) Other	22	0	40
8 Other operating expenses	23	2,234	10,406
a) Net book value of intangible and tangible fixed assets and materials sold	24	0	520
b) Other	25	2,234	9,886
9 Administrative expenses	26	107,153	123,129
a) Personnel expenses	27	64,514	65,934
aa) Wages and salaries	28	56,053	54,451
ab) Social security and health insurance	29	7,531	10,704
ac) Other personnel expenses	30	930	779
b) Other administrative expenses	31	42,639	57,195
11 Depreciation, creation and use of reserves and provisions	33	267	577
a) Depreciation of tangible fixed assets	34	267	530
b) Amortisation of intangible fixed assets	35	0	47
16 Release of other reserves	40	0	6,879
17 Other reserves creation and usage	41	0	7,971
19 Profit or loss for the period from ordinary operations before taxation	43	42,288	41,130
23 Income tax	47	8,414	6,958
a) Current income tax	48	6,280	9,659
b) Deferred income tax	49	2,134	(2,701)
24 Profit and loss for the period after tax	50	33,874	34,172

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Share capital	Reserve funds	Other funds from profit	Retained earnings	Profit / loss for the current period	Total
<b>Balance at 1 Jan 2011</b>	<b>70,000</b>	<b>14,000</b>	<b>541</b>	<b>504</b>	<b>30,637</b>	<b>115,682</b>
Dividends					(22,723)	(22,723)
Transfer to retained earnings				7,414	(7,414)	0
Allocation to funds			500		(500)	0
Use of funds			(822)			(822)
Net profit/loss for the period					34,172	34,172
<b>Balance at 31 Dec 2011</b>	<b>70,000</b>	<b>14,000</b>	<b>219</b>	<b>7,918</b>	<b>34,172</b>	<b>126,309</b>
<b>Balance at 1 Jan 2012</b>	<b>70,000</b>	<b>14,000</b>	<b>219</b>	<b>7,918</b>	<b>34,172</b>	<b>126,309</b>
Dividends					(22,606)	(22,606)
Transfer to retained earnings				11,066	(11,066)	0
Allocation to funds			500		(500)	0
Use of funds			(497)			(497)
Net profit/loss for the period					33,874	33,874
<b>Balance at 31 Dec 2012</b>	<b>70,000</b>	<b>14,000</b>	<b>222</b>	<b>18,984</b>	<b>33,874</b>	<b>137,080</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s. (hereinafter “ISČS” or the “Company”) was incorporated by an entry in the Commercial Register kept in the Regional Court in Prague, Section B, Insert 1154, on 27 December 1991.

As part of the transformation of the Financial Group of Česká spořitelna (hereinafter the “ČS”), the Company’s name was changed from Spořitelní investiční společnost, a.s. to Investiční společnost České spořitelny, a.s. based on a resolution of the Municipal Court in Prague. This change was entered into the Commercial Register on 15 August 2001.

Česká spořitelna, a.s., acts as a depository of ISČS.

### Shareholders of the Company

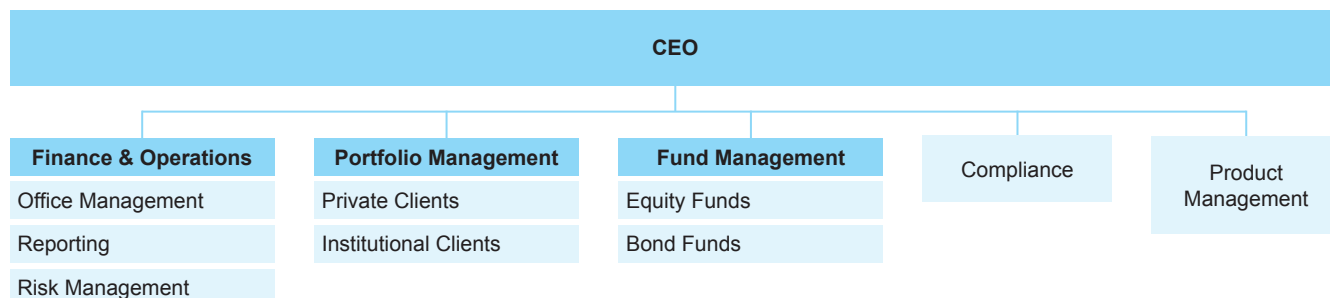
As at 31 December 2012, the ISČS’s sole shareholder is Erste Asset Management GmbH (with its registered office at Habsburgergasse 2, 1010 Vienna, Austria), holding 100 percent of the share capital.

### Organisational Structure

The organisational structure of ISČS is defined in the Organisational Rules which set out duties, authorities and accountability of individual departments of ISČS.

Based on the resolution of the Board of Directors dated 5 January 2012 an organisational change became effective as of 15 January 2012. More specifically, the Controlling department and Risk Management department merged into the Risk Management department. Furthermore, the Product Development department was split into two separate departments – Reporting and Product Management (directly subordinated to the CEO).

Based on the resolution of the Board of Directors dated 24 February 2012 an organizational change became effective as of 1 March 2012. More specifically, the Legal & Compliance department was renamed the Compliance department.



### The Company’s Registered Office Address

Investiční společnost České spořitelny, a.s.  
Evropská 2690/17, 160 00 Prague 6, Dejvice  
Czech Republic

### Members of Statutory Bodies as at 31 December 2012:

#### Board of Directors

Mgr. Martin Burda, Chairman  
Ing. Martin Řezáč, Vice-chairman  
Adrianus Janmaat, Member

#### Supervisory Board

Mag. Heinz Bednar, Chairman  
RNDr. Petr Bobysud, Vice-chairman  
Günther Mandl, Member  
Ing. Daniel Heler, Member  
Ing. Jiří Škorvaga, CSc., Member  
Ing. Pavel Kráčmar, Member

There were no changes in the Board of Directors or in the Supervisory Board during 2012.

Based on the resolution of the Board of Directors dated 12 December 2012 the department for the Communication with Shareholder was revoked effectively as of 31 December 2012.

No other changes in the organisational structure occurred.

As at 31 December 2012, ISČS managed the following open-ended mutual funds:

ISČS, a.s. – FOND ŘÍZENÝCH VÝNOSŮ – otevřený podílový fond  
 ISČS, a.s. – AKCIOVÝ MIX FF – otevřený podílový fond  
 ISČS, a.s. – DYNAMICKÝ MIX FF – otevřený podílový fond  
 ISČS, a.s. – VYVÁŽENÝ MIX FF – otevřený podílový fond  
 ISČS, a.s. – SPOROINVEST – otevřený podílový fond  
 ISČS, a.s. – SPOROBOND – otevřený podílový fond  
 ISČS, a.s. – SPOROTREND – otevřený podílový fond  
 ISČS, a.s. – BONDINVEST – otevřený podílový fond  
 ISČS, a.s. – GLOBAL STOCKS FF – otevřený podílový fond  
 ISČS, a.s. – TREND BOND – otevřený dluhopisový podílový fond  
 ISČS, a.s. – ČS korporátní dluhopisový – otevřený podílový fond  
 ISČS, a.s. – KONZERVATIVNÍ MIX FF – otevřený podílový fond  
 ISČS, a.s. – High Yield dluhopisový – otevřený podílový fond  
 ISČS, a.s. – TOP STOCKS – otevřený podílový fond  
 ISČS, a.s. – Fond 2005 – otevřený podílový fond  
 ISČS, a.s. – ČS fond životního cyklu 2020 FF – otevřený podílový fond  
 ISČS, a.s. – ČS fond životního cyklu 2030 FF – otevřený podílový fond  
 ISČS, a.s. – Privátní portfolio AR 25 – otevřený podílový fond  
 ISČS, a.s. – Privátní portfolio AR 50 – otevřený podílový fond  
 ISČS, a.s. – Privátní portfolio AR 75 – otevřený podílový fond  
 ISČS, a.s. – Privátní portfolio AR 0 – otevřený podílový fond  
 ISČS, a.s. – Institucionální akciový FF – otevřený podílový fond  
 ISČS, a.s. – LIKVIDITNÍ FOND – otevřený podílový fond  
 ISČS, a.s. – OSOBNÍ PORTFOLIO 4 – otevřený podílový fond  
 ISČS, a.s. – Privátní portfolio AR ALTERNATIVNÍ INVESTICE – otevřený podílový fond  
 ISČS, a.s. – Privátní portfolio AR REALITY – otevřený podílový fond  
 ISČS, a.s. – Privátní portfolio AR AKCIE – otevřený podílový fond  
 ISČS, a.s. – Smíšený fond – otevřený podílový fond  
 ISČS, a.s. – PLUS – otevřený podílový fond  
 ISČS, a.s. – DLUHOPISOVÝ FOND – otevřený podílový fond

Following the request of Investiční společnost České spořitelny a.s., the Czech National Bank resolved to withdraw the permission for management of Investiční společnost České spořitelny a.s., PF-1 otevřený podílový fond. Resolution 2012/2921/570 dated 2 April 2012 became effective 17 April 2012. Under Section 98 (1a) of the Act, the Fund ceases to exist as of the date when the Czech National Bank resolution takes legal effect and the Company must settle its receivables and payables within six months.

Following the request of Investiční společnost České spořitelny a.s., the Czech National Bank resolved to withdraw the permission for management of Investiční společnost České spořitelny a.s., PF-2 otevřený podílový fond. Resolution 2012/11888/570 dated 7 December 2012 became effective 28 December 2012. Under Section 98 (1a) of the Act, the Fund ceases to exist as of the date when the Czech National Bank resolution takes legal effect and the Company must settle its receivables and payables within six months.

## Principal Business

The principal business activities of the Company are as follows:

- Collective investment involving the formation and management of mutual funds;
- Management of investment funds on the basis of a management contract;
- Management of assets in the mutual fund or other investment company or the assets of the investment fund which did not enter into the management contract;
- Activities relating to collective investments such as services for other investment companies or an investment fund which did not enter into the management contract;
- Management of customer assets following the contracts with a customer, if the assets include an investment instrument.

ISČS operates solely on the Czech market, and all revenues are generated in the Czech Republic. The authorisation for the activities of an investment company was granted by the Czech National Bank on 26 April 2006, ref. no. 41/N/134/2005/5. The resolution took legal effect on 18 May 2006. This authorisation replaces a permission granted by the Czech Finance Ministry and approved by the Securities Commission through its resolution dated 26 April 1999, ref. no. 111/2648/R/1999; this resolution took legal effect on 4 May 1999. The original resolution of the Czech Ministry of Finance dated 19 April 1993, ref. no. 101/21 693/93, took effect on 10 May 1993.

## 2. Basis of Preparation

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

The financial statements are based on the accrual principle, that is, transactions and other events are recognized in the accounting period in which they occur, regardless of when the related monetary flow arises. The financial statements are presented in compliance with the prudence concept and the going concern assumption.

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

The financial statements contain the balance sheet, income statement, statement of changes in equity, and notes to the financial statements.

All amounts are stated in Czech Crowns (CZK). Thousands of CZK are the measurement unit, unless stated otherwise.

The financial statements, including notes, are unconsolidated.

#### Explanation Added for Translation into English

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

## 3. Accounting Policies

### 3.1 Transaction Recognition Date

ISČS recognises the sales or purchases of securities using settlement date accounting. Transactions with securities outstanding at the end of the month are accounted for in the off-balance sheet accounts from their trade date to their settlement date and are thereafter revaluated at fair value through the balance sheet.

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

## 3.2 Valuation of Assets and Liabilities

### 3.2.1 Tangible and Intangible Assets

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

Intangible fixed assets include identifiable assets with physical substance which have an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand.

Tangible and intangible fixed assets are stated at an acquisition cost less accumulated depreciation and accumulated amortisation, respectively, expressing the degree of the assets' wear and tear.

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

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

The provisions are recorded against assets whenever temporary asset impairment is identified. If the impairment is permanent, the assets are written off.

Tangible and intangible fixed assets are depreciated/amortised for accounting purposes in the month following the month the assets are put into use. The assets are depreciated/amortised on a straight line basis over their estimated useful lives and according to the depreciation/amortisation plan.

Depreciation/amortisation periods of the individual asset categories are as follows:

Assets	Depreciation/ amortisation period
Software, licences and other intangible assets	4 years
Furniture and fixtures	4-6 years
Devices and other equipment including vehicles	4-12 years

### 3.2.2 Securities

Upon acquisition, in accordance with ISČS's strategy, all securities are included in the portfolio of securities measured at fair value through profit or loss.

Securities are measured at cost upon acquisition. The cost includes direct transaction costs related to the acquisition of securities.

ISČS re-measures securities at fair value as at the last day of each month and as at the date the sale is realised.

Capital gains or losses are recorded in the profit and loss account through the 'Profit or loss from financial operations'.

The fair value of securities is determined with reference to the market value applicable as at the date of the fair value measurement, if the securities can be sold for that price.

### 3.2.3 Provisions

Provisions are made against assets and other assets which are not re-measured at fair value or are not valued under the equity method in cases where temporary asset impairment is identified.

Provisions are subject to year-end review procedures when their level and appropriateness are assessed.

As at 31 December 2012 and 2011, ISČS did not make any provisions.

### 3.2.4 Reserves

Reserves are liabilities of uncertain timing or amount. A reserve is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonably reliable estimate can be made of the amount of the obligation. Reserves are used exclusively for the purposes they were created for. Reserve balances are reviewed annually, and the reserves are reversed or carried forward based on the review results.

### 3.2.5 Income Tax

The income tax base is calculated from the current year's profit or loss by adding all tax non-deductible expenses and subtracting non-taxable income and items adjusting the tax base. The current income tax liability is calculated at the end the tax period in compliance with Income Taxes Act No. 586/1992 Coll., as amended. The tax rate for 2012 is 19 percent (2011: 19 percent).

The deferred tax liability (asset) is determined from all temporary differences between the reported carrying amount of assets and liabilities and their value for tax purposes. Deferred tax is calculated using the balance sheet liability method. The balance sheet liability method focuses on all temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The amount of a deferred tax asset or liability is calculated as equal to the resulting difference multiplied by the income tax rate set out in Income Taxes Act No. 586/1992 Coll. that is expected to apply in the period when the tax liability is settled or the tax asset realised.

Deferred tax liabilities are always recognized while deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset. If the deferred tax asset is not likely to be realised, it is appropriately written down.

### 3.2.6 Foreign Currency Translations

ISČS translates foreign currencies using the foreign exchange rate promulgated by the Czech National Bank as at the relevant date. Exchange rate gains and losses are recorded as income or expenses, as appropriate, which are reported in the income statement through the 'Net profit or loss from financial operations'. At the date of the financial statements, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as at that date.

### 3.2.7 Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

## 3.3 Income and Expenses Recognition Policies

### 3.3.1 Interest Income

Interest income from current and term accounts placed with banks is, based on a bank statement, posted to income against the appropriate balance sheet account. At the balance sheet date, the pro-rated amount of interest from term deposits is recognized using the accrual principle, i.e. in the period to which it relates irrespective of the time of its receipt. Accrued interest income related to the assets is accounted for together with these assets on the face of the balance sheet.

### 3.3.2 Interest Expenses

Interest expenses from loans are, based on a bank statement, posted to expenses against the appropriate balance sheet account. At the balance sheet date, the pro-rated amount of interest from loans is recognized using the accrual principle, i.e. in the period to which it relates irrespective of the time of its payment. Accrued interest expenses related to the liabilities are accounted for together with these liabilities on the face of the balance sheet.

### 3.3.3 Fees and Commissions

Fees and commissions are accrued and posted to the income statement, except for the commission paid upon the acquisition of securities where the commission is part of the cost of the security.

### 3.3.4 Subsequent Events

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

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

## 4. Used Financial Instruments

### 4.1 Risk Management

ISČS monitors the market risks associated with its portfolio on an ongoing basis. ISČS follows its policies of management of own assets. The purpose of investment is always either achieving additional gains on excess liquidity or support of investment products of ISČS. The portfolio primarily comprises participation certificates of open-ended mutual funds managed by ISČS for which a sound risk monitoring, measuring and assessment framework was established together with an appropriate set of tools, which provides for both the mediated management of the risk attached to ISČS's securities portfolio via the funds' risk management and the monitoring of an overall risk via Value at Risk (VaR). ISČS also regularly assesses volume of equities compared to the undertaken risks and it monitors its adequacy.

In managing the risk exposure of funds, ISČS employs a wide range of tools for measuring, managing and, mainly, eliminating the risk exposure of the particular portfolios with significant attention being paid to market risks, operational risks, concentration risks and counterparty risk (credit risks).

Risk Management also includes managing the funds' performance that is, measuring the performance of funds, comparing it against the competition as well as the benchmark in particular cases where applicable for the fund.

In addition to statutory restrictions, the funds are subject to a set of internal limits which have a direct impact on the allocation of investment products on the particular markets by their risk profiles, the maximum FX exposure, the modified duration zone within which the individual funds fall, rating structure of portfolios, etc. The relevant limits are applied to the individual funds to correspond with the funds' nature.

The VaR of all funds is assessed on daily basis, broken down to FX VaR, Interest Rate VaR and Equity VaR and to the global VaR of the fund's assets. The above values serve as a basis for the identification of critical risk areas/segments. This identification has an impact on the re-investment process. Limits are also set for VaR of the individual funds, either as compared to the risk of the benchmark (relative limit) or as a maximum value of the VaR (absolute limit).

To assess the impact of extremely unfavourable market conditions, a maximum loss resulting from stress situations is estimated for each fund. These situations particularly include critical developments in interest rates, equity markets and foreign exchange rates. Stress testing is performed based on stress scenarios taking into account the risk characteristics of individual funds. Major attention is paid to those risk factors that the Company is most vulnerable to.

Adherence to the above-mentioned limits is reviewed on an ongoing basis together with the effectiveness of the setting of the limits. The limits are adjusted as needed.

## 5. Additional Information on the Financial Statements

### 5.1 Amounts Due from Banks

Amounts due from banks	31 Dec 2012	31 Dec 2011
Repayable on demand	69,500	73,619
<b>Total</b>	<b>69,500</b>	<b>73,619</b>

All amounts due from banks are repayable on demand. The contractual interest rate repricing dates for all receivables from banks are less than three months.

### 5.2 Securities

All securities are maintained in the portfolio of securities at fair value through profit or loss.

## Shares and Participation Certificates

At 31 Dec 2012	Number of participation certificates	Nominal value in CZK	Rate in CZK	Total fair value
ERSTE koš firemních dluhopisů 2016	227,264	100	109.47	24,878
Smíšený fond	1,235	1,000	792.4847	979
PLUS otevřený podílový fond	39,767,374	1	1.019	40,523
Privátní portfolio AR AKCIE	1,590,674	1	0.9467	1,506
Fond 2005	1,457,938	1	0.7538	1,099
<b>Total participation certificates</b>				<b>68,985</b>

At 31 Dec 2011	Number of participation certificates	Nominal value in CZK	Rate in CZK	Total fair value
ERSTE koš firemních dluhopisů 2016	227,264	100	95.85	21,783
PLUS OPF	39,767,374	1	0.9874	39,266
Privátní portfolio AR AKCIE OPF	1,590,674	1	0.8964	1,426
Privátní portfolio AR ALTERNATIVNÍ INVESTICE OPF	10,303,891	1	0.9773	10,070
Privátní portfolio AR REALITY OPF	10,167,158	1	0.9668	9,830
Smíšený OPF	1,235	1 000	770,2765	951
PF1 OPF	1,030,927	1	1,5875	1,637
PF2 OPF	1,043,732	1	0,9544	996
Fond 2005	1,457,938	1	0,6614	964
<b>Total participation certificates</b>				<b>86,923</b>

A change in the real value of participation certificates for year 2012 amounted to CZK 4,515 thousand (2011: CZK (2,410) thousand) has been recorded at entry Net profit or loss from Financial Operations.

## 5.3 Intangible and Tangible Assets

## 5.3.1 Intangible Fixed Assets

Cost	Software	Total
Balance at 1 Jan 2011	4,085	4,085
Additions	-	-
Disposals	(797)	(797)
Balance at 31 Dec 2011	3,288	3,288
Additions	-	-
Disposals	-	-
<b>Balance at 31 Dec 2012</b>	<b>3,288</b>	<b>3,288</b>

Accumulated Amortisation	Software	Total
Balance at 1 Jan 2011	4,038	4,038
Amortisation	47	47
Accumulated amortisation of disposals	(797)	(797)
Balance at 31 Dec 2011	3,288	3,288
Amortisation	-	-
Accumulated amortisation of disposals	-	-
<b>Balance at 31 Dec 2012</b>	<b>3,288</b>	<b>3,288</b>

Net book value at 31 Dec 2011	-	-
<b>Net book value at 31 Dec 2012</b>	<b>-</b>	<b>-</b>



### 5.3.2 Tangible Fixed Assets

Cost	Movable assets and sets of movable assets	Low value tangible assets	Works of art	Total
Balance at 1 Jan 2011	14,998	729	370	16,097
Additions	40	-	-	40
Disposals	(1,582)	-	-	(1,582)
Balance at 31 Dec 2011	13,456	729	370	14,555
Additions	-	-	-	-
Disposals	(1,034)	(729)	-	(1,763)
<b>Balance at 31 Dec 2012</b>	<b>12,422</b>	<b>-</b>	<b>370</b>	<b>12,792</b>

Accumulated Depreciation	Movable assets and sets of movable assets	Low value tangible assets	Works of art	Total
Balance at 1 Jan 2011	13,478	727	-	14,205
Depreciation incl. NBV of disposed assets	1,048	2	-	1,050
Accumulated depreciation of disposals	(1,582)	-	-	(1,582)
Balance at 31 Dec 2011	12,944	729	-	13,673
Depreciation incl. NBV of disposed assets	267	-	-	267
Accumulated depreciation of disposals	(962)	(729)	-	(1,691)
<b>Balance at 31 Dec 2012</b>	<b>12,249</b>	<b>-</b>	<b>-</b>	<b>12,249</b>

	Movable assets and sets of movable assets	Low value tangible assets	Works of art	Total
Net book value at 31 Dec 2011	512	-	370	882
<b>Net book value at 31 Dec 2011</b>	<b>173</b>	<b>-</b>	<b>370</b>	<b>543</b>

### 5.3.3 Tangible Assets Held under Finance Lease Agreements

During 2012 and 2011 ISČS did not acquire any assets under finance lease agreements.

## 5.4 Other Assets

### 5.4.1 Trade Receivables

Trade receivables	31 Dec 2012	31 Dec 2011
Receivables from related parties	690	632
Other trade receivables	431	64
<b>Total</b>	<b>1,121</b>	<b>696</b>

ISČS carries no trade receivables past their due dates.

### 5.4.2 Receivables from Related Parties

Receivables from related parties	31 Dec 2012	31 Dec 2011
Česká spořitelna, a. s.	690	632
<b>Total</b>	<b>690</b>	<b>632</b>

The receivable from Česká spořitelna, a. s. totalling CZK 690 thousand comprises advances for lease-related services.

## 5.5 Tax Receivables

For detailed information on tax receivables and the deferred tax asset refer to Notes 5.23 and 5.25.

## 5.6 Other Assets – Other

Other	31 Dec 2012	31 Dec 2011
Estimated receivables	51,308	40,024
of which: estimated receivables from related parties	51,308	40,024
Others	2	–
<b>Total</b>	<b>51,310</b>	<b>40,024</b>

### 5.6.1 Estimated Receivables

Estimated receivables from related parties	31 Dec 2012	31 Dec 2011
ISČS, a.s. – OPF BONDINVEST	54	56
ISČS, a.s. – OPF SPOROINVEST	8,037	10,365
ISČS, a.s. – OPF SPOROBOND	8,365	5,914
ISČS, a.s. – OPF KONZERVATIVNÍ MIX FF	330	673
ISČS, a.s. – OPF SPOROTREND	6,022	5,667
ISČS, a.s. – OPF FOND ŘÍZENÝCH VÝNOSŮ	540	576
ISČS, a.s. – OPF AKCIOVÝ MIX FF	785	745
ISČS, a.s. – OPF VYVÁŽENÝ MIX FF	1,019	1,544
ISČS, a.s. – TREND BOND otevřený dluhopisový podílový fond	875	888
ISČS, a.s. – OPF ČS korporátní dluhopisový	1,143	659
ISČS, a.s. – OPF DYNAMICKÝ MIX FF	656	671
ISČS, a.s. – OPF GLOBAL STOCKS FF	475	481
ISČS, a.s. – OPF TOP STOCKS	3,989	3,031
ISČS, a.s. – OPF High Yield dluhopisový	546	460
ISČS, a.s. – OPF ČS fond životního cyklu 2020 FF	447	407
ISČS, a.s. – OPF ČS fond životního cyklu 2030 FF	130	103
ISČS, a.s. – OPF Privátní portfolio AR 25	774	840
ISČS, a.s. – OPF Privátní portfolio AR 50	387	491
ISČS, a.s. – OPF Privátní portfolio AR 75	99	99
ISČS, a.s. – OPF Privátní portfolio AR 0	199	195
ISČS, a.s. – OPF Fond 2005	378	339
ISČS, a.s. – OPF Institucionální akciový FF	590	172
ISČS, a.s. – OPF LIKVIDITNÍ FOND	235	147
ISČS, a.s. – OPF OSOBNÍ PORTFOLIO 4 (former Fond cíleného výnosu)	737	1,278
ISČS, a.s. – OPF PLUS	71	97
ISČS, a.s. – OPF Privátní portfolio AR AKCIE	116	64
ISČS, a.s. – OPF Privátní portfolio AR ALTERNATIVNÍ INVESTICE	115	126
ISČS, a.s. – OPF Privátní portfolio AR REALITY	55	42
ISČS, a.s. – OPF Smíšený fond	209	207
ISČS, a.s. – OPF DLUHOPISOVÝ FOND	62	–
ISČS, a.s. – PF1	–	1
ISČS, a.s. – PF2 (former OPF ŠKODA)	–	1,381
Česká spořitelna, a.s. – institutional investors	8,546	1,372
Česká spořitelna, a.s. – private investors	5,322	933
<b>Total</b>	<b>51,308</b>	<b>40,024</b>

Estimated receivables consist of income arising from management fees and fees for management of Česká spořitelna, a.s. customers' assets for December.

## 5.7 Deferred Expenses and Accrued Income

Deferred expenses and accrued income	31 Dec 2012	31 Dec 2011
Deferred expenses	724	963
<b>Total</b>	<b>724</b>	<b>963</b>

Deferred expenses principally comprise costs of the use of Bloomberg terminals.

## 5.8 Other Liabilities

### 5.8.1 Trade Payables

Trade payables	31 Dec 2012	31 Dec 2011
Payables to related parties	78	28,068
Other trade payables	676	406
<b>Total</b>	<b>754</b>	<b>28,474</b>

The payables to related parties as at 31 December 2011 comprised mainly payables of CZK 27,420 thousand to Česká spořitelna, a.s. arising from the distribution fee for November 2011. As at 31 December 2012, the distribution fee for November was settled.

## 5.9 Tax Payables and the Deferred Tax Liability

For detailed information on tax payables and the deferred tax liability refer to Notes 5.24 and 5.25.

### 5.10 Other Payables

Other payables	31 Dec 2012	31 Dec 2011
Estimated payables	43,873	55,508
<b>Total</b>	<b>43,873</b>	<b>55,508</b>

Estimated payables principally comprise estimated balances raised for fees for the distribution of participation certificates and loyalty bonuses for December 2012 amounting to CZK 27,269 thousand (2011: CZK 27,604 thousand). Additionally, the estimated payables include the annual bonuses of the Company's employees, including contributions to social security and health insurance to be paid next year, in the amount of CZK 12,277 thousand (2011: CZK 23,445 thousand) and unbilled supplies provided shortly before the year-end.

### 5.11 Reserves

Reserve	2012	2011
Reserve for specified financial risks		
Balance at 1 January	-	14,850
Creation	-	-
Use	-	(7,971)
Release	-	(6,879)
Balance at 31 December	-	-
<b>Total at 31 December</b>	<b>-</b>	<b>-</b>

During the year 2011, the prior year's reserve for operational risk was partly used in the amount of CZK 7,971 thousand; the remaining portion of the reserve in the amount of CZK 6,879 thousand was released.

### 5.12 Share Capital

The share capital of ISČS consists of 700 registered certificate shares, not publicly marketable, with a nominal value of CZK 100 thousand, i.e. a total of CZK 70,000 thousand.

### 5.13 Distribution of Profit

The balance of ISČS's legal reserve fund is equal to 20 percent of the share capital as required by law.

Pursuant to the decision of the sole shareholder of 20 February 2012, ISČS paid a dividend of CZK 22,606 thousand to Erste Asset Management GmbH as the sole shareholder from the profit for the year ended 31 December 2011. A portion of the profit generated in 2011 in the amount of CZK 500 thousand was used as an allocation to the social fund.

The profit for the year ended 31 December 2012 of CZK 33,874 thousand will be allocated on the basis of a decision of the sole shareholder acting in the capacity of the general meeting under Section 190 of the Commercial Code.

#### 5.14 Interest Income and Similar Income

Interest income and similar income	2012	2011
Income from receivables from banks	274	263
<b>Total</b>	<b>274</b>	<b>263</b>

#### 5.15 Commission and Fee Income

The commission and fee income principally consists of management fees paid by individual funds and fees for management of Česká spořitelna, a. s. customers' assets, as follows.

Income – management fees relating to open-ended mutual funds	2012	2011
ISČS, a. s. – OPF SPOROINVEST	106,019	145,887
ISČS, a. s. – OPF SPOROBOND	86,048	68,478
ISČS, a. s. – OPF SPOROTREND	72,167	91,691
ISČS, a. s. – OPF BONDINVEST	651	772
ISČS, a. s. – OPF FOND ŘÍZENÝCH VÝNOSŮ	6,602	7,204
ISČS, a. s. – OPF AKCIOVÝ MIX FF	9,457	10,352
ISČS, a. s. – OPF DYNAMICKÝ MIX FF	7,962	9,679
ISČS, a. s. – OPF VYVÁŽENÝ MIX FF	14,545	21,963
ISČS, a. s. – OPF GLOBAL STOCKS FF	6,025	6,251
ISČS, a. s. – TREND BOND otevřený dluhopisový podílový fond	10,284	11,745
ISČS, a. s. – OPF ČS korporátní dluhopisový	9,848	7,883
ISČS, a. s. – OPF KONZERVATIVNÍ MIX FF	5,038	9,024
ISČS, a. s. – OPF TOP STOCKS	44,099	37,227
ISČS, a. s. – OPF High Yield dluhopisový	5,203	4,542
ISČS, a. s. – OPF PF 2	6,023	18,574
ISČS, a. s. – OPF ČS fond životního cyklu 2020 FF	5,124	5,070
ISČS, a. s. – OPF ČS fond životního cyklu 2030 FF	1,422	1,211
ISČS, a. s. – OPF Privátní portfolio AR 25 OPF	9,352	10,600
ISČS, a. s. – OPF Privátní portfolio AR 50 OPF	5,385	6,684
ISČS, a. s. – OPF Privátní portfolio AR 75 OPF	1,211	1,559
ISČS, a. s. – OPF Privátní portfolio AR 0 OPF	2,277	2,358
ISČS, a. s. – OPF Fond 2005	4,425	4,668
ISČS, a. s. – OPF FOND ALTERNATIVNÍCH INVESTIC	–	539
ISČS, a. s. – OPF Institucionální akciový FF	4,262	3,088
ISČS, a. s. – OPF PF 1	13	9,102
ISČS, a. s. – OPF LIKVIDITNÍ FOND	2,388	1,483
ISČS, a. s. – OPF OSOBNÍ PORTFOLIO 4	10,830	13,747
ISČS, a. s. – OPF PLUS	922	1,030
ISČS, a. s. – OPF Privátní portfolio AR AKCIE	1,168	821
ISČS, a. s. – OPF Privátní portfolio AR ALTERNATIVNÍ INVESTICE	1,363	1,401
ISČS, a. s. – OPF Privátní portfolio AR REALITY	577	492
ISČS, a. s. – OPF Smíšený fond	2,543	2,145
ISČS, a. s. – OPF DLUHOPISOVÝ FOND	709	–
Česká spořitelna, a. s. – institutional investors	24,866	16,298
Česká spořitelna, a. s. – private investors	13,313	11,478
<b>Total</b>	<b>482,121</b>	<b>545,046</b>

### 5.16 Commission and Fee Expenses

Fee expenses are predominantly composed of the fee paid for the distribution of participation certificates, management of separate records related to the book-entry participation certificates, and other selected activities related to the management of assets of the mutual funds. The fees are CZK 324,014 thousand in 2012 (2011: CZK 373,386 thousand). These fees have been paid to Česká spořitelna, a. s., and represent 67.2 percent in 2012 (2011: 68.5 percent) of the management fee income and the bonus for management of Česká spořitelna, a. s. customers' assets.

### 5.17 Net Profit or Loss from Financial Operations

Net profit or loss from financial operations	2012	2011
From transactions with securities	4,515	(2,411)
From foreign exchange differences	(158)	(86)
<b>Total</b>	<b>4,357</b>	<b>(2,497)</b>

The net profit generated from and the net loss incurred in transactions with securities in 2012 and 2011, respectively comprised realised gains/losses on the sale of participation certificates and the year-on-year increase/decrease in the price rate of the participation certificates in the portfolio.

### 5.18 Other Operating Income and Expenses

Other operating income primarily includes insurance indemnification for damage on business car and proceeds from the sale of assets. Other operating expenses primarily include contributions to the Securities Traders Guarantee Fund and the Capital Market Association, and logo usage costs.

### 5.19 Administrative Expenses

Administrative expenses	2012	2011
Personnel expenses	64,514	65,934
Other administrative expenses	42,639	57,195
of which: audit fees	329	342
legal, tax and other consulting	2,242	1,712
<b>Total</b>	<b>107,153</b>	<b>123,129</b>

Other administrative expenses principally include the costs of outsourcing, advertising, lease of data networks, and software maintenance.

### 5.20 Employees and Managers

The average number of employees and managers along with personnel expenses were as follows:

2012	Number of employees	Payroll costs	Bonuses to members of statutory bodies	Social security and health insurance	Social expenses
Employees	18	34,337	–	5,334	348
Managers including Board members	5	21,536	180	2,197	582
<b>Total</b>	<b>23</b>	<b>55,873</b>	<b>180</b>	<b>7,531</b>	<b>930</b>

2011	Number of employees	Payroll costs	Bonuses to members of statutory bodies	Social security and health insurance	Social expenses
Employees	19	31,429	–	7,847	640
Managers including Board members	5	22,857	165	2,857	139
<b>Total</b>	<b>24</b>	<b>54,286</b>	<b>165</b>	<b>10,704</b>	<b>779</b>

All ISČS employees have the right to undergo preventive medical checks covered by ISČS. All interested employees are eligible for inclusion in the retirement benefit scheme and the Flexi life insurance.

Members of the Company's Board of Directors are entitled to use company cars for both business and private purposes.

### 5.21 Bonuses and Loans to Members of Statutory and Supervisory Bodies

During 2012, the members of the statutory bodies received bonuses of CZK 180 thousand (2011: CZK 165 thousand).

### 5.22 Income Tax

The corporate income tax charge for the 2012 tax period was calculated at CZK 6,692 thousand (2011: CZK 9,634 thousand).

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
Profit before tax	42,288	41,130
Tax non-deductible expenses	13,919	33,849
Non-taxable income	(20,984)	(24,275)
Tax base	35,223	50,704
Tax deductible donations	-	-
Adjusted tax base	35,223	50,704
Tax liability at 19% (2011: 19%)	6,692	9,634
Adjustment of current tax for prior periods	(412)	25
<b>Total tax payable</b>	<b>6,280</b>	<b>9,659</b>

### 5.23 Tax Receivable from the State

As at 31 December 2012, the tax receivable predominantly comprises income tax prepayments of CZK 3,709 thousand (2011: CZK 7,259 thousand).

### 5.24 Tax Payable to the State

As at 31 December 2012, the tax payable of CZK 2,405 thousand predominantly includes tax withheld from wages of employees, VAT and road tax. As at 31 December 2011, the tax payable of CZK 609 thousand predominantly includes income tax, tax withheld from wages of employees, VAT and road tax.

### 5.25 Deferred Tax Asset/Liability

	Balance at 31 Dec 2012	Balance at 31 Dec 2011
<b>Deferred tax assets</b>		
Outstanding social security and health insurance related to bonuses and compensated vacation	12,121	23,445
Difference between the accounting and tax values of fixed assets	43	43
<b>Total</b>	<b>12,164</b>	<b>23,448</b>
Tax rate	19%	19%
<b>Total deferred tax assets</b>	<b>2,312</b>	<b>4,463</b>
<b>Deferred tax liabilities</b>		
Difference between the accounting and tax values of fixed assets	113	205
Tax rate	19%	19%
<b>Total deferred tax liabilities</b>	<b>21</b>	<b>38</b>
<b>Net deferred tax asset</b>	<b>2,291</b>	<b>4,425</b>

## 6. Related parties

Related parties are Erste Asset Management GmbH as the sole shareholder of ISČS, members of the Financial Group of Česká spořitelna, a. s., and the open-ended mutual funds managed by ISČS. For information on receivables and estimated receivables from and payables to the related parties refer to Notes 5.4., 5.6.1. and 5.8.

As at 31 December 2012, ISČS managed thirty open-ended mutual funds; the total value of managed assets as of that date was CZK 50,249,490 thousand (2011: CZK 51,280,329 thousand; thirty-one funds).

## 7. Off-balance sheet assets and liabilities

The off-balance sheet accounts include the managed assets of open-ended mutual funds with an aggregate value of CZK 50,249,490 thousand as at 31 December 2012 (2011: CZK 51,280,329 thousand).

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

## 8. Significant subsequent events

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

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s., SPOROINVEST – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., SPOROINVEST – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., SPOROINVEST – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

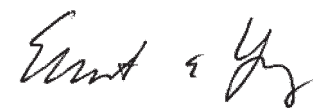
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., SPOROINVEST – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

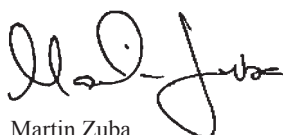
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291



# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	4,712,313	4,136,869
of which: a/ current accounts	2	1,996,006	2,036,497
b/ term deposits	3	2,702,479	2,100,372
d/ margin accounts	6	13,828	0
3 Debt securities	10	11,447,793	16,782,945
a/ issued by the government	11	6,270,923	10,956,606
b/ issued by other entities	12	5,176,870	5,826,339
4 Shares, unit certificates and other participation interests	13	125,345	165,070
6 Other assets	15	46,467	40,132
a/ derivatives	16	46,119	34,178
c/ receivables from taxes	18	0	4,618
d/ other assets	19	348	1,336
7 Prepayments and accrued income	21	27	313
<b>Total Assets</b>	<b>22</b>	<b>16,331,945</b>	<b>21,125,329</b>
3 Other liabilities	29	264,928	381,841
a/ derivatives	30	231,825	375,077
c/ liabilities from taxes	32	14,218	0
d/ other liabilities	33	18,885	6,764
4 Deferred income and accrued expenses	34	9,698	12,493
6 Share premium	39	(78,381)	2,203,341
7 Other funds from profit	40	7,105,592	7,107,724
8 Capital funds	41	8,588,461	11,250,712
10 Retained earnings or accumulated losses from previous periods	46	171,351	171,351
11 Profit or loss for the accounting period	47	270,296	(2,133)
<b>Total Liabilities</b>	<b>48</b>	<b>16,331,945</b>	<b>21,125,329</b>
of which: Equity	49	16,057,319	20,730,995

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	15,676,229	13,620,694
a/ with interest rate instruments	3	7,534,350	6,892,525
b/ with currency instruments	4	8,017,013	6,574,899
d/ with credit instruments	6	124,866	153,270
6 Assets provided into custody, administration and safekeeping	10	11,573,138	16,948,015
of which: securities	11	11,573,138	16,948,015
10 Amounts owed from fixed term transactions	14	15,861,935	13,961,593
a/ with interest rate instruments	15	7,737,069	7,165,015
b/ with currency instruments	16	8,002,691	6,674,403
d/ with credit instruments	18	122,175	122,175

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	381,439	826,780
of which: a/ interest income from bonds	2	349,093	426,769
d/ interest from compound margin	5	2	0
2 Interest expenses and similar expenses	6	1,977	320,123
3 Income from shares and unit certificates	9	1,010	1,281
4 Commission and fee expenses	10	136,431	187,088
a/ fees and commissions from securities trading	11	6	(4)
b/ management fee	12	106,010	145,887
c/ custody fee	13	19,435	26,746
d/ other financial expenses	14	10,980	14,459
5 Profit or loss on financial operations	15	41,205	(322 015)
a/ profit or loss on transactions with securities	16	(33 900)	48,461
b/ profit or loss on foreign exchange transactions and options	17	(3 245)	2,456
c/ profit or loss on fixed term transactions and options	18	78,350	(372 932)
6 Other operating income	19	1	1
7 Other operating expenses	20	1	1
8 Administrative expenses	21	787	776
a/ audit	22	787	776
11 Ordinary profit or loss for the accounting period before tax	26	284,459	(1,941)
15 Income tax	30	14,163	192
16 Profit or loss for the accounting period after tax	31	270,296	(2,133)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	2,203,341	5,005,096
issued unit certificates	3	1,042,976	2,408,918
repurchase of unit certificates	4	(3,324,698)	(5,210,673)
other changes	5	0	0
closing balance	6	(78,381)	2,203,341
2 Retained earnings	7		
opening balance	8	7,107,724	6,746,800
transfers to funds	9	0	360,924
other changes	10	(2,132)	0
closing balance	11	7,105,592	7,107,724
3 Capital funds	12		
opening balance	13	11,250,712	14,560,132
issued unit certificates	14	1,211,874	2,843,343
repurchase of unit certificates	15	(3,874,125)	(6,152,763)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	8,588,461	11,250,712
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	171,351	171,351
other changes	25	0	0
closing balance	26	171,351	171,351
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(2,133)	360,924
profit (loss)	29	270,296	(2,133)
transfers to funds, dividends	30	2,133	(360,924)
closing balance	31	270,296	(2,133)
<b>7 Total</b>	<b>32</b>	<b>16,057,319</b>	<b>20,730,995</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., SPOROINVEST – otevřený podílový fond (hereinafter the “Fund” or “IS ČS, a. s. – SPOROINVEST OPF”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) as an open-ended mutual fund under the Investment Companies and Funds Act No. 248/1992 Coll., based upon the Resolution of the Ministry of Finance of the Czech Republic dated 17 May 1996. The Fund commenced its activities on 1 July 1996.

On 23 July 2003, following the Company’s request, the Securities Commission resolved to merge the Fund with the open-ended mutual fund Investiční společnost České spořitelny, a. s., Merkur – otevřený podílový fond, under Section 35f(3) of Act No. 248/1992 Coll. Under Section 35f(10) of Act No. 248/1992 Coll., the merger is effective three months after the date when the Commission resolution takes legal effect. With the Commission resolution becoming effective on 11 August 2003, the merger date was 12 November 2003.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) and Asset Management of the Czech Republic as at the date of the approval of this Statute, the Fund can be defined as a money market fund.

On 12 August 2009, following the Company’s request, the Czech National Bank resolved to merge the Fund with the open-ended mutual fund Investiční společnost České spořitelny, a. s. – OPATRNÝ MIX FF – otevřený podílový fond, under Section 101 (2) of the Act. The Fund is a continuing fund and the Statute of the continuing Fund remains unchanged.

With the Czech National Bank resolution becoming effective on 12 August 2009, the merging fund ceased to exist on 12 November 2009 (the merger date).

### Registered Office

Investiční společnost České spořitelny, a. s.  
SPOROINVEST – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificates holders with a long-term appreciation of participation certificates on condition that the overall risk profile of the Fund minimises the likelihood of losses within six months. The aim is achieved by investing in a widely diversified portfolio of securities with fixed or variable interest income and active management of interest rate risk. The average duration of the portfolio is limited to the period of one year. The Fund invests also in securities denominated in foreign currencies.

The portfolio of the Fund predominantly includes bonds with a variable coupon, denominated in CZK, that are mostly purchased with the intent to hold them to their maturity. The Fund also invests in bonds with a fixed coupon, treasury bills, bank deposits and bonds with an embedded derivative.

Finances collected in the Fund can also be invested in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these

transactions are fulfilled. The Fund uses financial derivatives to hedge against currency and interest rate exposures.

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

### Change in the Fund's Statute

The mutual fund statute was put into accordance with the amendment to Act 189/2004 Coll., on collective investment (as ensuing from the changes made by Act 188/2011 Coll.), and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund at the end of 2011. For this reason no changes to the statute were made in 2012.

On 5 June 2012 only updated information was as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the statute was updated (5 June 2012) the key information for investors was also updated.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit has been fully retained by the Fund, in the investment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received

loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle. Interest income and expense also include gains or losses from hedging interest rate derivatives.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.18).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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



	31 Dec 2012	Average VaR
Global VaR	0.07%	0.06%
Currency VaR	0.07%	0.03%
Interest rate VaR	0.02%	0.05%
Equity VaR	0.01%	0.01%

	31 Dec 2011	Average VaR
Global VaR	0.12%	0.12%
Currency VaR	0.02%	0.06%
Interest rate VaR	0.12%	0.10%
Equity VaR	0.01%	0.00%

The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to

an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.20.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	1,996,006	2,036,497
Term deposits	2,702,479	2,100,372
Margin constitution	13,828	–
<b>Total</b>	<b>4,712,313</b>	<b>4,136,869</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

<b>Shares, participation certificates and other holdings</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	119,080	164,106
Market revaluation	6,265	964
<b>Total</b>	<b>125,345</b>	<b>165,070</b>

<b>Debt securities</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	11,266,926	16,377,221
Market revaluation	(5 650)	188,377
Accrued interest income	186,517	217,347
<b>Total</b>	<b>11,447,793</b>	<b>16,782,945</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 44.09 percent in 2012 (2011: 43.40 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 7.78 percent in 2012 (2011: 11.40 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 48.13 percent in 2012 (2011: 45.20 percent).

### 5.3 Other Assets

<b>Other assets</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
State budget settlement	–	4,618
Positive fair values of financial derivatives	46,119	34,178
Other receivables	309	1,288
Other	39	48
<b>Total</b>	<b>46,467</b>	<b>40,132</b>

State budget settlement comprises a receivable arising from the annual settlement of prepayments for income tax against the actual tax liability.

The caption ‘Other’ represents mainly an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group’s fund.

### 5.4 Prepayments and Accrued Income

<b>Prepayments and accrued income</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Prepayments – audit fees	27	313
<b>Total</b>	<b>27</b>	<b>313</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.8696 (2011: CZK 1.8423). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund’s Statute, the profit for 2012 in the amount of CZK 270,296 thousand will be transferred to the reinvestment fund within ‘Other funds from profit’.

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 2,133 thousand was covered by the reinvestment fund within 'Other funds from profit'.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Contribution upon merger	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>14,560,382,706</b>	<b>14,560,383</b>	<b>(251)</b>	<b>14,560,132</b>
Participation certificates sold	2,843,342,710	2,843,343	-	2,843,343
Participation certificates purchased	(6,152,762,537)	(6,152,763)	-	(6,152,763)
<b>Balance at 31 Dec 2011</b>	<b>11,250,962,879</b>	<b>11,250,963</b>	<b>(251)</b>	<b>11,250,712</b>
Participation certificates sold	1,211,874,174	1,211,874	-	1,211,874
Participation certificates purchased	(3,874,124,734)	(3,874,125)	-	(3,874,125)
<b>Balance at 31 Dec 2012</b>	<b>8,588,712,319</b>	<b>8,588,712</b>	<b>(251)</b>	<b>8,588,461</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	231,825	375,077
State budget settlement	14,218	-
Payables from participation certificate holders' placements	1,955	4,803
Other liabilities	16,930	1,961
<b>Total</b>	<b>264,928</b>	<b>381,841</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 1,472 thousand related to December (2011: CZK 1,900 thousand), the unbilled management fee of CZK 8,029 thousand related to December (2011: CZK 10,365 thousand), and the unbilled fee for the local sub-register administration of CZK 129 thousand (2011: CZK 140 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	-	-	500,000	551,823
Currency swaps	3,980,777	3,945,510	-	-
<b>Total</b>	<b>3,980,777</b>	<b>3,945,510</b>	<b>500,000</b>	<b>551,823</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Interest rate swaps	-	-	-	51,823
Currency swaps	35,267	-	-	-
<b>Total</b>	<b>35,267</b>	<b>-</b>	<b>-</b>	<b>51,823</b>

All currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	4,036,236	4,057,181	6,574,899	6,674,403
Interest rate swaps	7,534,350	7,737,069	6,392,525	6,613,192
Credit swaps	124,866	122,175	153,270	122,175
<b>Total</b>	<b>11,695,452</b>	<b>11,916,425</b>	<b>13,120,694</b>	<b>13,409,770</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Positive
Currency swaps	8,161	29,106	3,083	102,587
Interest rate swaps	–	202,719	–	220,667
Credit swaps	2,691	–	31,095	–
<b>Total</b>	<b>10,852</b>	<b>231,825</b>	<b>34,178</b>	<b>323,254</b>

All currency derivatives are due within one year. All interest rate and currency derivatives are due within five years.

## 5.11 Residual Maturity of Interest Rate Derivatives

### 2012

Interest rate instruments at 31 Dec 2012	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Payable within 1 year	3,518,650	3,616,852	–	98,202
Payable from 1 – 5 years	4,015,700	4,120,217	–	104,517
<b>Total</b>	<b>7,534,350</b>	<b>7,737,069</b>	<b>–</b>	<b>202,719</b>

### 2011

Interest rate instruments at 31 Dec 2011	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Payable within 1 year	–	–	–	–
Payable from 1 – 5 years	6,892,525	7,165,015	–	272,490
<b>Total</b>	<b>6,892,525</b>	<b>7,165,015</b>	<b>–</b>	<b>272,490</b>

## 5.12 Interest Income and Expense

Income	2012	2011
Interest on deposits	28,110	35,212
Interest on debt securities	349,093	426,769
Interest on hedging derivatives	4,236	364,799
<b>Total</b>	<b>381,439</b>	<b>826,780</b>

Expense	2012	2011
Interest on hedging derivatives	1,977	320,123
<b>Total</b>	<b>1,977</b>	<b>320,123</b>

### 5.13 Income from Shares and Interests

Income	2012	2011
Foreign dividends	1,010	1,281
<b>Total</b>	<b>1,010</b>	<b>1,281</b>

### 5.14 Fees and Commissions

	2012	2011
Management fees	106,010	145,887
Custody fees	19,435	26,746
Commissions and fees from securities trading	6	(4)
Amounts paid to the Securities Centre	-	-
Local sub-register	1,522	1,677
Administration of securities	6,963	8,578
Fees paid to the central depository	37	29
Fees for administration of short-term bonds	249	762
Fee for calculation of NAV	866	1,191
Other fees and commissions	1,343	2,222
<b>Total</b>	<b>136,431</b>	<b>187,088</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.60 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

### 5.15 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	(33,900)	48,461
Profit or loss from FX differences	(3,245)	2,465
Profit or loss from fixed term transactions	78,350	(372,932)
<b>Total</b>	<b>41,205</b>	<b>(322,015)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.16 Administrative Expenses

	2012	2011
Audit	787	776
<b>Total</b>	<b>787</b>	<b>776</b>

### 5.17 Other Operating Income and Expense

	2012	2011
Income	1	1
<b>Expense</b>	<b>1</b>	<b>1</b>

### 5.18 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable	14,163	192
<b>Total income tax</b>	<b>14,163</b>	<b>192</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	284,459	(1,941)
Items to add	6	8
Deductible items	(1,010)	(1,281)
Tax base	283,455	(3,214)
Tax loss utilisation	(3,215)	–
Tax base adjusted	280,240	(3,214)
Tax (5%) on tax base	14,012	–
Foreign dividends	1,010	1,281
Tax on foreign dividends	151	192
<b>Total tax</b>	<b>14,163</b>	<b>192</b>

#### Deferred tax

As at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 161 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.19 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	2012	2011
Unbilled custody fee	1,472	1,900
Unbilled management fee	8,029	10,365
Unbilled fee for administration of local sub-register	129	140
Unbilled fee for calculation of NAV	66	85
Other payables to related parties	1,004	1,964
<b>Total payables to related parties</b>	<b>10,700</b>	<b>14,454</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 30,420 thousand in 2012 (2011: CZK 41,201 thousand), of which the greatest portion was represented by the custody fee of CZK 19,435 thousand (2011: CZK 26,746 thousand). The costs charged by the Company amounted to CZK 106,010 thousand (2011: CZK 145,887 thousand), which is the annual management fee.

## 5.20 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	4,698,485	–	–	–	13,828	4,712,313
Debt securities	1,363,217	3,684,336	6,400,240	–	–	11,447,793
Participation certificates	–	–	–	–	125,345	125,345
Other assets	43,776	–	2,691	–	–	46,467
Prepayments	–	27	–	–	–	27
<b>Total assets</b>	<b>6,105,478</b>	<b>3,684,363</b>	<b>6,402,931</b>	<b>–</b>	<b>139,173</b>	<b>16,331,945</b>
<b>Liabilities</b>						
Other liabilities	(57,745)	(14,163)	(202,718)	–	–	(274,626)
Net assets	6,047,733	3,670,200	6,200,213	–	139,173	16,057,319
Available capital	(16,057,319)	–	–	–	–	(16,057,319)
<b>Difference</b>	<b>(10,009,586)</b>	<b>3,670,200</b>	<b>6,200,213</b>	<b>–</b>	<b>139,173</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	4,136,869	–	–	–	–	4,136,869
Debt securities	3,313,660	3,977,960	9,491,325	–	–	16,782,945
Participation certificates	–	–	–	–	165,070	165,070
Other assets	9,037	–	31,095	–	–	40,132
Prepayments	313	–	–	–	–	313
<b>Total assets</b>	<b>7,459,879</b>	<b>3,977,960</b>	<b>9,522,420</b>	<b>–</b>	<b>165,070</b>	<b>21,125,329</b>
<b>Liabilities</b>						
Other liabilities	(121,844)	–	(272,490)	–	–	(394,334)
Net assets	7,338,035	3,977,960	9,249,930	–	165,070	20,730,995
Available capital	(20,730,995)	–	–	–	–	(20,730,995)
<b>Difference</b>	<b>(13,392,960)</b>	<b>3,977,960</b>	<b>9,249,930</b>	<b>–</b>	<b>165,070</b>	<b>–</b>

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

## 5.21 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.22 Contingent Assets and Liabilities

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

## 5.23 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
FR0010609065	DANONE FINANCE ZERO 04/22/13	133.0000	1,497,900.00	199,220,700.00	0.00
XS0350806351	E. ON INTERNATIONAL VAR 03/12/13	103.0000	2,000,000.00	206,000,000.00	963,050.00
AT000B007091	ERSTE BANK VAR 05/18/15	2,000.0000	100,000.00	200,000,000.00	394,333.33
XS0348109074	GENERAL ELECTRIC 4.625 03/05/13	151.0000	2,018,000.00	304,718,000.00	11,486,933.06
XS0860033769	ING BANK NV VAR 11/30/14	1,620.0000	50,000.00	81,000,000.00	57,892.50
XS0219645222	KBC IFIMA 3.87 05/18/16	11,000.0000	9,499.05	104,489,550.00	2,640,270.49
XS0536184301	VOLKSWAGEN VAR 08/30/13	26.0000	2,003,500.00	52,091,000.00	47,912.22
XS0495946310	BARCLAYS BANK 3.5 03/18/15	5,000.0000	26,599.63	132,998,142.00	3,471,386.30
XS0282510170	BMW 4.25 01/22/14	6,000.0000	26,125.24	156,751,419.60	6,025,357.38
XS0376701206	CEZ 6 07/18/14	7,000.0000	27,190.92	190,336,448.40	4,802,084.39
DE000A0TWHZ4	DEUTSCHE TELE. FI 5.75 01/10/14	6,000.0000	26,462.74	158,776,446.60	8,436,324.59
XS0616431689	ERSTE BANK 4.25 04/12/16	78.0000	2,754,325.83	214,837,414.74	5,988,574.67
XS0184927761	GOLDMAN SACHS 4.75 01/28/14	5,000.0000	26,121.21	130,606,071.00	5,513,971.31
XS0335880463	JPM CHASE AND CO 5.25 01/14/15	140.0000	1,369,960.31	191,794,442.70	8,885,547.54
XS0630375912	KBC IFIMA 4.375 10/26/15	8,000.0000	27,166.41	217,331,277.60	1,586,704.92
XS0364958719	MERRILL LYNCH 6.75 05/21/13	60.0000	1,223,513.52	73,410,811.20	3,115,711.48
XS0461758830	MORGAN STANLEY 4.5 10/29/14	60.0000	1,327,498.85	79,649,930.70	584,195.90
XS0242491230	POLAND GOV.BOND 3.625 02/01/16	17,500.0000	27,289.72	477,570,124.50	14,553,810.44
XS0597215937	RAIFFEISEN BK INT VAR 03/04/13	120.0000	1,258,464.41	151,015,728.60	123,424.83
XS0415624393	ROCHE HOLDINGS 4.625 03/04/13	8,000.0000	25,309.57	202,476,554.40	7,675,255.74
XS0428146442	SHELL INTL FINANCE 3 05/14/13	10,000.0000	24,270.78	242,707,845.00	4,760,114.75
XS0402228471	TOTAL CAPITAL 4.75 12/10/13	1,562.0000	26,177.53	40,889,298.42	107,023.25
XS0408223138	VOLKSWAGEN 6.875 01/15/2014	5,000.0000	26,757.00	133,785,024.00	8,287,699.80
XS0493543986	AUST- NZ BK GRP 3.75 03/10/17	5,000.0000	27,988.86	139,944,324.00	3,797,187.50
XS0433130456	BANK OF AMERICA 7 06/15/16	60.0000	1,488,187.44	89,291,246.40	2,859,675.00
XS0583801997	BMW FINANCE NV 3.25 01/28/16	2,000.0000	26,998.10	53,996,194.80	1,507,003.33
XS0409744744	ELECTRICITE DF 5.125 01/23/15	40.0000	1,369,614.63	54,784,585.20	2,412,217.92
XS0605521185	HSBC HOLDINGS PLC 3.875 03/16/16	9,000.0000	27,408.13	246,673,177.20	6,916,642.50
XS0594515966	MORGAN STANLEY 4.5 02/23/16	3,000.0000	27,053.53	81,160,593.30	2,894,242.50
XS0254035768	ROYAL BK OF SCOT. 4.25 05/11/16	4,000.0000	27,552.81	110,211,246.00	2,718,611.67
XS0127984747	RWE FINANCE BV 6.25 04/20/16	5,000.0000	29,470.74	147,353,710.50	5,455,729.17
XS0732496194	UBS AG LONDON 3.125 01/18/16	3,000.0000	26,823.75	80,471,254.50	2,239,031.25
<b>Total Foreign corporate bonds</b>				<b>4,946,342,561.36</b>	<b>130,307,919.71</b>
SK4120008400	SLOVAKIA GOVT VAR 09/02/15	10,200.0000	10,400.00	106,080,000.00	904,400.00
DE0001135267	BUNDESREPUBLIC 3.75 01/04/15	500,000,000.0000	0.27	135,228,060.00	4,662,000.00
XS0330805069	EUROPEAN INV.BANK 4.25 10/15/14	20,000.0000	27,014.82	540,296,310.00	4,507,980.82
XS0410961014	POLAND GOV.BOND 5.875 02/03/14 2	7,000.0000	26,680.83	186,765,814.20	9,378,387.70
XS0162316490	POLAND GOV.BOND 4.5 02/05/13	3,000.0000	25,234.28	75,702,825.00	3,060,073.77
SK4120004227	SLOVAKIA GOVT BOND 02/11/14	1,506.0000	87,667.26	132,026,900.56	5,456,750.50
XS0192595873	SLOVAKIA GOVT BOND 05/20/14	4,500.0000	26,616.98	119,776,387.50	3,129,620.90
SK4120006503	SLOVAKIA GOVT VAR 01/21/15	10,000,000.0000	24.87	248,706,249.00	845,740.00
SK4120007527	SLOVAKIA GOVT VAR 10/14/13	14,340,000.0000	25.16	360,855,489.83	324,944.40
<b>Foreign government bonds</b>				<b>1,905,438,036.09</b>	<b>32,269,898.10</b>
CZ0003702367	CESKA SPORITELNA VAR 04/09/13	50.0000	2,005,000.00	100,250,000.00	(30,250.00)
<b>Total Local corporate bonds</b>				<b>100,250,000.00</b>	<b>(30,250.00)</b>
CZ0001002869	GOVERNMENT BOND 2.75 03/31/14	20,000.0000	10,325.00	206,500,000.00	4,125,000.00
CZ0001002729	GOVERNMENT BOND 2.8 09/16/13	103,000.0000	10,194.50	1,050,033,500.00	8,331,555.57
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	30,500.0000	10,815.00	329,857,500.00	3,427,861.11
CZ0001000814	GOVERNMENT BOND 3.7 06/16/13	4,000.0000	10,165.50	40,662,000.00	797,555.56
XS0499380128	CESKA EXP. BANKA VAR 04/15/15	200.0000	1,258,791.23	251,758,245.00	562,451.63



ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0616463294	CESKA EXP. BANKA VAR 04/23/13	200.0000	1,257,000.00	251,400,000.00	295,744.17
XS0370210675	CESKA EXP. BANKA VAR 06/13/13	200.0000	1,255,736.72	251,147,343.00	58,576.20
XS0523144961	CESKA EXP. BANKA VAR 07/08/13	160.0000	1,269,570.00	203,131,200.00	1,681,586.67
XS0194957527	GOVERNMENT B. 4.625 06/23/14 EUR	3,000.0000	26,680.45	80,041,360.50	1,825,318.97
XS0427020309	GOVERNMENT BOND 4.5 11/05/14 CZE	16,500.0000	27,010.42	445,671,864.00	2,863,893.70
<b>Total Local government bonds</b>				<b>3,110,203,012.50</b>	<b>23,969,543.58</b>
CZ0001003545	20305647	400.0000	999,292.26	399,716,905.78	0.00
CZ0001003636	21101651	400.0000	999,989.57	399,995,826.02	0.00
CZ0001003644	21907652	400.0000	998,325.13	399,330,052.17	0.00
<b>Total Local treasury bills</b>				<b>1,199,042,783.97</b>	<b>0.00</b>
AT0000676846	ESPA CASH CORPORATE-PLUS-T	41,428.0000	3,025.60	125,344,515.37	0.00
<b>Total Foreign participation certificates</b>				<b>125,344,515.37</b>	<b>0.00</b>
<b>Total</b>				<b>11,386,620,909.29</b>	<b>186,517,111.39</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
SPOROBOND – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., SPOROBOND – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., SPOROBOND – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

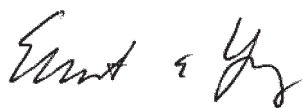
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., SPOROBOND – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

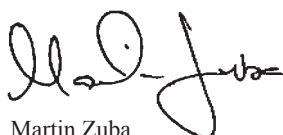
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	1,211,373	393,675
of which: a/ current accounts	2	996,675	393,674
b/ term deposits	3	200,115	0
d/ margin accounts	5	1	1
e/ margin constitution	6	14,582	0
3 Debt securities	10	8,202,067	6,389,862
a/ issued by the government	11	6,999,422	5,462,111
b/ issued by other entities	12	1,202,645	927,751
4 Shares, unit certificates and other participation interests	13	1,960,377	1,179,482
6 Other assets	15	40,977	33,419
a/ derivatives	16	17,449	6,219
d/ other assets	19	23,528	27,200
7 Prepayments and accrued income	21	18	80
<b>Total assets</b>	<b>22</b>	<b>11,414,812</b>	<b>7,996,518</b>
3 Other liabilities	29	108,160	57,589
a/ derivatives	30	51,445	46,896
c/ liabilities from taxes	32	45,075	4,771
d/ other liabilities	33	11,640	5,922
4 Deferred income and accrued expenses	34	9,513	6,718
6 Share premium	39	2,181,553	969,081
7 Other funds from profit	40	2,628,164	2,431,350
8 Capital funds	41	5,251,335	4,051,413
10 Retained earnings or accumulated losses from previous periods	46	283,554	283,554
11 Profit or loss for the accounting period	47	952,533	196,813
<b>Total liabilities</b>	<b>48</b>	<b>11,414,812</b>	<b>7,996,518</b>
of which: Equity	49	11,297,139	7,932,211

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	4,041,485	2,239,457
a/ with interest rate instruments	3	237,133	247,965
b/ with currency instruments	4	3,779,379	1,960,838
d/ with credit instruments	6	24,973	30,654
6 Assets provided into custody, administration and safekeeping	10	10,033,219	7,522,025
of which: securities	11	10,033,219	7,522,025
10 Amounts owed from fixed term transactions	14	4,075,481	2,280,134
a/ with interest rate instruments	15	262,285	256,440
b/ with currency instruments	16	3,788,761	1,999,259
d/ with credit instruments	18	24,435	24,435

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	285,595	245,286
of which: a/ interest income from bonds	2	279,870	243,158
d/ interest from compound margin	5	2	0
2 Interest expenses and similar expenses	6	23,627	0
3 Income from shares and unit certificates	9	0	5,367
4 Commission and fee expenses	10	109,381	86,531
a/ fees and commissions from securities trading	11	36	14
b/ management fee	12	86,059	68,479
c/ custody fee	13	10,607	8,424
d/ other financial expenses	14	12,679	9,614
5 Profit or loss on financial operations	15	850,382	43,778
a/ profit or loss on transactions with securities	16	801,595	131,988
b/ profit or loss on foreign exchange transactions and options	17	(4,407)	(1,521)
c/ profit or loss on fixed term transactions and options	18	53,194	(86,689)
8 Administrative expenses	21	303	162
a/ audit	22	303	162
11 Ordinary profit or loss for the accounting period before tax	26	1,002,666	207,738
15 Income tax	30	50,133	10,925
16 Profit or loss for the accounting period after tax	31	952,533	196,813

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	969,081	868,381
issued unit certificates	3	2,023,447	1,210,354
repurchase of unit certificates	4	(810,975)	(1,109,654)
other changes	5	0	0
closing balance	6	2,181,553	969,081
2 Retained earnings	7		
opening balance	8	2,431,350	2,199,675
transfers to funds	9	196,814	231,675
other changes	10	0	0
closing balance	11	2,628,164	2,431,350
3 Capital funds	12		
opening balance	13	4,051,413	3,950,954
issued unit certificates	14	2,014,387	1,378,182
repurchase of unit certificates	15	(814,465)	(1,277,723)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	5,251,335	4,051,413
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	283,554	283,554
other changes	25	0	0
closing balance	26	283,554	283,554
6 Profit (loss) for the current period after taxes	27		
opening balance	28	196,813	231,675
profit (loss)	29	952,533	196,813
transfers to funds, dividends	30	(196,813)	(231,675)
closing balance	31	952,533	196,813
<b>7 Total</b>	<b>32</b>	<b>11,297,139</b>	<b>7,932,211</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., SPOROBOND – otevřený podílový fond (hereinafter the “Fund” or “IS ČS, a.s. – SPOROBOND OPF”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”) as an open-ended mutual fund under the Investment Companies and Funds Act No. 248/1992 Coll., based upon the Resolution of the Ministry of Finance of the Czech Republic dated 13 November 1997. The Fund commenced its activities on 31 March 1998.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

Based on the Company’s request dated 16 July 1999, the Securities Commission resolved, on 21 September 1999, to merge two open-ended mutual funds, namely Investiční společnost ČS, a.s. – Rent-invest and Investiční společnost ČS, a.s. – SPOROBOND, under Section 35f (3) of Act No. 248/1992 Coll. The Statute of Investiční společnost ČS, a.s. – SPOROBOND remains unchanged and follows the wording approved by the Securities Commission. The merger was performed as at 28 December 1999.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a bond fund.

### Registered Office

Investiční společnost České spořitelny, a.s.  
SPOROBOND – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets.

No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates on condition that the overall risk profile of the Fund minimises the likelihood of losses within two years. The aim is achieved by investing in a widely diversified portfolio of securities with fixed or variable interest income and active management of interest rate risk, as well as investing in securities denominated in foreign currencies.

The portfolio of the Fund predominantly includes state bonds with fixed coupons denominated in CZK, or state bonds of other countries with developed bond markets. The foreign currency risk is usually hedged. The Fund also invests in corporate bonds, treasury bills, bank deposits or bonds with embedded derivatives.

The portfolio of the Fund may also be expanded by purchasing bonds exchangeable for shares or with the option to subscribe for shares.

The Fund uses financial derivatives to hedge against currency and interest rate exposures.

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

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund’s assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings is not allowed to exceed 10 percent of the value of the Fund's assets.

### Change in the Statute

Czech National Bank Resolution No. 2012/4694/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document

providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and accounting policies has been consistently applied during both 2012 and 2011.

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

The financial statements are based on the accrual principle, that is, transactions and other events are recognized in the accounting period in which they occur, regardless of when the related monetary flow arises. The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.



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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend in-

come from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.17).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk

Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	0.92%	1.39%
Foreign currency VaR	0.18%	0.13%
Interest rate VaR	0.79%	1.38%
Equity VaR	0.29%	0.28%

	31 Dec 2011	Average VaR
Global VaR	1.62%	1.61%
Foreign currency VaR	0.13%	0.18%
Interest rate VaR	1.57%	1.58%
Equity VaR	0.40%	0.23%

The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	996,675	393,674
Term deposits	200,115	–
Margin accounts	1	1
Margin constitution	14,582	–
<b>Total</b>	<b>1,211,373</b>	<b>393,675</b>

Balances on current accounts are repayable on demand.

## 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

<b>Shares, participation certificates and other holdings</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	1,844,271	1,122,213
Market revaluation	116,106	57,269
<b>Total</b>	<b>1,960,377</b>	<b>1,179,482</b>

<b>Debt securities</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	7,585,256	6,189,184
Market revaluation	486,832	85,205
Accrued interest income	129,979	115,473
<b>Total</b>	<b>8,202,067</b>	<b>6,389,862</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 5.75 percent in 2012 (2011: 0 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 15.51 percent in 2012 (2011: 10.8 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 78.74 percent in 2012 (2011: 89.2 percent).

## 5.3 Other Assets

<b>Other assets</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Receivables from security trading	7,270	7,270
Provisions against receivables	(7,270)	(7,270)
Positive fair values of financial derivatives	17,449	6,219
Other receivables	23,073	26,758
Other	455	442
<b>Total</b>	<b>40,977</b>	<b>33,419</b>

'Other receivables' relate mainly to receivables from domestic coupons due in January of the following year.

The caption 'Other' represents mainly an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund.

## 5.4 Prepayments and Accrued Income

<b>Prepayments and accrued income</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Prepayments – audit fees	18	80
<b>Total</b>	<b>18</b>	<b>80</b>

## 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 2,0947 (2011: CZK 1.8919). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 952,533 thousand will be transferred to the reinvestment fund within 'Other funds from profit'.

In line with the Fund's Statute, the profit for 2011 in the amount of CZK 196,813 thousand was transferred to the reinvestment fund within 'Other funds from profit'.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Contribution upon merger	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>4,092,914,813</b>	<b>4,092,914</b>	<b>6,347</b>	<b>(148,308)</b>	<b>3,950,953</b>
Participation certificates sold	1,378,182,056	1,378,183	-	-	1,378,183
Participation certificates purchased	(1,277,722,566)	(1,277,723)	-	-	(1,277,723)
<b>Balance at 31 Dec 2011</b>	<b>4,193,374,303</b>	<b>4,193,374</b>	<b>6,347</b>	<b>(148,308)</b>	<b>4,051,413</b>
Participation certificates sold	2,014,386,889	2,014,387	-	-	2,014,387
Participation certificates purchased	(814,464,858)	(814,465)	-	-	(814,465)
<b>Balance at 31 Dec 2012</b>	<b>5,393,296,334</b>	<b>5,393,296</b>	<b>6,347</b>	<b>(148,308)</b>	<b>5,251,335</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	51,445	46,896
Payables from participation certificate holders' placements	7,953	3,911
State budget settlement	45,075	4,771
Other liabilities	3,687	2,011
<b>Total</b>	<b>108,160</b>	<b>57,589</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 1,036 thousand for December 2012 (2011: CZK 727 thousand) and the management fee of CZK 8,376 thousand for December 2012 (2011: CZK 5,914 thousand), the unbilled fee for the local sub-register administration of CZK 51 thousand for December 2012 (2011: CZK 42 thousand), the fee of CZK 4 thousand for December 2012 paid to the central depository (2011: CZK 3 thousand) and the fee for calculation of NAV and of participation certificate rate of CZK 46 thousand related to December 2012 (2011: CZK 32 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	3,727,744	3,731,772	1,924,658	1,957,399
Interest rate swaps	200,000	223,627	-	-
<b>Total</b>	<b>3,927,744</b>	<b>3,955,399</b>	<b>1,924,658</b>	<b>1,957,399</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

## Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	16,725	20,753	-	32,741
Interest rate swaps	-	23,627	-	-
<b>Total</b>	<b>16,725</b>	<b>44,380</b>	<b>-</b>	<b>32,741</b>

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

## 5.10 Financial Derivatives Designated as Trading Derivatives

## Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	37,133	38,658	247,965	256,440
Cross currency swap	51,635	56,989	36,180	41,860
Credit swaps	24,973	24,435	30,654	24,435
<b>Total</b>	<b>113,741</b>	<b>120,082</b>	<b>314,799</b>	<b>322,735</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

## Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Interest rate swaps	-	1,525	-	8,475
Cross currency swap	186	5,540	-	5,680
Credit swaps	538	-	6,219	-
<b>Total</b>	<b>724</b>	<b>7,065</b>	<b>6,219</b>	<b>14,155</b>

All financial derivatives are due within one year.

## 5.11 Residual maturity of credit derivatives

## 2012

Credit derivatives 31 Dec 2012	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Maturity within 1 – 5 years	37,133	38,658	-	1,525
Maturity above 5 years	200,000	223,627	-	23,627
<b>Total</b>	<b>237,133</b>	<b>262,285</b>	<b>-</b>	<b>25,152</b>

## 2011

Credit derivatives 31 Dec 2011	Nominal value		Fair value	
	Assets	Liabilities	Positive	Negative
Maturity within 1 – 5 years	37,132	39,000	-	1,868
Maturity above 5 years	210,833	217,440	-	6,607
<b>Total</b>	<b>247,965</b>	<b>256,440</b>	<b>-</b>	<b>8,475</b>

## 5.12 Interest Income

Income	2012	2011
Interest on deposits at banks	4,178	2,128
Interest on debt securities	279,870	243,158
Interest on margin constitution	2	-
Interest on hedging derivatives	1,545	-
<b>Total</b>	<b>285,595</b>	<b>245,286</b>

Expense	2012	2011
Interest on hedging derivatives	23,627	-
<b>Total</b>	<b>23,627</b>	<b>-</b>

## 5.13 Income from Shares and Interests

	2012	2011
Income from shares and interests – foreign dividends	-	5,367
<b>Total</b>	<b>-</b>	<b>5,367</b>

## 5.14 Fees and Commissions

	2012	2011
Management fees	86,059	68,479
Custody fees	10,607	8,424
Commissions and fees from securities trading	36	14
Administration of securities	5,627	4,395
Expenses of administration of the local sub-register – Česká spořitelna	607	499
Fees paid to the central depository	51	38
Other fees and commissions	6,394	4,682
<b>Total</b>	<b>109,381</b>	<b>86,531</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.90 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.15 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	801,595	131,988
Profit or loss from FX differences	(4,407)	(1,521)
Profit or loss from fixed term transactions	53,194	(86,689)
<b>Total</b>	<b>850,382</b>	<b>43,778</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.16 Administrative Expenses

	2012	2011
Audit	303	162
<b>Total</b>	<b>303</b>	<b>162</b>

### 5.17 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	50,133	10,925
<b>Total income tax</b>	<b>50,133</b>	<b>10,925</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	1,002,666	207,739
Items to add	–	37
Deductible items	–	(5,367)
Tax base	1,002,666	202,409
Tax loss utilisation	–	–
Tax base adjusted	1,002,666	202,409
Tax (5%) on tax base	50,133	10,120
Foreign dividends	–	5,367
Tax on foreign dividends	–	805
<b>Total tax</b>	<b>50,133</b>	<b>10,925</b>

### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 364 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 365 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.18 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	31 Dec 2012	31 Dec 2011
Unbilled management fee – Investiční společnost	8,376	5,914
Unbilled custody fee – Česká spořitelna	1,036	727
Unbilled fee for administration of the local sub-register – Česká spořitelna	51	42
Unbilled fees paid to the central depository	46	32
Unbilled fee for calculation of NAV and of participation certificate rate	4	3
Other payables to related parties	3,689	2,011
<b>Total payables to related parties</b>	<b>13,202</b>	<b>8,729</b>



The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 23,323 thousand in 2012 (2011: CZK 18,052 thousand), of which the greatest portion was represented by the custody fee of CZK 10,607 thousand (2011: CZK 8,424 thousand).

The costs charged by the Company amounted to CZK 86,059 thousand in 2012 (2011: CZK 68,479 thousand), which is the annual management fee.

## 5.19 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

### 2012

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	1,211,373	–	–	–	–	1,211,373
Debt securities	208,573	263,369	1,946,812	5,783,313	–	8,202,067
Shares and participation certificates	–	–	–	–	1,960,377	1,960,377
Prepayments	–	18	–	–	–	18
Derivatives	14,770	–	538	2,141	–	17,449
Other assets	23,528	–	–	–	–	23,528
<b>Total assets</b>	<b>1,458,244</b>	<b>263,387</b>	<b>1,947,350</b>	<b>5,785,454</b>	<b>1,960,377</b>	<b>11,414,812</b>
<b>Liabilities</b>						
Other liabilities	(26,691)	(45,075)	(1,525)	(44,382)	–	(117,673)
Net assets	1,431,553	218,312	1,945,825	5,741,072	1,960,377	11,297,139
Available capital	(11,297,139)	–	–	–	–	(11,297,139)
<b>Difference</b>	<b>(9,865,586)</b>	<b>218,312</b>	<b>1,945,825</b>	<b>5,741,072</b>	<b>1,960,377</b>	<b>–</b>

### 2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	393,675	–	–	–	–	393,675
Debt securities	–	–	2,613,415	3,776,447	–	6,389,862
Shares and participation certificates	–	–	–	–	1,179,482	1,179,482
Prepayments	–	80	–	–	–	80
Derivatives	–	–	6,219	–	–	6,219
Other assets	27,200	–	–	–	–	27,200
<b>Total assets</b>	<b>420,875</b>	<b>80</b>	<b>2,619,634</b>	<b>3,776,447</b>	<b>1,179,482</b>	<b>7,996,518</b>
<b>Liabilities</b>						
Other liabilities	(50,151)	–	(6,071)	(8,085)	–	(64,307)
Net assets	370,724	80	2,613,563	3,768,362	1,179,482	7,932,211
Available capital	(7,932,211)	–	–	–	–	(7,932,211)
<b>Difference</b>	<b>(7,561,487)</b>	<b>80</b>	<b>2,613,563</b>	<b>3,768,362</b>	<b>1,179,482</b>	<b>–</b>

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

### **5.20 Off-balance Sheet Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### **5.21 Contingent Assets and Liabilities**

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

### **5.22 Subsequent Events**

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0622499787	CEZ 4.6 05/03/23	10.0000	6,072,000.00	60,720,000.00	1,524,931.51
XS0341655305	DEUTSCHE TELECOM VAR 01/22/13	8.0000	1,492,500.00	11,940,000.00	31,966.67
AT000B007109	ERSTE BANK 2.5 05/18/15	800.0000	102,310.00	81,848,000.00	1,233,333.33
XS0348109074	GENERAL ELECTRIC 4.625 03/05/13	50.0000	2,018,000.00	100,900,000.00	3,803,620.22
XS0860033843	ING BANK NV VAR 11/30/17	1,620.0000	50,000.00	81,000,000.00	94,162.50
XS0371752931	JPM CHASE AND CO 5.35 06/27/13	45.0000	2,030,870.00	91,389,150.00	2,460,122.95
XS0219645222	KBC IFIMA 3.87 05/18/16	7,500.0000	9,499.05	71,242,875.00	1,800,184.43
XS0761852556	TELEFONICA EMIS 3.934 03/30/2017	10.0000	5,046,000.00	50,460,000.00	1,483,311.48
XS0536184301	VOLKSWAGEN VAR 08/30/13	23.0000	2,003,500.00	46,080,500.00	42,383.89
XS0249443879	BANK OF AMERICA CORP VAR 3/28/18	28.0000	1,183,867.74	33,148,296.72	1,069,342.95
XS0641963839	CESKE DRAHY 4.5 06/24/16	1,500.0000	27,562.36	41,343,547.05	880,930.33
XS0616431689	ERSTE BANK 4.25 04/12/16	40.0000	2,754,325.83	110,173,033.20	3,071,063.93
XS0609572663	ING BANK NV VAR 03/28/13	2,000.0000	25,165.39	50,330,782.80	3,083.84
XS0597215937	RAIFFEISEN BK INT VAR 03/04/13	33.0000	1,258,464.41	41,529,325.37	33,941.83
XS0625359384	GOLDMAN SACHS GROUP 4.5 05/09/16	2,000.0000	27,319.14	54,638,270.40	1,451,835.00
XS0594515966	MORGAN STANLEY 4.5 02/23/16	2,000.0000	27,053.53	54,107,062.20	1,929,495.00
<b>Total Foreign corporate bonds</b>				<b>980,850,842.74</b>	<b>20,913,709.85</b>
SK4120008400	SLOVAKIA GOVT VAR 09/02/15	22,962.0000	10,400.00	238,804,800.00	2,035,964.01
XS0840062979	ERSTE GROUP BANK 7.125 10/10/22	2,000.0000	28,576.76	57,153,527.40	816,002.50
SK4120008871	SLOVAKIA GOVT 3.375 11/15/24	8,000,000.0000	25.71	205,717,603.20	855,448.00
SK4120007543	SLOVAKIA GOVT 4.35 10/14/25	2,000,000.0000	27.76	55,513,896.60	466,120.00
SK4120006503	SLOVAKIA GOVT VAR 01/21/15	3,170,000.0000	24.87	78,839,880.93	268,099.58
XS0782720402	SLOVAKIA GOVT 4.375 05/21/22 USD	10,500.0000	20,775.00	218,137,495.54	948,283.98
<b>Foreign government bonds</b>				<b>854,167,203.67</b>	<b>5,389,918.07</b>
CZ0002002538	HYPOTECNI BANKA 1.75 07/12/15	60,000,000.0000	1.01	60,600,000.00	490,020.00
XS0502286908	CEZ 4.875 04/16/25 EUR	500.0000	30,588.59	15,294,296.10	434,827.29
XS0458257796	CEZ 5 10/19/21 EUR	4,000.0000	30,764.57	123,058,288.80	1,002,852.46
<b>Total Local corporate bonds</b>				<b>198,952,584.90</b>	<b>1,927,699.75</b>
XS0792803131	CESKA EXP. BANKA VAR 06/14/18	500.0000	100,000.00	50,000,000.00	34,236.11
XS0680917647	CESKA EXP. BANKA VAR 09/22/18	1,000.0000	100,000.00	100,000,000.00	487,277.78
CZ0001000814	GOVERNMENT BOND 3.7 06/16/13	750.0000	10,165.50	7,624,125.00	149,541.67
CZ0001001317	GOVERNMENT BOND 3.75 09/12/20	21,000.0000	11,526.00	242,046,000.00	2,362,500.00
CZ0001002851	GOVERNMENT BOND 3.85 09/29/21	76,200.0000	11,641.30	887,067,060.00	7,415,741.63
CZ0001001903	GOVERNMENT BOND 4 04/11/17	50.0000	11,395.00	569,750.00	14,388.89
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	23,500.0000	11,931.00	280,378,500.00	3,963,666.67
CZ0001002471	GOVERNMENT BOND 5 04/11/19	122,400.0000	12,240.00	1,498,176,000.00	44,029,999.97
CZ0001002547	GOVERNMENT BOND 5.7 05/25/24	76,600.0000	13,667.00	1,046,892,200.00	26,075,916.69
CZ0001000749	GOVERNMENT BOND 6.95 01/26/16	28,500.0000	12,022.00	342,627,000.00	(1,430,541.65)
CZ0001003123	GOVERNMENT BOND VAR 04/18/23	5,000.0000	10,432.50	52,162,500.00	867,375.00
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	30,000.0000	10,485.00	314,550,000.00	(408,249.99)
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	35,000.0000	10,072.50	352,537,500.00	556,111.12
XS0616463294	CESKA EXP. BANKA VAR 04/23/13	40.0000	1,257,000.00	50,280,000.00	59,148.83
XS0523144961	CESKA EXP. BANKA VAR 07/08/13	51.0000	1,269,570.00	64,748,070.00	536,005.75
XS0541140793	GOVERNMENT B. 3.625 04/14/21 EUR	3,000.0000	28,253.71	84,761,144.10	1,954,979.39
XS0750894577	GOVERNMENT B. 3.875 05/24/22 EUR	4,300.0000	28,784.55	123,773,546.94	2,529,394.81
XS0368800073	GOVERNMENT BOND 5 06/11/18	18,000.0000	29,995.79	539,924,238.00	12,549,393.45
<b>Total Local government bonds</b>				<b>6,038,117,634.04</b>	<b>101,746,886.12</b>
CZ0008472230	ISCS CS KORP. DLUHOPI. OPF	75,120,341.0000	1.38	103,500,805.83	0.00
CZ0008473659	ISCS DLUHOPISOVY FOND	24,670,000.0000	1.04	25,723,409.00	0.00
<b>Total Local participation certificates</b>				<b>129,224,214.83</b>	<b>0.00</b>
AT0000A05HS1	ESPA BOND BRIK-CORP. (VT)	21,066.0000	3,793.88	79,921,821.31	0.00
AT0000658968	ESPA BOND EURO-CORPORATE (VT)	158,000.0000	4,233.32	668,865,286.80	0.00
AT0000676846	ESPA CASH CORPORATE-PLUS-T	40,000.0000	3,025.60	121,023,960.00	0.00
LU0131211178	PARVEST EURO CORP BOND-INST	187.0000	4,280,198.13	800,397,050.31	0.00
LU0099626896	PARVEST FLEXBOND EUR-CORP-I	150.0000	1,072,964.39	160,944,658.47	0.00
<b>Total Foreign participation certificates</b>				<b>1,831,152,776.89</b>	<b>0.00</b>
<b>Total</b>			<b>10,032,465,257.07</b>	<b>129,978,213.79</b>	

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
TREND BOND – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., TREND BOND – otevřený dluhopisový podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., TREND BOND – otevřený dluhopisový podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

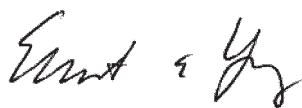
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., TREND BOND – otevřený dluhopisový podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

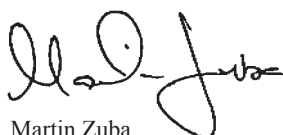
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	102,140	108,664
of which: a/current accounts	2	102,140	108,664
3 Debt securities	10	602,720	605,609
a/ issued by the government	11	602,720	605,609
6 Other assets	15	147	771
a/ derivatives	16	147	304
c/ receivables from taxes	18	0	467
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>705,018</b>	<b>715,124</b>
3 Other liabilities	29	3,459	4,061
a/ derivatives	30	491	3,909
c/ liabilities from taxes	32	2,579	0
d/ other liabilities	33	389	152
4 Deferred income and accrued expenses	34	951	964
6 Share premium	39	(24,348)	(5,033)
7 Other funds from profit	40	104,454	146,461
8 Capital funds	41	519,874	607,847
10 Retained earnings or accumulated losses from previous periods	46	2,831	2,831
11 Profit or loss for the accounting period	47	97,797	(42,007)
<b>Total Liabilities</b>	<b>48</b>	<b>705,018</b>	<b>715,124</b>
of which: Equity	49	700,608	710,099

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	89,117	251,583
b/ with currency instruments	4	89,117	251,583
6 Assets provided into custody, administration and safekeeping	10	602,720	605,608
of which: securities	11	602,720	605,608
10 Amounts owed from fixed term transactions	14	89,461	255,188
b/ with currency instruments	16	89,461	255,188

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	37,323	34,012
of which: a/ interest income from bonds	2	34,960	30,797
4 Commission and fee expenses	10	12,000	13,661
a/ fees and commissions from securities trading	11	6	5
b/ management fee	12	10,285	11,744
c/ custody fee	13	754	861
d/ other financial expenses	14	955	1,051
5 Profit or loss on financial operations	15	75,291	(62,196)
a/ profit or loss on transactions with securities	16	66,382	(49,230)
b/ profit or loss on foreign exchange transactions and options	17	2,275	(5,152)
c/ profit or loss on fixed term transactions and options	18	6,634	(7,814)
8 Administrative expenses	21	238	162
a/ audit	22	238	162
11 Ordinary profit or loss for the accounting period before tax	26	100,376	(42,007)
15 Income tax	30	2,579	0
16 Profit or loss for the accounting period after tax	31	97,797	(42,007)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(5,033)	12,630
issued unit certificates	3	19,182	12,044
repurchase of unit certificates	4	(38,497)	(29,707)
other changes	5	0	0
closing balance	6	(24,348)	(5,033)
2 Retained earnings	7		
opening balance	8	146,461	139,949
transfers to funds	9	0	6,512
other changes	10	(42,007)	0
closing balance	11	104,454	146,461
3 Capital funds	12		
opening balance	13	607,847	703,818
issued unit certificates	14	62,705	60,862
repurchase of unit certificates	15	(150,678)	(156,833)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	519,874	607,847
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	2,831	2,831
other changes	25	0	0
closing balance	26	2,831	2,831
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(42,007)	6,512
profit (loss)	29	97,797	(42,007)
transfers to funds, dividends	30	42,007	(6,512)
closing balance	31	97,797	(42,007)
<b>7 Total</b>	<b>32</b>	<b>700,608</b>	<b>710,099</b>



# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny a.s., TREND BOND – otevřený dluhopisový podílový fond (hereinafter the “Fund” or “ISČS, a.s. – TREND BOND OPF dluhopisový”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”) as an open-ended mutual fund under the Investment Companies and Funds Act No. 248/1992 Coll., based upon the Resolution of the Securities Commission dated 11 October 2001. The Fund commenced its activities on 29 October 2001.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a bond fund.

### Registered Office

Investiční společnost České spořitelny, a.s.  
TREND BOND – otevřený dluhopisový podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

The Fund is a standard collective investment fund that meets the requirements of EU legislation. This also entails that the Fund is subject to supervision which is equivalent to the supervision pursuant to the EU legislation, the level of protection of the participation certificate holders’ assets is equivalent to the protection provided to participation certificate holders of other collective investment funds that fulfil the requirements of Council Directive No. 85/611/EEC as of 20 December 1985, on the coordination of legal and administrative regulations regarding collective investment entities transferable into securities, as amended by Council Directive No. 88/220/EEC, Directive 95/26/ES of the European Parliament and Council, Directive 2001/107/EC of the European Parliament and Council and Directive 2001/108/EC of the European Parliament and Council. The Company prepares mid-year and annual reports on the administration of mutual fund assets, which provide a true view of the assets and liabilities, revenues and transactions in the reporting period.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in bonds of European Union candidate or new member states. The Fund is managed such that it benefits from the decrease, if any, of interest income while maximising the income from changes in exchange rates. Due to a significant proportion of foreign currencies in the portfolio, which may be up to 70 percent, the value of the participation certificates may have a high short-term fluctuation rate.

The Fund’s portfolio predominantly includes state bonds of Central and Eastern Europe countries. The Fund also invests in treasury bills, bank deposits or bonds with embedded derivatives. The portfolio of the Fund may also be expanded by purchasing bonds exchangeable for shares or with the option to subscribe for shares.

The Fund is a standard fund pursuant to the Collective Investment Act. The Company fulfils the requirements of the EU legislation when managing the Fund’s assets.

According to the classification binding for the members of AKAT as at the date of the approval of this Statute, the Fund can be defined as a bond fund.

Up to 10 percent of the finances collected in the Fund can be invested in securities of the collective investment funds if such collective investment fund invests in identical classes of assets as a standard fund in compliance with the Act, spreads the risk connected to investments, repurchases securities which it issued or ensures that the exchange rate or price of these securities on the regulated market does not significantly differ from their current amount provided

that it has been authorised by a supervision body of the state where it has its registered office and falls subject to supervision which the Czech National Bank considers equivalent to the supervision within the European Union member states and provided that the cooperation between the Czech National Bank and this supervision body is ensured and the protection of owners of securities issued by this collective investment fund is equivalent to the protection provided to owners of securities issued by a collective investment fund fulfilling the requirements of the EC legislation; this collective investment fund must principally comply with provisions on borrowing, lending and sales of assets for a short time (Sections 33 to 35 of the Collective Investment Act), separating its assets in accounting pursuant to Section 16 (1) of the Collective Investment Act, prepare and publish mid-year and annual reports, which provide a true view of assets and liabilities, revenues and transactions in the reporting period, and its Statute can allow investments up to the maximum of 10 percent of the value of its assets into securities issued by another collective investment fund.

This 10 percent investment limit provision tightens investment limits for investing into securities of collective investment funds set out in Section 30 (1) and (2) of the Collective Investment Act.

The Fund can also purchase bonds can be exchanged for shares or which carry the priority right for the subscription of shares into the portfolio of the Fund. In the event of claiming the rights arising from these bonds for the acquisition of shares, the shares must not exceed 10 percent of the value of the Fund's assets.

The Company can use financial derivatives to effectively manage the Fund's assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund's assets so that liabilities arising from these transactions are fulfilled.

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

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This

provision does not affect Sections 26 and 27 of the Collective Investment Act.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings is not allowed to exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4695/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### **Explanation Added for Translation into English**

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

## **3. Accounting Policies**

### **Transaction Recognition Date**

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

The transaction recognition date for derivative contracts is:

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

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

### **Securities**

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### **Receivables and Payables**

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

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while paya-

bles from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense

Interest income and expense are recognized using the accrual principle.

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the

risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	4.66%	4.75%
Foreign currency VaR	3.41%	3.84%
Interest rate VaR	2.88%	2.34%
Equity VaR	0.00%	0.00%

	31 Dec 2011	Average VaR
Global VaR	5.13%	5.12%
Foreign currency VaR	4.42%	4.50%
Interest rate VaR	1.18%	1.11%
Equity VaR	0.00%	0.00%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This

identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	102,140	108,664
<b>Total</b>	<b>102,140</b>	<b>108,664</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	540,276	636,561
Market revaluation	51,783	(42,944)
Accrued interest income	10,661	11,992
<b>Total</b>	<b>602,720</b>	<b>605,609</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 26.81 percent in 2012 (2011: 21.9 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 73.19 percent in 2012 (2011: 78.1 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
State budget settlement	147	304
Financial derivatives – positive fair value	–	467
<b>Total</b>	<b>147</b>	<b>771</b>

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.3477 (2011: CZK 1.1682). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund’s Statute, the loss for 2012 in the amount of CZK 97,797 thousand will be covered by the reinvestment fund within ‘Other funds from profit’.

In line with the Fund's Statute, the profit for 2011 in the amount of CZK 42,007 thousand was transferred to the reinvestment fund within 'Other funds from profit'.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Other changes	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>703,818,120</b>	<b>703,817</b>	<b>1</b>	<b>703,818</b>
Participation certificates sold	60,861,487	60,862	-	60,862
Participation certificates purchased	(156,832,636)	(156,833)	-	(156,833)
<b>Balance at 31 Dec 2011</b>	<b>607,846,971</b>	<b>607,846</b>	<b>1</b>	<b>607,847</b>
Participation certificates sold	62,704,905	62,705	-	62,705
Participation certificates purchased	(150,677,680)	(150,678)	-	(150,678)
<b>Balance at 31 Dec 2012</b>	<b>519,874,196</b>	<b>519,873</b>	<b>1</b>	<b>519,874</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	491	3,909
Payables from participation certificate holders' placements	102	22
Other liabilities	2,866	130
<b>Total</b>	<b>3,459</b>	<b>4,061</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses particularly consist of the unbilled custody fee of CZK 64 thousand related to December 2012 (2011: CZK 65 thousand), the unbilled management fee of CZK 876 thousand related to December 2012 (2012: CZK 888 thousand), the unbilled fee for the local sub-register administration of CZK 8 thousand related to December 2012 (2011: CZK 8 thousand), and unbilled fee for calculation of NAV and participation certificate rate of CZK 3 thousand (2011: CZK 3 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	14,235	14,330	13,534	13,674
<b>Total</b>	<b>14,235</b>	<b>14,330</b>	<b>13,534</b>	<b>13,674</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1. 1. 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	-	95	-	140
<b>Total</b>	<b>-</b>	<b>95</b>	<b>-</b>	<b>140</b>

Currency derivatives designated as hedging derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	62,267	62,472	208,380	212,149
Currency forwards	12,615	12,659	29,669	29,365
<b>Total</b>	<b>74,882</b>	<b>75,131</b>	<b>238,049</b>	<b>241,514</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1. 1. 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	147	352	-	3,769
Currency forwards	-	44	304	-
<b>Total</b>	<b>147</b>	<b>396</b>	<b>304</b>	<b>3,769</b>

Currency derivatives designated as trading derivatives are due within one year.

## 5.11 Interest Income and Expense

	2012	2011
Interest on deposits at banks	2,363	3,215
Interest on debt securities	34,960	30,797
<b>Total</b>	<b>37,323</b>	<b>34,012</b>

## 5.12 Fees and Commissions

	2012	2011
Management fees	10,285	11,744
Custody fees	754	861
Commissions and fees from securities trading	6	5
Fees paid to central depository	4	-
Expenses of administration of the local sub-register – Česká spořitelna	91	95
Administration of securities	663	728
Other fees and commissions	197	228
<b>Total</b>	<b>12,000</b>	<b>13,661</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.50 percent of the average annual net asset value.

Pursuant to the custody service contract, the Fund pays a custody fee equal to 0.11 percent of its average annual net asset value.



### 5.13 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	66,382	(49,230)
Profit or loss from fixed term transactions	6,634	(7,814)
Profit or loss from FX differences	2,275	(5,152)
<b>Total</b>	<b>75,291</b>	<b>(62,196)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.14 Administrative Expenses

	2012	2011
Audit	238	162
<b>Total</b>	<b>238</b>	<b>162</b>

### 5.15 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	2,579	-
<b>Total income tax</b>	<b>2,579</b>	<b>-</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	100,376	(42,007)
Items to be added	-	-
Deductible items	-	-
Tax base	100,376	-
Loss deduction	(48,799)	-
Tax base after deduction	51,577	-
Tax (5%) on tax base	2,579	-
Foreign dividends	-	-
Tax on foreign dividends	-	-
<b>Total tax</b>	<b>2,579</b>	<b>-</b>

### 5.16 Deferred Tax Asset due to Tax Losses

As at 31 December 2012, no temporary differences exist between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 2,440 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.17 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	2012	2011
Unbilled management fee – Investiční společnost	876	888
Unbilled custody fee – Česká spořitelna	64	65
Unbilled fee for administration of the local sub-register	8	8
Unbilled fee for calculation of NAV and participation certificate rate	3	3
Other payables to related parties	161	129
<b>Total payables to related parties</b>	<b>1,112</b>	<b>1,093</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,715 thousand in 2012 (2011: CZK 916 thousand), of which the greatest portion is represented by the custody fee of CZK 754 thousand (2011: CZK 861 thousand). The costs charged by the Company amounted to CZK 10,285 thousand (2011: CZK 11,744 thousand), which is the annual management fee.

## 5.18 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes. Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	102,140	–	–	–	–	102,140
Debt securities	–	161,589	256,399	184,732	–	602,720
Other assets	147	–	–	–	–	147
Prepayments and accrued income	–	11	–	–	–	11
<b>Total assets</b>	<b>102,287</b>	<b>161,600</b>	<b>256,399</b>	<b>184,732</b>	<b>–</b>	<b>705,018</b>
<b>Liabilities</b>						
Other liabilities	(1,831)	(2,579)	–	–	–	(4,410)
Net assets	100,456	159,021	256,399	184,732	–	700,608
Available capital	(700,608)	–	–	–	–	(700,608)
<b>Difference</b>	<b>(600,152)</b>	<b>159,021</b>	<b>256,399</b>	<b>184,732</b>	<b>–</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	108,664	–	–	–	–	108,664
Debt securities	62,885	69,727	239,597	233,400	–	605,609
Other assets	304	467	–	–	–	771
Prepayments and accrued income	–	80	–	–	–	80
<b>Total assets</b>	<b>171,853</b>	<b>70,274</b>	<b>239,597</b>	<b>233,400</b>	<b>–</b>	<b>715,124</b>
<b>Liabilities</b>						
Other liabilities	(5,025)	–	–	–	–	(5,025)
Net assets	166,828	70,274	239,597	233,400	–	710,099
Available capital	(710,099)	–	–	–	–	(710,099)
<b>Difference</b>	<b>(543,271)</b>	<b>70,274</b>	<b>239,597</b>	<b>233,400</b>	<b>–</b>	<b>–</b>

### **5.19 Off-balance Sheet Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s.

### **5.20 Contingent Assets and Liabilities**

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

### **5.21 Subsequent Events**

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0212694920	TURKEY REP 5.5 02/16/17	500.0000	28,274.33	14,137,164.75	602,570.08
HU0000402193	HUNGARY GOVERNMENT 5.5 02/12/14C	29,000.0000	861.58	24,985,938.47	1,210,262.47
HU0000402375	HUNGARY GOVERNMENT 6.75 02/24/17	34,900.0000	888.89	31,022,307.52	1,721,099.36
HU0000402466	HUNGARY GOVERNMENT 7.5 10/24/13	10,000.0000	872.32	8,723,229.87	119,808.20
PL0000102836	POLAND GOV.BOND 5 10/24/13	18,500.0000	6,267.36	115,946,111.90	1,060,707.10
PL0000104543	POLAND GOVERN.BOND 5.25 10/25/17	5,000.0000	6,729.02	33,645,115.00	296,584.84
PL0000105441	POLAND GOVERN.BOND 5.5 10/25/19	5,000.0000	6,982.08	34,910,375.00	310,707.92
PL0000105433	POLAND GOVERN.BOND 5.75 04/25/14	5,000.0000	6,378.14	31,890,724.00	1,215,376.71
TRT170615T16	TURKEY GOVT BOND 10 06/17/15	90,000.0000	1,158.64	104,277,536.55	315,715.07
TRT280813T13	TURKEY GOVT BOND 16 08/28/13	30,000.0000	1,133.46	34,003,902.90	1,735,186.89
<b>Foreign government bonds</b>				<b>433,542,405.96</b>	<b>8,588,018.64</b>
CZ0001001317	GOVERNMENT BOND 3.75 09/12/20	5,000.0000	11,526.00	57,630,000.00	562,500.00
CZ0001001143	GOVERNMENT BOND 3.8 04/11/15	1,000.0000	10,805.00	10,805,000.00	273,388.89
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	6,500.0000	11,931.00	77,551,500.00	1,096,333.34
CZ0001001945	GOVERNMENT BOND 4.7 09/12/22	1,000.0000	12,530.00	12,530,000.00	141,000.00
<b>Total Local government bonds</b>				<b>158,516,500.00</b>	<b>2,073,222.22</b>
<b>Total</b>				<b>592,058,905.96</b>	<b>10,661,240.86</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a.s.,  
ČS korporátní dluhopisový – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a.s., ČS korporátní dluhopisový – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a.s., ČS korporátní dluhopisový – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

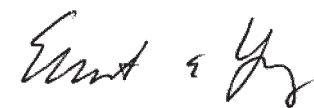
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a.s., ČS korporátní dluhopisový – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

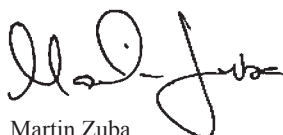
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	88,132	51,088
of which: a/current accounts	2	88,132	51,088
3 Debt securities	10	833,642	507,366
a/ issued by the government	11	27,456	27,720
b/ issued by other entities	12	806,186	479,646
6 Other assets	15	12,832	12,682
a/ derivatives	16	12,832	0
d/ other assets	19	0	12,682
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>934,617</b>	<b>571,216</b>
3 Other liabilities	29	18,442	43,281
a/ derivatives	30	16,019	42,902
c/ receivables from taxes	32	1,887	0
d/ other liabilities	33	536	379
4 Deferred income and accrued expenses	34	1,238	715
6 Share premium	39	158,377	76,997
7 Other funds from profit	40	122,965	149,403
8 Capital funds	41	609,720	375,364
10 Retained earnings or accumulated losses from previous periods	46	(48,105)	(48,105)
11 Profit or loss for the accounting period	47	71,980	(26,439)
<b>Total Liabilities</b>	<b>48</b>	<b>934,617</b>	<b>571,216</b>
of which: Equity	49	914,937	527,220

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	1,327,619	703,959
a/ with interest rate instruments	3	435,956	207,400
b/ with currency instruments	4	891,663	496,559
6 Assets provided into custody, administration and safekeeping	10	833,642	507,366
of which: securities	11	833,642	507,366
10 Amounts owed from fixed term transactions	14	1,330,806	746,861
a/ with interest rate instruments	15	451,607	222,237
b/ with currency instruments	16	879,199	524,624

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	38,219	32,767
of which: a/ interest income from bonds	2	37,986	32,578
4 Commission and fee expenses	10	11,350	9,104
a/ fees and commissions from securities trading	11	(10)	(20)
b/ management fee	12	9,848	7,883
c/ custody fee	13	722	578
d/ other financial expenses	14	790	663
5 Profit or loss on financial operations	15	47,235	(49,940)
a/ profit or loss on transactions with securities	16	31,182	5,673
b/ profit or loss on foreign exchange transactions and options	17	3,343	(3,026)
c/ profit or loss on fixed term transactions and options	18	12,710	(52,587)
8 Administrative expenses	21	237	162
a/ audit	22	237	162
11 Ordinary profit or loss for the accounting period before tax	26	73,867	(26,439)
15 Income tax	30	1,887	0
16 Profit or loss for the accounting period after tax	31	71,980	(26,439)



# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	76,997	41,618
issued unit certificates	3	123,748	82,478
repurchase of unit certificates	4	(42,368)	(47,099)
closing balance	6	158,377	76,997
2 Retained earnings	7		
opening balance	8	149,403	121,289
transfers to funds	9	0	28,114
other changes	10	(26,438)	0
closing balance	11	122,965	149,403
3 Capital funds	12		
opening balance	13	375,364	258,347
issued unit certificates	14	369,997	284,414
repurchase of unit certificates	15	(135,641)	(167,397)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	609,720	375,364
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	(48,105)	(48,105)
other changes	25	0	0
closing balance	26	(48,105)	(48,105)
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(26,439)	28,114
profit (loss)	29	71,980	(26,439)
transfers to funds, dividends	30	26,439	(28,114)
closing balance	31	71,980	(26,439)
<b>7 Total</b>	<b>32</b>	<b>914,937</b>	<b>527,220</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., ČS korporátní dluhopisový – otevřený podílový fond (hereinafter the “Fund” or “ISČS, a. s. ČS korporátní dluhopisový – OPF”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) in compliance with the Investment Companies and Funds Act No. 248/1992 Coll.

Based on the Company’s request dated 22 December 2003, the Securities Commission approved the formation of a fund entitled Investiční společnost České spořitelny, a. s. – ČS korporátní dluhopisový otevřený podílový fond. The Fund commenced its activities on 1 April 2004.

The following change in the Fund’s name was approved by the Czech National Bank’s decision No. 2009/2907/570 dated 27 April 2009, which came into legal effect on 15 May 2009: Investiční společnost České spořitelny, a. s., ČS korporátní dluhopisový – otevřený podílový fond.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a bond fund.

### Registered Office

Investiční společnost České spořitelny, a. s.  
ČS korporátní dluhopisový – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets.

No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. Pursuant to Section 12 of the Act, the Company can suspend issues and purchases of the Fund’s participation certificates for a maximum of three months in compliance with the Act.

The Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed if the purchase of a participation certificate is not suspended.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the Fund’s investment policy is to appreciate participation certificates of the participation certificate holders in the long-term by investing in bonds of corporate, municipality, bank and state issuers from developing countries in Europe, the Middle East and Africa. The aim is achieved by investing in a widely diversified portfolio of securities with interest income and active management of interest rate risk. The Fund invests in the bonds of the issuers referred to above, traded on the public markets of the member states of the Organisation for Economic Cooperation and Development. Foreign currency risk is hedged by standard hedging transactions.

The portfolio of the Fund predominantly includes bonds with fixed and variable coupon, denominated in EUR and USD, the issuers of which are companies and state institutions from EMEA region countries (Eastern and Central Europe, Middle East and Africa). The Fund also invests in treasury bills, bank deposits, or bonds with embedded derivatives.

The portfolio of the Fund may also be expanded by purchasing bonds exchangeable for shares or with the option to subscribe for shares.

The Fund may invest in securities of collective investment funds, if such a collective investment fund invests in the same types of assets, distributes the risk connected to investments and meets other obligations as set by the Act.

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

The Fund uses financial derivatives to hedge against currency and interest rate exposures.

The Company can use financial derivatives to effectively manage the Fund's assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund's assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings is not allowed to exceed 10 percent of the value of the Fund's assets.

### Change in the Statute

Czech National Bank Resolution No. 2012/4692/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are based on the accrual principle, that is, transactions and other events are recognized in the accounting period in which they occur, regardless of when the related monetary flow arises. The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price be-

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

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

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

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of de-

derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

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

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

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

#### **Income Tax**

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

#### **Deferred Tax**

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

#### **Foreign Currency Translation**

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

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

#### **Capital Funds**

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

#### **Share Premium**

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

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

Interest income and expense are recognized using the accrual principle.

#### **Subsequent Events**

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

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

## **4. Risk Management**

#### **Credit Risk**

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

#### **Market Risk**

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	0.98%	1.25%
Foreign currency VaR	0.15%	0.25%
Interest rate VaR	1.01%	1.26%

	31 Dec 2011	Average VaR
Global VaR	1.32%	1.56%
Foreign currency VaR	0.78%	0.51%
Interest rate VaR	1.29%	1.50%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	88,132	51,088
<b>Total</b>	<b>88,132</b>	<b>51,088</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

<b>Debt securities</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	786,469	485,709
Market revaluation	34,872	12,852
Accrued interest income	12,301	8,805
<b>Total</b>	<b>833,642</b>	<b>507,366</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 3.85 percent in 2012 (2011: 13.20 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 3.29 percent in 2012 (2011: 7.30 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 92.86 percent in 2012 (2011: 79.50 percent).

### 5.3 Other Assets

<b>Other assets</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Financial derivatives – positive fair value	12,832	–
Receivables – matured bonds + coupons	–	12,682
<b>Total</b>	<b>12,832</b>	<b>12,682</b>

### 5.4 Prepayments and Accrued Income

<b>Prepayments and accrued income</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.3774 (2011: CZK 1.2265). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value is at least different from the carrying value of participation certificate as at 31 December 2012 due to the additional booking of some items during the financial statement.

In line with the Fund’s Statute, the profit for 2012 in the amount of CZK 71,980 thousand will be transferred to the reinvestment fund within ‘Other funds from profit’

In line with the Fund’s Statute, the loss for 2011 in the amount of CZK 26,439 thousand was covered by the Reinvestment fund.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>312,883,354</b>	<b>312,883</b>	<b>(54,536)</b>	<b>258,347</b>
Participation certificates sold	284,413,701	284,414	-	284,414
Participation certificates purchased	(167,397,330)	(167,397)	-	(167,397)
<b>Balance at 31 Dec 2011</b>	<b>429,899,725</b>	<b>429,900</b>	<b>(54,536)</b>	<b>375,364</b>
Participation certificates sold	369,996,697	369,997	-	369,997
Participation certificates purchased	(135,640,575)	(135,641)	-	(135,641)
<b>Balance at 31 Dec 2012</b>	<b>664,255,847</b>	<b>664,256</b>	<b>(54,536)</b>	<b>609,720</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	16,019	42,902
Payables from participation certificate holders' placements	221	279
State budget settlement	1,887	-
Other liabilities	315	100
<b>Total</b>	<b>18,442</b>	<b>43,281</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 83 thousand related to December 2012 (2011: CZK 48 thousand), the unbilled management fee of CZK 1,144 thousand related to December 2012 (2011: CZK 659 thousand), the unbilled fee for the local sub-register administration of CZK 7 thousand related to December 2012 (2011: CZK 6 thousand) and the unbilled fee for calculation of NAV and participation certificate rate of CZK 4 thousand (2011: CZK 2 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	781,274	769,696	367,563	386,948
<b>Total</b>	<b>781,274</b>	<b>769,696</b>	<b>367,563</b>	<b>386,948</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	11,946	368	-	19,385
<b>Total</b>	<b>11,946</b>	<b>368</b>	<b>-</b>	<b>19,385</b>

Currency derivatives are due within one year.



## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	110,389	109,503	128,996	137,676
Interest rate swaps	435,956	451,607	207,400	222,237
<b>Total</b>	<b>546,345</b>	<b>561,110</b>	<b>336,396</b>	<b>359,913</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	886	–	–	8,680
Interest rate swaps	–	15,651	–	14,837
<b>Total</b>	<b>886</b>	<b>15,651</b>	<b>–</b>	<b>23,517</b>

Interest rate derivatives are due within four years. Currency derivatives are due within one year.

## 5.11 Interest Income

	31 Dec 2012	31 Dec 2011
Interest on deposits	233	189
Interest on debt securities	37,986	32,578
<b>Total</b>	<b>38,219</b>	<b>32,767</b>

## 5.12 Fees and Commissions

	31 Dec 2012	31 Dec 2011
Management fees	9,848	7,883
Custody fees	722	578
Commissions and fees from securities trading	(10)	(20)
Administration of securities	–	290
Expenses of administration of the local sub-register – Česká spořitelna	78	63
Fee for calculation of NAV and participation certificate rate	32	26
Other fees and commissions	680	284
<b>Total</b>	<b>11,350</b>	<b>9,104</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.50 percent of the average annual net assets value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net assets value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

### 5.13 Profit or Loss from Financial Operations

	31 Dec 2012	31 Dec 2011
Profit or loss from securities at fair value through profit or loss	31,182	5,673
Profit or loss from FX differences	3,343	(3,026)
Profit or loss from derivatives	12,710	(52,587)
<b>Total</b>	<b>47,235</b>	<b>(49,940)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.14 Administrative Expenses

	31 Dec 2012	31 Dec 2011
Audit	237	162
<b>Total</b>	<b>237</b>	<b>162</b>

### 5.15 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	1,887	-
<b>Total income tax</b>	<b>1,887</b>	<b>-</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	73,867	(26,439)
Items to add	-	-
Deductible items	-	-
Tax base	73,867	(26,439)
Reduction for loss	(36,126)	-
Tax base after reduction	37,741	(26,439)
Tax (5%) on tax base	1,887	-
Foreign dividends	-	-
Tax on foreign dividends	-	-
<b>Total tax</b>	<b>1,887</b>	<b>-</b>

#### Deferred Tax

As at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 1,806 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.16 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	31 Dec 2012	31 Dec 2011
Unbilled management fee – Investiční společnost	1,144	659
Unbilled custody fee for December – Česká spořitelna	83	48
Unbilled fee for administration of the local sub-register – Česká spořitelna	7	6
Unbilled fee for calculation of NAV and participation certificate rate	4	2
Other payables to related parties	316	100
<b>Total payables to related parties</b>	<b>1,554</b>	<b>815</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,502 thousand in 2012 (2011: CZK 1,222 thousand), of which the greatest portion was represented by the custody fee of CZK 722 thousand (2011: CZK 578 thousand).

The costs charged by the Company amounted to CZK 9,848 thousand (2011: CZK 7,883 thousand), which is the annual management fee.

## 5.17 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

### 2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	88,132	–	–	–	–	88,132
Debt securities	–	32,088	548,148	253,406	–	833,642
Prepayments	–	11	–	–	–	11
Other assets	12,832	–	–	–	–	12,832
<b>Total assets</b>	<b>100,964</b>	<b>32,099</b>	<b>548,148</b>	<b>253,406</b>	<b>–</b>	<b>934,617</b>
<b>Liabilities</b>						
Other liabilities	(2,142)	(4,762)	(10,111)	(2,665)	–	(19,680)
Net assets	98,822	27,337	538,037	250,741	–	914,937
Available capital	(914,937)	–	–	–	–	(914,937)
<b>Difference</b>	<b>(816,115)</b>	<b>27,337</b>	<b>538,037</b>	<b>250,741</b>	<b>–</b>	<b>–</b>

### 2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	51,088	–	–	–	–	51,088
Debt securities	10,356	56,657	368,516	71,837	–	507,366
Prepayments	–	80	–	–	–	80
Other assets	12,682	–	–	–	–	12,682
<b>Total assets</b>	<b>74,126</b>	<b>56,737</b>	<b>368,516</b>	<b>71,837</b>	<b>–</b>	<b>571,216</b>
<b>Liabilities</b>						
Other liabilities	(29,159)	–	(14,837)	–	–	(43,996)
Net assets	44,967	56,737	353,679	71,837	–	527,220
Available capital	(527,220)	–	–	–	–	(527,220)
<b>Difference</b>	<b>(482,253)</b>	<b>56,737</b>	<b>353,679</b>	<b>71,837</b>	<b>–</b>	<b>–</b>

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

### **5.18 Off-balance Sheet Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### **5.19 Contingent Assets and Liabilities**

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

### **5.20 Subsequent Events**

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0471612076	AGROKOR 10 12/07/16	800.0000	27,854.99	22,283,995.44	128,493.33
XS0268694808	ERSTE CAPITAL FIN VAR PERPETUAL	800.0000	17,849.40	14,279,520.00	273,455.06
XS0231264275	MOL HUNG. OIL GAS 3.875 10/05/15	1,000.0000	25,596.17	25,596,165.30	232,200.62
XS0504814509	NEW WORLD RESOUR 7.875 05/01/18	500.0000	26,219.26	13,109,630.10	162,231.56
XS0268320800	OTP BANK PLC 5.27 09/19/16	1,100.0000	24,656.93	27,122,628.39	410,133.00
XS0289338609	RAIFF ZENTRALBK 4.5 03/05/19	600.0000	23,373.79	14,024,273.58	558,231.64
USM0300LAA46	AKBANK 5.125 07/22/15	1,200.0000	20,163.81	24,196,572.54	514,326.21
XS0620695204	ALFA BANK 7.75 04/28/21	200.0000	21,159.34	4,231,867.79	50,866.26
XS0494933806	ALFA MTN ISSUANCE 8 03/18/15	900.0000	20,706.69	18,636,018.66	388,722.00
XS0205828477	ALROSA FINANCE 8.875 11/17/14	1,100.0000	21,143.81	23,258,190.01	222,195.86
XS0253723281	ATF BANK 9 05/11/16	1,300.0000	18,824.43	24,471,764.85	303,450.88
XS0236336045	BANK OF MOSCOW 7.5 11/25/15	1,100.0000	20,170.19	22,187,213.26	121,597.10
XS0282585859	CENTERCREDIT INTL 8.625 01/30/14	700.0000	19,841.97	13,889,380.05	479,352.34
XS0234987153	EVRAZ GROUP SA 8.25 11/10/15	900.0000	21,029.48	18,926,531.19	196,504.69
XS0424860947	GAZPROM (GAZ CAP) 9.25 04/23/19	800.0000	25,171.75	20,137,400.22	262,429.69
XS0606382413	HCFB LLC 7 03/18/14	1,300.0000	19,726.59	25,644,571.52	491,301.42
XS0253878051	HSBK EUROPE BV 7.75 05/13/13	800.0000	19,479.45	15,583,560.10	154,239.64
USM8933FAB33	ISBANK 5.1 02/01/16	1,100.0000	20,172.19	22,189,414.12	442,441.22
XS0554659671	LUKOIL INTL FIN 6.125 11/09/20	1,000.0000	22,093.42	22,093,415.03	165,341.82
XS0513723873	MTS INTL FUNDING 8.625 06/22/20	800.0000	24,067.61	19,254,086.64	29,217.67
XS0375091757	PROMSVYAZ 10.75 07/15/13	500.0000	19,910.00	9,954,998.93	469,427.86
XS0275728557	RS FINANCE 9.75 12/01/16	1,400.0000	18,399.98	25,759,978.13	162,484.42
XS0632887997	RUSS AGRIC 6 06/03/21	200.0000	19,880.46	3,976,092.52	17,149.50
XS0366630902	RUSS AGRIC BK 7.75 05/29/18	900.0000	22,730.52	20,457,467.06	114,449.09
XS0742380412	SBERBANK 4.95 02/07/17	300.0000	20,595.50	6,178,650.44	112,400.68
XS0524435715	SBERBANK 5.499 07/07/15	600.0000	20,731.17	12,438,703.85	302,125.60
XS0552679879	SCF CAPITAL LTD 5.375 10/27/17	1,200.0000	19,554.05	23,464,860.54	215,083.31
XS0585211591	TMK CAPITAL 7.75 01/27/18	1,000.0000	20,098.83	20,098,832.90	627,624.06
XS0261906738	TNK-BP FINANCE 7.5 07/18/16	900.0000	22,111.14	19,900,022.56	578,795.63
XS0643183220	VIMPELCOM 7.5043 03/01/22	400.0000	21,894.29	8,757,716.11	190,659.25
XS0361041550	VIMPELCOM 8.375 04/30/13	300.0000	19,487.93	5,846,378.88	79,792.81
XS0361041808	VIMPELCOM 9.125 04/30/18	500.0000	23,076.84	11,538,421.79	144,897.40
XS0524610812	VNESHECONOMBANK 6.902 07/09/20	900.0000	23,288.45	20,959,604.42	562,237.78
XS0772509484	VTB CAPITAL SA 6 04/12/17	600.0000	20,636.28	12,381,767.51	148,629.00
XS0491998133	VTB CAPITAL SA 6.465 03/04/15	600.0000	20,475.26	12,285,158.66	238,168.44
XS0524202610	YAPI 5.1875 10/13/15	1,100.0000	20,100.17	22,110,183.43	232,566.94
XS0359381331	EVRAZ 9.5 04/24/18	200.0000	21,790.82	4,358,164.33	66,374.92
XS0800346362	GEORGIAN RAILWAY 7.75 07/11/22	800.0000	21,729.56	17,383,647.84	574,296.53
XS0776121062	NOMOS CAPITAL 10 04/26/19	700.0000	20,003.18	14,002,223.76	237,128.89
XS0588436799	NOVATEK OAO 5.326 02/02/16	1,100.0000	20,461.74	22,507,908.91	455,845.46
XS0775984213	PROMSVYAZ 8.5 04/25/17	700.0000	19,687.63	13,781,338.20	204,708.92
XS0772835285	RASPADSKAYA 7.75 04/27/17	900.0000	20,178.01	18,160,205.78	232,590.09
XS0799357354	SBERBANK 5.18 06/28/19	200.0000	20,912.77	4,182,553.45	1,096.72
XS0551315384	SEVERSTAL OAO 6.7 10/25/17	1,000.0000	20,909.53	20,909,527.88	230,512.57
XS0806482948	TURKYIE HALK 4.875 07/19/17	500.0000	20,361.51	10,180,753.04	100,435.73
XS0772024120	TURKYIE VAKIFLAR 5.75 04/24/17	1,200.0000	20,703.26	24,843,909.00	241,045.75
<b>Total Foreign corporate bonds</b>				<b>777,535,268.71</b>	<b>12,127,259.37</b>
XS0764313614	CEZ 4.25 04/03/22	800.0000	20,458.88	16,367,101.70	156,568.58
<b>Total Local corporate bonds</b>				<b>16,367,101.70</b>	<b>156,568.58</b>
XS0583192108	CESKA EXP. BANKA VAR 01/24/16	1,500.0000	18,292.80	27,439,200.00	17,047.08
<b>Total Local government bonds</b>				<b>27,439,200.00</b>	<b>17,047.08</b>
<b>Total</b>				<b>821,341,570.41</b>	<b>12,300,875.03</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
High Yield dluhopisový – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., High Yield dluhopisový – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., High Yield dluhopisový – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

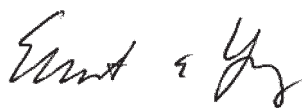
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., High Yield dluhopisový – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

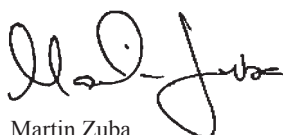
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	69,839	51,180
of which: a/current accounts	2	69,839	51,180
3 Debt securities	10	473,034	421,540
a/ issued by the government	11	0	9,709
b/ issued by other entities	12	473,034	411,831
6 Other assets	15	5,699	1,451
a/ derivatives	16	5,272	0
c/ receivables from taxes	18	0	521
d/ other assets	19	427	930
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>548,583</b>	<b>474,251</b>
3 Other liabilities	29	2,401	13,567
a/ derivatives	30	500	13,241
c/ liabilities from taxes	32	1,187	0
d/ other liabilities	33	714	326
4 Deferred income and accrued expenses	34	604	508
6 Share premium	39	49,028	36,898
7 Other funds from profit	40	0	40,956
8 Capital funds	41	406,270	448,684
11 Profit or loss for the accounting period	47	90,280	(66,362)
<b>Total Liabilities</b>	<b>48</b>	<b>548,583</b>	<b>474,251</b>
of which: Equity	49	545,578	460,176

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	546,906	402,171
b/ with currency instruments	4	546,906	402,171
6 Assets provided into custody, administration and safekeeping	10	473,034	421,540
of which: securities	11	473,034	421,540
10 Amounts owed from fixed term transactions	14	542,134	415,412
b/ with currency instruments	16	542,134	415,412



# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	40,301	35,287
of which: a/ interest income from bonds	2	40,174	35,084
2 Interest expenses and similar expenses	6	0	1
4 Commission and fee expenses	10	6,433	5,493
a/ fees and commissions from securities trading	11	(10)	(112)
b/ management fee	12	5,202	4,542
c/ custody fee	13	477	416
d/ other financial expenses	14	764	647
5 Profit or loss on financial operations	15	57,807	(95,890)
a/ profit or loss on transactions with securities	16	46,582	(64,285)
b/ profit or loss on foreign exchange transactions and options	17	(1,870)	558
c/ profit or loss on fixed term transactions and options	18	13,095	(32,163)
8 Administrative expenses	21	235	162
a/ audit	22	235	162
9 Release of provisions against receivables and income from receivables written off	24	99	0
10 Depreciation and creation of provisions against receivables	25	0	103
11 Ordinary profit or loss for the accounting period before tax	26	91,539	(66,362)
15 Income tax	30	1,259	0
16 Profit or loss for the accounting period after tax	31	90,280	(66,362)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	36,898	3,119
issued unit certificates	3	29,455	57,024
repurchase of unit certificates	4	(17,325)	(23,245)
other changes	5	0	0
closing balance	6	49,028	36,898
2 Retained earnings	7		
opening balance	8	40,956	30,398
transfers to funds	9	0	10,558
other changes	10	(40,956)	0
closing balance	11	0	40,956
3 Capital funds	12		
opening balance	13	448,684	129,716
issued unit certificates	14	236,906	514,743
repurchase of unit certificates	15	(253,914)	(195,775)
transfers to funds	16	(25,406)	0
other changes	17	0	0
closing balance	18	406,270	448,684
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(66,362)	10,559
profit (loss)	29	90,280	(66,362)
transfers to funds, dividends	30	66,362	(10,559)
closing balance	31	90,280	(66,362)
<b>7 Total</b>	<b>32</b>	<b>545,578</b>	<b>460,176</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., High Yield dluhopisový – otevřený podílový fond (hereinafter the “Fund” or “ISČS, a. s. – High Yield dluhopisový OPF”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”).

Following Investiční společnost České spořitelny, a. s.’s request of 14 March 2006, the Securities Commission approved the formation of a fund entitled Investiční společnost České spořitelny, a. s. – High Yield dluhopisový FF – otevřený podílový fond. The decision came into effect on 4 July 2006. The Fund commenced its activities on 28 August 2006. The name of the Fund changed to High Yield dluhopisový – otevřený podílový fond on 4 November 2008.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a bond fund.

### Registered Office

Investiční společnost České spořitelny, a. s.  
High Yield dluhopisový – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with long-term absolute performance of their crown investments in participation certificates, principally through investments in bonds of corporate and bank issuers, who received Standard & Poor’s or Moody’s rating of long-term indebtedness at least on the speculative level, i.e. principally issuers from Western and Eastern Europe.

The credit risk is reduced through broad diversification of the mutual fund portfolio, where usually up to 3 percent of the mutual fund’s assets are invested in the bonds of one issuer, with exceptions allowed for basically three issuers, where up to 5 percent of the mutual fund assets can be invested into bonds.

The portfolio of the Fund predominantly includes bonds denominated in EUR or USD. Foreign currency risk is hedged by standard hedging transactions. The above-described objectives do not represent limits for the restriction and distribution of the investment-related risks.

The portfolio of the Fund predominantly includes bonds with fixed and variable coupon, denominated in EUR and USD, the issuers of which are companies and state institutions from Western and Eastern European countries. The Fund also invests in treasury bills, bank deposits, or bonds with embedded derivatives.

Finances collected in the Fund can also be invested in securities of collective investment funds if such collective investment funds invest in identical classes of assets as a standard fund in compliance with the Act.

The portfolio of the Fund may also be expanded by purchasing bonds exchangeable for shares or with the option to subscribe for shares. In the event of claiming the rights arising from these bonds for the acquisition of shares, the shares must not exceed 10 percent of the value of the Fund’s assets.

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

The Fund uses financial derivatives to hedge against currency exposures.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4693/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been constantly applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or

payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

## Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

## Receivables and Payables

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

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

## Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

## Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

## Deferred Tax

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

## Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the

balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

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

### Equity of the Fund

The selling price of participation certificates is calculated as a proportion of the Fund's equity and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.15).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	1.32%	2.08%
Foreign currency VaR	0.10%	0.27%
Interest rate VaR	1.31%	2.04%
Equity VaR	0.00%	0.00%

	31 Dec 2011	Average VaR
Global VaR	2.27%	2.86%
Foreign currency VaR	0.05%	0.43%
Interest rate VaR	2.25%	2.78%
Equity VaR	0,00%	0.00%

The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	69,839	51,180
<b>Total</b>	<b>69,839</b>	<b>51,180</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	434,501	445,369
Market revaluation	28,010	(36,051)
Accrued interest income	10,523	12,222
<b>Total</b>	<b>473,034</b>	<b>421,540</b>

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 0 percent in 2012 (2011: 1.1 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 100 percent in 2012 (2011: 98.9 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	5,272	-
State budget settlement	-	521
Other receivables	427	1,032
Other	-	1
Provisions against receivables	-	(103)
<b>Total</b>	<b>5,699</b>	<b>1,451</b>

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totaled CZK 1.2072 (2011: CZK 0.9816). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 90,280 thousand will be transferred to the reinvestment fund within 'Other funds from profit'.

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 66,362 thousand was covered by decreasing of the reinvestment fund. Remaining amount will be covered by decreasing the Capital fund.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of capital fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>149,994,282</b>	<b>149,994</b>	<b>(20,278)</b>	<b>129,716</b>
Participation certificates sold	514,742,519	514,743	-	514,743
Participation certificates purchased	(195,774,475)	(195,775)	-	(195,775)
<b>Balance at 31 Dec 2011</b>	<b>468,962,326</b>	<b>468,962</b>	<b>(20,278)</b>	<b>448,684</b>
Participation certificates sold	236,906,359	236,906	-	236,906
Participation certificates purchased	(253,914,092)	(253,914)	-	(253,914)
Use of capital fund to cover losses	-	-	(25,406)	(25,406)
<b>Balance at 31 Dec 2012</b>	<b>451,954,593</b>	<b>451,954</b>	<b>(45,684)</b>	<b>406,270</b>



## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	500	13,241
State budget settlement	1,187	–
Payables to participation certificate holder	559	214
Other liabilities	155	112
<b>Total</b>	<b>2,401</b>	<b>13,567</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 50 thousand related to December (2011: CZK 42 thousand), the unbilled management fee of CZK 546 thousand related to December (2011: CZK 460 thousand) and unbilled fee for local sub-register management of CZK 6 thousand related to December (2011: CZK 4 thousand) and the unbilled fee for the NAV and participation certificate rate calculation of CZK 2 thousand (2011: CZK 2 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

Nominal value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	212,682	208,475	402,171	415,412
<b>Total currency instruments</b>	<b>212,682</b>	<b>208,475</b>	<b>402,171</b>	<b>415,412</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

Fair value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	4,207	–	–	13,241
<b>Total currency instruments</b>	<b>4,207</b>	<b>–</b>	<b>–</b>	<b>13,241</b>

All currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

Nominal Value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	334,224	333,659	–	–
<b>Total</b>	<b>334,224</b>	<b>333,659</b>	<b>–</b>	<b>–</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

Fair value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	1,065	500	–	–
<b>Total</b>	<b>1,065</b>	<b>500</b>	<b>–</b>	<b>–</b>

All currency derivatives are due within one year.

### 5.11 Interest Income

	2012	2011
Interest on deposits at banks	127	203
Interest on debt securities	40,174	35,084
<b>Total</b>	<b>40,301</b>	<b>35,287</b>

### 5.12 Fees and Commissions

	2012	2011
Management fees	5,202	4,542
Custody fees	477	416
Commissions and fees from securities trading	(10)	(112)
Expenses of administration of the local sub-register – Česká spořitelna	73	50
Administration of securities	238	205
Other fees and commissions	453	392
<b>Total</b>	<b>6,433</b>	<b>5,493</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.20 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

### 5.13 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	46,582	(64,285)
Profit or loss from fixed term transactions	13,095	(32,163)
Profit or loss from FX differences	(1,870)	558
<b>Total</b>	<b>57,807</b>	<b>(95,890)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.14 Administrative Expenses

	2012	2011
Audit	235	162
<b>Total</b>	<b>235</b>	<b>162</b>

## 5.15 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	1,259	–
<b>Total income tax</b>	<b>1,259</b>	<b>–</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	91,539	(66,362)
Items to add	–	103
Deductible items	(99)	–
Tax base	91,440	(66,259)
Loss deduction	(66,259)	–
Tax base after deduction	25,181	(66,259)
Tax (5%) on tax base after deduction	1,259	–
<b>Total tax</b>	<b>1,259</b>	<b>–</b>

### Deferred tax

As at 31 December 2012 no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 3,318 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.16 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	50	42
Unbilled management fee – Investiční společnost	546	460
Unbilled fee for administration of the local sub-register – Česká spořitelna	6	4
Other payables to related parties	156	114
<b>Total payables to related parties</b>	<b>758</b>	<b>620</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 1,231 thousand in 2012 (2011: CZK 950 thousand), of which the greatest portion is represented by the custody fee of CZK 477 thousand (2011: CZK 416 thousand). The costs charged by the Company amounted to CZK 5,202 thousand (2011: CZK 4,542 thousand).

## 5.17 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months

2012

	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	69,839	–	–	–	–	69,839
Debt securities	–	–	217,783	255,251	–	473,034
Other assets	5,699	–	–	–	–	5,699
Prepayments	11	–	–	–	–	11
<b>Total assets</b>	<b>75,549</b>	<b>–</b>	<b>217,783</b>	<b>255,251</b>	<b>–</b>	<b>548,583</b>
<b>Liabilities</b>						
Other liabilities	(1,818)	(1,187)	–	–	–	(3,005)
Net assets	73,731	(1,187)	217,783	255,251	–	545,578
Available capital	(545,578)	–	–	–	–	(545,578)
<b>Difference</b>	<b>(471,847)</b>	<b>(1,187)</b>	<b>217,783</b>	<b>255,251</b>	<b>–</b>	<b>–</b>

2011

	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	51,180	–	–	–	–	51,180
Debt securities	–	–	207,179	214,361	–	421,540
Other assets	930	521	–	–	–	1,451
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>52,110</b>	<b>601</b>	<b>207,179</b>	<b>214,361</b>	<b>–</b>	<b>474,251</b>
<b>Liabilities</b>						
Other liabilities	(14,075)	–	–	–	–	(14,075)
Net assets	38,035	601	207,179	214,361	–	460,176
Available capital	(460,176)	–	–	–	–	(460,176)
<b>Difference</b>	<b>(422,141)</b>	<b>601</b>	<b>207,179</b>	<b>214,361</b>	<b>–</b>	<b>–</b>

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

## 5.18 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign participation certificates administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.19 Contingent Assets and Liabilities

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

## 5.20 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0471612076	AGROKOR 10 12/07/16	400.0000	27,854.99	11,141,997.72	64,246.67
XS0307399062	BEVERAGE PACKAGING 9.5 06/15/17	300.0000	26,231.33	7,869,398.22	29,853.75
XS0452168536	CENT EURO MED 11.625 09/15/16	350.0000	26,530.62	9,285,716.69	298,341.09
XS0568044555	CONVATEC HEALTH 10.875 12/15/18	100.0000	28,743.44	2,874,344.19	11,391.56
XS0504814509	NEW WORLD RESOUR 7.875 05/01/18	450.0000	26,219.26	11,798,667.09	146,008.41
XS0584389448	ONO FINANCE II 11.125 07/15/19	600.0000	24,161.17	14,496,704.46	769,126.88
XS0559494330	POLISH TELEV HOLDING 11 05/15/17	200.0000	27,682.91	5,536,582.20	70,706.25
XS0482702395	SEAT PAGINE GIALLE 10.5 01/31/17	300.0000	15,209.70	4,562,910.00	329,962.50
XS0466370540	SMURFIT KAPPA AQ 7.25 11/15/17	300.0000	27,130.21	8,139,062.43	68,349.38
XS0438150160	WIND ACQUISITION 11.75 07/15/17	650.0000	26,288.90	17,087,783.70	880,030.94
XS0505541044	ZIGGO 8 05/15/18	300.0000	27,754.56	8,326,368.00	75,420.00
XS0283393998	ZLOMREX INT FIN 8.5 02/01/14	600.0000	19,356.04	11,613,624.12	530,663.50
XS0544362972	ALFA BANK 7.875 09/25/17	300.0000	21,319.78	6,395,934.61	118,796.02
XS0555493203	ALROSA FINANCE 7.75 11/03/20	600.0000	22,186.59	13,311,956.39	140,292.44
USL19698AA49	CONVATEC HEALTH 10.5 12/15/18	250.0000	21,103.41	5,275,853.13	20,841.41
XS0625516157	KAZKOMMERTSBANK 8.5 05/11/18	600.0000	17,510.31	10,506,183.86	132,273.46
USG68656AA87	PACNET LTD 9.25 11/09/15	800.0000	19,647.99	15,718,393.28	199,759.92
XS0643183220	VIMPELCOM 7.5043 03/01/22	900.0000	21,894.29	19,704,861.25	428,983.31
XS0546767863	YASAR HOLDINGS 9.625 10/07/15	750.0000	20,081.49	15,061,119.64	317,136.73
XS0558618384	YUKSEL INSAAT 9.5 11/10/15	500.0000	15,104.14	7,552,068.15	125,710.07
XS0480219640	ARDAGH GLASS 8.75 02/01/20	350.0000	26,389.96	9,236,486.28	318,658.23
XS0616393145	BOPRAN FINANCE 9.875 04/30/18	200.0000	34,923.55	6,984,710.66	101,422.83
XS0586885500	CROWN NEWCO 3 PLC 7 02/15/18	300.0000	32,783.20	9,834,959.31	242,644.50
XS0626064017	CYFROWY POLSAT 7.125 05/20/18	300.0000	27,636.15	8,290,845.18	59,707.50
XS0170485204	DAILY MAIL & GT 5.75 12/07/18	200.0000	32,727.74	6,545,547.22	22,638.26
XS0831842645	EDP FINANCE BV 5.75 09/21/17	600.0000	26,960.14	16,176,081.60	238,515.75
XS0731129747	EILEME 2 AB 11.75 01/31/20	350.0000	29,320.40	10,262,141.72	430,784.38
XS0359381331	EVRAZ 9.5 04/24/18	400.0000	21,790.82	8,716,328.65	132,749.83
XS0764640149	FIAT 7 03/23/17	550.0000	26,084.01	14,346,203.85	744,737.58
XS0604641034	FIAT INDUSTRIAL F 6.25 03/09/18	400.0000	28,247.18	11,298,871.32	508,037.50
XS0753190296	GATEGROUP FINLUX 6.75 03/01/2019	300.0000	26,876.92	8,063,076.78	168,280.88
XS0478803355	HEIDELBERGCEM LUX 7.5 04/03/20	500.0000	29,822.33	14,911,162.50	227,831.25
XS0627215378	JAGUAR LAND ROVER 8.125 05/15/18	200.0000	34,242.76	6,848,552.43	62,586.88
XS0480857415	KERLING PLC 10.625 02/01/17	450.0000	24,429.29	10,993,181.49	497,497.03
XS0562783034	LAFARGE 5.375 11/29/18	500.0000	28,395.88	14,197,940.70	72,809.84
XS0556900818	PIPE HOLDINGS PLC 9.5 11/01/15	500.0000	32,401.59	16,200,795.54	239,862.86
XS0775984213	PROMSVYAZ 8.5 04/25/17	350.0000	19,687.63	6,890,669.10	102,354.46
XS0551315384	SEVERSTAL OAO 6.7 10/25/17	300.0000	20,909.53	6,272,858.36	69,153.77
XS0801261156	SHCAEFFLER FBV 6.75 07/01/17	300.0000	27,442.57	8,232,771.78	63,635.63
XS0495219874	STENA AB 7.875 03/15/20	250.0000	27,401.22	6,850,304.33	144,358.59
XS0548102531	SUNRISE COMM 8.5 12/31/18	400.0000	27,666.70	11,066,678.28	0.00
XS0508768610	TOWERGATE FINANCE 10.5 02/15/19	400.0000	32,217.80	12,887,119.00	485,289.00
XS0479955402	UPCB FINANCE LTD 7.625 01/15/20	500.0000	27,724.64	13,862,321.70	439,295.31
US92769VAD10	VIRGIN MEDIA FIN 4.875 02/15/22	200.0000	19,633.61	3,926,721.02	30,964.38
XS0253989635	WENDEL SA 4.875 05/26/16	10.0000	1,335,518.51	13,355,185.05	360,863.75
<b>Total Foreign corporate bonds</b>				<b>462,511,042.98</b>	<b>10,522,574.24</b>
<b>Total</b>				<b>462,511,042.98</b>	<b>10,522,574.24</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
BONDINVEST – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., BONDINVEST – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., BONDINVEST – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

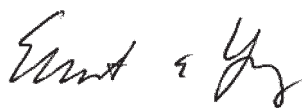
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., BONDINVEST – otevřený podílový fond as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

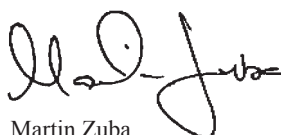
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	8,022	4,368
of which: a/current accounts	2	8,022	4,368
3 Debt securities	10	57,181	65,498
a/ issued by the government	11	52,993	56,832
b/ issued by other entities	12	4,188	8,666
4 Shares, unit certificates and other participation interests	13	8,374	6,340
6 Other assets	15	586	560
a/ derivatives	16	25	0
d/ other assets	19	561	560
7 Prepayments and accrued income	21	10	80
<b>Total Assets</b>	<b>22</b>	<b>74,173</b>	<b>76,846</b>
3 Other liabilities	29	2,402	2,483
a/ derivatives	30	0	117
c/ liabilities from taxes	32	187	0
d/ other liabilities	33	2,215	2,366
4 Deferred income and accrued expenses	34	61	63
6 Share premium	39	(3,417)	(2,052)
7 Other funds from profit	40	12,903	10,008
8 Capital funds	41	42,611	51,291
10 Retained earnings or accumulated losses from previous periods	46	12,158	12,158
11 Profit or loss for the accounting period	47	7,455	2,895
<b>Total Liabilities</b>	<b>48</b>	<b>74,173</b>	<b>76,846</b>
of which: Equity	49	71,710	74,300

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	8,473	11,364
b/ with currency instruments	4	8,473	11,364
6 Assets provided into custody, administration and safekeeping	10	65,555	71,838
of which: securities	11	65,555	71,838
10 Amounts owed from fixed term transactions	14	8,448	11,481
b/ with currency instruments	16	8,448	11,481



# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	2,684	3,147
of which: a/ interest income from bonds	2	2,652	3,118
4 Commission and fee expenses	10	798	947
a/ fees and commissions from securities trading	11	5	3
b/ management fee	12	652	771
c/ custody fee	13	80	94
d/ other financial expenses	14	61	79
5 Profit or loss on financial operations	15	5,989	859
a/ profit or loss on transactions with securities	16	5,534	1,346
b/ profit or loss on foreign exchange transactions and options	17	34	1
c/ profit or loss on fixed term transactions and options	18	421	(488)
8 Administrative expenses	21	233	164
a/ audit	22	233	162
b/ other administrative expenses	23	0	2
11 Ordinary profit or loss for the accounting period before tax	26	7,642	2,895
15 Income tax	30	187	0
16 Profit or loss for the accounting period after tax	31	7,455	2,895

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(2,052)	108
issued unit certificates	3	0	0
repurchase of unit certificates	4	(1,365)	(2,160)
other changes	5	0	0
closing balance	6	(3,417)	(2,052)
2 Retained earnings	7	0	0
opening balance	8	10,008	6,073
transfers to funds	9	2,895	3,935
other changes	10	0	0
closing balance	11	12,903	10,008
3 Capital funds	12	0	0
opening balance	13	51,291	73,906
issued unit certificates	14	0	0
repurchase of unit certificates	15	(8,680)	(22,615)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	42,611	51,291
4 Gains or losses from revaluation	19	0	0
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23	0	0
opening balance	24	12,158	12,158
other changes	25	0	0
closing balance	26	12,158	12,158
6 Profit (loss) for the current period after taxes	27	0	0
opening balance	28	2,895	3,935
profit (loss)	29	7,455	2,895
transfers to funds, dividends	30	(2,895)	(3,935)
closing balance	31	7,455	2,895
7 Total	32	71,710	74,300

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., BONDINVEST – otevřený podílový fond (hereinafter the “Fund” or “ISČS, a.s. – BONDINVEST OPF”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”) as an open-ended mutual fund under the Investment Companies and Funds Act No. 248/1992 Coll., as amended, based upon the Resolution of the Ministry of Finance of the Czech Republic dated 27 October 1994. The decision came into effect on 14 December 1994.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a bond fund.

### Registered Office

Investiční společnost České spořitelny, a.s.  
BONDINVEST – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

The Fund is a standard collective investment fund that meets the requirements of EC legislation. This also entails that the Fund is

subject to supervision which is equivalent to the supervision pursuant to the EU legislation, the level of protection of the participation certificate holders’ assets is equivalent to the protection provided to participation certificate holders of other collective investment funds that fulfil the requirements of Council Directive No. 85/611/EEC as of 20 December 1985, on the coordination of legal and administrative regulations regarding collective investment entities transferable into securities, as amended by Council Directive No. 88/220/EEC, Directive 95/26/ES of the European Parliament and Council, Directive 2001/107/EC of the European Parliament and Council and Directive 2001/108/EC of the European Parliament and Council. The Company prepares mid-year and annual reports on the administration of mutual fund assets, which provide a true view of the assets and liabilities, revenues and transactions in the reporting period.

### Investment Policy of the Fund

The objective of the Fund’s investment policy is to provide participation certificate holders with a long-term appreciation of their investments on condition that the overall risk profile of the Fund minimises the likelihood of losses within two years. The aim is achieved by investing in a widely diversified portfolio of securities with fixed or variable interest income and active management of interest rate risk.

The Fund is a standard fund pursuant to the Collective Investment Act. The Company fulfils the requirements of the EU legislation when managing the Fund’s assets.

The finances collected in the Fund can be invested in securities of the collective investment funds if such collective investment fund invests in identical classes of assets as a standard fund in compliance with the Act, spreads the risk connected to investments, repurchases securities which it issued or ensures that the exchange rate or price of these securities on the regulated market does not significantly differ from their current amount provided that it has been authorised by a supervision body of the state where it has its registered office and falls subject to supervision which the Czech National Bank considers equivalent to the supervision within the European Union member states and provided that the cooperation between the Czech National Bank and this supervision body is ensured and the protection of owners of securities issued by this collective investment fund is equivalent to the protection provided to owners of securities issued by a collective investment fund fulfilling the requirements of the EC legislation; this collective investment fund must principally comply with provisions on borrowing, lending and sales of assets for a short time (Sections 33 to 35 of the Collective Investment Act), separating its assets in accounting pursuant to Section 16 (1) of the Collective Investment Act, prepare and publish mid-year and annual reports, which provide

a true view of assets and liabilities, revenues and transactions in the reporting period, and its Statute can allow investments up to the maximum of 10 percent of the value of its assets into securities issued by another collective investment fund.

The Fund also invests in securities denominated in foreign currencies.

The Fund can also purchase bonds which can be exchanged for shares or which carry the priority right for the subscription of shares into the portfolio of the Fund. In the event of claiming the rights arising from these bonds for the acquisition of shares, the shares must not exceed 10 percent of the value of the Fund's assets.

The portfolio of the Fund predominantly includes state bonds with fixed coupons denominated in CZK, or state bonds of other countries with developed bond markets. The foreign currency risk is usually hedged. The Fund also invests in corporate bonds, treasury bills, bank deposits or bonds with embedded derivatives.

The Company can use financial derivatives to effectively manage the Fund's assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund's assets so that liabilities arising from these transactions are fulfilled.

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

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

Czech National Bank Resolution No. 2012/4691/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the

total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

### **Management Policy**

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund's assets.

Since 2008 the generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings is not allowed to exceed 10 percent of the value of the Fund's assets.

## **2. Basis of Preparation**

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

a) the date upon which the related contract was entered into;

b) the date when fulfilment was delivered based on the relevant contract.

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes.

Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net asset value and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.14).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KVaR system.

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

	31 Dec 2012	Average VaR
Global VaR	1.17%	1.54%
Foreign currency VaR	0.07%	0.05%
Interest rate VaR	1.17%	1.59%
Equity VaR	0.27%	0.24%

	31 Dec 2011	Average VaR
Global VaR	1.26%	1.48%
Foreign currency VaR	0.02%	0.03%
Interest rate VaR	1.40%	1.51%
Equity VaR	0.23%	0.15%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

The Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed, if the purchase of a participation certificate is not suspended.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	8,022	4,368
<b>Total</b>	<b>8,022</b>	<b>4,368</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	7,728	6,020
Market revaluation	646	320
<b>Total</b>	<b>8,374</b>	<b>6,340</b>

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	52,096	63,701
Market revaluation	4,051	625
Accrued interest income	1,034	1,172
<b>Total</b>	<b>57,181</b>	<b>65,498</b>

Debt securities maturing within one year accounted for 7.32 percent (2011: 7.9 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 92.68 percent (2011: 92.1 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Financial derivatives – positive fair value	25	–
Other assets	561	560
<b>Total</b>	<b>586</b>	<b>560</b>

'Other receivables' mainly include receivables from coupons of CZK 556 thousand (2011: CZK 556 thousand).

### 5.4 Equity

The Fund has no share capital. The nominal value of participation certificates is CZK 5,000 and CZK 50,000. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of the participation certificate is determined as the share of the Fund's net asset value and the number of issued participation certificates whereby, for the calculation purposes, one participation certificate with the nominal value of CZK 50,000 is treated as ten pieces.



The value of a participation certificate as at the last trading date in 2012 totalled CZK 6,133.5 (2011: CZK 5,533.50) with respect to a participation certificate with a nominal value of CZK 5,000. This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value minimally differs from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 7,455 thousand was transferred to the reinvestment fund within 'Other funds from profit'.

In line with the Fund's Statute, the profit for 2011 in the amount of CZK 2,895 thousand was transferred to the reinvestment fund within 'Other funds from profit'.

## 5.5 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of the capital fund	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>17,951</b>	<b>89,755</b>	<b>(15,849)</b>	<b>73,906</b>
Participation certificates purchased	(4,523)	(22,615)	-	(22,615)
<b>Balance at 31 Dec 2011</b>	<b>13,428</b>	<b>67,140</b>	<b>(15,849)</b>	<b>51,291</b>
Participation certificates purchased	(1,736)	(8,680)	-	(8,680)
<b>Balance at 31 Dec 2012</b>	<b>11,692</b>	<b>58,460</b>	<b>(15,849)</b>	<b>42,611</b>

## 5.6 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	-	117
State budget settlement	187	-
Payables to participation certificate holders	2,210	2,358
Other liabilities	5	8
<b>Total</b>	<b>2,402</b>	<b>2,483</b>

## 5.7 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	10	80
<b>Total</b>	<b>10</b>	<b>80</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 7 thousand related to December (2011: CZK 7 thousand) and the unbilled management fee of CZK 54 thousand related to December (2011: CZK 56 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	8,473	8,448	11,364	11,481
<b>Total</b>	<b>8,473</b>	<b>8,448</b>	<b>11,364</b>	<b>11,481</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

## Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	25	–	–	117
<b>Total</b>	<b>25</b>	<b>–</b>	<b>–</b>	<b>117</b>

Currency derivatives designated as hedging derivatives are due within one year.

## 5.10 Interest Income

	2012	2011
Interest on deposits at banks	32	29
Interest on debt securities	2,652	3,118
<b>Total</b>	<b>2,684</b>	<b>3,147</b>

## 5.11 Fees and Commissions

	2012	2011
Management fees	652	771
Custody fees	80	94
Commissions and fees from securities trading	5	3
Administration of securities	36	44
Fees – central depository	2	1
Fees for administration of short-term bonds	6	6
Other fees and commissions	17	28
<b>Total</b>	<b>798</b>	<b>947</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.90 percent of the average annual net asset value.

Pursuant to the custody service contract, the Fund pays a fee equal to 0.11 percent of its average annual net asset value to the depository.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.12 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	5,534	1,346
Profit or loss from derivatives	421	(488)
Profit or loss from FX differences	34	1
<b>Total</b>	<b>5,989</b>	<b>859</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.13 Administrative Expenses

	2012	2011
Audit	233	162
Remuneration for the payment of income	-	2
<b>Total</b>	<b>233</b>	<b>164</b>

### 5.14 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	187	-
<b>Total income tax</b>	<b>187</b>	<b>-</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	7,642	2,895
Items to add	-	-
Deductible items	-	-
Tax base	7,642	2,895
Tax loss utilisation	(3,902)	(2,895)
Adjusted tax base	3,740	-
Tax (5%) on tax base	187	-
Foreign dividends	-	-
Tax on foreign dividends	-	-
<b>Total tax</b>	<b>187</b>	<b>-</b>

#### Deferred tax

As s at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 195 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.15 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Unbilled management fee – Investiční společnost	54	56
Unbilled custody fee – Česká spořitelna	7	7
Other payables to related parties	6	7
<b>Total payables to related parties</b>	<b>67</b>	<b>70</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 146 thousand in 2012 (2011: CZK 178 thousand), of which the greatest portion is represented by an annual custody fee of CZK 80 thousand (2011: CZK 94 thousand). The costs charged by the Company amounted to CZK 652 thousand (2011: CZK 771 thousand), which is the annual management fee.

## 5.16 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	8,022	–	–	–	–	8,022
Debt securities	4,188	–	11,914	41,079	–	57,181
Participation certificates	–	–	–	–	8,374	8,374
Other assets	586	–	–	–	–	586
Prepayments and accrued income	–	10	–	–	–	10
<b>Total assets</b>	<b>12,796</b>	<b>10</b>	<b>11,914</b>	<b>41,079</b>	<b>8,374</b>	<b>74,173</b>
<b>Liabilities</b>						
Other liabilities	(2,276)	(187)	–	–	–	(2,463)
Net assets	10,520	(177)	11,914	41,079	8,374	71,710
Available capital	(71,710)	–	–	–	–	(71,710)
<b>Difference</b>	<b>(61,190)</b>	<b>(177)</b>	<b>11,914</b>	<b>41,079</b>	<b>8,374</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	4,368	–	–	–	–	4,368
Debt securities	5,182	–	26,375	33,941	–	65,498
Participation certificates	–	–	–	–	6,340	6,340
Other assets	560	–	–	–	–	560
Prepayments and accrued income	–	80	–	–	–	80
<b>Total assets</b>	<b>10,110</b>	<b>80</b>	<b>26,375</b>	<b>33,941</b>	<b>6,340</b>	<b>76,846</b>
<b>Liabilities</b>						
Other liabilities	(2,546)	–	–	–	–	(2,546)
Net assets	7,564	80	26,375	33,941	6,340	74,300
Available capital	(74,300)	–	–	–	–	(74,300)
<b>Difference</b>	<b>(66,736)</b>	<b>80</b>	<b>26,375</b>	<b>33,941</b>	<b>6,340</b>	<b>–</b>

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

## 5.17 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.18 Contingent Assets and Liabilities

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

## 5.19 Subsequent Events

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

## Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0348109074	GENERAL ELECTRIC 4.625 03/05/13	2.0000	2,018,000.00	4,036,000.00	152,144.81
<b>Total Foreign corporate bonds</b>				<b>4,036,000.00</b>	<b>152,144.81</b>
CZ0001001317	GOVERNMENT BOND 3.75 09/12/20	300.0000	11,526.00	3,457,800.00	33,750.00
CZ0001001903	GOVERNMENT BOND 4 04/11/17	200.0000	11,395.00	2,279,000.00	57,555.56
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	1,000.0000	11,931.00	11,931,000.00	168,666.67
CZ0001002471	GOVERNMENT BOND 5 04/11/19	800.0000	12,240.00	9,792,000.00	287,777.78
CZ0001002547	GOVERNMENT BOND 5.7 05/25/24	1,100.0000	13,667.00	15,033,700.00	374,458.33
CZ0001000749	GOVERNMENT BOND 6.95 01/26/16	800.0000	12,022.00	9,617,600.00	-40 155.56
<b>Total Local government bonds</b>				<b>52,111,100.00</b>	<b>882,052.78</b>
AT0000A05HS1	ESPA BOND BRIK-CORP. (VT)	366.0000	3,793.88	1,388,559.13	0.00
AT0000658968	ESPA BOND EURO-CORPORATE (VT)	1,650.0000	4,233.32	6,984,985.59	0.00
<b>Total Foreign participation certificates</b>				<b>8,373,544.72</b>	<b>0.00</b>
<b>Total</b>				<b>64,520,644.72</b>	<b>1,034,197.59</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s., SPOROTREND – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., SPOROTREND – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., SPOROTREND – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

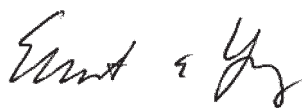
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., SPOROTREND – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

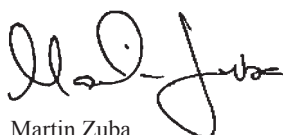
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	48,130	63,359
of which: a/current accounts	2	48,130	63,359
4 Shares, unit certificates and other participation interests	13	3,573,089	3,433,116
6 Other assets	15	17,750	5,781
a/ derivatives	16	13,119	0
d/ other assets	19	4,631	5,781
7 Prepayments and accrued income	21	14	80
<b>Total Assets</b>	<b>22</b>	<b>3,638,983</b>	<b>3,502,336</b>
3 Other liabilities	29	10,930	96,075
a/ derivatives	30	0	87,001
c/ liabilities from taxes	32	9,382	5,770
d/ other liabilities	33	1,548	3,304
4 Deferred income and accrued expenses	34	6,410	6,027
6 Share premium	39	984,401	960,846
7 Other funds from profit	40	1,500,198	3,532,729
8 Capital funds	41	530,847	542,190
10 Retained earnings or accumulated losses from previous periods	46	397,000	397,000
11 Profit or loss for the accounting period	47	209,197	(2,032,531)
<b>Total Liabilities</b>	<b>48</b>	<b>3,638,983</b>	<b>3,502,336</b>
of which: Equity	49	3,621,643	3,400,234

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	781,043	2,148,891
b/ with currency instruments	4	781,043	2,148,891
6 Assets provided into custody, administration and safekeeping	10	3,573,089	3,433,116
of which: securities	11	3,573,089	3,433,116
10 Amounts owed from fixed term transactions	14	767,924	2,235,892
b/ with currency instruments	16	767,924	2,235,892



# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	1,397	891
2 Interest expenses and similar expenses	6	5	0
3 Income from shares and unit certificates	9	96,824	92,070
4 Commission and fee expenses	10	88,348	110,958
a/ fees and commissions from securities trading	11	3,469	4,173
b/ management fee	12	72,181	91,692
c/ custody fee	13	3,970	5,043
d/ other financial expenses	14	8,728	10,050
5 Profit or loss on financial operations	15	216,554	(1,998,092)
a/ profit or loss on transactions with securities	16	229,996	(1,836,860)
b/ profit or loss on foreign exchange transactions and options	17	(2,554)	(5,597)
c/ profit or loss on fixed term transactions and options	18	(10,888)	(155,635)
8 Administrative expenses	21	264	162
a/ audit	22	264	162
9 Release of provisions against receivables and income from receivables written off	24	732	992
10 Depreciation and creation of provisions against receivables	25	3,170	3,461
11 Ordinary profit or loss for the accounting period before tax	26	223,720	(2,018,720)
15 Income tax	30	14,523	13,811
16 Profit or loss for the accounting period after tax	31	209,197	(2,032,531)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	960,846	1,020,221
issued unit certificates	3	139,724	492,991
repurchase of unit certificates	4	(116,397)	(552,366)
other changes	5	228	0
closing balance	6	984,401	960,846
2 Retained earnings	7		
opening balance	8	3,532,729	3,390,881
transfers to funds	9	0	141,848
other changes	10	(2,032,531)	0
closing balance	11	1,500,198	3,532,729
3 Capital funds	12		
opening balance	13	542,190	433,996
issued unit certificates	14	821,892	1,169,618
repurchase of unit certificates	15	(833,235)	(1,061,424)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	530,847	542,190
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	397,000	397,000
other changes	25	0	0
closing balance	26	397,000	397,000
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(2,032,531)	141,848
profit (loss)	29	209,197	(2,032,531)
transfers to funds, dividends	30	2,032,531	(141,848)
closing balance	31	209,197	(2,032,531)
<b>7 Total</b>	<b>32</b>	<b>3,621,643</b>	<b>3,400,234</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny a. s., SPOROTREND – otevřený podílový fond (hereinafter the “Fund” or “ISČS, a. s. – Sporotrend OPF”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) as an open-ended mutual fund under Investment Companies and Funds Act No. 248/1992 Coll., based upon the Resolution of the Ministry of Finance of the Czech Republic dated 13 November 1997. The Fund commenced its activities on 31 March 1998.

Based on the Company’s request dated 16 July 1999, the Securities Commission resolved, on 21 September 1999, to merge two open-ended mutual funds, namely Investiční společnost Čechoinvest and Investiční společnost Moravoinvest, with the open-ended mutual fund Investiční společnost SPOROTREND, under Section 35f (3) of Act No. 248/1992 Coll. The merger was performed as at 28 December 1999.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as an equity fund.

### Registered Office

Investiční společnost České spořitelny, a. s.  
SPOROTREND – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established.

The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in shares of companies in European Union candidate or new member states. The Company operates on capital markets with the aim of appreciating the assets in the Fund by making gains from differences between selling prices and acquisition prices and dividend income from securities held by the Fund.

The Fund may invest in securities of collective investment index funds, if such a collective investment fund invests in the same types of assets, distributes the risk connected to investments and meets other obligations set by the Act.

The Company can use financial derivatives to effectively manage the Fund’s assets.

The portfolio of the mutual fund could also be expanded by purchasing other investment instruments approved for collective investments of standard funds under the Act.

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

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund’s assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company’s management of assets, the loss is covered from the reinvestment fund which was created from earnings

brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings is not allowed to exceed 10 percent of the value of the Fund's assets.

### Change in the Statute

Czech National Bank Resolution No. 2012/4587/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are based on the accrual principle, that is, transactions and other events are recognized in the accounting period in which they occur, regardless of when the related monetary flow arises. The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

### Repo Transactions

Within its business, the Fund enters into repo transactions with financial assets, representing a pair of transactions (a sell and a buy) where both transactions (a spot sale and a forward repurchase) are agreed at the same time, irrespective of whether one or two underlying agreements exist.

The sold securities continue to be held in the Fund's portfolio (an economic aspect) and valued. On a custodian asset account, a decrease in securities (a legal aspect) is recorded upon the settlement of sale and an increase is recorded upon the date of buy back settlement. Daily interest income is recognized using the accrual principle.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.17.).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	22.89%	24.52%
Foreign currency VaR	4.25%	3.40%
Interest rate VaR	0.01%	0.01%
Equity VaR	22.32%	23.93%

	31 Dec 2011	Average VaR
Global VaR	27.19%	22.21%
Foreign currency VaR	2.16%	3.73%
Interest rate VaR	0.01%	0.01%
Equity VaR	26.38%	21.42%

The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	48,130	63,359
<b>Total</b>	<b>48,130</b>	<b>63,359</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	3,357,716	4,997,530
Market revaluation	215,373	(1,564,414)
<b>Total</b>	<b>3,573,089</b>	<b>3,433,116</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Receivables from security trading	4,762	4,762
Other receivables	10,452	10,022
Provisions against receivables	(10,583)	(9,003)
Positive fair values of financial derivatives	13,119	–
<b>Total</b>	<b>17,750</b>	<b>5,781</b>

Other receivables include mainly receivables of CZK 10,452 thousand arising from foreign and domestic dividends (2011: CZK 10,022 thousand).

As at 31 December 2012, provisions were created against receivables from securities trading in the amount of CZK 4,762 thousand (2011: CZK 4,762 thousand) and against other receivables in the amount of CZK 5,821 thousand (2011: CZK 4,241 thousand).

The caption 'Other' relates mainly to estimated receivables arising from foreign dividends.

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	14	80
<b>Total</b>	<b>14</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.



The value of a participation certificate as at the last trading date in 2012 totalled CZK 1,1761 (2011: CZK 1.1002). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 209,197 thousand will be transferred to the to the reinvestment fund within 'Other funds from profit'.

The loss for 2011 in the amount of CZK 2,032,531 thousand was covered partly by the reinvestment fund and partly by the capital fund.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Contribution upon merger	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>2,982,656,703</b>	<b>2,982,657</b>	<b>3,556</b>	<b>(2,552,217)</b>	<b>433,996</b>
Participation certificates sold	1,169,618,064	1,169,618	–	–	1,169,618
Participation certificates purchased	(1,061,423,969)	(1,061,424)	–	–	(1,061,424)
<b>Balance at 31 Dec 2011</b>	<b>3,090,850,798</b>	<b>3,090,851</b>	<b>3,556</b>	<b>(2,552,217)</b>	<b>542,190</b>
Participation certificates sold	821,891,703	821,892	–	–	821,892
Participation certificates purchased	(833,234,917)	(833,235)	–	–	(833,235)
<b>Balance at 31 Dec 2012</b>	<b>3,079,507,584</b>	<b>3,079,508</b>	<b>3,556</b>	<b>(2,552,217)</b>	<b>530,847</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Payables from participation certificate holders' placements	665	1,891
Payable to the state budget	9,382	5,770
Negative fair values of financial derivatives	–	87,001
Other liabilities	883	1,413
<b>Total</b>	<b>10,930</b>	<b>96,075</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 332 thousand for December 2012 (2011: CZK 312 thousand) and the management fee of CZK 6,036 thousand for December 2012 (2011: CZK 5,667 thousand), the unbilled fee for the local sub-register administration of CZK 24 thousand for December 2012 (2011: CZK 31 thousand) and the unbilled fee of CZK 3 thousand for December 2012 paid to the central depository (2011: CZK 3 thousand) and the unbilled fee for calculation of NAV and of participation certificate rate of CZK 15 thousand related to December 2012 (2011: CZK 14 thousand).

## 5.9 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	781,043	767,924	2,148,891	2,235,892
<b>Total</b>	<b>781,043</b>	<b>767,924</b>	<b>2,148,891</b>	<b>2,235,892</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

## Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	13,119	–	–	87,001
<b>Total</b>	<b>13,119</b>	<b>–</b>	<b>–</b>	<b>87,001</b>

Currency derivatives are due within one year.

## 5.10 Income from Shares and Interests

	2012	2011
Foreign dividends	95,124	91,999
Foreign dividends – previous period	1,700	71
<b>Total received dividends</b>	<b>96,824</b>	<b>92,070</b>

## 5.11 Interest Income

	2012	2011
Interest on deposits at banks	1,397	891
<b>Total</b>	<b>1,397</b>	<b>891</b>

## 5.12 Fees and Commissions

	2012	2011
Management fees	72,181	91,692
Custody fees	3,970	5,043
Commissions and fees from securities trading	3,469	4,173
Administration of securities	6,427	7,147
Expenses of administration of the local sub-register – Česká spořitelna	283	367
Central depository	38	38
Fee for calculation of NAV and of participation certificate rate	177	225
Other fees and commissions	1,803	2,273
<b>Total</b>	<b>88,348</b>	<b>110,958</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 2.00 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.13 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	229,996	(1,836,860)
Profit or loss from fixed term transactions	(10,888)	(155,635)
Profit or loss from FX differences	(2,554)	(5,597)
<b>Total</b>	<b>216,554</b>	<b>(1,998,092)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

#### 5.14 Administrative Expenses

	2012	2011
Audit	264	162
<b>Total</b>	<b>264</b>	<b>162</b>

#### 5.15 Release of Provisions against Receivables

	2012	2011
Decrease in provision against foreign dividends	732	992
<b>Total</b>	<b>732</b>	<b>992</b>

#### 5.16 Creation of Provisions against Receivables and Written-off Receivables

	2012	2011
<b>Creation of provisions against foreign dividends</b>		
Provisions against foreign dividends	2,438	2,469
Written-off receivables against foreign dividends	732	992
<b>Total</b>	<b>3,170</b>	<b>3,461</b>

#### 5.17 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	14,268	13,800
Additionally recorded tax	255	11
<b>Total income tax</b>	<b>14,523</b>	<b>13,811</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	223,720	(2,018,720)
Items to add	4,744	6,036
Deductible items	(97,555)	(93,063)
Tax base	130,909	(2,105,747)
Tax loss utilisation	(130,909)	–
Adjusted tax base	–	–
Tax (5%) on tax base	–	–
Foreign dividends	95,124	91,999
Tax on foreign dividends	14,268	13,800
Additionally recorded tax	255	11
<b>Total tax</b>	<b>14,523</b>	<b>13,811</b>

#### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 172,017 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 178,484 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.18 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Unbilled management fee – Investiční společnost	6,036	5,667
Unbilled custody fee – Česká spořitelna, a. s.	332	312
Unbilled fee for administration of the local sub-register – Česká spořitelna	24	31
Unbilled fee – the central depository – Česká spořitelna	3	3
Unbilled fee for calculation of NAV and of participation certificate rate	15	14
Other payables to related parties	882	1,415
<b>Total payables to related parties</b>	<b>7,292</b>	<b>7,442</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 15,911 thousand in 2012 (2011: CZK 18,974 thousand), of which the greatest portion was represented by custody fee of CZK 3,970 thousand (2011: CZK 5,043 thousand), and the fee paid to ČS, a. s. for administration of securities accounts of CZK 6,425 thousand (2011: CZK 7,147 thousand).

The costs charged by the Company amounted to CZK 72,181 thousand (2011: CZK 91,692 thousand), which is the annual management fee.

## 5.19 Liquidity

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

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	48,130	–	–	–	–	48,130
Shares and participation certificates	–	–	–	–	3,573,089	3,573,089
Other assets	13,119	–	–	–	4,631	17,750
Prepayments	14	–	–	–	–	14
<b>Total assets</b>	<b>61,263</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,577,720</b>	<b>3,638,983</b>
<b>Liabilities</b>						
Other liabilities	(7,958)	(9,382)	–	–	–	(17,340)
Net assets	53,305	(9,382)	–	–	3,577,720	3,621,643
Available capital	(3,621,643)	–	–	–	–	(3,621,643)
<b>Difference</b>	<b>(3,568,338)</b>	<b>(9,382)</b>	<b>–</b>	<b>–</b>	<b>3,577,720</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	63,359	–	–	–	–	63,359
Shares and participation certificates	–	–	–	–	3,433,116	3,433,116
Other assets	–	–	–	–	5,781	5,781
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>63,359</b>	<b>80</b>	<b>–</b>	<b>–</b>	<b>3,438,897</b>	<b>3,502,336</b>
<b>Liabilities</b>						
Other liabilities	(96,332)	(5,770)	–	–	–	(102,102)
Net assets	(32,973)	(5,690)	–	–	3,438,897	3,400,234
Available capital	(3,400,234)	–	–	–	–	(3,400,234)
<b>Difference</b>	<b>(3,433,207)</b>	<b>(5,690)</b>	<b>–</b>	<b>–</b>	<b>3,438,897</b>	<b>–</b>

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

### **5.20 Off-balance Sheet Assets and Liabilities**

Assets provided into custody, administration and safekeeping include domestic and foreign securities administrated by Česká spořitelna, a.s.

### **5.21 Contingent Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. Assets provided into custody, administration and safekeeping include domestic and foreign securities administrated by Česká spořitelna, a.s.

### **5.22 Subsequent Events**

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0005112300	CEZ	176,494.0000	680.00	120,015,920.00	0.00
CZ0008002854	INVESTICNI A POSTOVNI BANKA	55,000.0000	0.00	0.00	0.00
<b>Total Local shares</b>				<b>120,015,920.00</b>	
CA0662863038	BANKERS PETROLEUM LTD	2,695,065.0000	61.45	165,600,478.88	0.00
CA05570P1036	BNK PETROLEUM INC	1,634,033.0000	9.76	15,952,116.44	0.00
CA14426W1068	CARPATHIAN GOLD INC	9,409,000.0000	6.03	56,733,729.57	0.00
KYG876361091	TETHYS PETROLEUM LTD	5,643,300.0000	9.95	56,172,505.27	0.00
NL0006033375	AAA AUTO GROUP NV	1,226,652.0000	25.20	30,911,630.40	0.00
AT0000652011	ERSTE GROUP BANK CZK	500,000.0000	607.00	303,500,000.00	0.00
NL0009604859	FORTUNA ENTERTAINMENT GROUP NV	310,950.0000	85.00	26,430,750.00	0.00
GB00B42CTW68	NEW WORLD RESOURCES PLC	275,000.0000	97.60	26,840,000.00	0.00
AT0000818802	DO CO RESTAURANTS AND CATERING	42,054.0000	842.44	35,428,030.64	0.00
HU0000096409	FOTEX HOLDING SE CO LTD	120,000.0000	13.83	1,659,240.00	0.00
IM00B58FMW76	EXILLON ENERGY PLC	630,000.0000	52.38	32,999,652.00	0.00
GB00B1XH2C03	FERREXPO PLC	1,145,467.0000	77.40	88,658,852.56	0.00
KYG368211093	FRONTIER MINING LTD GBP	9,210,000.0000	0.63	5,760,703.96	0.00
GB00B0H1P667	MAX PETROLEUM PLC	17,102,360.0000	1.19	20,287,879.78	0.00
GB00B01R0Y35	VICTORIA OIL AND GAS PLC	9,412,551.0000	0.69	6,525,439.23	0.00
HU0000053947	EGIS HUNGARY	31,268.0000	1,511.96	47,275,912.12	0.00
HU0000068952	MOL MAGYAR OLAJ – ES GAZIPARI RT	84,098.0000	1,526.57	128,381,895.94	0.00
HU0000061726	OTP BANK	567,500.0000	356.82	202,493,647.50	0.00
LU0488722801	NORTHLAND RESOURCES	4,610,188.0000	20.51	94,573,396.63	0.00
PLPEKAO00016	BANK PEKAO SA	30,000.0000	1,033.81	31,014,300.00	0.00
PLKGHM000017	KGHM POLSKA MIEDZ S.A.	132,086.0000	1,172.68	154,894,610.48	0.00
PLPKO0000016	PKO BANK POLSKI SA	510,000.0000	227.75	116,150,868.00	0.00
PLPZU0000011	POWSECHNY ZAKLAD UBEZPIECZEN SA	18,250.0000	2,697.16	49,223,243.00	0.00
SE0004949683	ALLIANCE OIL PREFS	44,400.0000	790.83	35,112,852.00	0.00
TRAAKBNK91N6	AKBANK	785,001.4410	93.90	73,708,495.30	0.00
TRACLEBI91M5	CELEBI HAVA SERVISI	71,096.0000	215.53	15,323,605.26	0.00
TREENKA00011	ENKA ANSAAT VE SANAYI AS	142,031.9080	56.55	8,032,046.43	0.00
TRAGARAN91N1	GARANTIBANK	1,050,000.0000	98.80	103,744,410.00	0.00
TRAGUBRF91E2	GUBRE FABRIKALARI TAS	0.6180	151.51	93.64	0.00
TRASAHOL91Q5	HACI OMER SABANCI HOLDING	385,000.0000	104.57	40,257,910.00	0.00
TRAISTR91N2	ISBANK	650,000.0000	65.94	42,861,390.00	0.00
TREREYS00015	REYSAS LOGISTICS	0.8740	7.68	6.71	0.00
TRATHYAO91M5	TURK HAVA YOLLARI AO	250,000.0000	66.79	16,698,550.00	0.00
TRATCELL91M1	TURKCELL ILETISIM HIMZET	585,163.0000	123.24	72,114,610.38	0.00
TRETHAL00019	TURKIE HALK BANKASI	325,000.0000	186.73	60,685,625.00	0.00
TREVKFB00019	TURKIYE VAKIFLAR BANKASI	450,000.0000	49.19	22,134,915.00	0.00
TRAYKBNK91N6	YAPI VE KREDI BANKASI SA	425,000.0000	55.48	23,580,700.00	0.00
US48122U2042	AFK SISTEMA-REG S SPONS (GDR)	115,000.0000	384.91	44,264,765.00	0.00
RU0009091573	AK TRANSNEFT OAO-PREF	500.0000	42,904.21	21,452,105.79	0.00
RU000A0JPNN9	FEDERAL GRID CO UNIFIED ENERGY	50,000,000.0000	0.13	6,286,297.05	0.00
US3026951018	FX ENERGY INC	555,419.0000	78.31	43,497,163.82	0.00
US3682872078	GAZPROM (OAO SPON ADR REG S)	1,390,000.0000	180.26	250,561,817.00	0.00
US40425X2099	HYDRAULIC MACHINES AND SYS (GDR)	31,862.0000	80.41	2,562,090.33	0.00
US46626D1081	JSC MMC NORILSK NICKEL (ADR)	25,057.0000	351.18	8,799,608.72	0.00
US48666E6086	KAZKCOMMERTSBANK (GDR)	18,237.0000	32.39	590,760.26	0.00
US48666V2043	KAZMUNAIGAS EXPLORATION (GDR)	83,752.0000	342.99	28,726,098.48	0.00
US48668G2057	KCELL JSC	60,000.0000	223.90	13,433,775.00	0.00
RU0009034490	LENENERGO	1,465,000.0000	4.09	5,988,642.60	0.00

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
US50218G2066	LSR GROUP OJSC (GDR)	473,450.0000	79.38	37,583,942.90	0.00
US6778621044	LUKOIL (ADR)	187,500.0000	1,260.49	236,341,546.88	0.00
RU000A0JPV70	MECHEL PFD	330,000.0000	74.34	24,530,986.06	0.00
US55302T2042	MHP SA REG S (GDR)	146,288.0000	299.16	43,764,030.09	0.00
RU0009177331	MOSTOTREST CLS	378,412.0000	113.11	42,802,040.17	0.00
US65538M2044	NOMOS BANK (GDR)	198,465.0000	258.20	51,242,720.29	0.00
RU0009029540	SBERBANK	3,520,000.0000	58.04	204,283,356.29	0.00
US80585Y3080	SBERBANK (SPONSORED ADR)	100,000.0000	234.38	23,437,650.00	0.00
US8181503025	SEVERSTAL (GDR)	93,529.0000	231.90	21,689,314.31	0.00
US8688612048	SURGUTNEFTEGAZ (ADR)	220,000.0000	167.68	36,890,480.00	0.00
RU0009029524	SURGUTNEFTEGAZ PREFS	1,450,000.0000	12.44	18,037,363.00	0.00
US6708312052	TATNEFT – SPONSORED ADR	53,000.0000	830.23	44,001,996.55	0.00
RU000A0JNUD0	TGK 1	2,750,000,000.0000	0.00	11,679,459.00	0.00
US87260R2013	TMK GROUP (GDR)	17,500.0000	291.73	5,105,310.88	0.00
US92718P2039	VIMETCO NV (GDR)	200,000.0000	3.05	609,760.00	0.00
US46630Q2021	VTB BANK OJSC (GDR) REG S	200,000.0000	65.93	13,186,060.00	0.00
<b>Total Foreign shares</b>				<b>3,453,073,232.59</b>	<b>0.00</b>
<b>Total</b>				<b>3,573,089,152.59</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
GLOBAL STOCKS FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., GLOBAL STOCKS FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., GLOBAL STOCKS FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

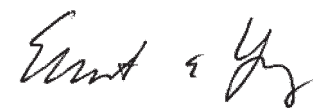
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., GLOBAL STOCKS FF – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

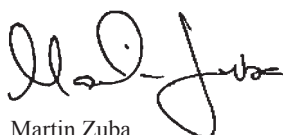
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291



# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	44,200	52,785
of which: a/current accounts	2	36,388	43,501
d/ margin accounts	5	7,812	9,284
4 Shares, unit certificates and other participation interests	13	297,945	311,620
6 Other assets	15	879	1,129
a/ derivatives	16	860	1,084
d/ other assets	19	19	45
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>343,035</b>	<b>365,614</b>
3 Other liabilities	29	451	5,069
a/ derivatives	30	0	3,342
c/ liabilities from taxes	32	294	299
d/ other liabilities	33	157	1,428
4 Deferred income and accrued expenses	34	513	521
6 Share premium	39	(249,560)	(326,642)
7 Other funds from profit	40	108,549	145,853
8 Capital funds	41	454,750	587,087
10 Retained earnings or accumulated losses from previous periods	46	(8,970)	(8,970)
11 Profit or loss for the accounting period	47	37,302	(37,304)
<b>Total Liabilities</b>	<b>48</b>	<b>343,035</b>	<b>365,614</b>
of which: Equity	49	342,071	360,024

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	40,399	176,744
b/ with currency instruments	4	0	124,057
c/ with equity instruments	5	40,399	52,687
6 Assets provided into custody, administration and safekeeping	10	272,601	272,056
of which: securities	11	272,601	272,056
10 Amounts owed from fixed term transactions	14	40,592	176,827
b/ with currency instruments	16	0	126,341
c/ with equity instruments	17	40,592	50,486

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	01	92	67
3 Income from shares and unit certificates	09	2,084	2,491
4 Commission and fee expenses	10	7,206	7,541
a/ fees and commissions from securities trading	11	18	195
b/ management fee	12	6,026	6,251
c/ custody fee	13	392	424
d/ other financial expenses	14	770	671
5 Profit or loss on financial operations	15	42,903	(31,779)
a/ profit or loss on transactions with securities	16	32,925	(38,258)
b/ profit or loss on foreign exchange transactions and options	17	(526)	2,258
c/ profit or loss on fixed term transactions and options	18	10,504	4,221
8 Administrative expenses	21	235	162
a/ audit	22	235	162
10 Depreciation and creation of provisions against receivables	25	24	6
11 Ordinary profit or loss for the accounting period before tax	26	37,614	(36,930)
15 Income tax	30	312	374
16 Profit or loss for the accounting period after tax	31	37,302	(37,304)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(326,642)	(415,585)
issued unit certificates	3	(202,570)	(294,255)
repurchase of unit certificates	4	(279,652)	383,198
other changes	5	0	0
closing balance	6	(249,560)	(326,642)
2 Retained earnings	7		
opening balance	8	145,853	101,587
transfers to funds	9	0	44,266
other changes	10	(37,304)	0
closing balance	11	108,549	145,853
3 Capital funds	12		
opening balance	13	587,087	733,110
issued unit certificates	14	343,302	475,310
repurchase of unit certificates	15	(475,639)	(621,333)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	454,750	587,087
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	(8,970)	(8,970)
other changes	25	0	0
closing balance	26	(8,970)	(8,970)
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(37,304)	44,267
profit (loss)	29	37,302	(37,304)
transfers to funds, dividends	30	37,304	(44,267)
closing balance	31	37,302	(37,304)
<b>7 Total</b>	<b>32</b>	<b>342,071</b>	<b>360,024</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., GLOBAL STOCKS FF – otevřený podílový fond z fondů (until 1 May 2005 Investiční společnost České spořitelny, a. s. – GLOBALTREND FF OPF), hereinafter the “Fund”, is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) as an open-ended mutual fund under the Act No. 248/1992 Coll., based upon the Resolution of the Securities Commission dated 19 July 2000. The Fund commenced its activities on 1 September 2000.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a. s.  
GLOBAL STOCKS FF – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in a globally distributed portfolio of securities of collective investment equity funds and shares. The Company operates on capital markets with the aim of appreciating the assets in the Fund by making gains from differences between selling prices and acquisition prices and dividend and interest income from securities held by the Fund.

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations set by the Act.

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

The Fund uses financial derivatives to hedge against currency exposures.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund’s assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company’s management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund’s capital fund.

The Fund’s assets must not be used for the provision of loans, borrowings or gifts, to secure a third party’s obligation or to settle a payable which is not related to the Fund’s management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4574/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the

fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

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

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

## Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

## Receivables and Payables

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

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

## Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

## Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Equity

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within Tax on foreign dividends (see note 5.15.).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	10.79%	10.88%
Foreign currency VaR	7.18%	7.15%
Equity VaR	9.89%	9.31%

	31 Dec 2011	Average VaR
Global VaR	10.01%	10.66%
Foreign currency VaR	4.90%	7.36%
Equity VaR	8.91%	7.86%



The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its

obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	36,388	43,501
Margin accounts	7,812	9,284
<b>Total</b>	<b>44,200</b>	<b>52,785</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities and their market value are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	272,017	329,748
Market revaluation	25,928	(18,128)
<b>Total</b>	<b>297,945</b>	<b>311,620</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Financial derivatives – positive fair value	860	1,084
Other receivables	30	31
Other	19	20
Provisions against receivables	(30)	(6)
<b>Total</b>	<b>879</b>	<b>1,129</b>

Other receivables represent receivables arising from foreign dividends.

In 2011 the caption ‘Other’ represents estimated receivables for dividends and an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group’s fund.

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 0.4275 (2011: CZK 0.3862). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund’s Statute, the loss for 2012 in the amount of CZK 37,302 thousand will be covered by the ‘Reinvestment fund’ which is included in ‘Other funds from profit’.

In line with the Fund’s Statute, the loss for 2011 in the amount of CZK 37,304 thousand will be covered by the Reinvestment fund.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of fund to cover losses	Contribution upon merger	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>1,078,399,389</b>	<b>1,078,399</b>	<b>(345,306)</b>	<b>17</b>	<b>733,110</b>
Participation certificates sold	475,309,591	475,310	–	–	475,310
Participation certificates purchased	(621,333,101)	(621,333)	–	–	(621,333)
<b>Balance at 31 Dec 2011</b>	<b>932,375,879</b>	<b>932,376</b>	<b>(345,306)</b>	<b>17</b>	<b>587,087</b>
Participation certificates sold	343,302,106	343,302	–	–	343,302
Participation certificates purchased	(475,639,189)	(475,639)	–	–	(475,639)
<b>Balance at 31 Dec 2012</b>	<b>800,038,796</b>	<b>800,039</b>	<b>(345,306)</b>	<b>17</b>	<b>454,750</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Payables from participation certificate holders' placements	94	1,326
Payable to the state budget	294	299
Negative fair values of financial derivatives	-	3,342
Other liabilities	63	102
<b>Total</b>	<b>451</b>	<b>5,069</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses particularly consist of the unbilled custody fee of CZK 31 thousand related to December 2011 (2010: CZK 33 thousand), the unbilled management fee of CZK 475 thousand related to December 2011 (2010: CZK 481 thousand), and the unbilled fee for the local sub-register administration of CZK 6 thousand related to December 2011 (2010: CZK 6 thousand).

## 5.9 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	-	-	101,186	104,384
Currency forwards	-	-	22,871	21,957
Equity indices futures	40,399	40,592	52,687	50,486
<b>Total</b>	<b>40,399</b>	<b>40,592</b>	<b>176,744</b>	<b>176,827</b>

Currency derivatives are due within one year. Equity derivatives are due within one year.

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	-	-	-	3,198
Currency forwards	-	-	914	-
Equity indices futures	860	-	170	144
<b>Total</b>	<b>860</b>	<b>-</b>	<b>1,084</b>	<b>3,342</b>

## 5.10 Income from Shares and Interests

	2012	2011
Foreign dividends	2,006	2,491
Foreign dividends – previous period	78	-
<b>Total</b>	<b>2,084</b>	<b>2,491</b>

## 5.11 Interest Income

	2012	2011
Interest on deposits at banks	92	67
<b>Total</b>	<b>92</b>	<b>67</b>

## 5.12 Fees and Commissions

	2012	2011
Management fees	6,026	6,251
Custody fees	392	424
Commissions and fees from securities trading	18	195
Administration of securities	439	438
Expenses of administration of local sub-register – Česká spořitelna	66	67
Other fees and commissions	265	166
<b>Total</b>	<b>7,206</b>	<b>7,541</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.80 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.13 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	32,925	(38,258)
Profit or loss from fixed term transactions	10,504	4,221
Profit or loss from FX differences	(526)	2,258
<b>Total</b>	<b>42,903</b>	<b>(31,779)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.14 Administrative Expenses

	2012	2011
Audit	235	162
<b>Total</b>	<b>235</b>	<b>162</b>

## 5.15 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	312	374
<b>Total income tax</b>	<b>312</b>	<b>374</b>

### Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	37,614	(36,930)
Items to add	33	23
Deductible items	(2,084)	(2,492)
Tax base	35,563	(39,399)
Tax loss utilisation	(35,563)	–
Tax base after changes	–	–
Tax (5%) on tax base	–	–
Foreign dividends	2,006	2,491
Tax on foreign dividends	301	374
Additional taxation	11	–
<b>Total tax</b>	<b>312</b>	<b>374</b>

### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 10,612 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 12,389 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.16 Related Party Transactions

Related parties include Česká spořitelna, a.s., Investiční společnost České spořitelny, a.s. and Erste Bank AG.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	31	33
Unbilled management fee – Investiční společnost	475	481
Unbilled fee for administration of the local sub-register – Česká spořitelna	6	6
Other payables to related parties	64	102
<b>Total payables to related parties</b>	<b>576</b>	<b>622</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,162 thousand in 2012 (2011: CZK 1,290 thousand), of which the greatest portion was represented by the fee for administration of securities accounts of CZK 438 thousand (2011: CZK 438 thousand), and the custody fee of CZK 392 thousand (2011: CZK 424 thousand). The costs charged by the Company amounted to CZK 6,026 thousand in 2012 (2011: CZK 6,251 thousand), which is the annual management fee.

### 5.17 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

## 2012

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	44,200	-	-	-	-	44,200
Shares and participation certificates	-	-	-	-	297,945	297,945
Prepayments	11	-	-	-	-	11
Other assets	878	-	-	-	1	879
<b>Total assets</b>	<b>45,089</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>297,946</b>	<b>343,035</b>
<b>Liabilities</b>						
Other liabilities	(670)	(294)	-	-	-	(964)
Net assets	44,419	(294)	-	-	297,946	342,071
Available capital	(342,071)	-	-	-	-	(342,071)
<b>Difference</b>	<b>(297,652)</b>	<b>(294)</b>	<b>-</b>	<b>-</b>	<b>297,946</b>	<b>-</b>

## 2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	52,785	-	-	-	-	52,785
Shares and participation certificates	-	-	-	-	311,620	311,620
Prepayments	-	80	-	-	-	80
Other assets	1,129	-	-	-	-	1,129
<b>Total assets</b>	<b>53,914</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>311,620</b>	<b>365,614</b>
<b>Liabilities</b>						
Other liabilities	(5,291)	(299)	-	-	-	(5,590)
Net assets	48,623	(219)	-	-	311,620	360,024
Available capital	(360,024)	-	-	-	-	(360,024)
<b>Difference</b>	<b>(311,401)</b>	<b>(219)</b>	<b>-</b>	<b>-</b>	<b>311,620</b>	<b>-</b>

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

### 5.18 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### 5.19 Contingent Assets and Liabilities

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

### 5.20 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
FI0009000681	NOKIA	36.0000	73.56	2,648.15	0.00
<b>Total Foreign shares</b>				<b>2,648.15</b>	<b>0.00</b>
CZ0008472289	ISCS SPOROTREND	5,914,299.0000	1.17	6,945,161.32	0.00
CZ0008472404	ISCS TOP STOCKS	14,464,705.0000	1.27	18,399,104.76	0.00
<b>Total Local participation certificates</b>				<b>25,344,266.08</b>	<b>0.00</b>
LU0132412106	ABERDEEN GL-EMG EQTY-A2	11,400.0000	1,316.12	15,003,803.72	0.00
LU0011963245	ABERDEEN GLOBAL ASIA PACIFIC	5,600.0000	1,377.21	7,712,352.71	0.00
LU0238689110	BGF-GBL DYNAMIC EQTY-USD A2	0.1800	243.52	43.83	0.00
DE0009848119	DWS TOP DIVIDENDE	5,000.0000	2,124.33	10,621,650.00	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	15,000.0000	481.93	7,229,007.00	0.00
LU0048573561	FIDELITY FUNDS-AMERICA FUND	123,000.0000	107.13	13,176,646.83	0.00
LU0161332480	FIDELITZ FUNDS JPN ADVANT JPY	3,200.0000	4,009.96	12,831,859.20	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	75,000.0000	131.44	9,857,837.22	0.00
LU0029865408	FRANK TP LAT AMR-A YDIS USD	3,000.0000	1,486.86	4,460,584.95	0.00
LU0065004045	GOLDMAN SACHS US CORE EQUITY	51,000.0000	364.71	18,600,347.70	0.00
LU0201071890	HENDERSON GART-CONT EUR-R EURA	80,986.0680	155.79	12,616,824.88	0.00
LU0011889929	HENDERSON HOR.-JAPAN.EQUITY FUND	43,000.0000	186.55	8,021,583.35	0.00
IE0030382133	INVESCO EUROPEAN EQ CORE-A	118,000.0000	134.25	15,841,216.80	0.00
LU0607514121	INVESCO US VALUE EQTY – CA USD	37,000.0000	486.66	18,006,593.90	0.00
LU0053685615	JPMF-EMERG MKTS EQ-AUSD	9,000.0000	605.95	5,453,541.00	0.00
GB0006779218	MELLON HIGHER INCOME FUND	1,100,000.0000	16.50	18,146,419.28	0.00
LU0176900511	PICTET FUND – JAPANESE EQUITY	2,300.0000	1,664.30	3,827,900.01	0.00
LU0232931963	SCHRODER INTL BRIC-A AC EUR	2,500.0000	3,569.88	8,924,700.00	0.00
LU0248166992	SCHRODER INTL. SEL. FUND – GL EQ	3,000.0000	2,352.85	7,058,557.80	0.00
FR0000018095	SSGA CANADA INDEX EQUITY FUND	1,500.0000	5,055.59	7,583,390.43	0.00
LU0093666013	TEMPLETON EUROLAND FUND	60,000.0000	349.45	20,966,760.00	0.00
GB0002771169	THREADNEEDLE EUR SEL FUND	160,000.0000	50.73	8,117,203.20	0.00
GB0001448900	THREADNEEDLE INV FNDS ICVC-UK EQ	300,000.0000	21.48	6,442,789.20	0.00
IE0002639775	VANGUARD-US 500 STK IDX- USD INS	30,000.0000	278.63	8,358,894.96	0.00
AT0000697081	XT USA	900.0000	26,375.17	23,737,651.92	0.00
<b>Total Foreign participation certificates</b>				<b>272,598,159.89</b>	<b>0.00</b>
<b>Total</b>				<b>297,945,074.12</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
TOP STOCKS – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., TOP STOCKS – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., TOP STOCKS – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

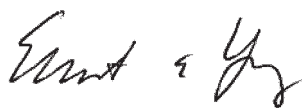
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., TOP STOCKS – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

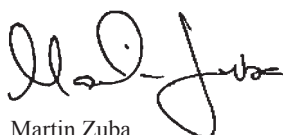
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291



# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	12,507	47,012
of which: a/current accounts	2	12,507	47,012
4 Shares, unit certificates and other participation interests	13	1,929,709	1,466,748
6 Other assets	15	23,496	850
a/ derivatives	16	22,466	0
c/ receivables from taxes	18	0	495
d/ other assets	19	1,030	355
7 Prepayments and accrued income	21	12	80
<b>Total Assets</b>	<b>22</b>	<b>1,965,724</b>	<b>1,514,690</b>
3 Other liabilities	29	4,279	56,714
a/ derivatives	30	1,721	53,754
c/ liabilities from taxes	32	1,147	0
d/ other liabilities	33	1,411	2,960
4 Deferred income and accrued expenses	34	4,277	3,180
6 Share premium	39	353,220	298,244
7 Other funds from profit	40	395,841	577,114
8 Capital funds	41	982,079	760,710
11 Profit or loss for the accounting period	47	226,028	(181,272)
<b>Total Liabilities</b>	<b>48</b>	<b>1,965,724</b>	<b>1,514,690</b>
of which: Equity	49	1,957,168	1,454,796

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	1,948,468	1,394,433
b/ with currency instruments	4	1,948,468	1,394,433
6 Assets provided into custody, administration and safekeeping	10	1,929,709	1,466,748
of which: securities	11	1,929,709	1,466,748
10 Amounts owed from fixed term transactions	14	1,927,723	1,448,187
b/ with currency instruments	16	1,927,723	1,448,187

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	102	121
3 Income from shares and unit certificates	9	19,922	13,931
4 Commission and fee expenses	10	49,003	41,687
a/ fees and commissions from securities trading	11	735	746
b/ management fee	12	44,188	37,227
c/ custody fee	13	1,944	1,638
d/ other financial expenses	14	2,136	2,076
5 Profit or loss on financial operations	15	259,175	(151,286)
a/ profit or loss on transactions with securities	16	197,695	(43,006)
b/ profit or loss on foreign exchange transactions and options	17	878	(1,869)
c/ profit or loss on fixed term transactions and options	18	60,602	(106,411)
8 Administrative expenses	21	247	162
a/ audit	22	247	162
9 Release of provisions against receivables and income from receivables written off	24	294	75
10 Depreciation and creation of provisions against receivables	25	374	174
11 Ordinary profit or loss for the accounting period before tax	26	229,869	(179,182)
15 Income tax	30	3,841	2,090
16 Profit or loss for the accounting period after tax	31	226,028	(181,272)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	298,244	218,547
issued unit certificates	3	200,587	214,436
repurchase of unit certificates	4	(145,611)	(134,739)
other changes	5	0	0
closing balance	6	353,220	298,244
2 Retained earnings	7		
opening balance	8	577,114	284,624
transfers to funds	9	0	292,490
other changes	10	(181,273)	0
closing balance	11	395,841	577,114
3 Capital funds	12		
opening balance	13	760,710	479,706
issued unit certificates	14	732,729	926,003
repurchase of unit certificates	15	(511,360)	(644,999)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	982,079	760,710
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(181,272)	292,490
profit (loss)	29	226,028	(181,272)
transfers to funds, dividends	30	181,272	(292,490)
closing balance	31	226,028	(181,272)
<b>7 Total</b>	<b>32</b>	<b>1,957,168</b>	<b>1,454,796</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., TOP STOCKS – otevřený podílový fond (hereinafter the “Fund” or “ISČS, a.s. – TOP STOCKS OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request of 14 March 2006, the Securities Commission (with effect from 1 April 2006 the Czech National Bank) approved the formation of a fund entitled Investiční společnost České spořitelny, a.s. – TOP STOCKS – otevřený podílový fond. The decision came into effect on 4 July 2006. The Fund commenced its activities on 28 August 2006.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act No. 189/2004 Coll., the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as an equity fund.

### Registered Office

Investiční společnost České spořitelny, a.s.  
TOP STOCKS – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates through investments in a concentrated portfolio of shares traded on equity markets that meet conditions stated in the Act, denominated in the respective currencies.

The objective is met by stock picking.

The Fund carries currency exposure arising from investments in local currencies.

The Fund’s portfolio primarily consists of shares. Higher concentration of the portfolio is due to the fact that the Fund’s portfolio is usually represented by approximately 25 different investment ideas. One investment idea usually means investment in one picked share.

In addition to the shares, available funds are invested in treasury bills and bank deposits. The Fund’s portfolio can be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

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

The Fund uses financial derivatives to hedge against currency exposures.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund’s assets, to cover temporary needs related to the management of the Fund’s assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund’s assets.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4588/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are based on the accrual principle, that is, transactions and other events are recognized in the accounting pe-

riod in which they occur, regardless of when the related monetary flow arises.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to qualified investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	17.75%	18.87%
Foreign currency VaR	0.27%	0.58%
Interest rate VaR	0.02%	0.03%
Equity VaR	18.17%	19.03%

	31 Dec 2011	Average VaR
Global VaR	20.16%	16.47%
Foreign currency VaR	0.45%	0.91%
Interest rate VaR	0.04%	0.04%
Equity VaR	20.22%	16.52%



The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its

obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	12,507	47,012
<b>Total</b>	<b>12,507</b>	<b>47,012</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	1,746,292	1,539,489
Market revaluation	183,417	(72,741)
<b>Total</b>	<b>1,929,709</b>	<b>1,466,748</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	22,466	–
State budget settlement	–	495
Other receivables	1,598	1,146
Allowances	(568)	(791)
<b>Total</b>	<b>23,496</b>	<b>850</b>

As at 31 December 2012, other receivables include predominantly receivables of CZK 1,598 thousand arising from foreign dividends (a receivable denominated in foreign currency) (2011: CZK 1,146 thousand). As at 31 December 2012, allowances include allowances for receivables arising from foreign dividends in the amount of CZK 568 thousand (2011: CZK 791 thousand).

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	12	80
<b>Total</b>	<b>12</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.2998 (2011: CZK 1.1328). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

The profit for 2012 in the amount of CZK 226,028 thousand will be transferred to the reinvestment fund within ‘Other funds from profit’.

The loss for 2011 in the amount of CZK 181,272 thousand was covered by the reinvestment fund.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>1,003,377,391</b>	<b>1,003,378</b>	<b>(523,672)</b>	<b>479,706</b>
Participation certificates sold	926,003,368	926,003	–	926,003
Participation certificates purchased	(644,999,243)	(644,999)	–	(644,999)
<b>Balance at 31 Dec 2011</b>	<b>1,284,381,516</b>	<b>1,284,382</b>	<b>(523,672)</b>	<b>760,710</b>
Participation certificates sold	732,729,004	732,729	–	732,729
Participation certificates purchased	(511,359,687)	(511,360)	–	(511,360)
<b>Balance at 31 Dec 2012</b>	<b>1,505,750,833</b>	<b>1,505,751</b>	<b>(523,672)</b>	<b>982,079</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	1,721	53,754
Payables from participation certificate holders' placements	651	2,135
State budget settlement	1,147	-
Other liabilities	760	825
<b>Total</b>	<b>4,279</b>	<b>56,714</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 179 thousand related to December 2012 (2011: CZK 133 thousand), the unbilled management fee of CZK 4,078 thousand related to December 2012 (2011: CZK 3,031 thousand), and the unbilled fee for the local sub-register administration of CZK 12 thousand related to December 2012 (2011: CZK 10 thousand) and the unbilled fee for calculation of NAV of CZK 8 thousand related to December 2012 (2011: CZK 6 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	894,229	876,345	645,470	672,224
<b>Total currency instruments</b>	<b>894,229</b>	<b>876,345</b>	<b>645,470</b>	<b>672,224</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	17,884	-	-	26,754
<b>Total currency instruments</b>	<b>17,884</b>	<b>-</b>	<b>-</b>	<b>26,754</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	1,054,239	1,051,378	748,963	775,963
<b>Total currency instruments</b>	<b>1,054,239</b>	<b>1,051,378</b>	<b>748,963</b>	<b>775,963</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	4,582	1,721	-	27,000
<b>Total currency instruments</b>	<b>4,582</b>	<b>1,721</b>	<b>-</b>	<b>27,000</b>

Currency derivatives are due within one year.

### 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	19,922	13,931
<b>Total received dividends</b>	<b>19,922</b>	<b>13,931</b>

### 5.12 Interest Income and Expense

	2012	2011
Interest on deposits at banks	102	121
<b>Total</b>	<b>102</b>	<b>121</b>

### 5.13 Fees and Commissions

	2012	2011
Management fees	44,188	37,227
Custody fees	1,944	1,638
Commissions and fees from securities trading	735	746
Expenses of administration of the local sub-register	144	117
Administration of securities	1,144	897
Other fees and commissions	848	1,062
<b>Total</b>	<b>49,003</b>	<b>41,687</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 2.50 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	197,695	(43,006)
Profit or loss from fixed term transactions	60,602	(106,411)
Profit or loss from FX differences	878	(1,869)
<b>Total</b>	<b>259,175</b>	<b>(151,286)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.15 Administrative Expenses

	2012	2011
Audit	247	162
<b>Total</b>	<b>247</b>	<b>162</b>

## 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	3,841	2,090
<b>Total income tax</b>	<b>3,841</b>	<b>2,090</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	229,869	(179,182)
Items to add	401	193
Deductible items	(20,215)	(14,006)
Tax base	210,055	(192,995)
Tax loss utilisation	(192,995)	–
Adjusted tax base / loss	17,060	–
Tax (5%) on tax base	853	–
Foreign dividends	19,922	13,931
Tax on foreign dividends	2,988	2,090
<b>Total tax</b>	<b>3,841</b>	<b>2,090</b>

### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 28 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 9,689 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.17 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	179	133
Unbilled management fee – Investiční společnost	4,078	3,031
Unbilled fee for administration of the local sub-register	12	10
Unbilled fee for calculation of NAV	8	6
Other payables to related parties	759	825
<b>Total payables to related parties</b>	<b>5,036</b>	<b>4,005</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 4,815 thousand in 2012 (2011: CZK 4,460 thousand), of which the greatest portion was represented by the custody fee of CZK 1,944 thousand (2011: CZK 1,638 thousand). The costs charged by the Company amounted to CZK 44,188 thousand (2011: CZK 37,277 thousand), which is the annual management fee.

## 5.18 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	12,507	–	–	–	–	12,507
Shares	–	–	–	–	1,929,709	1,929,709
Other assets	22,466	–	–	–	1,030	23,496
Prepayments	–	12	–	–	–	12
<b>Total assets</b>	<b>34,973</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>1,930,739</b>	<b>1,965,724</b>
<b>Liabilities</b>						
Other liabilities	(7,409)	(1,147)	–	–	–	(8,556)
Net assets	27,564	(1,135)	–	–	1,930,739	1,957,168
Available capital	(1,957,168)	–	–	–	–	(1,957,168)
<b>Difference</b>	<b>(1,929,604)</b>	<b>(1,135)</b>	<b>–</b>	<b>–</b>	<b>1,930,739</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	47,012	–	–	–	–	47,012
Shares	–	–	–	–	1,466,748	1,466,748
Other assets	–	495	–	–	355	850
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>47,012</b>	<b>575</b>	<b>–</b>	<b>–</b>	<b>1,467,103</b>	<b>1,514,690</b>
<b>Liabilities</b>						
Other liabilities	(59,894)	–	–	–	–	(59,894)
Net assets	(12,882)	575	–	–	1,467,103	1,454,796
Available capital	(1,454,796)	–	–	–	–	(1,454,796)
<b>Difference</b>	<b>(1,467,678)</b>	<b>575</b>	<b>–</b>	<b>–</b>	<b>1,467,103</b>	<b>–</b>

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

## 5.19 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. Assets provided into custody, administration and safekeeping include domestic and foreign securities administered by Česká spořitelna, a. s.

## 5.20 Contingent Assets and Liabilities

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

## 5.21 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
DK0060252690	PANDORA A/S	250,000.0000	419.57	104,891,250.00	0.00
AT0000920863	AUSTRIAMICROSYSTEMS AG-BR	49,540.0000	2,041.44	101,132,838.52	0.00
CH0023405456	DUFY GROUP REG	30,500.0000	2,491.39	75,987,321.80	0.00
US0028962076	ABERCROMBIE FITCH CO-CLA	90,000.0000	914.07	82,266,151.50	0.00
US00448Q2012	ACHILLION PHARMACEUTICALS	35,000.0000	152.63	5,342,069.25	0.00
US02043Q1076	ALNYLAM PHARMACEUTICALS INC	226,000.0000	347.75	78,592,347.50	0.00
US0231112063	AMARIN CORPORATION PLC – ADR	410,000.0000	154.15	63,203,529.50	0.00
US03152W1099	AMICUS THERAPEUTICS INC	75,000.0000	51.07	3,830,055.00	0.00
US0378331005	APPLE COMPUTER INC.	10,000.0000	10,140.56	101,405,565.15	0.00
US05334D1072	AUXILIUM PHARMACEUTICALS INC	190,000.0000	353.27	67,120,970.73	0.00
US0537741052	AVIS BUDGET GROUP INC	245,000.0000	377.67	92,529,174.50	0.00
US09061G1013	BIOMARIN PHARMACEUTICAL INC	82,000.0000	937.51	76,875,492.00	0.00
US15117B1035	CELLDEX THERAPEUTICS INC	44,000.0000	127.86	5,625,798.20	0.00
US1634281059	CHELSEA THERAPEUTICS INTL LTD	150,000.0000	14.48	2,172,270.00	0.00
US2499081048	DEPOMED INC	72,000.0000	117.95	8,492,432.40	0.00
US2616081038	DRESSER-RAND GROUP INC	70,000.0000	1,069.75	74,882,339.00	0.00
US4620441083	ION GEOPHYSICAL CORP	500,000.0000	124.05	62,024,025.00	0.00
US4643301090	ISIS PHARMACEUTICALS INC	370,000.0000	198.93	73,605,654.00	0.00
US5327161072	LIMITED BRANDS INC	82,000.0000	896.73	73,531,720.60	0.00
US6087771007	MOMENTA PHARMACEUTICALS INC	34,000.0000	224.66	7,638,387.30	0.00
US62936P1030	NPS PHARMACEUTICALS INC	60,000.0000	173.40	10,404,030.00	0.00
US6821891057	ON SEMICONDUCTOR CORPORATION	520,000.0000	134.34	69,855,630.00	0.00
US68230A1060	ONCOGENEX PHARMACEUTICAL IVC	30,000.0000	250.00	7,500,048.00	0.00
US74344F1066	PROLOR BIOTECH INC	60,000.0000	94.32	5,659,335.00	0.00
US7475251036	QUALCOMM INC	65,000.0000	1,178.73	76,617,754.07	0.00
US74838C1062	QUIKSILVER INC	750,000.0000	80.98	60,737,812.50	0.00
US75915K1016	REGULUS THERAPEUTICS INC	75,000.0000	120.05	9,003,487.50	0.00
US7665596034	RIGEL PHARMACEUTICALS INC	50,000.0000	123.86	6,192,875.00	0.00
US80004C1018	SANDISK CORP	108,000.0000	828.89	89,520,390.00	0.00
US8036071004	SAREPTA THERAPEUTICS INC	12,000.0000	491.62	5,899,428.00	0.00
US82481R1068	SHIRE PLC – (ADR)	40,000.0000	1,756.49	70,259,596.00	0.00
US82706C1080	SILICON MOTION TECHNOL-(ADR)	270,000.0000	270.96	73,159,767.00	0.00
US8552441094	STARBUCKS CORP	70,000.0000	1,021.92	71,534,375.50	0.00
US8816242098	TEVA PHARMACEUTICAL-SP (ADR)	83,000.0000	711.51	59,055,637.10	0.00
US8826811098	TEXAS ROADHOUSE INC CLASS A	220,000.0000	320.12	70,427,280.00	0.00
US8858072064	THRESHOLD PHARMACEUTICALS	75,000.0000	80.22	6,016,616.25	0.00
US9285511005	VIVUS INC	300,000.0000	255.72	76,715,430.00	0.00
<b>Total Foreign shares</b>				<b>1,929,708,883.87</b>	<b>0.00</b>
<b>Total</b>				<b>1,929,708,883.87</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s., KONZERVATIVNÍ MIX FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., KONZERVATIVNÍ MIX FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., KONZERVATIVNÍ MIX FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

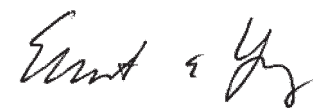
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., KONZERVATIVNÍ MIX FF – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

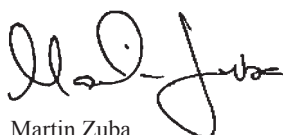
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291



# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	131,148	80,390
of which: a/current accounts	2	122,199	74,349
d/ margin accounts	5	8,949	6,041
3 Debt securities	10	133,813	140,570
a/ issued by the government	11	123,385	99,071
b/ issued by other entities	12	10,428	41,499
4 Shares, unit certificates and other participation interests	13	901,659	1,057,337
6 Other assets	15	4,714	915
a/ derivatives	16	3,520	25
d/ other assets	19	1,194	890
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>1,171,345</b>	<b>1,279,292</b>
3 Other liabilities	29	1,530	6,015
a/ derivatives	30	76	5,402
c/ liabilities from taxes	32	57	295
d/ other liabilities	33	1,397	318
4 Deferred income and accrued expenses	34	406	806
6 Share premium	39	186,525	189,873
7 Other funds from profit	40	205,355	230,831
8 Capital funds	41	700,887	877,243
11 Profit or loss for the accounting period	47	76,642	(25,476)
<b>Total Liabilities</b>	<b>48</b>	<b>1,171,345</b>	<b>1,279,292</b>
of which: Equity	49	1,169,409	1,272,471

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	290,631	263,749
b/ with currency instruments	4	242,684	239,887
c/ with equity instruments	5	47,947	23,862
6 Assets provided into custody, administration and safekeeping	10	660,474	823,188
of which: securities	11	660,474	823,188
10 Amounts owed from fixed term transactions	14	288,357	267,924
b/ with currency instruments	16	240,075	245,218
c/ with equity instruments	17	48,282	22,706

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	4,286	6,019
of which: a/ interest income from bonds	2	3,877	5,725
2 Interest expenses and similar expenses	6	0	3
3 Income from shares and unit certificates	9	379	3,021
4 Commission and fee expenses	10	7,280	12,137
a/ fees and commissions from securities trading	11	36	330
b/ management fee	12	5,039	9,025
c/ custody fee	13	844	1,588
d/ other financial expenses	14	1,361	1,194
5 Profit or loss on financial operations	15	79,560	(21,751)
a/ profit or loss on transactions with securities	16	66,854	(18,257)
b/ profit or loss on foreign exchange transactions and options	17	(2,907)	6,598
c/ profit or loss on fixed term transactions and options	18	15,613	(10,092)
8 Administrative expenses	21	241	162
a/ audit	22	241	162
9 Release of provisions against receivables and income from receivables written off	24	3	9
10 Depreciation and creation of provisions against receivables	25	8	19
11 Ordinary profit or loss for the accounting period before tax	26	76,699	(25,023)
15 Income tax	30	57	453
16 Profit or loss for the accounting period after tax	31	76,642	(25,476)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	189,873	190,678
issued unit certificates	3	11,833	7,803
repurchase of unit certificates	4	(15,181)	(8,608)
other changes	5	0	0
closing balance	6	186,525	189,873
2 Retained earnings	7		
opening balance	8	230,831	176,940
transfers to funds	9	0	53,891
other changes	10	(25,476)	0
closing balance	11	205,355	230,831
3 Capital funds	12		
opening balance	13	877,243	1,062,895
issued unit certificates	14	241,666	399,598
repurchase of unit certificates	15	(418,022)	(585,250)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	700,887	877,243
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(25,476)	53,891
profit (loss)	29	76,642	(25,476)
transfers to funds, dividends	30	25,476	(53,891)
closing balance	31	76,642	(25,476)
<b>7 Total</b>	<b>32</b>	<b>1,169,409</b>	<b>1,272,471</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., KONZERVATIVNÍ MIX FF – otevřený podílový fond (hereinafter the “Fund” or “ISČS, a. s. – KONZERVATIVNÍ OPF”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”).

Following Investiční společnost České spořitelny, a. s.’s request of 28 January 2005, the Securities Commission approved the formation of a fund entitled Investiční společnost České spořitelny, a. s. – KONZERVATIVNÍ MIX FF – otevřený podílový fond. The decision came into effect on 2 May 2005. The Fund commenced its activities on 1 June 2005.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as the fund of the funds.

### Registered Office

Investiční společnost České spořitelny, a. s.  
KONZERVATIVNÍ MIX FF – otevřený podílový fond  
Prague 6, Dejvice, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The Fund invests in securities of money market funds and collective investment bond and equity funds. The equity component’s share in the Fund’s portfolio and its regional and sector composition are actively managed. The neutral weight of the equity component’s share in the Fund’s assets amounts to 10 percent.

The Fund’s portfolio can be expanded by purchasing shares, bonds and other investment instruments allowed by the Act for collective investment of a standard fund.

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The Fund does not acquire any assets that could not, due to their nature, be provided into the custody, administration, safekeeping or other management of the depository or a custodian authorised by the depository.

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

The Fund uses financial derivatives to hedge against currency and interest rate exposures.

The profit/(loss) is based on the difference between the income and expenses related to the management of the Fund’s assets.

The generated profit is retained in the reinvestment fund as a source for further investments and to cover the Fund’s losses. If the profit is not sufficient, the loss must be covered by a reduction in the capital fund.

### Change in the Statute

Czech National Bank Resolution No. 2012/4576/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market

Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2011 and 2012.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

the date of the financial statements and may differ from the actual results.

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the

“Decree”), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

Realised capital gains or losses are recorded in the profit and loss account within ‘Profit or loss from financial operations’.

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

### **Receivables and Payables**

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

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

### **Financial Derivatives and Hedging Transactions**

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

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

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

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

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

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

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

### **Income Tax**

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### **Deferred Tax**

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

### **Foreign Currency Translations**

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

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

### **Capital Funds**

The selling price of participation certificates is calculated as a proportion of the Fund’s net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	1.46%	1.42%
Currency VaR	0.26%	0.27%
Interest rate VaR	0.03%	0.06%
Equity VaR	1.61%	1.47%

	31 Dec 2011	Average VaR
Global VaR	1.37%	1.47%
Currency VaR	0.32%	0.38%
Interest rate VaR	0.07%	0.09%
Equity VaR	1.55%	1.43%

The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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



## Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	122,199	74,349
Margin accounts	8,949	6,041
<b>Total</b>	<b>131,148</b>	<b>80,390</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	853,609	1,052,222
Market revaluation	48,050	5,115
<b>Total</b>	<b>901,659</b>	<b>1,057,337</b>

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	129,877	137,794
Market revaluation	3,000	1,225
Accrued interest income	936	1,551
<b>Total</b>	<b>133,813</b>	<b>140,570</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 7.79 percent in 2012 (2011: 43.8 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 39.13 percent in 2012 (2011: 0 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 53.08 percent in 2012 (2011: 56.2 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Financial derivatives – positive fair value	3,520	25
Other receivables	549	30
Other	645	860
<b>Total</b>	<b>4,714</b>	<b>915</b>

The caption ‘Other’ represents mainly an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group’s fund.

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.0695 (2011: CZK 1.0022). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value minimally differs from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

The loss for 2012 in the amount of CZK 76,642 thousand will be partly covered by the reinvestment fund and partly by the capital fund.

The profit for 2011 in the amount of CZK 25,476 thousand was transferred to the reinvestment fund within ‘Other funds from profit’.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of the capital fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>1,455,392,975</b>	<b>1,455,393</b>	<b>(392,498)</b>	<b>1,062,895</b>
Participation certificates sold	399,598,043	399,598	–	399,598
Participation certificates purchased	(585,249,983)	(585,250)	–	(585,250)
<b>Balance at 31 Dec 2011</b>	<b>1,269,740,035</b>	<b>1,269,741</b>	<b>(392,498)</b>	<b>877,243</b>
Participation certificates sold	241,666,821	241,666	–	241,666
Participation certificates purchased	(418,022,466)	(418,022)	–	(418,022)
<b>Balance at 31 Dec 2012</b>	<b>1,093,348,390</b>	<b>1,093,348</b>	<b>(392,498)</b>	<b>700,887</b>

### 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	76	5,402
Payables from participation certificate holders’ placements	971	111
Payable to the state budget	57	295
Other liabilities	426	207
<b>Total</b>	<b>1,530</b>	<b>6,015</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses particularly consist of the unbilled custody fee of CZK 58 thousand related to December (2011: CZK 117 thousand), the unbilled management fee of CZK 331 thousand related to December (2011: CZK 673 thousand), and the unbilled fee for the local sub-register administration of CZK 11 thousand related to December 2012 (2011: CZK 11 thousand) and the unbilled fee for NAV and participation certificate rate calculation of CZK 5 thousand related to December 2012 (2011: CZK 5 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	155,697	155,039	151,688	153,254
<b>Total currency instruments</b>	<b>155,697</b>	<b>155,039</b>	<b>151,688</b>	<b>153,254</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1. 1. 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	658	-	-	1,566
<b>Total currency instruments</b>	<b>658</b>	<b>-</b>	<b>-</b>	<b>1,566</b>

All currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	86,987	85,036	88,199	91,964
Equity indices futures	47,947	48,282	23,862	22,706
<b>Total</b>	<b>134,934</b>	<b>133,318</b>	<b>112,061</b>	<b>114,670</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1. 1. 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	2,001	50	-	3,765
Equity indices futures	861	26	25	72
<b>Total</b>	<b>2,862</b>	<b>76</b>	<b>25</b>	<b>3,837</b>

All currency derivatives are due within one year.

### 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	379	3,021
<b>Total received dividends</b>	<b>379</b>	<b>3,021</b>

### 5.12 Interest Income

	2012	2011
Interest on deposits at banks	409	294
Interest on debt securities	3,877	5,725
<b>Total</b>	<b>4,286</b>	<b>6,019</b>

### 5.13 Fees and Commissions

	2012	2011
Management fees	5,039	9,025
Custody fees	844	1,588
Commissions and fees from securities trading	36	330
Expenses of administration of the local sub-register	131	130
Administration of securities	491	585
Other fees and commissions	739	479
<b>Total</b>	<b>7,280</b>	<b>12,137</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.50 percent of the average annual net asset value since 1.May 2012.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value since 1 May 2012.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	66,854	(18,257)
Profit or loss from fixed term transactions	15,613	(10,092)
Profit or loss from FX differences	(2,907)	6,598
<b>Total</b>	<b>79,560</b>	<b>(21,751)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.15 Administrative Expenses

	2012	2011
Audit	241	162
<b>Total</b>	<b>241</b>	<b>162</b>

## 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	57	453
<b>Total income tax</b>	<b>57</b>	<b>453</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	76,699	(25,023)
Items to add	6	36
Deductible items	(383)	(3,030)
Tax base	76,322	(28,018)
Tax loss utilisation	(76,322)	–
Tax base after deduction	–	(28,018)
Tax (5%) on tax base	–	–
Foreign dividends	379	3,021
Tax on foreign dividends	57	453
<b>Total tax</b>	<b>57</b>	<b>453</b>

### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 8,330 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 12,146 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.17 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	2012	2011
Unbilled custody fee – Česká spořitelna	58	117
Unbilled management fee – Investiční společnost	331	673
Unbilled fee for administration of the local sub-register	11	11
Unbilled fee for calculation of NAV	5	5
Other payables to related parties	427	207
<b>Total payables to related parties</b>	<b>832</b>	<b>1,013</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 2,241 thousand in 2012 (2011: CZK 3,112 thousand), of which the greatest portion was represented by the custody fee of CZK 844 thousand (2011: CZK 1,588 thousand). The costs charged by the Company amounted to CZK 5,039 thousand (2011: CZK 9,025 thousand), which is the annual management fee.

,

## 5.18 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	131,148	–	–	–	–	131,148
Debt securities	–	10,428	123,385	–	–	133,813
Shares and participation certificates	–	–	–	–	901,659	901,659
Other assets	4,711	–	–	–	3	4,714
Prepayments	–	11	–	–	–	11
<b>Total assets</b>	<b>135,859</b>	<b>10,439</b>	<b>123,385</b>	<b>–</b>	<b>901,662</b>	<b>171,345</b>
<b>Liabilities</b>						
Other liabilities	(1,879)	(57)	–	–	–	(1,936)
Net assets	133,980	10,382	123,385	–	901,662	1,169,409
Available capital	(1,169,409)	–	–	–	–	(1,169,409)
<b>Difference</b>	<b>(1,035,429)</b>	<b>10,382</b>	<b>123,385</b>	<b>–</b>	<b>901,662</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	80,390	–	–	–	–	80,390
Debt securities	–	61,639	78,931	–	–	140,570
Shares and participation certificates	–	–	–	–	1,057,337	1,057,337
Other assets	908	–	–	–	7	915
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>81,298</b>	<b>61,719</b>	<b>78,931</b>	<b>–</b>	<b>1,057,344</b>	<b>1,279,292</b>
<b>Liabilities</b>						
Other liabilities	(6,526)	(295)	–	–	–	(6,821)
Net assets	74,772	61,424	78,931	–	1,057,344	1,272,471
Available capital	(1,272,471)	–	–	–	–	(1,272,471)
<b>Difference</b>	<b>(1,197,699)</b>	<b>61,424</b>	<b>78,931</b>	<b>–</b>	<b>1,057,344</b>	<b>–</b>

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

## 5.19 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.20 Contingent Assets and Liabilities

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

## 5.21 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0371752931	JPM CHASE AND CO 5.35 06/27/13	5.0000	2,030,870.00	10,154,350.00	273,346.99
<b>Total Foreign corporate bonds</b>				<b>10,154,350.00</b>	<b>273,346.99</b>
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	6,500.0000	10,815.00	70,297,500.00	730,527.78
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	5,000.0000	10,485.00	52,425,000.00	(68,041.67)
<b>Total Local government bonds</b>				<b>122,722,500.00</b>	<b>662,486.11</b>
CZ0008472230	ISCS CS KORP. DLUHOPIS. OPF	37,349,644.0000	1.38	51,460,339.50	0.00
CZ0008473659	ISCS DLUHOPISOVY FOND	15,590,000.0000	1.04	16,255,693.00	0.00
CZ0008473188	ISCS LIKVIDITNI FOND	39,658,933.0000	1.02	40,594,883.82	0.00
CZ0008472271	ISCS SPOROINVEST	112,828,284.0000	1.87	211,124,285.02	0.00
CZ0008472289	ISCS SPOROTREND	3,624,425.0000	1.17	4,256,162.28	0.00
CZ0008472404	ISCS TOP STOCKS	8,727,478.0000	1.27	11,101,352.02	0.00
CZ0008472297	ISCS TREND BOND	29,850,205.0000	1.35	40,205,241.11	0.00
<b>Total Local participation certificates</b>				<b>374,997,956.75</b>	<b>0.00</b>
LU0132412106	ABERDEEN GL-EMG EQTY-A2	4,500.0000	1,316.12	5,922,554.10	0.00
LU0389811539	AMUNDI-INDEX EQ EUROPE-IEC	790.0000	29,174.22	23,047,630.48	0.00
AT0000658968	ESPA BOND EURO-CORPORATE (VT)	16,000.0000	4,233.32	67,733,193.60	0.00
AT0000676846	ESPA CASH CORPORATE-PLUS-T	15,113.0000	3,025.60	45,725,877.69	0.00
AT0000659024	ESPA CESHY FOND FIR. DLUH. (VT)	889,658.0000	117.94	104,926,264.52	0.00
AT0000633771	ESPA CESHY FOND ST. DLUHOPISU VT	463,054.0000	145.51	67,378,987.54	0.00
AT0000A0MRW3	ESPA CORPORATE BASKET 2016	244,500.0000	114.92	28,097,940.00	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	660,247.0000	129.64	85,594,421.08	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	12,000.0000	481.93	5,783,205.60	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	35,000.0000	131.44	4,600,324.04	0.00
IE0008471009	ISHARES DJ EURO STOXX 50	410.0000	664.70	272,527.66	0.00
LU0099626896	PARVEST FLEXBOND EUR-CORP-I	40.0000	1,072,964.39	42,918,575.59	0.00
LU0148538712	PICTET – PAC (XJPN)-P USD	900.0000	6,527.67	5,874,904.22	0.00
LU0188798671	PICTET – USA INDEX – I USD	11,000.0000	2,274.21	25,016,356.75	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	1,200.0000	4,938.67	5,926,409.88	0.00
IE0007292083	VANGUARD-JAPAN STK IND-USD INV	3,000.0000	2,613.96	7,841,877.55	0.00
<b>Total Foreign participation certificates</b>				<b>526,661,050.30</b>	<b>0.00</b>
<b>Total</b>				<b>1,034,535,857.05</b>	<b>935,833.11</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
VYVÁŽENÝ MIX FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., VYVÁŽENÝ MIX FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., VYVÁŽENÝ MIX FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

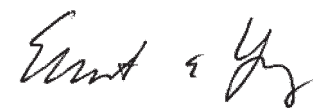
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., VYVÁŽENÝ MIX FF – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

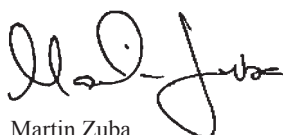
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291



# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	150,585	177,107
of which: a/ current accounts	2	131,268	161,586
d/ margin accounts	5	19,317	15,521
3 Debt securities	10	280,833	281,682
a/ issued by the government	11	227,372	226,471
b/ issued by other entities	12	53,461	55,211
4 Shares, unit certificates and other participation interests	13	1,142,473	1,302,087
6 Other assets	15	9,766	1,962
a/ derivatives	16	9,028	737
d/ other assets	19	738	1,225
7 prepayments and accrued income	21	12	80
<b>Total Assets</b>	<b>22</b>	<b>1,583,669</b>	<b>1,762,918</b>
3 Other liabilities	29	1,054	25,329
a/ derivatives	30	543	24,349
c/ liabilities from taxes	32	68	603
d/ other liabilities	33	443	377
4 Deferred income and accrued expenses	34	1,183	1,725
6 Share premium	39	272,770	331,152
7 Other funds from profit	40	309,734	403,033
8 Capital funds	41	816,929	1,088,735
10 Retained earnings or accumulated losses from previous periods	46	6,243	6,243
11 Profit or loss for the accounting period	47	175,756	(93,299)
<b>Total Liabilities</b>	<b>48</b>	<b>1,583,669</b>	<b>1,762,918</b>
of which: Equity	49	1,581,432	1,735,864

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	564,953	755,474
b/ with currency instruments	4	523,689	702,315
c/ with equity instruments	5	41,264	53,159
5 Receivables written off	8	6,225	6,179
6 Assets provided into custody, administration and safekeeping	10	1,062,330	1,273,023
of which: securities	11	1,062,330	1,273,023
10 Amounts owed from fixed term transactions	14	556,883	777,108
b/ with currency instruments	16	515,458	726,069
c/ with equity instruments	17	41,425	51,039

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	10,727	11,487
of which: a/ interest income from bonds	2	9,128	9,981
2 Interest expenses and similar expenses	6	0	7
3 Income from shares and unit certificates	9	446	8,688
4 Commission and fee expenses	10	18,337	27,040
a/ fees and commissions from securities trading	11	40	1,125
b/ management fee	12	14,543	21,963
c/ custody fee	13	1,823	2,195
d/ other financial expenses	14	1,931	1,757
5 Profit or loss on financial operations	15	183,366	(84,948)
a/ profit or loss on transactions with securities	16	152,169	(67,293)
b/ profit or loss on foreign exchange transactions and options	17	(515)	16,073
c/ profit or loss on fixed term transactions and options	18	31,712	(33,728)
8 Administrative expenses	21	246	162
a/ audit	22	246	162
9 Release of provisions against receivables and income from receivables written off	24	8	29
10 Depreciation and creation of provisions against receivables	25	141	43
11 Ordinary profit or loss for the accounting period before tax	26	175,823	(91,996)
15 Income tax	30	67	1,303
16 Profit or loss for the accounting period after tax	31	175,756	(93,299)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	331,152	384,021
issued unit certificates	3	23,845	36,828
repurchase of unit certificates	4	(82,227)	(89,697)
other changes	5	0	0
closing balance	6	272,770	331,152
2 Retained earnings	7		
opening balance	8	403,033	304,553
transfers to funds	9	0	98,480
other changes	10	(93,299)	0
closing balance	11	309,734	403,033
3 Capital funds	12		
opening balance	13	1,088,735	1,398,597
issued unit certificates	14	109,717	194,289
repurchase of unit certificates	15	(381,523)	(504,151)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	816,929	1,088,735
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	6,243	6,243
other changes	25	0	0
closing balance	26	6,243	6,243
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(93,299)	98,480
profit (loss)	29	175,756	(93,299)
transfers to funds, dividends	30	93,299	(98,480)
closing balance	31	175,756	(93,299)
<b>7 Total</b>	<b>32</b>	<b>1,581,432</b>	<b>1,735,864</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny a. s., VYVÁŽENÝ MIX FF – otevřený podílový fond, hereinafter the “Fund” (from 26 March 2002 to 1 May 2005 Investiční společnost České spořitelny, a. s., Sporomix 3 – otevřený podílový fond and to 25 March 2002 Investiční společnost České spořitelny, a. s. – 2. otevřený podílový fond) was established upon the transformation of 2. spořitelni privatizační investiční fond, a. s. based on Resolution of the Securities Commission ref. No. 211/981/R/2000 dated 25 February 2000.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”). In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as the fund of the funds.

On 7 August 2009, following the Company’s request, the Czech National Bank resolved to merge the Fund with the open-ended mutual fund Investiční společnost České spořitelny, a. s., ČS Balancovaný – otevřený podílový fond, under Section 101 (2) of the Act. The Fund is a receiving fund and the Statute of the receiving Fund remains unchanged.

With the Czech National Bank resolution becoming effective on 7 August 2009, the merging fund ceased to exist on 9 November 2009 (the merger date).

### Registered Office

Investiční společnost České spořitelny, a. s.  
VYVÁŽENÝ MIX FF – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of

their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holder with a long-term appreciation of participation certificates primarily through investments in securities of money market funds and collective investment bond and equity funds. Credit and interest rate risks are actively managed.

The equity component’s share in the Fund’s portfolio is actively managed. The neutral weight of the equity component’s share in the Fund’s assets amounts to 30 percent.

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The Fund’s portfolio can be expanded by purchasing shares, bonds and other investment instruments allowed by the Act for collective investment of a standard fund.

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

The Fund uses financial derivatives to hedge against currency and interest rate exposures.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4589/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities and Investment Certificates

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

**Income Tax**

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

**Deferred Tax**

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

**Foreign Currency Translations**

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

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

**Capital Funds**

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to qualified investors using the selling price determined on a daily basis.

**Share Premium**

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

**Interest Income and Expense and Dividend Income**

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

**Subsequent Events**

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

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these

events are disclosed in the notes to the financial statements but not recognized in the financial statements.

**4. Risk Management****Credit Risk**

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

**Market Risk**

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	3.37%	3.30%
Foreign currency VaR	0.27%	0.36%
Interest rate VaR	0.22%	0.31%
Equity VaR	3.33%	3.22%



	31 Dec 2011	Average VaR
Global VaR	3.40%	3.42%
Foreign currency VaR	0.75%	0.57%
Interest rate VaR	0.35%	0.32%
Equity VaR	3.04%	3.42%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables From Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	131,268	161,586
Margin accounts	19,317	15,521
<b>Total</b>	<b>150,585</b>	<b>177,107</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.20.

<b>Debt securities</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	254,108	272,372
Market revaluation	24,048	6,329
Accrued interest income	2,677	2,981
<b>Total</b>	<b>280,833</b>	<b>281,682</b>

<b>Shares, participation certificates and other holdings</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	1,042,470	1,274,609
Market revaluation	100,003	27,478
<b>Total</b>	<b>1,142,473</b>	<b>1,302,087</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 20.16 percent in 2012 (2011: 0.95 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 0 percent in 2012 (2011: 3.55 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 79.84 percent in 2012 (2011: 95.50 percent).

### 5.3 Other Assets

Individual investment certificates by issuer, number of investment certificates and their market value are disclosed in the Portfolio attached to the annual report.

<b>Other assets</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Positive fair values of financial derivatives	9,028	737
Other receivables	1,362	1,387
Other	699	1,040
Provisions against receivables	(1,323)	(1,202)
<b>Total</b>	<b>9,766</b>	<b>1,962</b>

'Other receivables' relate mainly to receivables arising from dividends.

The caption 'Other' represents an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund in the amount of CZK 699 thousand (2011: CZK 1,040 thousand).

### 5.4 Prepayments and Accrued Income

<b>Prepayments and accrued income</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Prepayments – audit fees	12	80
<b>Total</b>	<b>12</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.2731 (2011: CZK 1.1466). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. As at 31 December 2012 this value minimally differed from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

The profit for 2012 in the amount of CZK 175,756 thousand will be covered by the reinvestment fund within ‘Other funds from profit’.

The loss for 2011 in the amount of CZK 93,299 thousand was covered by to the decrease in the reinvestment fund.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Contribution upon the Fund transformation	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>1,823,888,989</b>	<b>1,823,890</b>	<b>651,800</b>	<b>(1,077,093)</b>	<b>1,398,597</b>
Participation certificates sold	194,288,776	194,289	-	-	194,289
Participation certificates purchased	(504,150,665)	(504,151)	-	-	(504,151)
<b>Balance at 31 Dec 2011</b>	<b>1,514,027,100</b>	<b>1,514,028</b>	<b>651,800</b>	<b>(1,077,093)</b>	<b>1,088,735</b>
Participation certificates sold	109,717,293	109,717	-	-	109,717
Participation certificates purchased	(381,523,030)	(381,523)	-	-	(381,523)
<b>Balance at 31 Dec 2012</b>	<b>1,242,221,363</b>	<b>1,242,222</b>	<b>651,800</b>	<b>(1,077,093)</b>	<b>816,929</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	543	24,349
State budget settlement	68	603
Payables to participation certificate holder	189	74
Other liabilities	254	303
<b>Total</b>	<b>1,054</b>	<b>25,329</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 145 thousand related to December 2012 (2011: CZK 159 thousand), the unbilled management fee of CZK 1,017 thousand related to December 2012 (2011: CZK 1,544 thousand), the unbilled fee for the local sub-register administration of CZK 14 thousand related to December 2012 (2011: CZK 15 thousand), and the unbilled fee for calculation of NAV and participation certificate rate of CZK 7 thousand (2011: CZK 7 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	49,007	48,892	81,835	82,690
<b>Total</b>	<b>49,007</b>	<b>48,892</b>	<b>81,835</b>	<b>82,690</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	115	-	-	855
<b>Total</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>855</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	474,682	466,566	594,680	618,102
Currency forwards	–	–	25,800	25,277
Equity indices futures	41,264	41,425	53,159	51,039
<b>Total</b>	<b>515,946</b>	<b>507,991</b>	<b>673,639</b>	<b>694,418</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	8,569	453	–	23,422
Currency forwards	–	–	523	–
Equity indices futures	344	90	214	72
<b>Total</b>	<b>8,913</b>	<b>543</b>	<b>737</b>	<b>23,494</b>

Currency derivatives are due within one year. Equity derivatives are due within one year.

## 5.11 Interest Income

	2012	2011
Interest on deposits	1,599	1,506
Interest on debt securities	9,128	9,981
<b>Total</b>	<b>10,727</b>	<b>11,487</b>

## 5.12 Income from Shares and Interests

	2012	2011
Foreign dividends	446	8,688
<b>Total</b>	<b>446</b>	<b>8,688</b>

## 5.13 Fees and Commissions

	2012	2011
Management fees	14,543	21,963
Custody fees	1,823	2,195
Commissions and fees from securities trading	40	1,125
Fees – central depository	5	4
Expanses of administration of the local sub-register – ČS	164	173
Administration of securities	1,094	1,027
Other fees and commissions	668	553
<b>Total</b>	<b>18,337</b>	<b>27,040</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.00 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

#### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	152,169	(67,293)
Profit or loss from fixed term transactions	31,712	(33,728)
Profit or loss from FX differences	(515)	16,073
<b>Total</b>	<b>183,366</b>	<b>(84,948)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

#### 5.15 Administrative Expenses

	2012	2011
Audit	246	162
<b>Total</b>	<b>246</b>	<b>162</b>

#### 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	67	1,303
<b>Total income tax</b>	<b>67</b>	<b>1,303</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	175,823	(91,996)
Items to add	142	69
Deductible items	(454)	(8,717)
Tax base	175,511	(100,664)
Tax loss utilisation	(175,511)	–
Adjusted tax base	–	–
Tax (5%) on tax base	–	–
Foreign dividends	446	8,660
Tax on foreign dividends	67	1,299
Additional tax payments	–	4
<b>Total tax</b>	<b>67</b>	<b>1,303</b>

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 18,073 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 26,843 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.17 Release of Provisions against Receivables

	2012	2011
Decrease in provision – partial collection	8	29

### 5.18 Write-off and Creation of Provisions against Receivables

	2012	2011
Write-off and creation of provisions against receivables	141	43

### 5.19 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	145	159
Unbilled management fee – Investiční společnost	1,017	1,544
Unbilled fee for administration of the local sub-register	14	14
Other payables to related parties	261	310
<b>Total payables to related parties</b>	<b>1,437</b>	<b>2,027</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 3,794 thousand in 2012 (2011: CZK 5,078 thousand), of which the greatest portion was represented by the custody fee of CZK 1,823 thousand (2011: CZK 2,195 thousand). The costs charged by the Company amounted to CZK 14,543 thousand (2011: CZK 21,963 thousand).

### 5.20 Liquidity

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

Given that all securities are traded on public markets, sales can be easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	150,585	–	–	–	–	150,585
Debt securities	–	56,624	19,090	205,119	–	280,833
Shares and participation certificates	–	–	–	–	1,142,473	1,142,473
Derivatives	9,028	–	–	–	–	9,028
Other assets	729	–	–	–	9	738
Prepayments	12	–	–	–	–	12
<b>Total assets</b>	<b>160,354</b>	<b>56,624</b>	<b>19,090</b>	<b>205,119</b>	<b>1,142,482</b>	<b>1,583,669</b>
<b>Liabilities</b>						
Other liabilities	(2,169)	(68)	–	–	–	(2,237)
Net assets	158,185	56,556	19,090	205,119	1,142,482	1,581,432
Available capital	(1,581,432)	–	–	–	–	(1,581,432)
<b>Difference</b>	<b>(1,423,247)</b>	<b>56,556</b>	<b>19,090</b>	<b>205,119</b>	<b>1,142,482</b>	<b>–</b>

2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	177,107	–	–	–	–	177,107
Debt securities	–	2,679	55,465	223,538	–	281,682
Shares and participation certificates	–	–	–	–	1,302,087	1,302,087
Derivatives	737	–	–	–	–	737
Certificates	–	–	–	–	–	–
Other assets	1,083	–	–	–	142	1,225
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>178,927</b>	<b>2,759</b>	<b>55,465</b>	<b>223,538</b>	<b>1,302,229</b>	<b>1,762,918</b>
<b>Liabilities</b>						
Other liabilities	(26,451)	(603)	–	–	–	(27,054)
Net assets	152,476	2,156	55,465	223,538	1,302,229	1,735,864
Available capital	(1,735,864)	–	–	–	–	(1,735,864)
<b>Difference</b>	<b>(1,583,388)</b>	<b>2,156</b>	<b>55,465</b>	<b>223,538</b>	<b>1,302,229</b>	<b>–</b>

### 5.21 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### 5.22 Contingent Assets and Liabilities

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

### 5.23 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CH0023225938	BIOPETROL INDUSTRIES AG	9,626.0000	5.41	52,029.49	0.00
IT0004600364	TELECOM ITALIA MEDIA SPA	21.0000	3.85	80.77	0.00
US9284973040	VITESSE SEMICONDUCTOR CORP NEW	7.0000	42.49	297.45	0.00
<b>Total Foreign shares</b>				<b>52,407.71</b>	<b>0.00</b>
FR0010609065	DANONE FINANCE ZERO 04/22/13	29.0000	1,497,900.00	43,439,100.00	0.00
<b>Total Foreign corporate bonds</b>				<b>43,439,100.00</b>	<b>0.00</b>
DE0001135317	BUNDESREPUBLIC 3.75 01/04/17	14,000,000.0000	0.29	4,025,366.52	130,536.00
PL0000102836	POLAND GOV.BOND 5 10/24/13	500.0000	6,267.36	3,133,678.70	28,667.76
PL0000104543	POLAND GOVERN.BOND 5.25 10/25/17	2,200.0000	6,729.02	14,803,850.60	130,497.33
<b>Foreign government bonds</b>				<b>21,962,895.82</b>	<b>289,701.09</b>
CZ0003702367	CESKA SPORITELNA VAR 04/09/13	5.0000	2,005,000.00	10,025,000.00	(3,025.00)
<b>Total Local corporate bonds</b>				<b>10,025,000.00</b>	<b>(3,025.00)</b>
CZ0001001317	GOVERNMENT BOND 3.75 09/12/20	4,000.0000	11,526.00	46,104,000.00	450,000.00
CZ0001002851	GOVERNMENT BOND 3.85 09/29/21	3,000.0000	11,641.30	34,923,900.00	291,958.33
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	8,100.0000	11,931.00	96,641,100.00	1,366,200.00
CZ0001001945	GOVERNMENT BOND 4.7 09/12/22	2,000.0000	12,530.00	25,060,000.00	282,000.00
<b>Total Local government bonds</b>				<b>202,729,000.00</b>	<b>2,390,158.33</b>
CZ0008472230	ISCS CS KORP. DLUHOPIS. OPF	34,111,270.0000	1.38	46,998,507.81	0.00
CZ0008473659	ISCS DLUHOPISOVY FOND	21,200,000.0000	1.04	22,105,240.00	0.00
CZ0008472271	ISCS SPOROINVEST	37,835,500.0000	1.87	70,797,787.60	0.00
CZ0008472289	ISCS SPOROTREND	8,652,753.0000	1.17	10,160,927.85	0.00
CZ0008472404	ISCS TOP STOCKS	32,783,843.0000	1.27	41,701,048.30	0.00
CZ0008472297	ISCS TREND BOND	125,630,823.0000	1.35	169,212,155.50	0.00
<b>Total Local participation certificates</b>				<b>360,975,667.06</b>	<b>0.00</b>
LU0132412106	ABERDEEN GL-EMG EQTY-A2	12,100.0000	1,316.12	15,925,089.92	0.00
LU0389811539	AMUNDI-INDEX EQ EUROPE-IEC	2,870.0000	29,174.22	83,729,999.35	0.00
LU0201576070	AMUNDI-LATIN AMERICA EQ-I	42.0000	118,683.31	4,984,698.82	0.00
AT0000A05HR3	ESPA BOND BRIK-CORP. (T)	4,390.0000	3,660.13	16,067,982.11	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	558.0000	3,849.19	2,147,845.45	0.00
AT0000676846	ESPA CASH CORPORATE-PLUS-T	10,219.0000	3,025.60	30,918,596.18	0.00
AT0000659024	ESPA CESKY FOND FIR. DLUH. (VT)	256,256.0000	117.94	30,222,832.64	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	1,877,944.6300	145.51	273,259,723.11	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	40,000.0000	481.93	19,277,352.00	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	70,000.0000	131.44	9,200,648.07	0.00
LU0148538712	PICTET – PAC (XJPN)-P USD	4,400.0000	6,527.67	28,721,753.94	0.00
LU0188798671	PICTET – USA INDEX – I USD	42,000.0000	2,274.21	95,516,998.50	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	5,700.0000	4,938.67	28,150,446.93	0.00
FR0000018095	SSGA CANADA INDEX EQUITY FUND	2,800.0000	5,055.59	14,155,662.14	0.00
GB0002771169	THREADNEEDLE EUR SEL FUND	220,000.0000	50.73	11,161,154.40	0.00
IE0007292083	VANGUARD-JAPAN STK IND-USD INV	12,100.0000	2,613.96	31,628,906.12	0.00
IE0002639775	VANGUARD-US 500 STK IDX- USD INS	310,000.0000	278.63	86,375,247.92	0.00
<b>Total Foreign participation certificates</b>				<b>781,444,937.60</b>	<b>0.00</b>
<b>Total</b>				<b>1,420,629,008.19</b>	<b>2,676,834.42</b>



# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
DYNAMICKÝ MIX FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., DYNAMICKÝ MIX FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., DYNAMICKÝ MIX FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

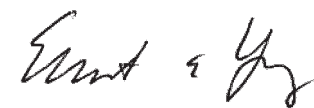
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., DYNAMICKÝ MIX FF – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

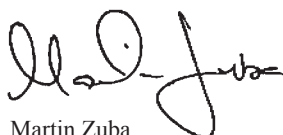
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	49,105	65,177
of which: a/current accounts	2	37,639	56,102
d/ margin accounts	5	11,466	9,075
3 Debt securities	10	74,161	96,992
a/ issued by the government	11	74,161	96,992
4 Shares, unit certificates and other participation interests	13	458,039	446,070
6 Other assets	15	6,282	594
a/ derivatives	16	6,082	316
d/ other assets	19	200	278
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>587,598</b>	<b>608,913</b>
3 Other liabilities	29	350	11,697
a/ derivatives	30	216	11,237
c/ liabilities from taxes	32	8	316
d/ other liabilities	33	126	144
4 Deferred income and accrued expenses	34	718	736
6 Share premium	39	40,582	48,587
7 Other funds from profit	40	139,756	186,988
8 Capital funds	41	326,679	397,767
10 Retained earnings or accumulated losses from previous periods	46	10,370	10,370
11 Profit or loss for the accounting period	47	69,143	(47,232)
<b>Total Liabilities</b>	<b>48</b>	<b>587,598</b>	<b>608,913</b>
of which: Equity	49	586,530	596,480

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	291,657	349,574
b/ with currency instruments	4	260,742	320,429
c/ with equity instruments	5	30,915	29,145
6 Assets provided into custody, administration and safekeeping	10	407,412	420,324
of which: securities	11	407,412	420,324
10 Amounts owed from fixed term transactions	14	286,190	359,327
b/ with currency instruments	16	255,144	331,410
c/ with equity instruments	17	31,046	27,917

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	3,494	4,314
of which: a/ interest income from bonds	2	3,288	4,022
3 Income from shares and unit certificates	9	54	4,512
4 Commission and fee expenses	10	9,541	11,770
a/ fees and commissions from securities trading	11	23	619
b/ management fee	12	7,960	9,679
c/ custody fee	13	655	757
d/ other financial expenses	14	903	715
5 Profit or loss on financial operations	15	75,439	(43,445)
a/ profit or loss on transactions with securities	16	59,999	(34,092)
b/ profit or loss on foreign exchange transactions and options	17	(1,693)	5,852
c/ profit or loss on fixed term transactions and options	18	17,133	(15,205)
8 Administrative expenses	21	237	162
a/ audit	22	237	162
9 Release of provisions against receivables and income from receivables written off	24	5	17
10 Depreciation and creation of provisions against receivables	25	63	21
11 Ordinary profit or loss for the accounting period before tax	26	69,151	(46,555)
15 Income tax	30	8	677
16 Profit or loss for the accounting period after tax	31	69,143	(47,232)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	48,587	55,860
issued unit certificates	3	5,081	8,457
repurchase of unit certificates	4	(13,086)	(15,730)
other changes	5	0	0
closing balance	6	40,582	48,587
2 Retained earnings	7		
opening balance	8	186,988	143,735
transfers to funds	9	0	43,253
other changes	10	(47,232)	0
closing balance	11	139,756	186,988
3 Capital funds	12		
opening balance	13	397,767	498,036
issued unit certificates	14	49,040	96,494
repurchase of unit certificates	15	(120,128)	(196,763)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	326,679	397,767
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	10,370	10,370
other changes	25	0	0
closing balance	26	10,370	10,370
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(47,232)	43,253
profit (loss)	29	69,143	(47,232)
transfers to funds, dividends	30	47,232	(43,253)
closing balance	31	69,143	(47,232)
<b>7 Total</b>	<b>32</b>	<b>586,530</b>	<b>596,480</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., DYNAMICKÝ MIX FF – otevřený podílový fond, hereinafter the “Fund” (from 25 March 2002 to 2 May 2005 Investiční společnost České spořitelny, a.s., Sporomix 5 – otevřený podílový fond and to 25 March 2002 Investiční společnost České spořitelny, a.s. – Všeobecný otevřený podílový fond) was established upon the transformation of Spořitelni privatizační – Všeobecný investiční fond, a.s. based on Resolution of the Securities Commission ref. no. 211/5701/R/2000 dated 26 June 2000.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”). In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a.s.  
DYNAMICKÝ MIX FF – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in securities of money market funds, collective investment bond and equity funds. Credit and interest rate risks are actively managed.

The equity component’s share in the Fund’s portfolio is actively managed. The neutral weight of the equity component’s share in the Fund’s assets amounts to 50 percent.

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations set by the Act.

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

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund’s assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company’s management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund’s capital fund.

The Fund’s assets must not be used for the provision of loans, borrowings or gifts, to secure a third party’s obligation or to settle a payable which is not related to the Fund’s management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund’s assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings is not allowed to exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4572/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while paya-

bles from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.



### Deferred Tax

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

### Foreign Currency Translations

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

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

### Equity of the Fund

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KVaR system.

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

	31 Dec 2012	Average VaR
Global VaR	4.98%	4.85%
Foreign currency VaR	0.31%	0.46%
Interest rate VaR	0.30%	0.47%
Equity VaR	5.18%	4.88%

	31 Dec 2011	Average VaR
Global VaR	4.43%	5.26%
Foreign currency VaR	0.87%	0.60%
Interest rate VaR	0.59%	0.50%
Equity VaR	4.56%	5.39%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its

obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	37,639	56,102
Margin accounts	11,466	9,075
<b>Total</b>	<b>49,105</b>	<b>65,177</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	416,963	429,428
Market revaluation	41,076	16,642
<b>Total</b>	<b>458,039</b>	<b>446,070</b>

<b>Debt securities</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	64,391	92,508
Market revaluation	9,011	3,359
Accrued interest income	759	1,125
<b>Total</b>	<b>74,161</b>	<b>96,992</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 0 percent in 2012 (2011: 0 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 100 percent in 2012 (2011: 100 percent).

### 5.3 Other Assets

<b>Other assets</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Positive fair values of financial derivatives	6,082	316
Other receivables	122	130
Other	157	177
Provisions against receivables	(79)	(29)
<b>Total</b>	<b>6,282</b>	<b>594</b>

The caption 'Other' represents mainly estimated receivables arising from dividends and an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund.

### 5.4 Prepayments and Accrued Income

<b>Prepayments and accrued income</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.1676 (2011: CZK 1.0403). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the loss for 2012 in the amount of CZK 69,143 thousand will be covered by the 'Reinvestment fund' which is included in 'Other funds from profit'.

In line with the Fund's Statute, the profit for 2011 in the amount of CZK 47,232 thousand was transferred to the 'Reinvestment fund' which is included in 'Other funds from profit'.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of fund to cover losses, contributions upon Fund's transformation or from statute-barred dividends	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>673,686,452</b>	<b>673,687</b>	<b>(175,651)</b>	<b>498,036</b>
Participation certificates sold	96,494,093	96,494	-	96,494
Participation certificates purchased	(196,763,347)	(196,763)	-	(196,763)
<b>Balance at 31 Dec 2011</b>	<b>573,417,198</b>	<b>573,418</b>	<b>(175,651)</b>	<b>397,767</b>
Participation certificates sold	49,040,032	49,040	-	49,040
Participation certificates purchased	(120,127,802)	(120,128)	-	(120,128)
<b>Balance at 31 Dec 2012</b>	<b>502,329,428</b>	<b>502,330</b>	<b>(175,651)</b>	<b>326,679</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	216	11,237
Payables from participation certificate holders' placements	19	19
Payable to the state budget	8	316
Other liabilities	107	125
<b>Total</b>	<b>350</b>	<b>11,697</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 54 thousand related to December 2012 (2011: CZK 55 thousand), the unbilled management fee of CZK 654 thousand related to December 2012 (2011: CZK 671 thousand), and the unbilled fee for the local sub-register administration of CZK 7 thousand related to December 2012 (2011: CZK 7 thousand) and the unbilled fee for calculation of NAV of CZK 3 thousand related to December 2012 (2011: CZK 2 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	3,031	3,024	7,150	7,224
<b>Total</b>	<b>3,031</b>	<b>3,024</b>	<b>7,150</b>	<b>7,224</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	7	-	-	74
<b>Total</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>74</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	257,711	252,120	302,959	314,075
Interest rate swaps – IRS	–	–	10,320	10,111
Equity indices futures	30,915	31,046	29,145	27,917
<b>Total</b>	<b>288,626</b>	<b>283,166</b>	<b>342,424</b>	<b>352,103</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts.

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	5,731	139	–	11,116
Interest rate swaps -IRS	–	–	209	–
Equity indices futures	344	77	107	47
<b>Total</b>	<b>6,075</b>	<b>216</b>	<b>316</b>	<b>11,673</b>

Currency derivatives are due within one year.

## 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	54	4,512
<b>Total received dividends</b>	<b>54</b>	<b>4,512</b>

## 5.12 Interest Income and Interest Expense

	2012	2011
Interest on deposits at banks	206	292
Interest on debt securities	3,288	4,022
<b>Total</b>	<b>3,494</b>	<b>4,314</b>

## 5.13 Fees and Commissions

	2012	2011
Management fees	7,960	9,679
Custody fees	655	757
Commissions and fees from securities trading	23	619
Fees paid to the central depository	2	2
Local sub-register	82	85
Administration of securities	492	372
Broker's commission for futures trading	141	29
Commission for management of short-term bonds	–	14
Other fees and commissions	186	213
<b>Total</b>	<b>9,541</b>	<b>11,770</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.70 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

#### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	59,999	(34,092)
Profit or loss from fixed term transactions	17,133	(15,205)
Profit or loss from FX differences	(1,693)	5,852
<b>Total</b>	<b>75,439</b>	<b>(43,445)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

#### 5.15 Administrative Expenses

	2012	2011
Audit	237	162
<b>Total</b>	<b>237</b>	<b>162</b>

#### 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	8	664
Tax payable – previous year	–	13
<b>Total income tax</b>	<b>8</b>	<b>677</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	69,151	(46,555)
Items to add	63	31
Deductible items	(59)	(4,528)
Tax base	69,155	(51,052)
Tax loss utilisation	(69,155)	–
Adjusted tax base / loss	–	(51,052)
Tax (5%) on tax base	–	–
Foreign dividends	54	4,512
Tax on foreign dividends	8	664
Additionally recorded tax	–	13
<b>Total tax</b>	<b>8</b>	<b>677</b>

#### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 9,768 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 13,223 thousand arising from a tax loss and provisions. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.17 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Other payables to related parties – Česká spořitelna	71	125
Unbilled custody fee – Česká spořitelna	54	55
Unbilled management fee for December	654	671
Unbilled fee for administration of local sub-register	7	7
Unbilled fee for calculation of NAV	3	2
<b>Total payables to related parties</b>	<b>789</b>	<b>860</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 1,578 thousand in 2012 (2011: CZK 2,091 thousand), of which the greatest portion was represented by the custody fee of CZK 655 thousand (2011: CZK 757 thousand). The costs charged by the Company amounted to CZK 7,960 thousand (2011: CZK 9,679 thousand).

### 5.18 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

#### 2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	49,105	–	–	–	–	49,105
Debt securities	–	–	–	74,161	–	74,161
Shares and participation certificates	–	–	–	–	458,039	458,039
Other assets	6,240	–	–	–	42	6,282
Prepayments	–	11	–	–	–	11
<b>Total assets</b>	<b>55,345</b>	<b>11</b>	<b>–</b>	<b>74,161</b>	<b>458,081</b>	<b>587,598</b>
<b>Liabilities</b>						
Other liabilities	(1,060)	(8)	–	–	–	(1,068)
Net assets	54,285	3	–	74,161	458,081	586,530
Available capital	(586,530)	–	–	–	–	(586,530)
<b>Difference</b>	<b>(532,245)</b>	<b>3</b>	<b>–</b>	<b>74,161</b>	<b>458,081</b>	<b>–</b>

#### 2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	65,177	–	–	–	–	65,177
Debt securities	–	–	–	96,992	–	96,992
Shares and participation certificates	–	–	–	–	446,070	446,070
Other assets	493	–	–	–	101	594
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>65,670</b>	<b>80</b>	<b>–</b>	<b>96,992</b>	<b>446,171</b>	<b>608,913</b>
<b>Liabilities</b>						
Other liabilities	(12,433)	–	–	–	–	(12,433)
Net assets	53,237	80	–	96,992	446,171	596,480
Available capital	(596,480)	–	–	–	–	(596,480)
<b>Difference</b>	<b>(543,243)</b>	<b>80</b>	<b>–</b>	<b>96 992</b>	<b>446 171</b>	<b>–</b>

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

#### **5.19 Off-balance Sheet Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

#### **5.20 Contingent Assets and Liabilities**

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

#### **5.21 Subsequent Events**

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



# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CH0023225938	BIOPETROL INDUSTRIES AG	9,625.0000	5.41	52,024.09	0.00
US9284973040	VITESSE SEMICONDUCTOR CORP NEW	6.0000	42.49	254.96	0.00
<b>Total Foreign shares</b>				<b>52,279.05</b>	<b>0.00</b>
CZ0001002851	GOVERNMENT BOND 3.85 09/29/21	2,000.0000	11,641.30	23,282,600.00	194,638.89
CZ0001001945	GOVERNMENT BOND 4.7 09/12/22	4,000.0000	12,530.00	50,120,000.00	564,000.00
<b>Total Local government bonds</b>				<b>73,402,600.00</b>	<b>758,638.89</b>
CZ0008472230	ISCS CS KORP. DLUHOPIS. OPF	11,338,268.0000	1.38	15,621,865.65	0.00
CZ0008473659	ISCS DLUHOPISOVY FOND	7,200,000.0000	1.04	7,507,440.00	0.00
CZ0008472271	ISCS SPOROINVEST	7,634,375.0000	1.87	14,285,442.50	0.00
CZ0008472289	ISCS SPOROTREND	6,028,875.0000	1.17	7,079,707.91	0.00
CZ0008472404	ISCS TOP STOCKS	14,445,482.0000	1.27	18,374,653.10	0.00
CZ0008472297	ISCS TREND BOND	45,971,983.0000	1.35	61,919,663.90	0.00
<b>Total Local participation certificates</b>				<b>124,788,773.06</b>	<b>0.00</b>
LU0132412106	ABERDEEN GL-EMG EQTY-A2	11,400.0000	1,316.12	15,003,803.72	0.00
LU0389811539	AMUNDI-INDEX EQ EUROPE-IEC	1,720.0000	29,174.22	50,179,651.18	0.00
LU0389812008	AMUNDI-INDX EQY NTH AM-IEC	500.0000	34,680.13	17,340,063.60	0.00
LU0201576070	AMUNDI-LATIN AMERICA EQ-I	25.0000	118,683.31	2,967,082.63	0.00
AT0000A05HR3	ESPA BOND BRIK-CORP. (T)	820.0000	3,660.13	3,001,308.73	0.00
AT0000805684	ESPA BOND EUROPE HIGH YIELD T	500.0000	3,249.85	1,624,923.90	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	417,630.0000	145.51	60,769,341.30	0.00
AT0000633292	ESPA STOCK JAPAN (VT) CZK	6,000.0000	1,534.10	9,204,600.00	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	20,000.0000	481.93	9,638,676.00	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	44,000.0000	131.44	5,783,264.50	0.00
LU0148538712	PICTET – PAC (XJPN)-P USD	2,200.0000	6,527.67	14,360,876.97	0.00
LU0188798671	PICTET – USA INDEX – I USD	18,000.0000	2,274.21	40,935,856.50	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	2,500.0000	4,938.67	12,346,687.25	0.00
FR0000018095	SSGA CANADA INDEX EQUITY FUND	1,500.0000	5,055.59	7,583,390.43	0.00
GB0002771169	THREADNEEDLE EUR SEL FUND	235,000.0000	50.73	11,922,142.20	0.00
IE0007292083	VANGUARD-JAPAN STK IND-USD INV	4,600.0000	2,613.96	12,024,212.24	0.00
IE0002639775	VANGUARD-US 500 STK IDX- USD INS	210,000.0000	278.63	58,512,264.72	0.00
<b>Total Foreign participation certificates</b>				<b>333,198,145.87</b>	<b>0.00</b>
<b>Total</b>				<b>531,441,797.98</b>	<b>758,638.89</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
AKCIOVÝ MIX FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., AKCIOVÝ MIX FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., AKCIOVÝ MIX FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

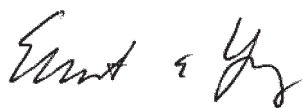
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., AKCIOVÝ MIX FF – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

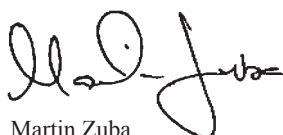
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	71,009	124,417
of which: a/current accounts	2	45,424	97,064
d/ margin accounts	5	25,585	27,353
3 Debt securities	10	29,347	25,875
a/ issued by the government	11	29,347	25,875
4 Shares, unit certificates and other participation interests	13	518,006	477,817
6 Other assets	15	9,168	637
a/ derivatives	16	9,009	348
d/ other assets	19	159	289
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>627,541</b>	<b>628,826</b>
3 Other liabilities	29	800	16,791
a/ derivatives	30	356	14,716
c/ liabilities from taxes	32	76	519
d/ other liabilities	33	368	1,556
4 Deferred income and accrued expenses	34	851	811
6 Share premium	39	(900,903)	(886,121)
7 Other funds from profit	40	145,901	225,714
8 Capital funds	41	1,290,556	1,339,445
10 Retained earnings or accumulated losses from previous periods	46	11,998	11,998
11 Profit or loss for the accounting period	47	78,338	(79,812)
<b>Total Liabilities</b>	<b>48</b>	<b>627,541</b>	<b>628,826</b>
of which: Equity	49	625,890	611,224

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	474,487	553,447
b/ with currency instruments	4	379,124	428,657
c/ with equity instruments	5	95,363	124,790
5 Receivables written off	8	805	802
6 Assets provided into custody, administration and safekeeping	10	474,527	418,533
of which: securities	11	474,527	418,533
10 Amounts owed from fixed term transactions	14	467,917	562,749
b/ with currency instruments	16	371,942	443,081
c/ with equity instruments	17	95,975	119,668

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	1,580	874
of which: a/ interest income from bonds	2	963	258
3 Income from shares and unit certificates	9	342	5,797
4 Commission and fee expenses	10	11,362	12,793
a/ fees and commissions from securities trading	11	33	859
b/ management fee	12	9,455	10,352
c/ custody fee	13	692	766
d/ other financial expenses	14	1,182	816
5 Profit or loss on financial operations	15	88,163	(72,712)
of which: a/ profit or loss on transactions with securities	16	57,449	(63,243)
b/ profit or loss on foreign exchange transactions and options	17	(2,744)	7,722
c/ profit or loss on fixed term transactions and options	18	33,458	(17,191)
8 Administrative expenses	21	237	162
a/ audit	22	237	162
9 Release of provisions against receivables and income from receivables written off	24	46	163
10 Depreciation and creation of provisions against receivables	25	143	109
11 Ordinary profit or loss for the accounting period before tax	26	78,389	(78,942)
15 Income tax	30	51	870
16 Profit or loss for the accounting period after tax	31	78,338	(79,812)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(886,121)	(871,017)
issued unit certificates	3	36,681	44,123
repurchase of unit certificates	4	(51,463)	(59,227)
other changes	5	0	0
closing balance	6	(900,903)	(886,121)
2 Retained earnings	7		
opening balance	8	225,714	182,421
transfers to funds	9	0	43,293
other changes	10	(79,813)	0
closing balance	11	145,901	225,714
3 Capital funds	12		
opening balance	13	1,339,445	1,391,240
issued unit certificates	14	135,681	165,512
repurchase of unit certificates	15	(184,570)	(217,307)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	1,290,556	1,339,445
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	11,998	11,998
other changes	25	0	0
closing balance	26	11,998	11,998
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(79,812)	43,293
profit (loss)	29	78,338	(79,812)
transfers to funds, dividends	30	79,812	(43,293)
closing balance	31	78,338	(79,812)
<b>7 Total</b>	<b>32</b>	<b>625,890</b>	<b>611,224</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., AKCIOVÝ MIX FF – otevřený podílový fond was established upon the transformation of Spořitelni privatizační – Výnosový investiční fond a. s. to an open-ended mutual fund under Resolution of Securities Commission ref. no. 211/14557/R/1999 dated 22 September 1999. Investiční společnost České spořitelny, a. s. – Výnosový otevřený podílový fond was formed as at 1 December 1999. The name of the fund changed to Investiční společnost České spořitelny, a. s. – AKCIOVÝ MIX FF – otevřený podílový fond (hereinafter the “Fund” or “ISČS, a. s. – Akciový MIX FF”) on 7 February 2007.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”). In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a. s.  
AKCIOVÝ MIX FF – otevřený podílový fond  
Prague 6, Dejvice, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in securities of money market funds and collective investment bond and equity funds. Credit and interest rate risks are actively managed.

The equity component's share in the Fund's portfolio and its regional and sector composition are actively managed. The neutral weight of the equity component's share in the Fund's assets amounts to 75 percent. The Fund carries currency exposure arising from investments in local currencies. With the equity component, the exposure is actively managed using available hedging instruments.

Finances collected in the Fund are primarily invested in securities of collective investment funds if such collective investment funds invest in identical classes of assets as a standard fund under the Collective Investment Act, spreads the risk connected to investments and repurchases securities issued by the Fund, or ensures that the exchange rate or prices of these securities on the regulated market do not significantly differ from actual values.

The portfolio of the Fund may also be expanded by purchasing shares, bonds and other investment instruments approved for collective investments of a standard fund under the Collective Investment Act.

Debt securities are primarily state, corporate, municipality and other bonds, whose issuers received Standard & Poor's or Moody's rating of long-term indebtedness at least on the investment level.

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

The Fund uses financial derivatives to hedge against currency and interest rate exposures.

The profit/(loss) is based on the difference between the income and expenses related to the management of the Fund's assets.

The generated profit is retained in the reinvestment fund as a source for further investments and to cover the Fund's losses. If the profit is not sufficient, the loss must be covered by a reduction in the capital fund.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4569/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to

the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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



are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency exposures associated with its transactions on financial markets.

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

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged

item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and

- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	7.11%	6.68%
Foreign currency VaR	0.93%	0.58%
Interest rate VaR	0.11%	0.14%
Equity VaR	7.30%	6.69%

	31 Dec 2011	Average VaR
Global VaR	6.18%	7.40%
Currency VaR	1.19%	0.88%
Interest rate VaR	0.16%	0.05%
Equity VaR	5.87%	7.37%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	45,424	97,064
Margin accounts	25,585	27,353
<b>Total</b>	<b>71,009</b>	<b>124,417</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	475,867	459,306
Market revaluation	42,139	18,511
<b>Total</b>	<b>518,006</b>	<b>477,817</b>

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	25,631	24,842
Market revaluation	3,472	790
Accrued interest income	244	243
<b>Total</b>	<b>29,347</b>	<b>25,875</b>

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 0 percent in 2012 (2011: 0 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 100 percent in 2012 (2011: 100 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	9,009	348
Other receivables	1,208	1,259
Other	145	177
Provisions against receivables	(1,194)	(1,147)
<b>Total</b>	<b>9,168</b>	<b>637</b>

Other receivables' principally relate to receivables from dividends. Receivables arising from dividends unpaid within two years from the recognition of a claim are provisioned in full.

The caption 'Other' represents estimated receivables arising from dividends and an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund.

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.3469 (2011: CZK 1.1903). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

The profit for 2012 in the amount of CZK 78,338 thousand will be transferred to the reinvestment fund within 'Other funds from profit'.

The loss for 2011 in the amount of CZK 79,812 thousand was covered by the reinvestment fund.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Additions to capital fund	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>565,370,702</b>	<b>565,371</b>	<b>825,869</b>	<b>1,391,240</b>
Participation certificates sold	165,512,296	165,512	–	165,512
Participation certificates purchased	(217,306,672)	(217,307)	–	(217,307)
<b>Balance at 31 Dec 2011</b>	<b>513,576,326</b>	<b>513,576</b>	<b>825,869</b>	<b>1,339,445</b>
Participation certificates sold	135,680,721	135,681	–	135,681
Participation certificates purchased	(184,570,256)	(184,570)	–	(184,570)
<b>Balance at 31 Dec 2012</b>	<b>464,686,791</b>	<b>464,687</b>	<b>825,869</b>	<b>1,290,556</b>

Additions to the capital fund relate to contributions that arose upon the transformation of the Fund (refer to 'Formation and Description of the Business').

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Payables from participation certificate holders' placements	248	1,389
Negative fair values of financial derivatives	356	14,716
Payable to the state budget	76	519
Other liabilities	120	167
<b>Total</b>	<b>800</b>	<b>16,791</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 57 thousand related to December 2012 (2011: CZK 56 thousand), the unbilled management fee of CZK 784 thousand related to December 2012 (2011: CZK 745 thousand), and the unbilled fee for the local sub-register administration of CZK 7 thousand related to December 2012 (2011: CZK 7 thousand) and the unbilled fee for calculation of NAV of CZK 3 thousand related to December 2012 (2011: CZK 2 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	4,539	4,532	139,987	141,632
<b>Total</b>	<b>4,539</b>	<b>4,532</b>	<b>139,987</b>	<b>141,632</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly)

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	7	-	-	1,645
<b>Total</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>1,645</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	374,585	367,410	288,670	301,449
Equity indices futures	95,363	95,975	124,790	119,668
<b>Total</b>	<b>469,948</b>	<b>463,385</b>	<b>413,460</b>	<b>421,117</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly)

## Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	7,454	279	-	12,779
Equity indices futures	1,548	77	348	292
<b>Total</b>	<b>9,002</b>	<b>356</b>	<b>348</b>	<b>13,071</b>

## 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	342	5,797
<b>Total received dividends</b>	<b>342</b>	<b>5,797</b>

## 5.12 Interest Income

	2012	2011
Interest on deposits at banks	617	616
Interest on debt securities	963	258
<b>Total</b>	<b>1,580</b>	<b>874</b>

## 5.13 Fees and Commissions

	2012	2011
Management fees	9,455	10,352
Custody fees	692	766
Commissions and fees from securities trading	33	859
Expenses related to corporate events	-	1
Expenses of administration of the local sub-register	83	85
Administration of securities	637	416
Fees paid to the central depository	1	1
Other fees and commissions	461	313
<b>Total</b>	<b>11,362</b>	<b>12,793</b>

In compliance with the Statute of the Fund, the management fee paid by the Fund amounted to 1.70 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	57,449	(63,243)
Profit or loss from fixed term transactions and options	33,458	(17,191)
Profit or loss from FX differences	(2,744)	7,722
<b>Total</b>	<b>88,163</b>	<b>(72,712)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.15 Administrative Expenses

	2012	2011
Audit	237	162
<b>Total</b>	<b>237</b>	<b>162</b>

### 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	51	870
<b>Total income tax</b>	<b>51</b>	<b>870</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	78,390	(78,942)
Items to add	144	124
Deductible items	(389)	(5,961)
Tax base	78,145	(84,779)
Tax loss utilisation	(78,145)	–
Adjusted tax base	–	(84,779)
Tax (5%) on tax base	–	–
Foreign dividends	342	5,797
Tax on foreign dividends	51	851
Additional tax payments	–	19
<b>Total tax</b>	<b>51</b>	<b>870</b>

#### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 14,492 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 18,397 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.17 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	57	56
Unbilled management fee – Investiční společnost	784	745
Unbilled fee for administration of the local sub-register	7	7
Unbilled fee for calculation of NAV	3	2
Other payables to related parties	119	166
<b>Total payables to related parties</b>	<b>970</b>	<b>976</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,908 thousand in 2012 (2011: CZK 2,441 thousand), of which the greatest portion was represented by the custody fee of CZK 692 thousand (2011: CZK 766 thousand). The costs charged by the Company amounted to CZK 9,455 thousand (2011: CZK 10,352 thousand), which is the annual management fee.

## 5.18 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	71,009	-	-	-	-	71,009
Debt securities	-	-	-	29,347	-	29,347
Shares and participation certificates	-	-	-	-	518,006	518,006
Other assets	9,154	-	-	-	14	9,168
Prepayments	11	-	-	-	-	11
<b>Total assets</b>	<b>80,174</b>	<b>-</b>	<b>-</b>	<b>29,347</b>	<b>518,020</b>	<b>627,541</b>
<b>Liabilities</b>						
Other liabilities	(1,575)	(76)	-	-	-	(1,651)
Net assets	78,599	(76)	-	29,347	518,020	625,890
Available capital	(625,890)	-	-	-	-	(625,890)
<b>Difference</b>	<b>(547,291)</b>	<b>(76)</b>	<b>-</b>	<b>29,347</b>	<b>518,020</b>	<b>-</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	124,417	-	-	-	-	124,417
Debt securities	-	-	-	25,875	-	25,875
Shares and participation certificates	-	-	-	-	477,817	477,817
Other assets	526	-	-	-	111	637
Prepayments	-	80	-	-	-	80
<b>Total assets</b>	<b>124,943</b>	<b>80</b>	<b>-</b>	<b>25,875</b>	<b>477,928</b>	<b>628,826</b>
<b>Liabilities</b>						
Other liabilities	(17,083)	(519)	-	-	-	(17,602)
Net assets	107,860	(439)	-	25,875	477,928	611,224
Available capital	(611,224)	-	-	-	-	(611,224)
<b>Difference</b>	<b>(503,364)</b>	<b>(439)</b>	<b>-</b>	<b>25,875</b>	<b>477,928</b>	<b>-</b>

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

## 5.19 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.20 Contingent Assets and Liabilities

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

## 5.21 Subsequent Events

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



# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
FR0010313833	ARKEMA	140.0000	1,991.34	278,787.52	0.00
CS0005046655	MICHALOVSKÉ ELEKTROTECH. ZAVODY	27,450.0000	0.00	0.00	0.00
<b>Total Foreign shares</b>				<b>278,787.52</b>	<b>0.00</b>
CZ0001002851	GOVERNMENT BOND 3.85 09/29/21	2,500.0000	11,641.30	29,103,250.00	243,298.61
<b>Total Local government bonds</b>				<b>29,103,250.00</b>	<b>243,298.61</b>
CZ0008472230	ISCS CS KORP. DLUHOPIS. OPF	7,187,727.0000	1.38	9,903,250.26	0.00
CZ0008473659	ISCS DLUHOPISOVÝ FOND	15,000,000.0000	1.04	15,640,500.00	0.00
CZ0008472289	ISCS SPOROTREND	8,590,758.0000	1.17	10,088,127.12	0.00
CZ0008472404	ISCS TOP STOCKS	21,915,774.0000	1.27	27,876,864.53	0.00
CZ0008472297	ISCS TREND BOND	6,916,612.0000	1.35	9,315,984.70	0.00
<b>Total Local participation certificates</b>				<b>72,824,726.61</b>	<b>0.00</b>
LU0132412106	ABERDEEN GL-EMG EQTY-A2	12,200.0000	1,316.12	16,056,702.23	0.00
LU0389811539	AMUNDI-INDEX EQ EUROPE-IEC	1,400.0000	29,174.22	40,843,902.12	0.00
LU0201576070	AMUNDI-LATIN AMERICA EQ-I	61.0000	118,683.31	7,239,681.62	0.00
AT0000A05HR3	ESPA BOND BRIK-CORP. (T)	1,267.0000	3,660.13	4,637,388.00	0.00
AT0000633771	ESPA CESHY FOND ST. DLUHOPISU VT	418,144.0000	145.51	60,844,133.44	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	52,820.0000	129.64	6,847,584.80	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	26,000.0000	481.93	12,530,278.80	0.00
LU0061324488	FIDELITY FNDS-KOREA FUND A	16,000.0000	366.81	5,868,940.00	0.00
LU0161332480	FIDELITZ FUNDS JPN ADVANT JPY	1,500.0000	4,009.96	6,014,934.00	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	56,000.0000	131.44	7,360,518.46	0.00
LU0011889929	HENDERSON HOR.-JAPAN.EQUITY FUND	38,000.0000	186.55	7,088,841.10	0.00
GB0031189888	NEWTON UK OP-RETAIL-INC	220,000.0000	63.10	13,881,298.99	0.00
LU0148538712	PICTET – PAC (XJPN)-P USD	3,800.0000	6,527.67	24,805,151.13	0.00
LU0188798671	PICTET – USA INDEX – I USD	25,000.0000	2,274.21	56,855,356.25	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	4,000.0000	4,938.67	19,754,699.60	0.00
FR0000018095	SSGA CANADA INDEX EQUITY FUND	2,100.0000	5,055.59	10,616,746.60	0.00
GB0002771169	THREADNEEDLE EUR SEL FUND	490,000.0000	50.73	24,858,934.80	0.00
IE0007292083	VANGUARD-JAPAN STK IND-USD INV	7,500.0000	2,613.96	19,604,693.88	0.00
IE0002639775	VANGUARD-US 500 STK IDX- USD INS	356,000.0000	278.63	99,192,220.19	0.00
<b>Total Foreign participation certificates</b>				<b>444,902,006.01</b>	<b>0.00</b>
<b>Total</b>				<b>547,108,770.14</b>	<b>243,298.61</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Smíšený fond – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Smíšený fond – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Smíšený fond – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

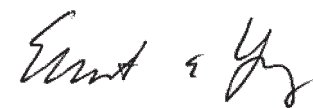
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Smíšený fond – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

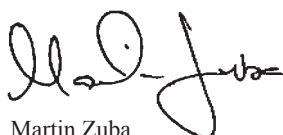
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	68,088	336,667
of which: a/current accounts	2	68,060	330,580
d/ margin accounts	5	28	6,087
3 Debt securities	10	1,187,364	703,140
a/ issued by the government	11	1,187,364	703,140
4 Shares, unit certificates and other participation interests	13	876,529	1,067,217
6 Other assets	15	14,665	2,283
a/ derivatives	16	12,380	0
c/ receivables from taxes	18	0	594
d/ other assets	19	2,285	1,689
7 Prepayments and accrued income	21	12	0
<b>Total Assets</b>	<b>22</b>	<b>2,146,658</b>	<b>2,109,307</b>
3 Other liabilities	29	2,970	34,871
a/ derivatives	30	1,338	34,828
c/ liabilities from taxes	32	1,516	0
d/ other liabilities	33	116	43
4 Deferred income and accrued expenses	34	343	322
6 Share premium	39	(244,275)	(244,269)
8 Capital funds	41	2,318,418	2,694,743
10 Retained earnings or accumulated losses from previous periods	46	0	56,159
11 Profit or loss for the accounting period	47	69,202	(432,519)
<b>Total Liabilities</b>	<b>48</b>	<b>2,146,658</b>	<b>2,109,307</b>
of which: Equity	49	2,143,345	2,074,114

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	1,018,068	1,177,359
b/ with currency instruments	4	1,018,068	1,177,359
6 Assets provided into custody, administration and safekeeping	10	2,017,409	1,770,357
of which: securities	11	2,017,409	1,770,357
10 Amounts owed from fixed term transactions	14	1,007,026	1,212,187
b/ with currency instruments	16	1,007,026	1,212,187

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	31,464	5,152
of which: a/ interest income from bonds	2	30,189	4,132
b/ interest from repo transactions	3	0	64
3 Income from shares and unit certificates	9	23,173	39,224
4 Commission and fee expenses	10	7,182	5,760
a/ fees and commissions from securities trading	11	1,784	2,201
b/ management fee	12	2,543	2,145
c/ custody fee	13	1,285	1,073
d/ other financial expenses	14	1,570	341
5 Profit or loss on financial operations	15	25,910	(465,479)
of which: a/ profit or loss on transactions with securities	16	13,934	(416,273)
b/ profit or loss on foreign exchange transactions and options	17	2,056	664
c/ profit or loss on fixed term transactions and options	18	9,920	(49,870)
8 Administrative expenses	21	126	162
a/ audit	22	126	162
10 Depreciation and creation of provisions against receivables	25	627	0
11 Ordinary profit or loss for the accounting period before tax	26	72,612	(427,025)
15 Income tax	30	3,410	5,494
16 Profit or loss for the accounting period after tax	31	69,202	(432,519)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(244,269)	(39,154)
issued unit certificates	3	(6)	(247,087)
repurchase of unit certificates	4	0	41,972
other changes	5	0	0
closing balance	6	(244,275)	(244,269)
2 Retained earnings	7		
opening balance	8	0	0
transfers to funds	9	0	0
other changes	10	0	0
closing balance	11	0	0
3 Capital funds	12		
opening balance	13	2,694,743	1,739,553
issued unit certificates	14	35	1,456,785
repurchase of unit certificates	15	0	(501,595)
transfers to funds	16	(376,360)	0
other changes	17	0	0
closing balance	18	2,318,418	2,694,743
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	56,159	0
other changes	25	(56,159)	56,159
closing balance	26	0	56,159
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(432,519)	119,237
profit (loss)	29	69,202	(432,519)
transfers to funds, dividends	30	432,519	(119,237)
closing balance	31	69,202	(432,519)
<b>7 Total</b>	<b>32</b>	<b>2,143,345</b>	<b>2,074,114</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., Smíšený fond – otevřený podílový fond (the “Fund” or “ISČS, a. s. – Smíšený fond OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a. s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a. s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a. s., Smíšený fond – otevřený podílový fond. The decision came into legal effect on 20 January 2010. The Fund commenced its activities on 8 February 2010.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a mixed fund.

### Registered Office

Investiční společnost České spořitelny, a. s.  
Smíšený fond – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Fund is comprised of assets which are owned by the participation certificate holders based on their individual share of participation certificates. The Company is entrusted with the management of the Fund and the Fund constitutes an independent set of assets, separated from the management of the Company’s assets and from the assets of other funds managed by the Company. The Fund is not a legal entity. The Company manages the Fund under its name and on the account of the participation certificate holders.

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed through Česká spořitelna if the purchase of a participation certificate is not suspended.

The nominal value of each participation certificate is the same, i.e. CZK 1,000.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is long-term overperforming the income from Czech state bonds and foreign shares through active changes in the weight of the shares of the portfolio, currency composition of the portfolio and modified duration of a bond portion of the portfolio. To a minor extent, the instruments with exposure on corporate bonds can also be included in the Fund’s portfolio. The Fund is managed with an emphasis on the generated income. The objective is achieved principally through an active allocation of assets (especially bonds vs shares), while a maximum portion of shares and investment instruments carrying the equity risk may not exceed 90 percent of the Fund’s assets. The equity component’s share in the Fund’s portfolio and its regional and sector composition are actively managed. The neutral weight of the state bond component of the portfolio amounts to 60 percent of the Fund’s assets. The bond component of the portfolio is actively managed in reference to interest rate risk on the Czech and Euro income curves. The Fund carries currency exposure arising from investments in local currencies. The currency exposure is actively managed using available hedging instruments. Due to an emphasis on using investment opportunities, the Fund achieves a high asset turnover. These objectives do not constitute limits for mitigation and spread of the risk associated with investing activities.

The Fund may invest in securities of collective investment funds, if such a collective investment fund invests in the same types of assets, distributes the risk connected to investments and meets other obligations as set by the Act.

The Company can use financial derivatives to effectively manage the Fund's assets.

The Fund's portfolio can be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

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

The Company can use financial derivatives to effectively manage the Fund's assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund's assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit is used as source for payment of profit distribution. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss is covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Act.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

### Payment of Profit Distribution

The profit distribution is paid from the Fund's total accounting profit after tax. If a profit amount to be distributed exceeds an amount corresponding to 4.5 percent of the Fund's equity as at 31 December of the accounting period preceding the accounting period for which the profit is to be paid, a profit amount to be distributed will be reduced to a level equal to the 4.5 percent of the Fund's equity mentioned above.

The profit distribution is paid once a year. The decisive date for the payment of profit distribution is the last day of February in the year following the year for which profit distribution are paid. The date of the initiation of payment of profit distribution for the past financial year is 31 March of the following year provided that the auditor approved the Fund's annual financial statements. In the event that this day is not a business day, the payment initiation date is moved to the closest following business day.

Each participation certificate holder has the right to choose the method of settlement with regard to the profit distribution to be paid, i.e. either payment to a bank account selected by the participation certificate holder or transforming the share into other mutual fund participation certificates. The profit distribution is not paid out in cash. The participation certificate holder's decision is indicated in the instruction for the payment of profit distribution. The bank account number or the participation certificate holder's decision on the method of the payment of profit distribution can be changed through a new instruction for the payment of profit distribution issued prior to the decisive date for the payment of profit distribution.

If the transformation of the profit distribution into other participation certificates of the Fund has been agreed (a reinvestment of profit distribution) in the instruction, it is deemed that the reinvested finances were credited to a current bank account of the Fund at the date of initiation of profit distribution payment.

Pursuant to the Commercial Code, the right to the payment of profit distribution is subject to the statute of limitations after a four-year time limit has elapsed from the maturity date. After the four-year time limit elapses, unpaid profit distribution will be used for the payment of the current financial year profit distribution.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4586/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the



statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

Czech National Bank Resolution No. 2012/8826/570, dated 14 September 2012, which came into force on 2 October 2012: Changes to the statute involve supplementation of the exemption under Section 29 Paragraph 1 of Act 189/2004 Coll., on collective investment in Article III Paragraph 10 of the statute. This change allows for investment of up to 50 percent of the assets in the mutual fund in investment securities and money market instruments that the Czech Republic issued or for which it accepted a guarantee.

In light of this fact, Article IV of the statute describing the credit risk was amended. The information given in Article III Paragraph 1 of the statute on the size of a neutral position of a portfolio element comprising state bonds was changed, namely from the current 60 percent to 70 percent of the assets of the mutual fund, and the information on the synthetic indicator of the risk profile in Article IV Paragraph 2 of the statute was updated.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during 2012 and 2011.

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

The financial statements are based on the accrual principle, that is, transactions and other events are recognized in the accounting period in which they occur, regardless of when the related monetary flow arises. The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### Receivables and Payables

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

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

### Financial Derivatives and Hedging Transactions

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

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

- the Fund has developed a risk management strategy;

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

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within Tax on foreign dividends (see note 5.14.).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR").

The VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	4.22%	6.27%
Foreign currency VaR	0.37%	0.96%
Interest rate VaR	0.39%	0.52%
Equity VaR	4.51%	6.15%

	31 Dec 2011	Average VaR
Global VaR	7.85%	15.75%
Foreign currency VaR	1.51%	2.11%
Interest rate VaR	0.57%	0.14%
Equity VaR	7.94%	14.87%

The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

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

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	68,060	330,580
Margin accounts	28	6,087
<b>Total</b>	<b>68,088</b>	<b>336,667</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	852,688	1,244,127
Market revaluation	23,841	(176,910)
<b>Total</b>	<b>876,529</b>	<b>1,067,217</b>

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	1,152,218	707,319
Market revaluation	14,463	(18,352)
Accrued interest income	20,683	14,173
<b>Total</b>	<b>1,187,364</b>	<b>703,140</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 20.80 percent in 2012 (2011: 0 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 18.66 percent in 2012 (2011: 27.7 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 60.54 percent in 2012 (2011: 72.30 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Other receivables	958	1,321
Positive fair values of financial derivatives	12,380	–
State budget settlement	–	594
Other	1,327	368
<b>Total</b>	<b>14,665</b>	<b>2,283</b>

The caption ‘Other’ relates mainly to estimated receivables arising from foreign dividends.

### 5.4 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1,000. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 was CZK 795.3785 (2011: CZK 769.6892). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund’s Statute, the profit for 2012 in the amount of CZK 69,202 thousand will be used to pay out the withholding tax in the amount of CZK 3,965 thousand and net allocation of profit to the participation certificates holders in the amount of CZK 65,237 thousand in the form of the new participation certificates issued on 2 April 2013.

In line with the Fund’s Statute, the loss for 2011 in the amount of CZK 432,519 thousand was covered by the capital fund, because the Fund had not created the reinvestment fund, which is to be created from the profit from previous years.

### 5.5 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Other changes	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>1,739,553</b>	<b>1,739,553</b>	–	<b>1,739,553</b>
Participation certificates sold	1,456,785	1,456,785	–	1,456,785
Participation certificates purchased	(501,595)	(501,595)	–	(501,595)
<b>Balance at 31 Dec 2011</b>	<b>2,694,743</b>	<b>2,694,743</b>	–	<b>2,694,743</b>
Participation certificates sold	35	35	–	35
Capital Fund utilization	–	–	(376,360)	(376,360)
<b>Balance at 31 Dec 2012</b>	<b>2,694,778</b>	<b>2,694,778</b>	<b>(376,360)</b>	<b>2,318,418</b>

### 5.6 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Payable to the state budget	1,516	–
Negative fair values of financial derivatives	1,338	34,828
Other liabilities	116	43
<b>Total</b>	<b>2,970</b>	<b>34,871</b>

## 5.7 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 108 thousand related to December 2012 (2011: CZK 104 thousand), the unbilled management fee of CZK 210 thousand related to December 2012 (2011: CZK 207 thousand), the unbilled fee for calculation of NAV and of participation certificate rate of CZK 9 thousand related to December 2012 (2011: CZK 9 thousand), the unbilled fee for Central register of CZK 2 thousand related to December 2012 (2011: CZK 2 thousand) and the unbilled fee for the local sub-register administration of CZK 16 thousand related to December 2012 (2011: CZK 0 thousand).

## 5.8 Financial Derivatives Designated as Trading Derivatives

Nominal value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	1,018,068	1,007,026	1,177,359	1,212,187
<b>Total currency instruments</b>	<b>1,018,068</b>	<b>1,007,026</b>	<b>1,177,359</b>	<b>1,212,187</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

Fair value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	12,380	1,338	–	34,828
<b>Total currency instruments</b>	<b>12,380</b>	<b>1,338</b>	<b>–</b>	<b>34,828</b>

Currency derivatives are due within one year.

## 5.9 Income from Shares and Interests

	2012	2011
Foreign dividends	22,556	36,625
Foreign dividends – previous period	178	–
Domestic dividends	439	2,599
<b>Total</b>	<b>23,173</b>	<b>39,224</b>

## 5.10 Interest Income

	2012	2011
Interest on deposits at banks	1,275	1,020
Interest on debt securities	30,189	4,132
<b>Total</b>	<b>31,464</b>	<b>5,152</b>

## 5.11 Fees and Commissions

	2012	2011
Management fees	2,543	2,145
Custody fees	1,285	1,073
Commissions and fees from securities trading	1,784	2,201
Calculation of NAV and of participation certificate rate	105	88
Other fees and commissions	1,465	253
<b>Total</b>	<b>7,182</b>	<b>5,760</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.12 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.12 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	13,934	(416,273)
Profit or loss from fixed term transactions	9,920	(49,870)
Profit or loss from FX differences	2,056	664
<b>Total</b>	<b>25,910</b>	<b>(465,479)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.13 Administrative Expenses

	2012	2011
Audit	126	162
<b>Total</b>	<b>126</b>	<b>162</b>

## 5.14 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	3,383	5,473
Additionally recorded tax	27	21
<b>Total income tax</b>	<b>3,410</b>	<b>5,494</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	72,612	(427,025)
Items to add	765	145
Deductible items	(23,173)	(39,224)
Tax base	50,204	(466,104)
Tax loss utilisation	(50,204)	–
Tax base adjusted	–	(466,104)
Tax (5%) on tax base	–	–
Foreign dividends	22,556	36,625
Tax on foreign dividends	3,383	5,473
Additionally recorded tax	27	21
<b>Total income tax</b>	<b>3,410</b>	<b>5,494</b>

## Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 20,826 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 23,305 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.15 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Unbilled management fee – Investiční společnost	210	207
Unbilled custody fee – Česká spořitelna, a. s.	107	104
Unbilled fee for administration of the Central depository – Česká spořitelna	2	2
Unbilled fee for administration of the local sub-register	16	–
Unbilled fee for calculation of NAV and of participation certificate rate	9	9
Other payables to related parties	116	–
<b>Total payables to related parties</b>	<b>444</b>	<b>322</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 4,639 thousand in 2012 (2011: CZK 3,523 thousand), of which the greatest portion is represented by the commissions from securities trading of CZK 1,784 thousand (2011: CZK 2,109 thousand) and the custody fee of CZK 1,285 thousand (2011: CZK 1,073 thousand).

The costs charged by Investiční společnost České spořitelny, a. s., amounted to CZK 2,543 thousand and represent an annual management fee (2011: CZK 2,145 thousand).

## 5.16 Liquidity

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

2012

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	68,088	–	–	–	–	68,088
Debt securities	–	–	–	–	876,529	876,529
Other assets	–	247,008	367,336	573,020	–	1,187,364
Prepayments and accrued income	13,706	–	–	–	959	14,665
Other assets	–	12	–	–	–	12
<b>Total assets</b>	<b>81,794</b>	<b>247,020</b>	<b>367,336</b>	<b>573,020</b>	<b>877,488</b>	<b>2,146,658</b>
<b>Liabilities</b>						
Other liabilities	(1,797)	(1,516)	–	–	–	(3,313)
Net assets	79,997	245,504	367,336	573,020	877,488	2,143,345
Available capital	(2,143,345)	–	–	–	–	(2,143,345)
<b>Difference</b>	<b>(2,063,348)</b>	<b>245,504</b>	<b>367,336</b>	<b>573,020</b>	<b>877,488</b>	<b>–</b>



2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	336,667	–	–	–	–	336,667
Shares and participation certificates	–	–	–	–	1,067,217	1,067,217
Debt securities	–	–	149,219	553,921	–	703,140
Other assets	368	594	–	–	1,321	2,283
<b>Total assets</b>	<b>337,035</b>	<b>594</b>	<b>149,219</b>	<b>553,921</b>	<b>1,068,538</b>	<b>2,109,307</b>
<b>Liabilities</b>						
Other liabilities	(35,193)	–	–	–	–	(35,193)
Net assets	301,843	594	149,219	553,921	1,068,538	2,074,114
Available capital	(2,074,114)	–	–	–	–	(2,074,114)
<b>Difference</b>	<b>(1,772,272)</b>	<b>594</b>	<b>149,219</b>	<b>553,921</b>	<b>1,068,538</b>	<b>–</b>

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

#### 5.17 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

#### 5.18 Contingent Assets and Liabilities

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

#### 5.19 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
SK4120008400	SLOVAKIA GOVT VAR 09/02/15	11,500.0000	10,400.00	119,600,000.00	1,019,666.67
DE0001135234	BUNDESREPUBLIC 3.75 07/04/13	950,000,000.0000	0.26	242,603,514.00	4,404,200.00
SK4120008871	SLOVAKIA GOVT 3.375 11/15/24	1,500,000.0000	25.71	38,572,050.60	160,396.50
<b>Foreign government bonds</b>				<b>400,775,564.60</b>	<b>5,584,263.17</b>
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	8,000.0000	10,815.00	86,520,000.00	899,111.11
CZ0001001903	GOVERNMENT BOND 4 04/11/17	5,000.0000	11,395.00	56,975,000.00	1,438,888.89
CZ0001000822	GOVERNMENT BOND 4.6 08/18/18	15,000.0000	11,931.00	178,965,000.00	2,530,000.01
CZ0001002471	GOVERNMENT BOND 5 04/11/19	28,000.0000	12,240.00	342,720,000.00	10,072,222.22
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	10,000.0000	10,072.50	100,725,000.00	158,888.89
<b>Total Local government bonds</b>				<b>765,905,000.00</b>	<b>15,099,111.11</b>
CZ0008472404	ISCS TOP STOCKS	36,544,043.0000	1.2720	46,484,022.70	0.00
<b>Total Local participation certificates</b>				<b>46,484,022.70</b>	<b>0.00</b>
US4642872349	ISHARE MSCI EMERGIN MARKETS IN	27,000.0000	845.09	22,817,409.75	0.00
US4642868487	ISHARE MSCI JAPAN INDEX FUND	295,000.0000	185.79	54,806,943.75	0.00
IE0031442068	ISHARE SP 500 INDEX FUND (GBP)	90,000.0000	264.64	23,817,429.50	0.00
IE0008471009	ISHARES DJ EURO STOXX 50	96,500.0000	664.70	64,143,704.40	0.00
US4642877884	ISHARES DJ US FINANCIAL SECTOR	34,000.0000	1,156.64	39,325,709.00	0.00
DE000A0D8Q07	ISHARES EURO STOXX DE	112,000.0000	659.42	73,855,286.40	0.00
US4642861037	ISHARES MSCI AUSTRALIA INDEX	37,000.0000	479.04	17,724,579.90	0.00
US4642865095	ISHARES MSCI CANADA INDEX FUNDD	27,500.0000	541.16	14,881,955.00	0.00
US4642868719	ISHARES MSCI HONG KONG INDEX	36,000.0000	370.05	13,321,731.60	0.00
US4642866655	ISHARES MSCI PACIFIC EX JPN	29,000.0000	898.25	26,049,328.30	0.00
US46429B7055	ISHARES MSCI RUSSIA	32,000.0000	450.65	14,420,824.00	0.00
IE0005042456	ISHARES PLC – IFTSE 100	432,000.0000	180.94	78,167,579.04	0.00
US4642875987	ISHARES RUSSELL 1000 VALUE	11,000.0000	1,387.59	15,263,436.10	0.00
US4642872000	ISHARES SP 500 INDEX FUND (USD)	63,600.0000	2,727.53	173,471,079.72	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	500.0000	4,938.67	2,469,337.45	0.00
US73935A1043	POWERSHARES QQQ	12,000.0000	1,241.05	14,892,648.67	0.00
US78355W1062	RYDEX SP EQUAL WEIGHT ETF	27,400.0000	1,016.01	27,838,745.24	0.00
US78462F1030	SPDR TRUST 1	56,300.0000	2,713.62	152,776,949.57	0.00
<b>Total Foreign participation certificates</b>				<b>830,044,677.39</b>	<b>0.00</b>
<b>Total</b>				<b>2,043,209,264.69</b>	<b>20,683,374.28</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
OSOBNÍ PORTFOLIO 4 – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., OSOBNÍ PORTFOLIO 4 – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., OSOBNÍ PORTFOLIO 4 – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

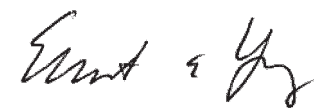
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., OSOBNÍ PORTFOLIO 4 – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

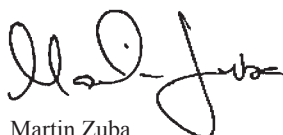
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	175,868	443,348
of which: a/current accounts	2	164,982	313,319
b/ term deposits	3	0	130,029
d/ margin accounts	5	10,886	0
3 Debt securities	10	724,978	553,447
a/ issued by the government	11	570,947	461,742
b/ issued by other entities	12	154,031	91,705
4 Shares, unit certificates and other participation interests	13	1,065,215	1,068,004
6 Other assets	15	2,038	1,059
a/ derivatives	16	1,013	0
c/ receivables from taxes	18	0	96
d/ other assets	19	1,025	963
7 Prepayments and accrued income	21	42	67
<b>Total Assets</b>	<b>22</b>	<b>1,968,141</b>	<b>2,065,925</b>
3 Other liabilities	29	8,035	5,810
a/ derivatives	30	2,634	4,196
c/ liabilities from taxes	32	3,193	0
d/ other liabilities	33	2,208	1,614
4 Deferred income and accrued expenses	34	861	1,483
6 Share premium	39	131,935	146,024
7 Other funds from profit	40	0	9,452
8 Capital funds	41	1,745,371	1,925,141
11 Profit or loss for the accounting period	47	81,939	(21,985)
<b>Total Liabilities</b>	<b>48</b>	<b>1,968,141</b>	<b>2,065,925</b>
of which: Equity	49	1,959,245	2,058,632

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	234,909	136,593
a/ with interest rate instruments	3	22,280	22,280
b/ with currency instruments	4	185,569	114,313
c/ with stocks instruments	5	27,060	0
6 Assets provided into custody, administration and safekeeping	10	1,262,883	1,088,349
of which: securities	11	1,262,883	1,088,349
10 Amounts owed from fixed term transactions	14	237,438	140,789
a/ with interest rate instruments	15	23,195	22,514
b/ with currency instruments	16	186,963	118,275
c/ with stocks instruments	17	27,280	0

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	19,490	5,809
of which: a/ interest income from bonds	2	18,638	3,821
2 Interest expenses and similar expenses	6	0	2
3 Income from shares and unit certificates	9	904	1,324
4 Commission and fee expenses	10	14,101	17,180
a/ fees and commissions from securities trading	11	35	373
b/ management fee	12	10,831	13,747
c/ custody fee	13	1,450	1,745
d/ other financial expenses	14	1,785	1,315
5 Profit or loss on financial operations	15	79,068	(11,575)
a/ profit or loss on transactions with securities	16	75,757	(21,339)
b/ profit or loss on foreign exchange transactions and options	17	223	12,383
c/ profit or loss on fixed term transactions and options	18	3,088	(2,619)
8 Administrative expenses	21	230	162
a/ audit	22	230	162
11 Ordinary profit or loss for the accounting period before tax	26	85,131	(21,786)
15 Income tax	30	3,192	199
16 Profit or loss for the accounting period after tax	31	81,939	(21,985)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	146,024	40,227
issued unit certificates	3	35,337	129,440
repurchase of unit certificates	4	(49,426)	(23,643)
other changes	5	0	0
closing balance	6	131,935	146,024
2 Retained earnings	7		
opening balance	8	9,452	1,811
transfers to funds	9	0	7,641
other changes	10	(9,452)	0
closing balance	11	0	9,452
3 Capital funds	12		
opening balance	13	1,925,141	628,488
issued unit certificates	14	381,821	1,607,540
repurchase of unit certificates	15	(549,057)	(310,887)
transfers to funds	16	(12,534)	0
other changes	17	0	0
closing balance	18	1,745,371	1,925,141
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(21,985)	7,640
profit (loss)	29	81,939	(21,985)
transfers to funds, dividends	30	21,985	(7,640)
closing balance	31	81,939	(21,985)
<b>7 Total</b>	<b>32</b>	<b>1,959,245</b>	<b>2,058,632</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., Fond cíleného výnosu – otevřený podílový fond (hereinafter the “Fund”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”).

Investiční společnost České spořitelny, a. s., Fond cíleného výnosu – otevřený podílový fond was formed based upon the Resolution of the Czech National Bank, which came into legal effect on 15 May 2009. The Fund commenced its activities on 1 June 2009.

As from 1 February 2010, the name of the Fund has been changed to Investiční společnost České spořitelny, a. s., OSOBNÍ PORTFOLIO 4 – otevřený podílový fond.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as the fund of the funds.

### Registered Office

Investiční společnost České spořitelny, a. s.  
Osobní portfolio 4 – otevřený podílový fond  
Prague 6, Dejvice, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in securities of collective investment bond and equity funds. Specifically, a long-term aim is to achieve an average annual appreciation which would exceed the level reached by the Czech government bonds. In this respect, a maximum acceptable loss incurred over one-year period should be most likely limited to 3 percent. However, the Fund primarily seeks to install a 100 percent protection of invested funds for every four-year period, always beginning from 1 June.

Finances collected in the Fund are invested predominantly in securities of collective investment funds.

The following types of assets can be purchased and added to the Fund’s assets: bank deposits, domestic and foreign debt securities, domestic and foreign shares, securities of the collective investment funds, money market instruments, securities with right to acquire securities and financial derivative instruments.

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

The Fund uses financial derivatives to hedge against currency exposures.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund’s assets, to cover temporary needs related to the management of the Fund’s assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund’s assets.

### Change in the Fund’s Statute

Czech National Bank Resolution No. 2012/4577/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment



company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

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

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

## Securities

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

## Receivables and Payables

The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables. The Fund records payables arising from its transactions with securities and payables from negative fair values of derivatives. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

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

## Financial Derivatives and Hedging Transactions

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

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

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that

is being hedged and the approach to establishing whether the hedge is effective; and

- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

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

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

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis through expense and income accounts.

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

## Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

## Deferred Tax

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

## Foreign Currency Translations

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

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

## Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to qualified investors using the selling price determined on a daily basis.

## Share Premium

Share premium is the difference between the nominal value of all participation certificates and their market value.

## Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

## Subsequent Events

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

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

# 4. Risk Management

## Credit Risk

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

## Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, inter-

est rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	0.49%	0.57%
Currency VaR	0.45%	0.10%
Interest rate VaR	0.12%	0.14%
Equity VaR	0.14%	0.53%

	31 Dec 2011	Average VaR
Global VaR	0.42%	1.24%
Currency VaR	0.05%	0.21%
Interest rate VaR	0.16%	0.05%
Equity VaR	0.39%	1.21%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 busi-

ness days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	164,982	313,319
Term deposits	-	130,029
Margin accounts	10,886	-
<b>Total</b>	<b>175, 868</b>	<b>443,348</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	700,123	547,503
Market revaluation	16,898	(2,585)
Accrued interest income	7,957	8,529
<b>Total</b>	<b>724,978</b>	<b>553,447</b>

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	1,017,320	1,062,984
Market revaluation	47,895	5,020
<b>Total</b>	<b>1,065,215</b>	<b>1,068,004</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 9.90 percent in 2012 (2011: 0.00 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 33.32 percent in 2012 (2011: 17.5 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a fixed coupon accounted for 56.78 percent in 2012 (2011: 82.5 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	1,013	–
State budget settlement	–	96
Other	1,025	963
<b>Total</b>	<b>2,038</b>	<b>1,059</b>

The caption ‘Other’ represents an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group’s fund CZK 935 thousand.

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	42	67
<b>Total</b>	<b>42</b>	<b>67</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.1145 (2011: CZK 1.0693). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value minimally differs from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

The profit for 2012 in the amount of CZK 81,939 thousand will be transferred to the reinvestment fund within ‘Other funds from profit’.

The loss for 2011 in the amount of CZK 21,985 thousand was covered by the reinvestment fund within ‘Other funds from profit’ and the rest of the amount was covered by the capital fund.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>628,487,842</b>	<b>628,488</b>	<b>–</b>	<b>628,488</b>
Participation certificates sold	1,607,539,772	1,607,540	–	1,607,540
Participation certificates purchased	(310,886,634)	(310,887)	–	(310,887)
<b>Balance at 31 Dec 2011</b>	<b>1,925,140,980</b>	<b>1,925,141</b>	<b>–</b>	<b>1,925,141</b>
Participation certificates sold	381,820,667	381,821	–	381,821
Participation certificates purchased	(549,057,006)	(549,057)	–	(549,057)
Fund used to loss coverage	–	–	(12,534)	(12,534)
<b>Balance at 31 Dec 2012</b>	<b>1,757,904,641</b>	<b>1,757,905</b>	<b>(12,534)</b>	<b>1,745,371</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Negative fair values of financial derivatives	2,634		4,196	
Payable to the state budget	3,193		-	
Payables from participation certificate holders' placements	1,665		843	
Other liabilities	543		771	
<b>Total</b>	<b>8,035</b>		<b>5,810</b>	

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 98 thousand for December 2012 (2011: CZK 189 thousand), the unbilled management fee of CZK 738 thousand for December 2012 (2011: CZK 1,278 thousand), the unbilled fee for the local sub-register administration of CZK 16 thousand for December 2012 (2011: CZK 7 thousand), the unbilled fee for calculation of NAV and participation certificate rate of CZK 8 thousand (2011: CZK 9 thousand) and the unbilled fee for the Central custodian of CZK 1 thousand.

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivative

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	185,569	186,963	114,313	118,275
<b>Total</b>	<b>185,569</b>	<b>186,963</b>	<b>114,313</b>	<b>118,275</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	325	1,719	-	3,962
<b>Total</b>	<b>325</b>	<b>1,719</b>	<b>-</b>	<b>3,962</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Equity indices futures	27,060	27,280	-	-
Interest rate swaps	22,280	23,195	22,280	22,514
<b>Total</b>	<b>44,339</b>	<b>50,475</b>	<b>22,280</b>	<b>22,514</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Equity indices futures	688	-	-	-
Interest rate swaps	-	915	-	234
<b>Total</b>	<b>688</b>	<b>915</b>	<b>-</b>	<b>234</b>

Interest rate swap is due within 4 years.

### 5.11 Interest Income

	2012	2011
Interest on deposits at banks	852	1,988
Interest on debt securities	18,638	3,821
<b>Total</b>	<b>19,490</b>	<b>5,809</b>

### 5.12 Income from Shares and Interests

	2012	2011
Foreign dividends	904	1,324
<b>Total</b>	<b>904</b>	<b>1,324</b>

### 5.13 Fees and Commissions

	2012	2011
Management fees	10,831	13,747
Custody fees	1,450	1,745
Commissions and fees from securities trading	35	373
Expenses of administration of the local sub-register	187	80
Expenses – administration of securities	778	670
Other fees and commissions	820	565
<b>Total</b>	<b>14,101</b>	<b>17,180</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.60 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	75,757	(21,339)
Profit or loss from fixed term transactions	3,088	(2,619)
Profit or loss from FX differences	223	12,383
<b>Total</b>	<b>79,068</b>	<b>(11,575)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.15 Administrative Expenses

	2012	2011
Audit	230	162
<b>Total</b>	<b>230</b>	<b>162</b>

### 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	3,192	199
<b>Total income tax</b>	<b>3,192</b>	<b>199</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	85,131	(21,786)
Items to add	4	6
Deductible items	(904)	(1,324)
Tax base	84,231	(23,104)
Loss deduction	(23,104)	–
Tax base after deduction	61,127	(23,104)
Tax (5%) on tax base	3,056	–
Foreign dividends	904	1,324
Tax on foreign dividends	136	199
<b>Total tax</b>	<b>3,192</b>	<b>199</b>

#### Deferred tax

As at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 1,155 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain

### 5.17 Related Party Transactions

Related parties include Česká spořitelna, a. s., Investiční společnost České spořitelny, a. s., and Reico ISCS, a. s.

	2012	2011
Accrued income-loyalty bonus for holding of participation certificates of ČS nemovitostní fond	30	6
<b>Total receivables from related party</b>	<b>30</b>	<b>6</b>

Total income from a loyalty bonus for holding of PL OPF Reico was CZK 306 thousand in 2012.

Pursuant to a contract entered into between and by ISČS, a. s. and Reico ISČS, a. s., the Fund receives a bonus for holding of the participation certificates of ČS nemovitostní fond which is equal to one twelfth of 0.8 percent of investment value as at the last day of a calendar month.

	2012	2011
Unbilled custody fee – Česká spořitelna	98	189
Unbilled management fee – Investiční společnost	738	1,278
Unbilled fee for administration of the local sub-register	16	7
Other payables to related parties	552	778
<b>Total payables to related parties</b>	<b>1,404</b>	<b>2,252</b>



The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 3,270 thousand in 2012 (2011: CZK 3 434 thousand), of which the greatest portion was represented by the custody fee of CZK 1,450 thousand (2011: CZK 1,745 thousand). The costs charged by the Company amounted to CZK 10,831 thousand in 2012 (2011: CZK 13,747 thousand), which is the annual management fee.

### 5.18 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes. Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	175,868	–	–	–	–	175,868
Debt securities	–	71,788	653,190	–	–	724,978
Shares	–	–	–	–	1,065,215	1,065,215
Other assets	2,038	–	–	–	–	2,038
Prepayments	42	–	–	–	–	42
<b>Total assets</b>	<b>177,948</b>	<b>71,788</b>	<b>653,190</b>	<b>–</b>	<b>1,065,215</b>	<b>1,968,141</b>
<b>Liabilities</b>						
Other liabilities	(3,069)	(4,912)	(915)	–	–	(8,896)
Net assets	174,879	66,876	652,275	–	1,065,215	1,959,245
Available capital	(1,959,245)	–	–	–	–	(1,959,245)
<b>Difference</b>	<b>(1,784,366)</b>	<b>66,876</b>	<b>652,275</b>	<b>–</b>	<b>1,065,215</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	443,348	–	–	–	–	443,348
Debt securities	–	–	553,447	–	–	553,447
Shares	–	–	–	–	1,068,004	1,068,004
Other assets	–	1,059	–	–	–	1,059
Prepayments	–	67	–	–	–	67
<b>Total assets</b>	<b>443,348</b>	<b>1,126</b>	<b>553,447</b>	<b>–</b>	<b>1,068,004</b>	<b>2,065,925</b>
<b>Liabilities</b>						
Other liabilities	(3,645)	–	(3,648)	–	–	(7,293)
Net assets	439,703	1,126	549,799	–	1,068,004	2,058,632
Available capital	(2,058,632)	–	–	–	–	(2,058,632)
<b>Difference</b>	<b>(1,618,929)</b>	<b>1,126</b>	<b>549,799</b>	<b>–</b>	<b>1,068,004</b>	<b>–</b>

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

### 5.19 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign securities administered by Česká spořitelna, a. s., (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### 5.20 Contingent Assets and Liabilities

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

### 5.21 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0860033843	ING BANK NV VAR 11/30/17	720.0000	50,000.00	36,000,000.00	41,850.00
XS0641963839	CESKE DRAHY 4.5 06/24/16	900.0000	27,562.36	24,806,128.23	528,558.20
XS0616431689	ERSTE BANK 4.25 04/12/16	11.0000	2,754,325.83	30,297,584.13	844,542.58
XS0176311792	ERSTE BANK 4.75 09/18/13	2,350.0000	25,836.25	60,715,192.91	797,405.08
<b>Total Foreign corporate bonds</b>				<b>151,818,905.27</b>	<b>2,212,355.86</b>
CZ0001002869	GOVERNMENT BOND 2.75 03/31/14	10,000.0000	10,325.00	103,250,000.00	2,062,500.00
CZ0001002729	GOVERNMENT BOND 2.8 09/16/13	1,000.0000	10,194.50	10,194,500.00	80,888.89
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	18,200.0000	10,815.00	196,833,000.00	2,045,477.78
CZ0001001143	GOVERNMENT BOND 3.8 04/11/15	4,600.0000	10,805.00	49,703,000.00	1,257,588.89
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	840.0000	10,485.00	8,807,400.00	(11,431.00)
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	19,500.0000	10,072.50	196,413,750.00	309,833.34
<b>Total Local government bonds</b>				<b>565,201,650.00</b>	<b>5,744,857.89</b>
CZ0008473659	ISCS DLUHOPISOVY FOND	46,093,408.0000	1.04	48,061,596.52	0.00
CZ0008473188	ISCS LIKVIDITNI FOND	127,590,208.0000	1.02	130,601,336.91	0.00
CZ0008472271	ISCS SPOROINVEST	162,508,936.0000	1.87	304,086,721.04	0.00
CZ0008472545	CS NEMOVITOSTNI FOND REICO	44,377,521.0000	1.00	44,559,468.84	0.00
<b>Total Local participation certificates</b>				<b>527,309,123.31</b>	<b>0.00</b>
AT0000A05HR3	ESPA BOND BRIK-CORP. (T)	7,000.0000	3,660.13	25,620,928.20	0.00
AT0000A05HS1	ESPA BOND BRIK-CORP. (VT)	5,000.0000	3,793.88	18,969,387.00	0.00
AT0000805684	ESPA BOND EUROPE HIGH YIELD T	5,147.0000	3,249.85	16,726,966.63	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	6,371.0000	3,849.19	24,523,160.18	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	1,289,726.0000	145.51	187,668,030.26	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	2,039,471.0000	129.64	264,397,020.44	0.00
<b>Total Foreign participation certificates</b>				<b>537,905,492.71</b>	<b>0.00</b>
<b>Total</b>				<b>1,782,235,171.29</b>	<b>7,957,213.75</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s., PLUS – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., PLUS – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., PLUS – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

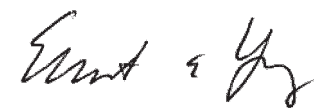
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., PLUS – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

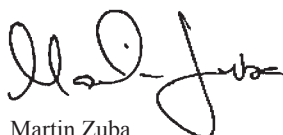
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	25,142	32,875
of which: a/current accounts	2	23,760	22,873
b/ term deposits	3	0	10,002
d/ margin accounts	5	1,382	0
3 Debt securities	10	60,832	34,232
a/ issued by the government	11	48,256	27,590
b/ issued by other entities	12	12,576	6,642
4 Shares, unit certificates and other participation interests	13	109,054	73,802
6 Other assets	15	124	55
a/ derivatives	16	23	0
c/ receivables from taxes	18	0	3
d/ other assets	19	101	52
7 Prepayments and accrued income	21	13	1
<b>Total Assets</b>	<b>22</b>	<b>195,165</b>	<b>140,965</b>
3 Other liabilities	29	654	513
a/ derivatives	30	211	297
c/ liabilities from taxes	32	118	0
d/ other liabilities	33	325	216
4 Deferred income and accrued expenses	34	86	114
6 Share premium	39	779	680
7 Other funds from profit	40	0	684
8 Capital funds	41	188,322	142,141
11 Profit or loss for the accounting period	47	5,324	(3,167)
<b>Total Liabilities</b>	<b>48</b>	<b>195,165</b>	<b>140,965</b>
of which: Equity	49	194,425	140,338

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	17,996	11,489
a/ with interest rate instruments	3	2,476	2,476
b/ with currency instruments	4	15,520	9,013
6 Assets provided into custody, administration and safekeeping	10	93,005	63,508
of which: securities	11	93,005	63,508
10 Amounts owed from fixed term transactions	14	18,184	11,786
a/ with interest rate instruments	15	2,577	2,502
b/ with currency instruments	16	15,607	9,284

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	1,317	354
of which: a/ interest income from bonds	2	1,214	225
3 Income from shares and unit certificates	9	87	103
4 Commission and fee expenses	10	1,528	1,732
a/ fees and commissions from securities trading	11	30	155
b/ management fee	12	922	1,029
c/ custody fee	13	123	116
d/ other financial expenses	14	453	432
5 Profit or loss on financial operations	15	5,683	(1,715)
a/ profit or loss on transactions with securities	16	5,565	(3,110)
b/ profit or loss on foreign exchange transactions and options	17	167	1,326
c/ profit or loss on fixed term transactions and options	18	(49)	69
8 Administrative expenses	21	117	162
a/ audit	22	117	162
11 Ordinary profit or loss for the accounting period before tax	26	5,442	(3,152)
15 Income tax	30	118	15
16 Profit or loss for the accounting period after tax	31	5,324	(3,167)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	680	488
issued unit certificates	3	276	326
repurchase of unit certificates	4	(177)	(134)
other changes	5	0	0
closing balance	6	779	680
2 Retained earnings	7		
opening balance	8	684	0
transfers to funds	9	0	684
other changes	10	(684)	0
closing balance	11	0	684
3 Capital funds	12		
opening balance	13	142,141	69,481
issued unit certificates	14	99,489	99,538
repurchase of unit certificates	15	(50,826)	(26,878)
transfers to funds	16	(2,482)	0
other changes	17	0	0
closing balance	18	188,322	142,141
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(3,167)	684
profit (loss)	29	5,324	(3,167)
transfers to funds, dividends	30	3,167	(684)
closing balance	31	5,324	(3,167)
<b>7 Total</b>	<b>32</b>	<b>194,425</b>	<b>140,338</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., PLUS – otevřený podílový fond (the “Fund” or “ISČS, a. s. – PLUS OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a. s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a. s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a. s., Plus – otevřený podílový fond. The decision came into legal effect on 16 February 2010. The Fund commenced its activities on 1 March 2010.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a special fund of funds.

### Registered Office

Investiční společnost České spořitelny, a. s.  
PLUS – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The participation certificates of the Fund are available in the Czech Republic or in other EU member countries.

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates and to achieve an average annual appreciation which would exceed the level reached by the Czech government bonds, primarily through investments in collective investment bond and equity funds. In this respect, a maximum acceptable loss incurred over one-year period should be most likely limited to 5 percent. The Fund primarily seeks to install a 100 percent protection of invested funds (with no formal guarantee) for every six-year period, always beginning from 31 December. Currency, credit, interest rate and equity risks are actively managed using available hedging instruments. The objective is achieved principally through a continuous effort to maintain an optimal balance between the stable and the dynamic components of the portfolio (bonds versus investment instruments carrying the risk of equity or real estate or alternative investments), resulting in the optimizing of future income and expected risks.

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

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The portfolio of the mutual fund can also be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

The Company can use financial derivatives to decrease risk, decrease costs or achieve sufficient income for the Fund provided that the risk is demonstrably low.

### Management Policy

The profit / (loss) is based on the difference between income and expenses related to the management of the Fund’s assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company’s management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss is covered by a reduction in the Fund’s capital fund.



The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

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

Czech National Bank Resolution No. 2012/4578/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## **2. Basis of Preparation**

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

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

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

These financial statements are unconsolidated.

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

### **Explanation Added for Translation into English**

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

### 3. Accounting Policies

#### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

#### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

#### Receivables and Payables

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

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

#### Financial Derivatives and Hedging Transactions

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

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

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

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

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

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

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and in-

come accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to qualified investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within Tax on foreign dividends (see note 5.13.).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	0.47%	0.63%
Foreign currency VaR	0.09%	0.13%
Interest rate VaR	0.05%	0.10%
Equity VaR	0.43%	0.59%

	31 Dec 2011	Average VaR
Global VaR	0.43%	1.69%
Foreign currency VaR	0.16%	0.36%
Interest rate VaR	0.13%	0.04%
Equity VaR	0.32%	1.60%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

## Liquidity Risk

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

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.15.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	23,760	22,873
Term deposits	-	10,002
Margin accounts	1,382	-
<b>Total</b>	<b>25,142</b>	<b>32,875</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

<b>Shares, participation certificates and other holdings</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	105,266	73,456
Market revaluation	3,788	346
<b>Total</b>	<b>109,054</b>	<b>73,802</b>

<b>Debt securities</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	58,950	34,088
Market revaluation	1,403	(329)
Accrued interest income	479	473
<b>Total</b>	<b>60,832</b>	<b>34,232</b>

Of the aggregate volume of debt securities, debt securities maturing within less than one year accounted for 6.45 percent in 2012.

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 53.63 percent in 2012 (2011: 28.3 percent).

Of the aggregate volume of debt securities, debt securities maturing within one year with a fixed coupon accounted for 39.92 percent in 2012 (2011: 71.7 percent).

### 5.3 Other Assets

<b>Other Assets</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Positive fair values of financial derivatives	23	-
State budget settlement	-	3
Other	101	52
<b>Total</b>	<b>124</b>	<b>55</b>

### 5.4 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.0190 (2011: CZK 0.9873). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 5,324 thousand will be transferred to the reinvestment fund within 'Other funds from profit'.

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 3,167 thousand was covered partly by the reinvestment fund (684 thousand CZK), which is the part of 'Other funds from profit' and partly by the capital fund (2,483 thousand CZK)

## 5.5 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Capital fund used to loss coverage	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>69,481,125</b>	<b>69,481</b>	<b>–</b>	<b>69,481</b>
Participation certificates sold	99,538,282	99,538	–	99,538
Participation certificates purchased	(26,878,010)	(26,878)	–	(26,878)
<b>Balance at 31 Dec 2011</b>	<b>142,141,397</b>	<b>142,141</b>	<b>–</b>	<b>142,141</b>
Participation certificates sold	99,488,559	99,489	–	99,489
Participation certificates purchased	(50,825,542)	(50,826)	–	(50,826)
Capital fund used to loss coverage	–	–	(2,482)	(2,482)
<b>Balance at 31 Dec 2012</b>	<b>190,804,414</b>	<b>190,804</b>	<b>(2,482)</b>	<b>188,322</b>

## 5.6 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of derivatives	211	297
State budget settlement	118	–
Other liabilities	325	216
<b>Total</b>	<b>654</b>	<b>513</b>

### Accrued Expenses and Deferred Income

Accrued expenses particularly consist of the unbilled custody fee of CZK 10 thousand related to December 2012 (2011: CZK 13 thousand), the unbilled management fee of CZK 71 thousand related to December 2012 (2011: CZK 97 thousand), and the unbilled fee for the local sub-register administration of CZK 4 thousand related to December 2012 (2011: CZK 4 thousand).

## 5.7 Financial Derivatives Designated as Hedging Derivatives

### Nominal value

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swap	11,614	11,591	5,107	5,160
Cross currency swap	3,906	4,016	3,906	4,124
<b>Total</b>	<b>15,520</b>	<b>15,607</b>	<b>9,013</b>	<b>9,284</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swap	23	–	–	53
Gross currency swap	–	110	–	218
<b>Total</b>	<b>23</b>	<b>110</b>	<b>–</b>	<b>271</b>

Currency derivatives are due within two years.

## 5.8 Financial Derivatives Designated as Trading Derivatives

### Nominal value

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Credit swaps	2,476	2,577	2,476	2,502
<b>Total</b>	<b>2,476</b>	<b>2,577</b>	<b>2,476</b>	<b>2,502</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Credit swaps	-	101	-	26
<b>Total</b>	<b>-</b>	<b>101</b>	<b>-</b>	<b>26</b>

Currency derivatives are due within four years.

## 5.9 Interest Income

	2012	2011
Interest on deposits at banks	103	129
Interest on debt securities	1,214	225
<b>Total</b>	<b>1,317</b>	<b>354</b>

## 5.10 Income from Shares and Interests

	2012	2011
Foreign dividends	87	103
<b>Total received dividends</b>	<b>87</b>	<b>103</b>

## 5.11 Fees and Commissions

	2012	2011
Management fees	922	1,029
Custody fees	123	116
Commissions and fees from securities trading	30	155
Expenses of administration of the local sub-register – ČS	50	43
Administration of securities	49	41
Fee for calculation of NAV	8	5
Other fees and commissions	346	343
<b>Total</b>	<b>1,528</b>	<b>1,732</b>

The management fee related to the Fund's assets amounts to 0.70 percent of the average annual net asset value of the Fund and the custody fee amounts to 0.06 percent of the average annual net asset value of the Fund.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.12 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	5,565	(3,110)
Profit or loss from fixed term transactions	(49)	69
Profit or loss from FX differences	167	1,326
<b>Total</b>	<b>5,683</b>	<b>(1,715)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.13 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	118	15
<b>Total income tax</b>	<b>118</b>	<b>15</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	5,442	(3,151)
Deductible items	(87)	(103)
Tax base	5,355	(3,254)
Loss deduction	(3,254)	–
Tax base after deduction	2,101	(3,254)
Tax (5%) on tax base	105	–
Foreign dividends	87	103
Tax on foreign dividends	13	15
<b>Total tax</b>	<b>118</b>	<b>15</b>

### Deferred tax

As at 31 December 2012, no temporary differences exist between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 163 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.



## 5.14 Related Party Transactions

Related parties include Česká spořitelna, a. s., Investiční společnost České spořitelny, a. s. and Reico ISČS, a. s.

	2012	2011
Accrued income-loyalty bonus for holding of participation certificates of ČS	3	1
<b>Total receivables to related parties</b>	<b>3</b>	<b>1</b>

Total income from a loyalty bonus for holding of participation certificates of OPF Reico was CZK 29 thousand in 2012.

Total income from a loyalty bonus for holding of participation certificates of OPF Reico was CZK 17 thousand in 2011.

Pursuant to a contract entered into between and by ISČS, a. s. and Reico ISČS, a. s., the Fund receives a bonus for holding the participation certificates of ČS nemovitostní fond which is equal to one twelfth of 0.8 percent of investment value as at the last day of a calendar month.

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31. 12. 2012	31. 12. 2011
Unbilled custody fee – Česká spořitelna	10	13
Unbilled management fee – Investiční společnost	71	97
Unbilled fee for administration of the local sub-register – Česká spořitelna	4	4
Unbilled fee for calculation of NAV	1	1
Other payables to related parties	101	120
<b>Total payables to related parties</b>	<b>187</b>	<b>235</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 605 thousand in 2012 (2011: CZK 702 thousand), of which the greatest portion was represented by the ČS bank fee of CZK 331 thousand (2011: CZK 342 thousand) and the custody fee of CZK 123 thousand (2011: CZK 116 thousand). The costs charged by the Company amounted to CZK 922 thousand in 2012 (2011: CZK 1,029 thousand) and represent an annual management fee.

## 5.15 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	25,142	–	–	–	–	25,142
Shares and participation certificates	–	3,926	56,906	–	109,054	169,886
Other Assets	124	–	–	–	–	124
Prepayments	–	13	–	–	–	13
<b>Total assets</b>	<b>25,266</b>	<b>3,939</b>	<b>56,906</b>	<b>–</b>	<b>109,054</b>	<b>195,165</b>
<b>Liabilities</b>						
Other liabilities	(622)	(118)	–	–	–	(740)
Net assets	24,644	3,821	56 906	–	109 054	194 425
Available capital	(194,425)	–	–	–	–	(194 425)
<b>Difference</b>	<b>(169,781)</b>	<b>3,821</b>	<b>56 906</b>	<b>–</b>	<b>109 054</b>	<b>–</b>

2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	32,875	–	–	–	–	32,875
Shares and participation certificates	–	–	34,232	–	73,802	108,034
Other Assets	53	3	–	–	–	56
<b>Total assets</b>	<b>32,928</b>	<b>3</b>	<b>34,232</b>	<b>–</b>	<b>73,802</b>	<b>140,965</b>
<b>Liabilities</b>						
Other liabilities	(383)	–	(244)	–	–	(627)
Net assets	32,545	3	33,988	–	73,802	140,338
Available capital	(140,338)	–	–	–	–	(140,338)
<b>Difference</b>	<b>(107,793)</b>	<b>3</b>	<b>33,988</b>	<b>–</b>	<b>73,802</b>	<b>–</b>

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

#### 5.16 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

#### 5.17 Contingent Assets and Liabilities

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

#### 5.18 Subsequent Events

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

## Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0860033843	ING BANK NV VAR 11/30/17	60.0000	50,000.00	3,000,000.00	3,487.50
XS0641963839	CESKE DRAHY 4.5 06/24/16	100.0000	27,562.36	2,756,236.47	58,728.69
XS0616431689	ERSTE BANK 4.25 04/12/16	1.0000	2,754,325.83	2,754,325.83	76,776.60
XS0176311792	ERSTE BANK 4.75 09/18/13	150.0000	25,836.25	3,875,437.85	50,898.20
<b>Total Foreign corporate bonds</b>				<b>12,386,000.15</b>	<b>189,890.98</b>
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	1,300.0000	10,815.00	14,059,500.00	146,105.56
CZ0001001143	GOVERNMENT BOND 3.8 04/11/15	400.0000	10,805.00	4,322,000.00	109,355.56
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	420.0000	10,485.00	4,403,700.00	(5,715.50)
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	2,500.0000	10,072.50	25,181,250.00	39,722.22
<b>Total Local government bonds</b>				<b>47,966,450.00</b>	<b>289,467.83</b>
CZ0008473659	ISCS DLUHOPISOVY FOND	16,102,600.0000	1.04	16,790,181.02	0.00
CZ0008473188	ISCS LIKVIDITNI FOND	32,350,134.0000	1.02	33,113,597.16	0.00
CZ0008472271	ISCS SPOROINVEST	12,167,029.0000	1.87	22,766,944.66	0.00
CZ0008472545	CS NEMOVITOSTNI FOND REICO	4,192,936.0000	1.00	4,210,127.04	0.00
<b>Total Local participation certificates</b>				<b>76,880,849.88</b>	<b>0.00</b>
AT0000A05HR3	ESPA BOND BRIK-CORP. (T)	400.0000	3,660.13	1,464,053.04	0.00
AT0000805684	ESPA BOND EUROPE HIGH YIELD T	515.0000	3,249.85	1,673,671.62	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	760.0000	3,849.19	2,925,380.90	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	85,082.0000	145.51	12,380,281.82	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	105,910.0000	129.64	13,730,172.40	0.00
<b>Total Foreign participation certificates</b>				<b>32,173,559.78</b>	<b>0.00</b>
<b>Total</b>				<b>169,406,859.81</b>	<b>479,358.82</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
FOND ŘÍZENÝCH VÝNOSŮ – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., FOND ŘÍZENÝCH VÝNOSŮ – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., FOND ŘÍZENÝCH VÝNOSŮ – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

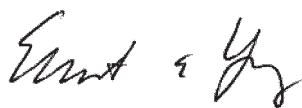
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., FOND ŘÍZENÝCH VÝNOSŮ – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

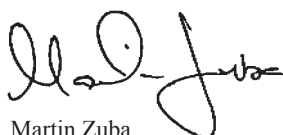
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	01	60,862	115,561
of which: a/ current accounts	02	53,622	75,554
b/ term deposits	03	0	40,007
d/ margin accounts	05	7,240	0
3 Debt securities	10	393,063	375,731
a/ issued by the government	11	305,372	274,495
b/ issued by other entities	12	87,691	101,236
4 Shares, unit certificates and other participation interests	13	47,987	41,720
6 Other assets	15	873	642
a/ derivatives	16	443	0
c/ receivables from taxes	18	0	412
d/ other assets	19	430	230
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>502,796</b>	<b>533,734</b>
3 Other liabilities	29	386	1,795
a/ derivatives	30	0	1,727
c/ liabilities from taxes	32	275	0
d/ other liabilities	33	111	68
4 Deferred income and accrued expenses	34	594	633
6 Share premium	39	(1,229,143)	(1,217,495)
7 Other funds from profit	40	151,499	157,362
8 Capital funds	41	1,567,650	1,596,903
10 Retained earnings or accumulated losses from previous periods	46	400	400
11 Profit or loss for the accounting period	47	11,410	(5,864)
<b>Total Liabilities</b>	<b>48</b>	<b>502,796</b>	<b>533,734</b>
of which: Equity	49	501,816	531,306

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	02	189,459	167,266
b/ with currency instruments	04	189,459	167,266
6 Assets provided into custody, administration and safekeeping	10	437,045	417,450
of which: securities	11	437,045	417,450
10 Amounts owed from fixed term transactions	14	189,016	168,993
b/ with currency instruments	16	189,016	168,993

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	01	9,787	11,114
of which: a/ interest income from bonds	02	9,482	10,475
3 Income from shares and unit certificates	09	357	1,323
4 Commission and fee expenses	10	7,777	8,487
a/ fees and commissions from securities trading	11	2	146
b/ management fee	12	6,602	7,203
c/ custody fee	13	563	610
d/ other financial expenses	14	610	528
5 Profit or loss on financial operations	15	9,681	(9,498)
a/ profit or loss on transactions with securities	16	1,334	(2,131)
b/ profit or loss on foreign exchange transactions and options	17	(189)	633
c/ profit or loss on fixed term transactions and options	18	8,536	(8,000)
8 Administrative expenses	21	236	162
a/ audit	22	236	162
9 Release of provisions against receivables and income from receivables written off	24	42	122
10 Depreciation and creation of provisions against receivables	25	168	78
11 Ordinary profit or loss for the accounting period before tax	26	11,686	(5,666)
15 Income tax	30	276	198
16 Profit or loss for the accounting period after tax	31	11,410	(5,864)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(1,217,495)	(1,207,231)
issued unit certificates	3	3,952	5,387
repurchase of unit certificates	4	(15 600)	(15 651)
other changes	5	0	0
closing balance	6	(1,229,143)	(1,217,495)
2 Retained earnings	7		
opening balance	8	157,362	151,722
transfers to funds	9	0	5,640
other changes	10	(5,863)	0
closing balance	11	151,499	157,362
3 Capital funds	12		
opening balance	13	1,596,903	1,622,806
issued unit certificates	14	9,855	13,516
repurchase of unit certificates	15	(39,108)	(39,419)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	1,567,650	1,596,903
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	400	400
other changes	25	0	0
closing balance	26	400	400
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(5,864)	5,641
profit (loss)	29	11,410	(5,864)
transfers to funds, dividends	30	5,864	(5,641)
closing balance	31	11,410	(5,864)
<b>7 Total</b>	<b>32</b>	<b>501,816</b>	<b>531,306</b>



# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., FOND ŘÍZENÝCH VÝNOSŮ – otevřený podílový fond was established by changing the name of the fund Investiční společnost České spořitelny, a. s. – Český otevřený podílový fond, which was formed by the transformation of Spořitelni privatizační – Český investiční fond, a. s. to an open-ended mutual fund under Section 35 of Act No. 248/1992 Coll. (hereinafter the “Fund” or “ISČS, a. s. – FOND ŘÍZENÝCH VÝNOSŮ”). The transformation of the investment fund was performed in harmony with Resolution of the Securities Commission ref. no. 111/6 997/R/1998.

Pursuant to a concluded contract, Česká spořitelna, a. s., acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a mixed fund.

### Registered Office

Investiční společnost České spořitelny, a. s.  
FOND ŘÍZENÝCH VÝNOSŮ – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to increase the value of participation certificates provided that the overall risk profile of the Fund minimises the likelihood of losses within one calendar year. The aim is achieved by investing in the equity component from European shares and the conservative bond components from Czech bonds with a short duration and instruments of money markets.

The Fund’s portfolio includes bonds with a short duration, money market instruments and European shares with high level dividend revenue, low volatility and low valuation in relation to the accounting value. The Fund uses financial derivatives to hedge against currency and interest rate exposures.

The Fund’s portfolio can be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

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

### Change in the Fund’s Statute

Czech National Bank Resolution No. 2012/4573/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed docu-

ment providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.CNB Resolution No. 2012/8827/570, dated 14 October 2012, which came into legal force on 2 October 2012: Changes to the statute involve supplementation of the exemption under Section 29 Paragraph 1 of Act 189/2004 Coll., on collective investment, to Article III Paragraph 11b) of the statute. This change allows for investment of up to 50 percent of the assets in a mutual fund in investment securities and money market instruments that the Czech Republic issued or for which it accepted a guarantee. In light of this fact, Article IV of the statute describing the credit risk was amended.

## 2. Basis of Preparation

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

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

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

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial

statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

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

### Explanation Added for Translation into English

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

## 3. Accounting Policies

### Transaction Recognition Date

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

The transaction recognition date for derivative contracts is:

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

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

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### **Receivables and Payables**

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

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

### **Financial Derivatives and Hedging Transactions**

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

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

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

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized

in the same income or expense accounts as differences from revaluation of a hedged instrument.

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

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

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

### **Income Tax**

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### **Deferred Tax**

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

### **Foreign Currency Translations**

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

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

### **Equity of the Fund**

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### **Share Premium**

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

## Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

## Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

### Market Risk

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

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

and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

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

	31 Dec 2012	Average VaR
Global VaR	0.39%	0.39%
Currency VaR	0.39%	0.34%
Interest rate VaR	0.04%	0.07%
Equity VaR	0.10%	0.28%

	31 Dec 2011	Average VaR
Global VaR	0.32%	0.71%
Currency VaR	0.23%	0.30%
Interest rate VaR	0.13%	0.21%
Equity VaR	0.08%	0.65%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

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

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

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

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

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its

obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	53,622	75,554
Term deposits	-	40,007
Margin accounts	7,240	-
<b>Total</b>	<b>60,862</b>	<b>115,561</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	45,560	41,469
Market revaluation	2,427	251
<b>Total</b>	<b>47,987</b>	<b>41,720</b>

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	389,615	367,301
Market revaluation	729	4,885
Accrued interest income	2,719	3,545
<b>Total</b>	<b>393,063</b>	<b>375,731</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 78.28 percent in 2012 (2011: 23.3 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 13.97 percent in 2012 (2011: 38.8 percent).

Debt securities maturing within more than one year with a fixed coupon accounted for 7.75 percent in 2012 (2011: 37.9 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
State budget settlement	–	412
Positive values of financial derivatives	443	–
Other receivables	5,985	5,706
Estimated receivables	13	12
Provisions against receivables	(5,568)	(5,488)
<b>Total</b>	<b>873</b>	<b>642</b>

'Other receivables' in 2012 principally include a receivable of CZK 5,391 thousand arising from a dividend (2011: CZK 5,391 thousand), provisioned in full.

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.4151 (2011: CZK 1.3841). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 11,410 thousand will be transferred to the reinvestment fund within 'Other funds from profit'

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 5,864 thousand was covered by the reinvestment fund.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Additions to capital fund	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>409,765,240</b>	<b>409,765</b>	<b>1,534,676</b>	<b>(321,635)</b>	<b>1,622,806</b>
Participation certificates sold	13,515,750	13,516	–	–	13,516
Participation certificates purchased	(39,419,417)	(39,419)	–	–	(39,419)
<b>Balance at 31 Dec 2011</b>	<b>383,861,573</b>	<b>383,862</b>	<b>1,534,676</b>	<b>(321,635)</b>	<b>1,596,903</b>
Participation certificates sold	9,854,811	9,855	–	–	9,855
Participation certificates purchased	(39,107,807)	(39,108)	–	–	(39,108)
<b>Balance at 31 Dec 2012</b>	<b>354,608,577</b>	<b>354,609</b>	<b>1,534,676</b>	<b>(321,635)</b>	<b>1,567,650</b>

Additions to the capital fund relate to contributions that arose upon the transformation of the Fund (refer to 'Formation and Description of the Business').

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	-	1,727
Payables from participation certificate holders' placements	75	9
State budget settlement	275	-
Other liabilities	36	59
<b>Total</b>	<b>386</b>	<b>1,795</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 46 thousand related to December (2011: CZK 49 thousand), the unbilled management fee of CZK 539 thousand related to December (2011: CZK 576 thousand), and the unbilled fee for the local sub-register administration of CZK 7 thousand related to December (2011: CZK 6 thousand) and the unbilled fee for calculation of NAV and participation certificate rate of CZK 2 thousand.

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	-	-	167,266	168,993
<b>Total</b>	<b>-</b>	<b>-</b>	<b>167,266</b>	<b>168,993</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts.

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	-	-	-	1,727
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,727</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	189,459	189,016	-	-
<b>Total</b>	<b>189,459</b>	<b>189,016</b>	<b>-</b>	<b>-</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts.

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	443	-	-	-
<b>Total</b>	<b>443</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5.11 Interest Income**

	2012	2011
Interest on deposits at banks	305	639
Interest on debt securities	9,482	10,475
<b>Total</b>	<b>9,787</b>	<b>11,114</b>

**5.12 Income from Shares and Interests**

	2012	2011
Foreign dividends	357	1,323
<b>Total</b>	<b>357</b>	<b>1,323</b>

**5.13 Fees and Commissions**

	2012	2011
Management fees	6,602	7,203
Custody fees	563	610
Commissions and fees from securities trading	2	146
Administration of securities	327	74
Expenses of administration of the local sub-register – Česká spořitelna	78	306
Fees paid to the central depository	4	4
Other fees and commissions	201	144
<b>Total</b>	<b>7,777</b>	<b>8,487</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.30 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

**5.14 Profit or Loss from Financial Operations**

	2012	2011
Profit or loss from securities held for trading	1,334	(2,131)
Profit or loss from fixed term transactions	8,536	(8,000)
Profit or loss from FX differences	(189)	633
<b>Total</b>	<b>9,681</b>	<b>(9,498)</b>

Profit or loss from securities held for trading primarily comprises the profit or loss from the realised sales of securities, from payable securities, from the daily valuation of securities at fair value etc.

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

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.



## 5.15 Administrative Expenses

	2012	2011
Audit	236	162
<b>Total</b>	<b>236</b>	<b>162</b>

## 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	276	198
<b>Total income tax</b>	<b>276</b>	<b>198</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	11,686	(5,666)
Items to add	170	98
Deductible items	(399)	(1,444)
Tax base	11,457	(7,012)
Tax loss utilization	(7,012)	–
Adjusted tax base	4,445	(7,012)
Tax (5%) on tax base	222	–
Foreign dividends	357	1,323
Tax on foreign dividends	54	198
<b>Total tax</b>	<b>276</b>	<b>198</b>

### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 278 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 625 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.17 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s

	2012	2011
Unbilled management fee – Investiční společnost	539	576
Unbilled custody fee – Česká spořitelna	46	49
Unbilled fee for administration of the local sub-register – Česká spořitelna	7	6
Other payables to related parties	38	60
<b>Total payables to related parties</b>	<b>630</b>	<b>691</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,175 thousand in 2012 (2011: CZK 1,284 thousand), of which the greatest portion was represented by the custody fee of CZK 563 thousand (2011: CZK 610 thousand). The costs charged by the Company amounted to CZK 6,602 thousand (2011: CZK 7,203 thousand).

## 5.18 Liquidity

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

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	60,862	–	–	–	–	60,862
Debt securities	61,031	246,660	85,372	–	–	393,063
Shares and participation certificates	–	–	–	–	47,987	47,987
Derivatives	443	–	–	–	–	443
Other assets	430	–	–	–	–	430
Prepayments	11	–	–	–	–	11
<b>Total assets</b>	<b>122,777</b>	<b>246,660</b>	<b>85,372</b>	<b>–</b>	<b>47,987</b>	<b>502,796</b>
<b>Liabilities</b>						
Other liabilities	(705)	(275)	–	–	–	(980)
Net assets	122,072	246,385	85,372	–	47,987	501,816
Available capital	(501,816)	–	–	–	–	(501,816)
<b>Difference</b>	<b>(379,744)</b>	<b>246,385</b>	<b>85,372</b>	<b>–</b>	<b>47,987</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	115,561	–	–	–	–	115,561
Debt securities	–	87,535	288,196	–	–	375,731
Shares and participation certificates	–	–	–	–	41,720	41,720
Other assets	230	412	–	–	–	642
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>115,791</b>	<b>88,027</b>	<b>288,196</b>	<b>–</b>	<b>41,720</b>	<b>533,734</b>
<b>Liabilities</b>						
Other liabilities	(2,428)	–	–	–	–	(2 428)
Net assets	113,363	88,027	288,196	–	41,720	531,306
Available capital	(531,306)	–	–	–	–	(531,306)
<b>Difference</b>	<b>(417,943)</b>	<b>88,027</b>	<b>288,196</b>	<b>–</b>	<b>41,720</b>	<b>–</b>

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

## 5.19 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.20 Contingent Assets and Liabilities

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

## 5.21 Subsequent Events

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

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
FR0010313833	ARKEMA	135.0000	1,991.34	268,830.82	0.00
<b>Total Foreign shares</b>				<b>268,830.82</b>	<b>0.00</b>
FR0010609065	DANONE FINANCE ZERO 04/22/13	6.0000	1,497,900.00	8,987,400.00	0.00
XS0341655305	DEUTSCHE TELECOM VAR 01/22/13	6.0000	1,492,500.00	8,955,000.00	23,975.00
XS0350806351	E. ON INTERNATIONAL VAR 03/12/13	5.0000	2,000,000.00	10,000,000.00	46,750.00
AT000B004973	ERSTE BANK VAR 09/13/13	4.0000	1,992,000.00	7,968,000.00	42,873.33
XS0490323580	GENERAL ELECTRIC VAR 03/03/15	5.0000	1,990,000.00	9,950,000.00	65,555.56
XS0860033769	ING BANK NV VAR 11/30/14	60.0000	50,000.00	3,000,000.00	2,144.17
XS0536184301	VOLKSWAGEN VAR 08/30/13	2.0000	2,003,500.00	4,007,000.00	3,685.56
XS0376701206	CEZ 6 07/18/14	230.0000	27,190.92	6,253,911.88	157,782.77
XS0345943764	MERRILL LYNCH AND CO 6 02/11/13	6.0000	1,264,146.05	7,584,876.27	400,591.48
XS0247626962	NATIONAL GRID PLC 4.125 03/21/13	150.0000	25,338.48	3,800,772.05	121,127.92
XS0597215937	RAIFFEISEN BK INT VAR 03/04/13	7.0000	1,258,464.41	8,809,250.84	7,199.78
XS0368055959	TELEFONICA EMIS 5.58 06/12/13	6.0000	1,211,729.15	7,270,374.87	232,268.87
<b>Total Foreign corporate bonds</b>				<b>86,586,585.91</b>	<b>1,103,954.43</b>
XS0084174316	EUROPEAN INV.BANK 0 02/25/13	465.0000	25,007.50	11,628,487.50	0.00
SK4120008400	SLOVAKIA GOVT VAR 09/02/15	1,000.0000	10,400.00	10,400,000.00	88,666.67
SK4120006545	SLOVAKIA GOVT 3.5 03/04/13	350,000.0000	25.28	8,847,834.45	254,113.30
SK4120007527	SLOVAKIA GOVT VAR 10/14/13	3,730,000.0000	25.16	93,862,690.17	84,521.80
<b>Foreign government bonds</b>				<b>124,739,012.12</b>	<b>427,301.77</b>
CZ0001002729	GOVERNMENT BOND 2.8 09/16/13	10,966.0000	10,194.50	111,792,887.00	887,027.56
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	2,200.0000	10,815.00	23,793,000.00	247,255.56
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	3,000.0000	10,485.00	31,455,000.00	(40,825.00)
CZ0000702527	STRIP GB2.75 03/14 CPN 03/31/13	2,000.0000	275.44	550,880.00	0.00
XS0523144961	CESKA EXP. BANKA VAR 07/08/13	9.0000	1,269,570.00	11,426,130.00	94,589.25
<b>Total Local government bonds</b>				<b>179,017,897.00</b>	<b>1,188,047.36</b>
CZ0008473659	ISCS DLUHOPISOVY FOND	3,840,000.0000	1.04	4,003,968.00	0.00
<b>Total Local participation certificates</b>				<b>4,003,968.00</b>	<b>0.00</b>
AT0000676846	ESPA CASH CORPORATE-PLUS-T	14,448.0000	3,025.60	43,713,854.35	0.00
<b>Total Foreign participation certificates</b>				<b>43,713,854.35</b>	<b>0.00</b>
<b>Total</b>				<b>438,330,148.20</b>	<b>2,719,303.56</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
ČS fond životního cyklu 2020 FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., ČS fond životního cyklu 2020 FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., ČS fond životního cyklu 2020 FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

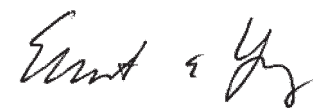
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., ČS fond životního cyklu 2020 FF – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

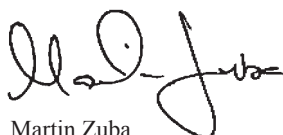
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	46,562	56,260
of which: a/current accounts	2	39,611	50,578
d/ margin accounts	5	6,951	5,682
3 Debt securities	10	87,408	78,863
a/ issued by the government	11	87,408	78,863
4 Shares, unit certificates and other participation interests	13	365,961	327,361
6 Other assets	15	3,102	1,123
a/ derivatives	16	2,852	235
c/ receivables from taxes	18	0	619
d/ other assets	19	250	269
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>503,044</b>	<b>463,687</b>
3 Other liabilities	29	1,905	8,280
a/ derivatives	30	235	7,889
c/ liabilities from taxes	32	1,113	0
d/ other liabilities	33	557	391
4 Deferred income and accrued expenses	34	502	456
6 Share premium	39	(90,145)	(90,624)
7 Other funds from profit	40	58,038	82,186
8 Capital funds	41	486,576	487,537
11 Profit or loss for the accounting period	47	46,168	(24,148)
<b>Total Liabilities</b>	<b>48</b>	<b>503,044</b>	<b>463,687</b>
of which: Equity	49	500,637	454,951

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	218,284	233,821
b/ with currency instruments	4	189,126	219,621
c/ with equity instruments	5	29,158	14,200
6 Assets provided into custody, administration and safekeeping	10	400,737	357,960
of which: securities	11	400,737	357,960
10 Amounts owed from fixed term transactions	14	216,219	241,230
b/ with currency instruments	16	186,999	227,290
c/ with equity instruments	17	29,220	13,940

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	3,479	3,554
of which: a/ interest income from bonds	2	3,355	3,409
3 Income from shares and unit certificates	9	568	2,443
4 Commission and fee expenses	10	6,703	6,931
a/ fees and commissions from securities trading	11	15	390
b/ management fee	12	5,126	5,070
c/ custody fee	13	528	518
d/ other financial expenses	14	1,034	953
5 Profit or loss on financial operations	15	50,207	(22,680)
a/ profit or loss on transactions with securities	16	40,030	(14,954)
b/ profit or loss on foreign exchange transactions and options	17	(1,423)	5,753
c/ profit or loss on fixed term transactions and options	18	11,600	(13,479)
8 Administrative expenses	21	235	162
a/ audit	22	235	162
9 Release of provisions against receivables and income from receivables written off	24	0	1
10 Depreciation and creation of provisions against receivables	25	36	7
11 Ordinary profit or loss for the accounting period before tax	26	47,280	(23,782)
15 Income tax	30	1,112	366
16 Profit or loss for the accounting period after tax	31	46,168	(24,148)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(90,624)	(88,682)
issued unit certificates	3	(9,956)	(15,973)
repurchase of unit certificates	4	10,435	14,031
other changes	5	0	0
closing balance	6	(90,145)	(90,624)
2 Retained earnings	7		
opening balance	8	82,186	63,763
transfers to funds	9	0	18,423
other changes	10	(24,148)	0
closing balance	11	58,038	82,186
3 Capital funds	12		
opening balance	13	487,537	465,260
issued unit certificates	14	107,239	139,626
repurchase of unit certificates	15	(108,200)	(117,349)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	486,576	487,537
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(24,148)	18,423
profit (loss)	29	46,168	(24,148)
transfers to funds, dividends	30	24,148	(18,423)
closing balance	31	46,168	(24,148)
7 Total	32	500,637	454,951



# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., ČS fond životního cyklu 2020 FF – otevřený podílový fond (the “Fund” or “ISČS, a.s. – FŽC 2020 FF OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., ČS fond životního cyklu 2020 FF – otevřený podílový fond. The decision came into effect on 1 August 2007. The Fund commenced its activities on 31 August 2007.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

On 10 August 2009, following the Company’s request, the Czech National Bank resolved to merge the Fund with the open-ended mutual fund Investiční společnost České spořitelny, a.s., ČS fond životního cyklu 2025 FF – otevřený podílový fond, under Section 101 (2) of the Act. The Fund is a continuing fund and the Statute of the continuing Fund remains unchanged.

With the Czech National Bank resolution becoming effective on 10 August 2009, the merging fund ceased to exist on 10 November 2009 (the merger date).

### Registered Office

Investiční společnost České spořitelny, a.s.  
ČS fond životního cyklu 2020 FF – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The participation certificates of the Fund are available in the Czech Republic, or in other EU member countries.

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The Fund is a standard collective investment fund that meets the requirements of EU legislation. To This also entails that the Fund is subject to supervision which is equivalent to the supervision pursuant to the EU legislation, the level of protection of the participation certificate holders’ assets is equivalent to the protection provided to participation certificate holders of other collective investment funds that fulfil the requirements of Council Directive No. 85/611/EEC as of 20 December 1985, on the coordination of legal and administrative regulations regarding collective investment entities transferable into securities, as amended by Council Directive No. 88/220/EEC, Directive 95/26/ES of the European Parliament and Council, Directive 2001/107/EC of the European Parliament and Council and Directive 2001/108/ EC of the European Parliament and Council. The Company prepares mid-year and annual reports on the administration of mutual fund assets, which provide a true view of the assets and liabilities, revenues and transactions in the reporting period.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with long-term appreciation of invested funds in compliance with the long-term schedule of allocation into individual categories of assets in various periods. The objective is primarily achieved by investing predominantly in securities of equity funds, bond funds, money market funds and funds with performance depending on the development in prices of commodities according to a predetermined schedule of allocation of assets prepared for the participation certificate holders of the Fund anticipating retirement in 2020 (or around 2020).

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

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment

funds distribute the risk connected to investments and meet other obligations set by the Act.

The Fund uses financial derivatives to hedge against currency exposures.

The portfolio of the mutual fund can also be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

The Company can use financial derivatives to effectively manage the Fund's assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund's assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss is covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

„Czech National Bank Resolution No. 2012/4570/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing

from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

## 2. Basis of Preparation

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

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

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

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

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial state-

ments as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

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

These financial statements are unconsolidated.

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

### **Explanation Added for Translation into English**

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

## **3. Accounting Policies**

### **Transaction Recognition Date**

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

The transaction recognition date for derivative contracts is:

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

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

### **Securities**

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily

basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

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

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

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

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

### **Receivables and Payables**

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

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

### **Financial Derivatives and Hedging Transactions**

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

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

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

the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

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

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

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

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

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

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

### Foreign Currency Translations

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

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

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net asset value and the relevant number of

participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.14).

### Subsequent Events

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

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

## 4. Risk Management

### Credit Risk

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

## Market Risk

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

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

### 2012

	31 Dec 2012	Average VaR
Global VaR	3.43%	3.55%
Foreign currency VaR	0.48%	0.35%
Interest rate VaR	0.28%	0.41%
Equity VaR	3.63%	3.73%

### 2011

	31 Dec 2011	Average VaR
Global VaR	3.60%	4.40%
Foreign currency VaR	0.39%	0.84%
Interest rate VaR	0.48%	0.39%
Equity VaR	3.82%	4.50%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

## Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.16.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	39,611	50,578
Margin accounts	6,951	5,682
<b>Total</b>	<b>46,562</b>	<b>56,260</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	76,826	74,846
Market revaluation	8,545	1,980
Accrued interest income	2,037	2,037
<b>Total</b>	<b>87,408</b>	<b>78,863</b>

Of the aggregate volume of debt securities, debt securities maturing within one year with a fixed coupon account for 100 percent.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	338,455	316,209
Market revaluation	27,506	11,152
<b>Total</b>	<b>365,961</b>	<b>327,361</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	2,852	235
State budget settlement	–	619
Other receivables	293	276
Allowances	(43)	(7)
<b>Total</b>	<b>3,102</b>	<b>1,123</b>

As at 31 December 2012, other receivables include predominantly receivables of CZK 47 thousand arising from foreign dividends (a receivable denominated in foreign currency) (2011: CZK 48 thousand). As at 31 December 2012, allowances include allowances for receivables arising from foreign dividends in the amount of CZK 43 thousand (2011: CZK 7 thousand).

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 0.9429 (2011: CZK 0.8555). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 46,168 thousand will be transferred to the reinvestment fund within 'Other funds from profit'.

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 24,148 thousand was covered by the reinvestment fund within 'Other funds from profit'.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of the capital fund	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>509,632,018</b>	<b>509,632</b>	<b>(44,372)</b>	<b>465,260</b>
Participation certificates sold	139,626,297	139,626	-	139,626
Participation certificates purchased	(117,349,335)	(117,349)	-	(117,349)
<b>Balance at 31 Dec 2011</b>	<b>531,908,980</b>	<b>531,909</b>	<b>(44,372)</b>	<b>487,537</b>
Participation certificates sold	107,239,383	107,239	-	107,239
Participation certificates purchased	(108,200,420)	(108,200)	-	(108,200)
<b>Balance at 31 Dec 2012</b>	<b>530,947,943</b>	<b>530,948</b>	<b>(44,372)</b>	<b>486,576</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of derivatives	235	7,889
State budget settlement	1,113	-
Other liabilities	557	391
<b>Total</b>	<b>1,905</b>	<b>8,280</b>

The most significant item in other liabilities is a payable to the Company – a fee for the sale of participation certificates in the amount of CZK 137 thousand (2011: CZK 177 thousand) and payables to shareholders in the amount CZK 385 thousand (2011: CZK 139 thousand).

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 46 thousand related to December 2012 (2011: CZK 42 thousand), the unbilled management fee of CZK 448 thousand related to December 2012 (2011: CZK 406 thousand), the unbilled fee for the local sub-register administration of CZK 6 thousand related to December 2012 (2011: CZK 6 thousand) and the unbilled fee for calculation of NAV and of participation certificate rate of CZK 2 thousand related to December 2012 (2011: CZK 2 thousand).

## 5.9 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	189,126	186,999	209,301	217,179
Currency forwards	-	-	10,320	10,111
Equity indices futures	29,158	29,220	14,200	13,940
<b>Total</b>	<b>218,284</b>	<b>216,219</b>	<b>233,821</b>	<b>241,230</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

#### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	2,336	209	-	7,878
Currency forwards	-	-	209	-
Equity indices futures	516	26	26	11
<b>Total</b>	<b>2,852</b>	<b>235</b>	<b>235</b>	<b>7,889</b>

Currency derivatives are due within one year. Equity derivatives are due within one year.

#### 5.10 Interest Income

	2012	2011
Interest on deposits at banks	124	145
Interest on debt securities	3,355	3,409
<b>Total</b>	<b>3,479</b>	<b>3,554</b>

#### 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	568	2,443
<b>Total received dividends</b>	<b>568</b>	<b>2,443</b>

#### 5.12 Fees and Commissions

	2012	2011
Management fees	5,126	5,070
Custody fees	528	518
Commissions and fees from securities trading	15	390
Expenses of administration of the local sub-register – ČS	75	67
Administration of securities	392	273
Fees paid to the central depository	2	2
Other fees and commissions	565	611
<b>Total</b>	<b>6,703</b>	<b>6,931</b>

The management fee related to the Fund's assets amounts to 1.2 percent of the average annual net asset value of the Fund and the custody fee amounts to 0.11 percent of the average annual net asset value of the Fund.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

#### 5.13 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	40,030	(14,954)
Profit or loss from derivatives	11,600	(13,479)
Profit or loss from FX differences	(1,423)	5,753
<b>Total</b>	<b>50,207</b>	<b>(22,680)</b>



Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from realised sales of securities, from payable securities and from daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.14 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	1,112	366
<b>Total income tax</b>	<b>1,112</b>	<b>366</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	47,280	(23,782)
Items to add	38	17
Deductible items	(567)	(2,444)
Tax base	46,751	(26,209)
Tax loss utilisation	(26,209)	–
Adjusted tax base	20,542	(26,209)
Tax (5%) on tax base	1,027	–
Foreign dividends	568	2,443
Tax on foreign dividends	85	366
<b>Total tax</b>	<b>1,112</b>	<b>366</b>

### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 2 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 1,311 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.15 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	46	42
Unbilled management fee – Investiční společnost	448	406
Unbilled fee for administration of the local sub-register – Česká spořitelna	6	6
Unbilled fee for calculation of NAV and of participation certificate rate	2	2
Other payables to related parties	172	252
<b>Total payables to related parties</b>	<b>674</b>	<b>708</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,577 thousand in 2012 (2011: CZK 1,860 thousand), of which the greatest portion was represented by the ČS bank fee of CZK 487 thousand (2011: CZK 568 thousand), and the custody fee of CZK 528 thousand (2011: CZK 518 thousand). The costs charged by the Company amounted to CZK 5,126 thousand in 2012 (2011: CZK 5,070 thousand), which is the annual management fee.

## 5.16 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	46,562	–	–	–	–	46,562
Shares and participation certificates	–	–	–	–	365,961	365,961
Debt securities	–	–	–	87,408	–	87,408
Other assets	3,098	–	–	–	4	3,102
Prepayments	–	11	–	–	–	11
<b>Total assets</b>	<b>49,660</b>	<b>11</b>	<b>–</b>	<b>87,408</b>	<b>365,965</b>	<b>503,044</b>
<b>Liabilities</b>						
Other liabilities	(1,294)	(1,113)	–	–	–	(2,407)
Net assets	48,366	(1,102)	–	87,408	365,965	500,637
Available capital	(500,637)	–	–	–	–	(500,637)
<b>Difference</b>	<b>(452,271)</b>	<b>(1,102)</b>	<b>–</b>	<b>87,408</b>	<b>365,965</b>	<b>–</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	56,260	–	–	–	–	56,260
Shares and participation certificates	–	–	–	–	327,361	327,361
Debt securities	–	–	–	78,863	–	78,863
Other assets	463	619	–	–	41	1,123
Prepayments	–	80	–	–	–	80
<b>Total assets</b>	<b>56,723</b>	<b>699</b>	<b>–</b>	<b>78,863</b>	<b>327,402</b>	<b>463,687</b>
<b>Liabilities</b>						
Other liabilities	(8,736)	–	–	–	–	(8,736)
Net assets	47,987	699	–	78,863	327,402	454,951
Available capital	(454,951)	–	–	–	–	(454,951)
<b>Difference</b>	<b>(406,964)</b>	<b>699</b>	<b>–</b>	<b>78,863</b>	<b>327,402</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

## 5.17 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.18 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

## 5.19 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

## Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0001002851	GOVERNMENT BOND 3.85 09/29/21	1,000.0000	11,641.30	11,641,300.00	97,319.44
CZ0001001945	GOVERNMENT BOND 4.7 09/12/22	1,000.0000	12,530.00	12,530,000.00	141,000.00
CZ0001002471	GOVERNMENT BOND 5 04/11/19	5,000.0000	12,240.00	61,200,000.00	1,798,611.11
<b>Total Local government bonds</b>				<b>85,371,300.00</b>	<b>2,036,930.55</b>
CZ0008473659	ISCS DLUHOPISOVY FOND	5,001,000.0000	1.04	5,214,542.70	0.00
CZ0008472271	ISCS SPOROINVEST	15,873,930.0000	1.87	29,703,297.82	0.00
CZ0008472289	ISCS SPOROTREND	2,095,553.0000	1.17	2,460,807.89	0.00
CZ0008472404	ISCS TOP STOCKS	7,566,531.0000	1.27	9,624,627.43	0.00
CZ0008472297	ISCS TREND BOND	4,179,197.0000	1.35	5,628,960.44	0.00
<b>Total Local participation certificates</b>				<b>52,632,236.28</b>	<b>0.00</b>
LU0132412106	ABERDEEN GL-EMG EQTY-A2	5,700.0000	1,316.12	7,501,901.86	0.00
LU0389811539	AMUNDI-INDEX EQ EUROPE-IEC	1,100.0000	29,174.22	32,091,637.38	0.00
LU0201576070	AMUNDI-LATIN AMERICA EQ-I	26.0000	118,683.31	3,085,765.94	0.00
LU0755570602	CSF LX COMMODITY INDEX PLUS	6,450.0000	1,942.32	12,527,940.78	0.00
AT0000A05HR3	ESPA BOND BRIK-CORP. (T)	3,780.0000	3,660.13	13,835,301.23	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	3,595.0000	3,849.19	13,837,821.51	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	641,694.0000	145.51	93,372,893.94	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	120,000.0000	129.64	15,556,800.00	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	14,000.0000	481.93	6,747,073.20	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	33,000.0000	131.44	4,337,448.38	0.00
LU0011889929	HENDERSON HOR.-JAPAN.EQUITY FUND	10,000.0000	186.55	1,865,484.50	0.00
DE000A0MU8J9	LBBW ROHSTOFFE 1-I	5,000.0000	2,485.34	12,426,702.00	0.00
LU0130731390	PICTET – EUROPE INDEX – P EUR	2,000.0000	3,039.68	6,079,354.80	0.00
LU0148538712	PICTET – PAC (XJPN)-P USD	1,200.0000	6,527.67	7,833,205.62	0.00
LU0188798671	PICTET – USA INDEX – I USD	14,000.0000	2,274.21	31,838,999.50	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	1,550.0000	4,938.67	7,654,946.10	0.00
FR0000018095	SSGA CANADA INDEX EQUITY FUND	760.0000	5,055.59	3,842,251.15	0.00
IE0007292083	VANGUARD-JAPAN STK IND-USD INV	3,900.0000	2,613.96	10,194,440.82	0.00
IE0002639775	VANGUARD-US 500 STK IDX- USD INS	103,000.0000	278.63	28,698,872.70	0.00
<b>Total Foreign participation certificates</b>				<b>313,328,841.41</b>	<b>0.00</b>
<b>Total</b>				<b>451,332,377.69</b>	<b>2,036,930.55</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
ČS fond životního cyklu 2030 FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., ČS fond životního cyklu 2030 FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., ČS fond životního cyklu 2030 FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

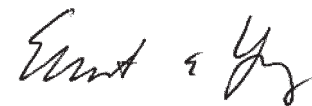
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion


In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., ČS fond životního cyklu 2030 FF -otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

Praha, Česká republika



Ernst & Young Audit, s.r.o.  
License No. 401  
Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	19,795	18,813
of which: a/current accounts	2	16,280	15,742
d/margin accounts	5	3,515	3,071
3 Debt securities	10	3,522	3,105
a/ issued by the government	11	3,522	3,105
4 Shares, unit certificates and other participation interests	13	82,779	64,980
6 Other assets	15	1,139	103
a/ derivatives	16	1,092	59
d/ other assets	19	47	44
7 Prepayments and accrued income	21	10	80
<b>Total Assets</b>	<b>22</b>	<b>107,245</b>	<b>87,081</b>
3 Other liabilities	29	281	1,803
a/ derivatives	30	103	1,607
c/ liabilities from taxes	32	17	54
d/ other liabilities	33	161	142
4 Deferred income and accrued expenses	34	145	115
6 Share premium	39	(29,941)	(25,587)
7 Other funds from profit	40	8,585	16,264
8 Capital funds	41	118,523	102,165
11 Profit or loss for the accounting period	47	9,652	(7,679)
<b>Total Liabilities</b>	<b>48</b>	<b>107,245</b>	<b>87,081</b>
of which: Equity	49	106,819	85,163

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	75,312	64,036
b/ with currency instruments	4	52,749	50,567
c/ with equity instruments	5	22,563	13,469
6 Assets provided into custody, administration and safekeeping	10	77,375	59,997
of which: securities	11	77,375	59,997
10 Amounts owed from fixed term transactions	14	74,704	65,066
b/ with currency instruments	16	52,091	52,150
c/ with equity instruments	17	22,613	12,916

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	176	48
of which: a/ interest income from bonds	2	116	11
2 Interest expenses and similar expenses	6	0	1
3 Income from shares and unit certificates	9	115	615
4 Commission and fee expenses	10	1,951	1,782
a/ fees and commissions from securities trading	11	21	149
b/ management fee	12	1,423	1,211
c/ custody fee	13	108	90
d/ other financial expenses	14	399	332
5 Profit or loss on financial operations	15	11,570	(6,302)
a/ profit or loss on transactions with securities	16	7,360	(5,222)
b/ profit or loss on foreign exchange transactions and options	17	(524)	1,619
c/ profit or loss on fixed term transactions and options	18	4,734	(2,699)
8 Administrative expenses	21	233	162
a/ audit	22	233	162
10 Depreciation and creation of provisions against receivables	25	8	3
11 Ordinary profit or loss for the accounting period before tax	26	9,669	(7,587)
15 Income tax	30	17	92
16 Profit or loss for the accounting period after tax	31	9,652	(7,679)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	(25,587)	(18,966)
issued unit certificates	3	(11,420)	(12,424)
repurchase of unit certificates	4	7,066	5,803
other changes	5	0	0
closing balance	6	(29,941)	(25,587)
2 Retained earnings	7		
opening balance	8	16,264	12,452
transfers to funds	9	0	3,812
other changes	10	(7,679)	0
closing balance	11	8,585	16,264
3 Capital funds	12		
opening balance	13	102,165	77,488
issued unit certificates	14	43,405	45,734
repurchase of unit certificates	15	(27,047)	(21,057)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	118,523	102,165
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(7,679)	3,812
profit (loss)	29	9,652	(7,679)
transfers to funds, dividends	30	7,679	(3,812)
closing balance	31	9,652	(7,679)
<b>7 Total</b>	<b>32</b>	<b>106,819</b>	<b>85,163</b>



# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., ČS fond životního cyklu 2030 FF – otevřený podílový fond (the “Fund” or “ISČS, a.s. – FŽC 2030 FF OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., ČS fond životního cyklu 2030 FF – otevřený podílový fond. The decision came into effect on 1 August 2007. The Fund commenced its activities on 31 August 2007.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a standard fund in compliance with the Act and meets the requirements of EU legislation.

According to the classification binding for the members of the Capital Market Association (the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

On 11 August 2009, following the Company’s request, the Czech National Bank resolved to merge the Fund with the open-ended mutual fund Investiční společnost České spořitelny, a.s., ČS fond životního cyklu 2040 FF – otevřený podílový fond, under Section 101 (2) of the Act. The Fund is a continuing fund and the Statute of the continuing Fund remains unchanged.

With the Czech National Bank resolution becoming effective on 11 August 2009, the merging fund ceased to exist on 11 November 2009 (the merger date).

### Registered Office

Investiční společnost České spořitelny, a.s.  
ČS fond životního cyklu 2030 FF, otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with long-term appreciation of invested funds in compliance with the long-term schedule of allocation into individual categories of assets in various periods. The objective is primarily achieved by investing predominantly in securities of equity funds, bond funds, money market funds and funds with performance depending on the development in prices of commodities according to a predetermined schedule of allocation of assets prepared for the participation certificate holders of the Fund anticipating retirement in 2030 (or around 2030).

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

### Change in the Statute

Czech National Bank Resolution No. 2012/4571/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Commission (EU) Regulation No. 583/2012.

### Management Policy

The profit / (loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss is covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. The Sections 26 and 27 of the Collective investment Act are not affected by this approach.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the

overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while paya-

bles from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	5.66%	5.90%
Foreign currency VaR	0.57%	1.01%
Interest rate VaR	0.08%	0.11%
Equity VaR	5.58%	5.40%

	31 Dec 2011	Average VaR
Global VaR	5.20%	6.91%
Foreign currency VaR	1.45%	0.99%
Interest rate VaR	0.14%	0.05%
Equity VaR	5.14%	6.88%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial Derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

## Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	16,280	15,742
Margin accounts	3,515	3,071
<b>Total</b>	<b>19,795</b>	<b>18,813</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	3,076	2,974
Market revaluation	417	102
Accrued interest income	29	29
<b>Total</b>	<b>3,522</b>	<b>3,105</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 0 percent in 2012.

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 0 percent in 2012.

Debt securities maturing within more than five year with a fixed coupon accounted for 100 percent in 2012.

<b>Shares, participation certificates and other holdings</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Acquisition cost	77,162	62,838
Market revaluation	5,617	2,142
<b>Total</b>	<b>82,779</b>	<b>64,980</b>

### 5.3 Other Assets

<b>Other assets</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Positive fair values of financial derivatives	1,092	59
Other receivables	2	9
Other	45	35
<b>Total</b>	<b>1,139</b>	<b>103</b>

### 5.4 Prepayments and Accrued Income

<b>Prepayments and accrued income</b>	<b>31 Dec 2012</b>	<b>31 Dec 2011</b>
Prepayments – audit fees	10	80
<b>Total</b>	<b>10</b>	<b>80</b>

### 5.5 Equity

In accordance with the accounting standards, the Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 0.7643 (2011: CZK 0.6905). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund’s Statute, the profit for 2012 in the amount of CZK 9,652 thousand will be transferred to the reinvestment fund within ‘Other funds from profit’.

In line with the Fund’s Statute, the loss for 2011 in the amount of CZK 7,679 thousand was covered by the reinvestment fund within ‘Other funds from profit’.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Contribution upon merger	Use of capital fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>98,704,220</b>	<b>98,705</b>	<b>(2)</b>	<b>(21,215)</b>	<b>77,488</b>
Participation certificates sold	45,734,185	45,734	-	-	45,734
Participation certificates purchased	(21,057,000)	(21,057)	-	-	(21,057)
<b>Balance at 31 Dec 2011</b>	<b>123,381,405</b>	<b>123,382</b>	<b>(2)</b>	<b>(21,215)</b>	<b>102,165</b>
Participation certificates sold	43,405,378	43,405	-	-	43,405
Participation certificates purchased	(27,046,899)	(27,047)	-	-	(27,047)
<b>Balance at 31 Dec 2012</b>	<b>139,739,884</b>	<b>139,740</b>	<b>(2)</b>	<b>(21,215)</b>	<b>118,523</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	103	1,607
Payable to the state budget	17	54
Payables from participation certificate holders' placements	17	65
Other liabilities	144	77
<b>Total</b>	<b>281</b>	<b>1,803</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 10 thousand for December (2011: CZK 8 thousand), the unbilled management fee of CZK 131 thousand for December (2011: CZK 103 thousand), and the unbilled fee for the local sub-register administration of CZK 4 thousand for December (2011: CZK 4 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	-	-	28,189	28,566
<b>Total</b>	<b>-</b>	<b>-</b>	<b>28,189</b>	<b>28,566</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	-	-	-	377
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	52,749	52,091	22,378	23,584
Equity indices futures	22,563	22,613	13,469	12,916
<b>Total</b>	<b>75,312</b>	<b>74,704</b>	<b>35,847</b>	<b>36,500</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	748	90	-	1,206
Equity indices futures	344	13	59	24
<b>Total</b>	<b>1,092</b>	<b>103</b>	<b>59</b>	<b>1,230</b>

Currency derivatives are due within one year.

Equity derivatives are due within one year.

## 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	115	615
<b>Total received dividends</b>	<b>115</b>	<b>615</b>

## 5.12 Interest Income

	2012	2011
Interest on deposits at banks	60	37
Interest on debt securities	116	11
<b>Total</b>	<b>176</b>	<b>48</b>

## 5.13 Fees and Commissions

	2012	2011
Management fees	1,423	1,211
Custody fees	108	90
Commissions and fees from securities trading	21	149
Administration of securities	86	51
Expenses of administration of local sub-register – Česká spořitelna	46	43
Other fees and commissions	267	238
<b>Total</b>	<b>1,951</b>	<b>1,782</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.60 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund pays a fee equal to 0.11 percent of its average annual net asset value.



If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

#### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	7,360	(5,222)
Profit or loss from fixed term transactions	4,734	(2,699)
Profit or loss from FX differences	(524)	1,619
<b>Total</b>	<b>11,570</b>	<b>(6,302)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

#### 5.15 Administrative Expenses

	2012	2011
Audit	233	162
<b>Total</b>	<b>233</b>	<b>162</b>

#### 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	17	92
<b>Total income tax</b>	<b>17</b>	<b>92</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	9,669	(7,587)
Items to be added	8	4
Deductible items	(115)	(615)
Tax base	9,562	(8,198)
Loss deduction	(9,562)	–
Tax base after deduction	–	(8,198)
Tax (5%) on tax base	–	–
Foreign dividends	115	615
Tax on foreign dividends	17	92
<b>Total tax</b>	<b>17</b>	<b>92</b>

#### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 279 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 756 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.17 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	10	8
Unbilled management fee – Investiční společnost	131	103
Unbilled fee for administration of the local sub-register – Česká spořitelna	4	4
Other payables to related parties	56	78
<b>Total payables to related parties</b>	<b>201</b>	<b>193</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 528 thousand in 2012 (2011: CZK 572 thousand), of which the greatest portion was represented by the custody fee of CZK 208 thousand (2011: CZK 223 thousand). The costs charged by the Company amounted to CZK 1,423 thousand (2011: CZK 1,211 thousand) which is annual management fee.

## 5.18 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	19,795	-	-	-	-	19,795
Debt securities	-	-	-	3,522	-	3,522
Shares and participation certificates	-	-	-	-	82,779	82,779
Other assets	1,137	-	-	-	2	1,139
Prepayments	10	-	-	-	-	10
<b>Total assets</b>	<b>20,942</b>	<b>-</b>	<b>-</b>	<b>3,522</b>	<b>82,781</b>	<b>107,245</b>
<b>Liabilities</b>						
Other liabilities	(409)	(17)	-	-	-	(426)
Net assets	20,533	(17)	-	3,522	82,781	106,819
Available capital	(106,819)	-	-	-	-	(106,819)
<b>Difference</b>	<b>(86,286)</b>	<b>(17)</b>	<b>-</b>	<b>3,522</b>	<b>82,781</b>	<b>-</b>

2011

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	18,813	-	-	-	-	18,813
Debt securities	-	-	-	3,105	-	3,105
Shares and participation certificates	-	-	-	-	64,980	64,980
Other assets	93	-	-	-	10	103
Prepayments	-	80	-	-	-	80
<b>Total assets</b>	<b>18,906</b>	<b>80</b>	<b>-</b>	<b>3,105</b>	<b>64,990</b>	<b>87,081</b>
<b>Liabilities</b>						
Other liabilities	(1,864)	(54)	-	-	-	(1,918)
Net assets	17,042	26	-	3,105	64,990	85,163
Available capital	(85,163)	-	-	-	-	(85,163)
<b>Difference</b>	<b>(68,121)</b>	<b>26</b>	<b>-</b>	<b>3,105</b>	<b>64,990</b>	<b>-</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

### **5.19 Off-balance Sheet Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### **5.20 Contingent Assets and Liabilities**

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

### **5.21 Subsequent Events**

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0001002851	GOVERNMENT BOND 3.85 09/29/21	300.0000	11,641.30	3,492,390.00	29,195.83
<b>Total Local government bonds</b>				<b>3,492,390.00</b>	<b>29,195.83</b>
CZ0008473659	ISCS DLUHOPISOVY FOND	3,998,601.0000	1.04	4,169,341.26	0.00
CZ0008472271	ISCS SPOROINVEST	811,621.0000	1.87	1,518,705.22	0.00
CZ0008472289	ISCS SPOROTREND	1,401,994.0000	1.17	1,646,361.55	0.00
CZ0008472404	ISCS TOP STOCKS	1,250,889.0000	1.27	1,591,130.81	0.00
<b>Total Local participation certificates</b>				<b>8,925,538.84</b>	<b>0.00</b>
LU0132412106	ABERDEEN GL-EMG EQTY-A2	1,700.0000	1,316.12	2,237,409.33	0.00
LU0389812008	AMUNDI-INDX EQY NTH AM-IEC	350.0000	34,680.13	12,138,044.52	0.00
LU0201576070	AMUNDI-LATIN AMERICA EQ-I	6.0000	118,683.31	712,099.83	0.00
LU0755570602	CSF LX COMMODITY INDEX PLUS	750.0000	1,942.32	1,456,737.30	0.00
AT0000A05HR3	ESPA BOND BRIK-CORP. (T)	500.0000	3,660.13	1,830,066.30	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	614.0000	3,849.19	2,363,399.84	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	118,267.0000	145.51	17,209,031.17	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	3,300.0000	481.93	1,590,381.54	0.00
LU0161332480	FIDELITZ FUNDS JPN ADVANT JPY	250.0000	4,009.96	1,002,489.00	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	9,500.0000	131.44	1,248,659.38	0.00
LU0011889929	HENDERSON HOR.-JAPAN.EQUITY FUND	8,000.0000	186.55	1,492,387.60	0.00
DE000A0MU8J9	LBBW ROHSTOFFE 1-I	1,410.0000	2,485.34	3,504,329.96	0.00
LU0130731390	PICTET – EUROPE INDEX – P EUR	2,000.0000	3,039.68	6,079,354.80	0.00
LU0148538712	PICTET – PAC (XJPN)-P USD	500.0000	6,527.67	3,263,835.68	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	820.0000	4,938.67	4,049,713.42	0.00
FR0000018095	SSGA CANADA INDEX EQUITY FUND	300.0000	5,055.59	1,516,678.09	0.00
GB0002771169	THREADNEEDLE EUR SEL FUND	53,000.0000	50.73	2,688,823.56	0.00
IE0007292083	VANGUARD-JAPAN STK IND-USD INV	1,050.0000	2,613.96	2,744,657.14	0.00
AT0000697081	XT USA	255.0000	26,375.17	6,725,668.04	0.00
<b>Total Foreign participation certificates</b>				<b>73,853,766.50</b>	<b>0.00</b>
<b>Total</b>				<b>86,271,695.34</b>	<b>29,195.83</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
LIKVIDITNÍ FOND – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., LIKVIDITNÍ FOND – otevřený podílový fond, which comprise the balance sheet as at December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., LIKVIDITNÍ FOND – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

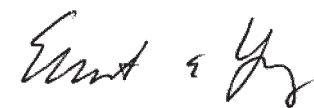
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., LIKVIDITNÍ FOND – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013


Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	896,964	346,138
of which: a/current accounts	2	146,928	106,102
b/ term deposits	3	750,036	240,036
3 Debt securities	10	512,460	539,478
a/ issued by the government	11	512,460	539,478
7 Prepayments and accrued income	21	11	58
<b>Total Assets</b>	<b>22</b>	<b>1,409,435</b>	<b>885,674</b>
3 Other liabilities	29	147	2,630
c/ liabilities from taxes	32	127	86
d/ other liabilities	33	20	2,544
4 Deferred income and accrued expenses	34	320	202
6 Share premium	39	16,851	5,884
7 Other funds from profit	40	10,902	6,131
8 Capital funds	41	1,376,422	866,056
11 Profit or loss for the accounting period	47	4,793	4,771
<b>Total Liabilities</b>	<b>48</b>	<b>1,409,435</b>	<b>885,674</b>
of which: Equity	49	1,408,968	882,842

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
6 Assets provided into custody, administration and safekeeping	10	512,460	539,478
of which: securities	11	512,460	539,478

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	9,264	4,841
of which: a/ interest income from bonds	2	5,855	3,207
4 Commission and fee expenses	10	3,432	2,175
b/ management fee	12	2,388	1,483
c/ custody fee	13	716	445
d/ other financial expenses	14	328	247
5 Profit or loss on financial operations	15	(570)	2,518
a/ profit or loss on transactions with securities	16	(570)	2,518
8 Administrative expenses	21	217	162
a/ audit	22	217	162
11 Ordinary profit or loss for the accounting period before tax	26	5,045	5,022
15 Income tax	30	252	251
16 Profit or loss for the accounting period after tax	31	4,793	4,771



# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	5,884	1,708
issued unit certificates	3	31,044	15,105
repurchase of unit certificates	4	(20,077)	(10,929)
other changes	5	0	0
closing balance	6	16,851	5,884
2 Retained earnings	7		
opening balance	8	6,131	915
transfers to funds	9	4,771	5,216
other changes	10	0	0
closing balance	11	10,902	6,131
3 Capital funds	12		
opening balance	13	866,056	625,463
issued unit certificates	14	1,422,201	898,338
repurchase of unit certificates	15	(911,835)	(657,745)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	1,376,422	866,056
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	4,771	5,216
profit (loss)	29	4,793	4,771
transfers to funds, dividends	30	(4,771)	(5,216)
closing balance	31	4,793	4,771
<b>7 Total</b>	<b>32</b>	<b>1,408,968</b>	<b>882,842</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., LIKVIDITNÍ FOND – otevřený podílový fond (hereinafter the “Fund”) is an accounting unit without legal entity status, formed by Investiční společnost České spořitelny, a.s. (hereinafter the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”).

Investiční společnost České spořitelny, a.s., LIKVIDITNÍ FOND – otevřený podílový fond was formed based upon the Czech National Bank’s decision No. 2009/6497/570 dated 27 August 2009, which came into legal effect on 28 August 2009. The Fund commenced its activities on 10 September 2009.

The Fund is a special securities fund pursuant to the Collective Investment Act. According to the classification by the Czech Capital Market Association (AKAT CR), the Fund can be defined as a bond fund of very short term investments.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

### Registered Office

Investiční společnost České spořitelny, a.s.  
LIKVIDITNÍ FOND – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from the public and the Fund is categorised as a special securities fund under Section 49 (1) and (2) of the Collective Investment Act. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company has the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act, refer to the Fund’s Statute.

### Investment Policy of the Fund

The objective of the investment policy is to provide the most conservative part of investors with such a money market fund which would secure an appreciation of invested finance at the most possible level of certainty and reliability and on condition that the value

of invested finance will be preserved. The aim is achieved only by focusing on the Czech state and Czech banks (minimal interest rate and credit risk, absence of currency and equity risk). The Fund seeks to achieve that, within three months, the participation certificates will overperform a usual amount of interest on bank term deposits of lower interest rate range.

The portfolio of the Fund predominantly includes the Czech treasury bills, Czech state bonds with fixed interest rate and maturity within one year and Czech state bonds with variable interest rate and maturity within three years. In addition, term deposits at banks are used. Securities are typically held to maturity. The average duration of the portfolio must not exceed one year; it ranges from three to five months in the long run. No investments are made in securities and bank deposits denominated in foreign currencies.

Assets which can be included in the Fund’s assets:

- placements at banks;
- domestic debt securities;
- money market instruments;
- securities with right to acquire securities;
- financial derivatives

The Fund primarily purchases state, corporate, municipal and other bonds whose issuers have been assigned at least an investment grade rating by Standard Poor’s or Moody’s with respect to long-term indebtedness. The same minimum rating must be assigned to issuers of money market instruments acquired for the Fund’s assets.

The Company can use financial derivatives to decrease risk, decrease costs or achieve sufficient income for the Fund provided that the risk is demonstrably low.

The Fund can invest up to 50 percent of its assets in investment securities or money market instruments with embedded derivatives.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

### Change in the Fund’s Statute

The mutual fund statute was put into accordance with the amendment to Act 189/2004 Coll., on collective investment (as ensuing from the changes made by Act 188/2011 Coll.), and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund at the end of 2011. For this reason no changes to the statute were made in 2012.

On 5 June 2012 only updated information was as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the statute was updated (5 June 2012) the key information for investors was also updated.

### Management Policy

The profit/ (loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss is covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial

institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while paya-

bles from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

No transactions denominated in foreign currencies were recorded in the 2012 and 2011 accounting period.

### Equity of the Fund

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their market value.

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Significant attention is paid to market risks, specifically to interest rate risk.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). The VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KVaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	0.01%	0.01%
Interest rate VaR	0.01%	0.01%

	31 Dec 2011	Average VaR
Global VaR	0.02%	0.01%
Interest rate VaR	0.02%	0.01%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the cal-

end of year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.14.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	146,928	106,102
Term deposits	750,036	240,036
<b>Total</b>	<b>896,964</b>	<b>346,138</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	510,698	537,870
Market revaluation	934	347
Accrued interest income	828	1,261
<b>Total</b>	<b>512,460</b>	<b>539,478</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 84 percent in 2012 (2011: 100 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 16 percent in 2012 (2011: 0 percent).

### 5.3 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	58
<b>Total</b>	<b>11</b>	<b>58</b>

### 5.4 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.0236 (2011: CZK 1.0194). This is the most recent announced value of the participation certificate for 2012 for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 4,793 thousand will be transferred to the to the reinvestment fund within 'Other funds from profit'.

In line with the Fund's Statute, the profit for 2011 in the amount of CZK 4,771 thousand was transferred to the reinvestment fund within 'Other funds from profit'.

## 5.5 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>625,462,528</b>	<b>625,463</b>	<b>625,463</b>
Participation certificates sold	898,337,785	898,338	898,338
Participation certificates purchased	(657,744,543)	(657,745)	(657,745)
<b>Balance at 31 Dec 2011</b>	<b>866,055,770</b>	<b>866,056</b>	<b>866,056</b>
Participation certificates sold	1,422,200,976	1,422,201	1,422,201
Participation certificates purchased	(911,834,677)	(911,835)	(911,835)
<b>Balance at 31 Dec 2012</b>	<b>1,376,422,069</b>	<b>1,376,422</b>	<b>1,376,422</b>

## 5.6 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
State budget settlement	127	86
Other liabilities	20	2,544
<b>Total</b>	<b>147</b>	<b>2,630</b>

## 5.7 Accrued Expenses and Deferred Income

Accrued expenses particularly consist of the unbilled custody fee of CZK 70 thousand related to December 2012 (2011: CZK 44 thousand), the unbilled management fee of CZK 235 thousand related to December 2012 (2011: CZK 147 thousand), and the unbilled fee for the local sub-register administration of CZK 9 thousand related to December 2012 (2011: CZK 7 thousand).

## 5.8 Interest Income

	2012	2011
Interest on deposits at banks	3,409	1,634
Interest on debt securities	5,855	3,207
<b>Total</b>	<b>9,264</b>	<b>4,841</b>

## 5.9 Fees and Commissions

	2012	2011
Management fees	2,388	1,483
Custody fees	716	445
Fee for administration of securities accounts – ČS	111	61
Expenses of administration of the local sub-register	103	78
Fees for administration of short-term bonds	39	56
Fees – central depository	4	2
Other fees and commissions	71	50
<b>Total</b>	<b>3,432</b>	<b>2,175</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.2 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

### 5.10 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	(570)	2,518
<b>Total</b>	<b>(570)</b>	<b>2,518</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit from the realised sales of securities, from payable securities and from daily the valuation of securities at fair value.

### 5.11 Administrative Expenses

	2012	2011
Audit	217	162
<b>Total</b>	<b>217</b>	<b>162</b>

### 5.12 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	252	251
<b>Total income tax</b>	<b>252</b>	<b>251</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	5,045	5,022
Tax base	5,045	5,022
Tax (5%) on tax base	252	251
<b>Total tax</b>	<b>252</b>	<b>251</b>

### Deferred Tax

As at 31 December 2012 and 2011, no temporary differences exist between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### 5.13 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	2012	2011
Unbilled custody fee – Česká spořitelna	70	44
Unbilled management fee – Investiční společnost	235	147
Expenses of administration of the local sub-register	9	7
Other payables to related parties	21	48
<b>Total payables to related parties</b>	<b>335</b>	<b>246</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,045 thousand in 2012 (2011: CZK 692 thousand), of which the greatest portion is represented by an annual custody fee of CZK 716 thousand (2011: CZK 445 thousand).

The costs charged by the Company amounted to CZK 2,388 thousand in 2012 (2011: CZK 1,483 thousand), which is the annual management fee.



## 5.14 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes. Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	896,964	–	–	–	–	896,964
Debt securities	149,997	282,484	79,979	–	–	512,460
Prepayments	11	–	–	–	–	11
<b>Total assets</b>	<b>1,046,972</b>	<b>282,484</b>	<b>79,979</b>	<b>–</b>	<b>–</b>	<b>1,409,435</b>
<b>Liabilities</b>						
Other liabilities	(340)	(127)	–	–	–	(467)
Net assets	1,046,632	282,357	79,979	–	–	1,408,968
Available capital	(1,408,968)	–	–	–	–	(1,408,968)
<b>Difference</b>	<b>(362,336)</b>	<b>282,357</b>	<b>79,979</b>	<b>–</b>	<b>–</b>	<b>–</b>

2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	346,138	–	–	–	–	346,138
Debt securities	109,870	429,608	–	–	–	539,478
Prepayments	–	58	–	–	–	58
<b>Total assets</b>	<b>456,008</b>	<b>429,666</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>885,674</b>
<b>Liabilities</b>						
Other liabilities	(2,746)	(86)	–	–	–	(2,832)
Net assets	453,262	429,580	–	–	–	882,842
Available capital	(882,842)	–	–	–	–	(882,842)
<b>Difference</b>	<b>(429,580)</b>	<b>429,580</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

## 5.15 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.16 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

## 5.17 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0792751405	CESKA EXP. BANKA VAR 06/18/14	800,0000	99 950,00	79 960 000,00	19 355,56
CZ0001002729	GOVERNMENT BOND 2.8 09/16/13	10 000,0000	10 194,50	101 945 000,00	808 888,89
<b>Total Local government bonds</b>				<b>181 905 000,00</b>	<b>828 244,45</b>
CZ0001003545	20305647	60,0000	999 292,26	59 957 535,87	0,00
CZ0001003636	21101651	50,0000	999 989,57	49 999 478,25	0,00
CZ0001003701	21207658	20,0000	998 432,82	19 968 656,42	0,00
CZ0001003537	21801646	60,0000	999 979,03	59 998 741,95	0,00
CZ0001003644	21907652	60,0000	998 325,13	59 899 507,83	0,00
CZ0001003727	22501660	40,0000	999 965,94	39 998 637,60	0,00
CZ0001003750	23008663	40,0000	997 607,29	39 904 291,70	0,00
<b>Total Local treasury bills</b>				<b>329 726 849,62</b>	<b>0,00</b>
<b>Total</b>				<b>511 631 849,62</b>	<b>828 244,45</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Privátní portfolio AR 0 – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 0 – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 0 – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

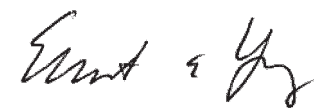
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 0 – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

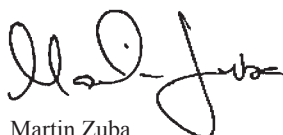
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	22,152	54,794
of which: a/current accounts	2	22,152	54,794
3 Debt securities	10	172,340	157,575
a/ issued by the government	11	160,314	145,568
b/ issued by other entities	12	12,026	12,007
4 Shares, unit certificates and other participation interests	13	381,236	329,256
6 Other assets	15	1,306	822
a/ derivatives	16	997	0
c/ receivables from taxes	18	0	503
d/ other assets	19	309	319
7 Prepayments and accrued income	21	26	94
<b>Total Assets</b>	<b>22</b>	<b>577,060</b>	<b>542,541</b>
3 Other liabilities	29	1,250	2,004
a/ derivatives	30	0	1,913
c/ liabilities from taxes	32	1,198	0
d/ other liabilities	33	52	91
4 Deferred income and accrued expenses	34	238	231
6 Share premium	39	27,254	25,499
7 Other funds from profit	40	17,765	21,175
8 Capital funds	41	505,174	497,042
11 Profit or loss for the accounting period	47	25,379	(3,410)
<b>Total Liabilities</b>	<b>48</b>	<b>577,060</b>	<b>542,541</b>
of which: Equity	49	575,572	540,306

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	186,289	112,638
b/ with currency instruments	4	186,289	112,638
6 Assets provided into custody, administration and safekeeping	10	434,137	393,459
of which: securities	11	434,137	393,459
10 Amounts owed from fixed term transactions	14	185,292	114,551
b/ with currency instruments	16	185,292	114,551

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	3,648	3,159
of which: a/ interest income from bonds	2	3,425	2,986
3 Income from shares and unit certificates	9	432	87
4 Commission and fee expenses	10	3,069	3,143
a/ fees and commissions from securities trading	11	68	42
b/ management fee	12	2,278	2,358
c/ custody fee	13	330	326
d/ other financial expenses	14	393	417
5 Profit or loss on financial operations	15	25,802	(3,338)
a/ profit or loss on transactions with securities	16	22,635	470
b/ profit or loss on foreign exchange transactions and options	17	(246)	(238)
c/ profit or loss on fixed term transactions and options	18	3,413	(3,570)
8 Administrative expenses	21	236	162
a/ audit	22	236	162
11 Ordinary profit or loss for the accounting period before tax	26	26,577	(3,397)
15 Income tax	30	1,198	13
16 Profit or loss for the accounting period after tax	31	25,379	(3,410)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	25,499	31,427
issued unit certificates	3	16,988	14,233
repurchase of unit certificates	4	(15,233)	(20,161)
closing balance	6	27,254	25,499
2 Retained earnings	7		
opening balance	8	21,175	8,646
transfers to funds	9	0	12,529
other changes	10	(3,410)	0
closing balance	11	17,765	21,175
3 Capital funds	12		
opening balance	13	497,042	561,941
issued unit certificates	14	139,650	153,163
repurchase of unit certificates	15	(131,518)	(218,062)
closing balance	18	505,174	497,042
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(3,410)	12,529
profit (loss)	29	25,379	(3,410)
transfers to funds, dividends	30	3,410	(12,529)
closing balance	31	25,379	(3,410)
<b>7 Total</b>	<b>32</b>	<b>575,572</b>	<b>540,306</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., Privátní portfolio AR 0 – otevřený podílový fond (the “Fund” or “ISČS, a.s. – PP AR 0 OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., Privátní portfolio AR 0 – otevřený podílový fond. The decision came into effect on 3 April 2008. The Fund commenced its activities on 24 April 2008.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

According to the classification binding for the members of the Capital Market Association (the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a.s.  
Privátní portfolio AR 0 – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in securities of collective investment bond funds. The Fund is principally exposed to the currency risk arising from investments in local currencies. Currency, credit and interest rate risks are actively managed using available hedging instruments. The objective is achieved principally through active allocation of the portfolio’s dynamic component (bonds versus investment instruments carrying the equity or real estate risk and alternative investments).

The Fund can invest in additional liquid assets which consist of placements and term deposits set out in the Act.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

Finances collected in the Fund, which are not invested in securities of collective investment funds or additional liquid assets, can only be invested in assets in which the securities special fund can invest pursuant to the Act.

The Fund uses financial derivatives to hedge against currency exposures.

### Change in the Fund’s Statute

Czech National Bank Resolution No. 2012/4579/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the



total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company make estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

## Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) The date upon which the related contract was entered into;
- b) The date when fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the value fair of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Equity

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.13).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the

VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	0.80%	0.72%
Foreign currency VaR	0.11%	0.14%
Interest Rate VaR	0.05%	0.10%
Equity VaR	0.79%	0.68%

	31 Dec 2011	Average VaR
Global VaR	0.89%	0.92%
Foreign currency VaR	0.29%	0.38%
Interest Rate VaR	0.05%	0.09%
Equity VaR	0.78%	0.76%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.15.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	22,152	54,794
<b>Total</b>	<b>22,152</b>	<b>54,794</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	369,830	328,254
Market revaluation	11,406	1,002
<b>Total</b>	<b>381,236</b>	<b>329,256</b>

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	166,370	158,524
Market revaluation	5,151	(1,830)
Accrued interest income	819	881
<b>Total</b>	<b>172,340</b>	<b>157,575</b>

Of the aggregate volume of debt securities, debt securities maturing within one year with accounted for 6.98% in 2012.

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 54.98 percent in 2012 (2011: 60.4 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a fixed coupon accounted for 38.04 percent in 2012 (2011: 39.6 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive values of financial derivatives	997	–
State budget settlement	–	503
Other	309	319
<b>Total</b>	<b>1,306</b>	<b>822</b>

Other receivables represent mainly an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund.

#### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
Deffered income – loyalty bonus Reico	15	14
<b>Total</b>	<b>26</b>	<b>94</b>

#### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounted for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate was determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.1359 (2011: CZK 1.0837). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 25,379 will be transferred to the reinvestment fund within the other funds from profit.

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 3,410 thousand was covered by the reinvestment fund.

#### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Transfers to funds	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>563,497,325</b>	<b>563,498</b>	<b>(1,557)</b>	<b>561,941</b>
Participation certificates sold	153,162,842	153,163	-	153,163
Participation certificates purchased	(218,061,976)	(218,062)	-	(218,062)
<b>Balance at 31 Dec 2011</b>	<b>498,598,191</b>	<b>498,599</b>	<b>(1,557)</b>	<b>497,042</b>
Participation certificates sold	139,650,311	139,650	-	139,650
Participation certificates purchased	(131,517,849)	(131,518)	-	(131,518)
<b>Balance at 31 Dec 2012</b>	<b>506,730,633</b>	<b>506,731</b>	<b>(1,557)</b>	<b>505,174</b>

#### 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of derivatives	-	1,913
State budget settlement	1,198	-
Other liabilities	52	91
<b>Total</b>	<b>1,250</b>	<b>2,004</b>

#### 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 29 thousand for December (2011: CZK 27 thousand), the unbilled management fee of CZK 200 thousand for December (2011: CZK 195 thousand), the unbilled fee for the local sub-register administration of CZK 7 thousand for December (2011: CZK 7 thousand), and the unbilled fee for calculation of NAV and participation certificate rate for December of CZK 2 thousand (2011: CZK 2 thousand).

## 5.9 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	186,289	185,292	112,638	114,551
<b>Total</b>	<b>186,289</b>	<b>185,292</b>	<b>112,638</b>	<b>114,551</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	997	-	-	1,913
<b>Total</b>	<b>997</b>	<b>-</b>	<b>-</b>	<b>1,913</b>

Currency derivatives are due within one year.

## 5.10 Interest Income

Income	2012	2011
Interest on deposits at banks	223	173
Interest on debt securities	3,425	2,986
<b>Total</b>	<b>3,648</b>	<b>3,159</b>

## 5.11 Fees and Commissions

	2012	2011
Commissions and fees from securities trading	68	42
Management fees	2,278	2,358
Custody fees	330	326
Expanses of administration of the local sub-register – ČS	78	76
Administration of securities	266	288
Fees paid to the central depository	5	3
Fee for calculation of NAV and participation certificate rate	27	27
Other fees and commissions	17	23
<b>Total</b>	<b>3,069</b>	<b>3,143</b>

In compliance with the Statute of the Fund, the management fee paid to the Company amounts to 0.50 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.12 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	22,635	470
Profit or loss from FX differences	(246)	(238)
Profit or loss from fixed term transactions	3,413	(3,570)
<b>Total</b>	<b>25,802</b>	<b>(3,338)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.13 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	1,198	13
<b>Total income tax</b>	<b>1,198</b>	<b>13</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	26,577	(3,397)
Items to add	3	1
Deductible items	(432)	(88)
Tax base	26,148	(3,484)
Reduction for loss	3,484	–
Tax base after reduction	22,664	–
Tax (5%) on tax base	1,133	–
Foreign dividends	432	87
Tax on foreign dividends	65	13
<b>Total tax</b>	<b>1,198</b>	<b>13</b>

### Deferred tax

As at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 174 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.14 Related Party Transactions

Related parties include Česká spořitelna, a.s., Investiční společnost České spořitelny, a.s., and Reico ISČS, a.s.

	2012	2011
Accrued income-loyalty bonus for holding of participation certificates of ČS nemovitostní fond	15	14
<b>Total receivables from related party</b>	<b>15</b>	<b>14</b>

Total income from a loyalty bonus for holding of participation certificates of OPF Reico was CZK 174 thousand in 2012 (2011: CZK 134 thousand).

Pursuant to a contract entered into between and by ISČS, a.s. and Reico ISČS, a.s., the Fund receives a bonus for holding the participation certificates of ČS nemovitostní fond which is equal to one twelfth of 0.8 percent of investment value as at the last day of a calendar month.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	29	27
Unbilled management fee – Investiční společnost	200	195
Unbilled fee for administration of the local sub-register – Česká spořitelna	7	7
Unbilled fee for calculation of NAV and participation certificate rate	2	2
Other payables to related parties	52	91
<b>Total payables to related parties</b>	<b>290</b>	<b>322</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 791 thousand in 2012 (2011: CZK 784 thousand), of which the greatest portion was represented by the custody fee of CZK 330 thousand (2011: CZK 326 thousand). The costs charged by the Company amounted to CZK 2,278 thousand (2011: CZK 2,358 thousand), which is the annual management fee.

### 5.15 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by their major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	22,152	–	–	–	–	22,152
Debt securities	–	12,026	160,314	–	–	172,340
Shares and participation certificates	–	–	–	–	381,236	381,236
Other assets	1,306	–	–	–	–	1,306
Prepayments	15	11	–	–	–	26
<b>Total assets</b>	<b>23,473</b>	<b>12,037</b>	<b>160,314</b>	<b>–</b>	<b>381,236</b>	<b>577,060</b>
<b>Liabilities</b>						
Other liabilities	(290)	(1,198)	–	–	–	(1,488)
Net assets	23,183	10,839	160,314	–	381,236	575,572
Available capital	(575,572)	–	–	–	–	(575,572)
<b>Difference</b>	<b>(552,389)</b>	<b>10,839</b>	<b>160,314</b>	<b>–</b>	<b>381,236</b>	<b>–</b>



2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	54,794	–	–	–	–	54,794
Debt securities	–	–	157,575	–	–	157,575
Shares and participation certificates	–	–	–	–	329,256	329,256
Other assets	319	503	–	–	–	822
Prepayments	14	80	–	–	–	94
<b>Total assets</b>	<b>55,127</b>	<b>583</b>	<b>157,575</b>	<b>–</b>	<b>329,256</b>	<b>542,541</b>
<b>Liabilities</b>						
Other liabilities	(2,235)	–	–	–	–	(2,235)
Net assets	52,892	583	157,575	–	329,256	540,306
Available capital	(540,306)	–	–	–	–	(540,306)
<b>Difference</b>	<b>(487,414)</b>	<b>583</b>	<b>157,575</b>	<b>–</b>	<b>329,256</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is very low as all assets are immediately convertible into cash before the expected purchases of participation certificates from Participation certificate holders can be undertaken.

#### 5.16 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

#### 5.17 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

#### 5.18 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0003702367	CESKA SPORITELNA VAR 04/09/13	6.0000	2,005,000.00	12,030,000.00	(3,630.00)
<b>Total Local corporate bonds</b>				<b>12,030,000.00</b>	<b>(3,630.00)</b>
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	6,000.0000	10,815.00	64,890,000.00	674,333.33
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	9,392.0000	10,072.50	94,600,920.00	149,228.45
<b>Total Local government bonds</b>				<b>159,490,920.00</b>	<b>823,561.78</b>
CZ0008473659	ISCS DLUHOPISOVY FOND	39,942,167.0000	1.04	41,647,697.53	0.00
CZ0008472271	ISCS SPOROINVEST	29,313,086.0000	1.87	54,850,646.52	0.00
CZ0008472545	CS NEMOVITOSTNI FOND REICO	22,848,038.0000	1.00	22,941,714.96	0.00
<b>Total Local participation certificates</b>				<b>119,440,059.01</b>	<b>0.00</b>
LU0736560011	ALLIANCEBERNSTEIN SEL ABS ALPHA	6,840.0000	381.88	2,612,035.94	0.00
LU0374107992	APUS-AC STAT VL MKT NTL 12-A	986.0000	3,756.92	3,704,324.70	0.00
LU0644384843	ASSENAGON CREDIT DEBT CAP-I	146.0000	26,883.96	3,925,058.42	0.00
LU0411704413	BLACKROCK STR EU ABSOLUTE RETURN	2,778.0000	3,016.05	8,378,575.23	0.00
IE00B4Z6MP99	BNY MEL GL- GLOBAL REAL RETURN	87,580.0000	29.03	2,542,814.01	0.00
LU0462954396	DB PLAT IV DBX SYS ALPH-I1CE	2,279.0000	2,737.24	6,238,177.25	0.00
LU0468535397	DB PLAT V HERM ABS RT C-I1C	1,823.0000	2,904.17	5,294,307.01	0.00
AT0000673306	ESPA BOND EMERGING MKTS (VT) EUR	3,300.0000	4,658.19	15,372,028.98	0.00
AT0000673272	ESPA BOND EURO-RENT (VT) EUR	7,250.0000	3,619.66	26,242,514.70	0.00
AT0000673280	ESPA BOND EUROPE-HIGH YLD (V)	8,000.0000	3,841.39	30,731,136.00	0.00
AT0000A0AUG5	ESPA BOND LOCAL EMERGING-VA	4,327.0000	3,690.80	15,970,106.31	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	3,976.0000	3,849.19	15,304,361.15	0.00
AT0000659024	ESPA CESKY FOND FIR. DLUH. (VT)	523,000.0000	117.94	61,682,620.00	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	313,000.0000	129.64	40,577,320.00	0.00
DE000A0MU8J9	LBBW ROHSTOFFE 1-I	1,099.0000	2,485.34	2,731,389.10	0.00
IE00B1Z6CX63	LOOMIS SAY MULTISECT IN-HIC EUR	14,800.0000	367.80	5,443,413.36	0.00
IE0033989843	PIMCO-TOTAL RTRN BD-EUR H I AC	8,095.0000	514.11	4,161,744.74	0.00
LU0463469121	SCHRODER GAIA EGERTON EQUITY	2,170.0000	3,124.40	6,779,946.26	0.00
GB00B3D8PZ13	THREADNEEDLE CREDIT OPPORTUN.	136,029.0000	30.17	4,104,406.83	0.00
<b>Total Foreign participation certificates</b>				<b>261,796,279.99</b>	<b>0.00</b>
<b>Total</b>				<b>552,757,259.00</b>	<b>819,931.78</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Privátní portfolio AR 25 – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 25 – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 25 -otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

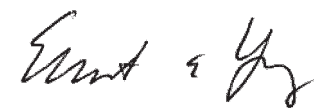
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 25 – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013


Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	76,720	200,932
of which: a/current accounts	2	74,801	199,466
d/ margin accounts	5	1,919	1,466
3 Debt securities	10	63,557	145,579
a/ issued by the government	11	63,557	145,579
4 Shares, unit certificates and other participation interests	13	1,103,612	921,058
6 Other assets	15	3,989	2,063
a/ derivatives	16	3,061	0
c/ receivables from taxes	18	0	1,016
d/ other assets	19	928	1,047
7 Prepayments and accrued income	21	77	117
<b>Total Assets</b>	<b>22</b>	<b>1,247,955</b>	<b>1,269,749</b>
3 Other liabilities	29	3,408	9,008
a/ derivatives	28	0	8,702
c/ liabilities from taxes	32	1,924	0
d/ other liabilities	33	1,484	306
4 Deferred income and accrued expenses	34	852	918
6 Share premium	39	5,824	7,677
7 Other funds from profit	40	73,912	114,197
8 Capital funds	41	1,088,266	1,178,234
11 Profit or loss for the accounting period	47	75,693	(40,285)
<b>Total Liabilities</b>	<b>48</b>	<b>1,247,955</b>	<b>1,269,749</b>
of which: Equity	49	1,243,695	1,259,823

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	582,909	411,205
b/ with currency instruments	4	582,909	411,205
6 Assets provided into custody, administration and safekeeping	10	984,606	1,011,059
of which: securities	11	984,606	1,011,059
10 Amounts owed from fixed term transactions	14	579,848	419,907
b/ with currency instruments	16	579,848	419,907

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	4,301	3,577
of which: a/ interest income from bonds	2	3,961	2,748
2 Interest expenses and similar expenses	6	0	1
3 Income from shares and unit certificates	9	698	292
4 Commission and fee expenses	10	11,337	12,734
a/ fees and commissions from securities trading	11	250	312
b/ management fee	13	9,351	10,600
c/ custody fee	13	735	795
d/ other financial expenses	14	1,001	1,027
5 Profit or loss on financial operations	15	84,197	(31,213)
a/ profit or loss on transactions with securities	16	71,765	(30,304)
b/ profit or loss on foreign exchange transactions and options	17	598	18,659
c/ profit or loss on fixed term transactions and options	18	11,834	(19,568)
8 Administrative expenses	21	242	162
a/ audit	22	242	162
11 Ordinary profit or loss for the accounting period before tax	26	77,617	(40,241)
15 Income tax	30	1,924	44
16 Profit or loss for the accounting period after tax	31	75,693	(40,285)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	7,677	320
issued unit certificates	3	8,988	15,487
repurchase of unit certificates	4	(10,841)	(8,130)
closing balance	6	5,824	7,677
2 Retained earnings	7		
opening balance	8	114,197	74,317
transfers to funds	9	0	39,880
other changes	10	(40,285)	0
closing balance	11	73,912	114,197
3 Capital funds	12		
opening balance	13	1,178,234	1,083,397
issued unit certificates	14	155,752	399,477
repurchase of unit certificates	15	(245,720)	(304,640)
closing balance	18	1,088,266	1,178,234
4 Gains or losses from revaluation	19		
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(40,285)	39,879
profit (loss)	29	75,693	(40,285)
transfers to funds, dividends	30	40,285	(39,879)
closing balance	31	75,693	(40,285)
<b>7 Total</b>	<b>32</b>	<b>1,243,695</b>	<b>1,259,823</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., Privátní portfolio AR 25 – otevřený podílový fond (the “Fund” or “ISČS, a.s. – PP AR 25 OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., Privátní portfolio AR 25 – otevřený podílový fond. The decision came into legal effect on 4 September 2007. The Fund commenced its activities on 24 October 2007.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

According to the classification binding for the members of the Capital Market Association (the “AKAT”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a.s.  
Privátní portfolio AR 25 – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in securities of collective investment bond and equity funds. The Fund is principally exposed to the currency risk arising from investments in local currencies. Currency, credit and interest rate risks are actively managed using available hedging instruments. The objective is achieved principally through active allocation of the portfolio’s dynamic component (bonds versus investment instruments carrying the equity or real estate risk and alternative investments).

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency exposures.

### Change in the Fund’s Statute

Czech National Bank Resolution No. 2012/4580/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.



## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company make estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and in-

come accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund's net asset value and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.16).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	1.96%	2.32%
Currency VaR	0.17%	0.20%
Interest rate VaR	0.01%	0.06%
Equity VaR	2.01%	2.31%

	31 Dec 2011	Average VaR
Global VaR	1.39%	1.80%
Foreign currency VaR	0.33%	0.69%
Interest rate VaR	0.04%	0.05%
Equity VaR	1.46%	1.65%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctua-

tions on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	74,801	199,466
Margin accounts	1,919	1,466
<b>Total</b>	<b>76,720</b>	<b>200,932</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	60,764	145,557
Market revaluation	2,693	(1,292)
Accrued interest income	100	1,314
<b>Total</b>	<b>63,557</b>	<b>145,579</b>

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon account for 100 percent in 2012 (2011: 41.9 percent).

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a fixed coupon account for 0 percent in 2012 (2011: 58.1 percent).

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	1,055,591	907,606
Market revaluation	48,021	13,452
<b>Total</b>	<b>1,103,612</b>	<b>921,058</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	3,061	–
State budget settlement	–	1,016
Other	928	1,047
<b>Total</b>	<b>3,989</b>	<b>2,063</b>

Other receivables represent an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund in the amount of CZK 928 thousand (2011: CZK 1,047 thousand).

## 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments	77	117
<b>Total</b>	<b>77</b>	<b>117</b>

## 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounted for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate was determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.0713 (2011: CZK 1.0072). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value minimally differs from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

The profit for 2012 in the amount of CZK 75,693 thousand was transferred to the reinvestment fund within the other funds from profit.

The loss for 2011 in the amount of CZK 40,285 thousand was covered by the reinvestment fund.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>1,156,030,657</b>	<b>1,156,031</b>	<b>(72,634)</b>	<b>1,083,397</b>
Participation certificates sold	399,476,965	399,477	-	399,477
Participation certificates purchased	(304,639,967)	(304,640)	-	(304,640)
<b>Balance at 31 Dec 2011</b>	<b>1,250,867,655</b>	<b>1,250,868</b>	<b>(72,634)</b>	<b>1,178,234</b>
Participation certificates sold	155,752,408	155,752	-	155,752
Participation certificates purchased	(245,719,699)	(245,720)	-	(245,720)
<b>Balance at 31 Dec 2012</b>	<b>1,160,900,364</b>	<b>1,160,900</b>	<b>(72,634)</b>	<b>1,088,266</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of derivatives	-	8,702
Payables to participation certificate holder	1,048	10
State budget settlement	1,924	-
Other liabilities	436	296
<b>Total</b>	<b>3,408</b>	<b>9,008</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses predominantly consist of the unbilled custody fee of CZK 62 thousand related to December 2012 (2011: CZK 63 thousand), the unbilled management fee of CZK 773 thousand related to December 2012 (2011: CZK 840 thousand), the unbilled fee for the local sub-register administration of CZK 11 thousand related to December 2012 (2011: CZK 9 thousand), and unbilled fee for calculation of NAV and participation certificate rate of CZK 5 thousand (2011: CZK 5 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	186,344	185,317	159,199	161,512
<b>Total</b>	<b>186,344</b>	<b>185,317</b>	<b>159,199</b>	<b>161,512</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	1,027	–	–	2,313
<b>Total</b>	<b>1,027</b>	<b>–</b>	<b>–</b>	<b>2,313</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	396,565	394,531	252,006	258,395
<b>Total</b>	<b>396,565</b>	<b>394,531</b>	<b>252,006</b>	<b>258,395</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	2,034	–	–	6,389
<b>Total</b>	<b>2,034</b>	<b>–</b>	<b>–</b>	<b>6,389</b>

Currency derivatives are due within one year.

## 5.11 Interest Income

	2012	2011
Interest on deposits at banks	340	829
Interest on debt securities	3,961	2,748
<b>Total</b>	<b>4,301</b>	<b>3,577</b>

## 5.12 Income from Shares and Interests

	2012	2011
Foreign dividends	698	292
<b>Total</b>	<b>698</b>	<b>292</b>

## 5.13 Fees and Commissions

	2012	2011
Management fees	9,351	10,600
Custody fees	735	795
Commissions and fees from securities trading	250	312
Expenses of administration of the local sub-register – ČS	130	112
Administration of securities	772	807
Other fees and commissions	99	108
<b>Total</b>	<b>11,337</b>	<b>12,734</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.80 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	71,765	(30,304)
Profit or loss from derivatives	11,834	(19,568)
Profit or loss from FX differences	598	18,659
<b>Total</b>	<b>84,197</b>	<b>(31,213)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.15 Administrative Expenses

	2012	2011
Audit	242	162
<b>Total</b>	<b>242</b>	<b>162</b>

## 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	1,924	44
<b>Total income tax</b>	<b>1,924</b>	<b>44</b>

Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	77,617	(40,241)
Items to add	2	1
Deductible items	(698)	(292)
Tax base	76,921	(40,532)
Deduction of tax	(40,532)	–
Tax base after deduction	36,389	–
Tax (5%) on tax base	1,819	–
Foreign dividends	698	292
Tax on foreign dividends	105	44
<b>Total tax</b>	<b>1,924</b>	<b>44</b>

### Deferred tax

As at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 2,027 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.17 Related Party Transactions

Related parties include Česká spořitelna, a.s., Investiční spol. ČS, a.s. and Reico ISČS, a.s.

	2012	2011
Accrued income-loyalty bonus for holding of the participation certificates of ČS nemovitostní fond	66	37
<b>Total receivables from related party</b>	<b>66</b>	<b>37</b>

Total income from a loyalty bonus for holding of the participation certificates of OPF Reico was CZK 755 thousand in 2012 (2011: CZK 327 thousand).

Pursuant to a contract entered into between and by ISČS, a.s. and Reico ISČS, a.s., the Fund receives a bonus for holding the participation certificates of ČS nemovitostní fond which is equal to one twelfth of 0.8 percent of investment value as at the last day of a calendar month on condition that the investment value has not dropped below CZK 20 million.

	2012	2011
Custody fee not yet billed – Česká spořitelna	62	63
Management fee not yet billed – Investiční společnost	773	840
Unbilled fee for administration of the local sub-register	11	9
Unbilled fee for calculation of NAV and participation certificate rate	5	5
Other payables to related parties	436	294
<b>Total payables to related parties</b>	<b>1,287</b>	<b>1,211</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 1,987 thousand in 2012 (2011: CZK 2,134 thousand), of which the greatest portion was represented by the custody fee of CZK 735 thousand (2011: CZK 795 thousand). The costs charged by the Company amounted to CZK 9,351 thousand (2011: CZK 10,600 thousand), which is the annual management fee.



## 5.18 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by their major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	76,720	–	–	–	–	76,720
Debt securities	–	–	63,557	–	–	63,557
Shares and participation certificates	–	–	–	–	1,103,612	1,103,612
Other assets	928	3,061	–	–	–	3,989
Prepayments	77	–	–	–	–	77
<b>Total assets</b>	<b>77,725</b>	<b>3,061</b>	<b>63,557</b>	<b>–</b>	<b>1,103,612</b>	<b>1,247,955</b>
<b>Liabilities</b>						
Other liabilities	(2,336)	(1,924)	–	–	–	(4,260)
Net assets	75,389	1,137	63,557	–	1,103,612	1,243,695
Available capital	(1,243,695)	–	–	–	–	(1,243,695)
<b>Difference</b>	<b>(1,168,306)</b>	<b>1,137</b>	<b>63,557</b>	<b>–</b>	<b>1,103,612</b>	<b>–</b>

2011

	Less than 3 months	3 month – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	200,932	–	–	–	–	200,932
Debt securities	–	–	145,579	–	–	145,579
Shares and participation certificates	–	–	–	–	921,058	921,058
Other assets	1,047	1,016	–	–	–	2,063
Prepayments	37	80	–	–	–	117
<b>Total assets</b>	<b>202,016</b>	<b>1,096</b>	<b>145,579</b>	<b>–</b>	<b>921,058</b>	<b>1,269,749</b>
<b>Liabilities</b>						
Other liabilities	(9,926)	–	–	–	–	(9,926)
Net assets	192,090	1,096	145,579	–	921,058	1,259,823
Available capital	(1,259,823)	–	–	–	–	(1,259,823)
<b>Difference</b>	<b>(1,067,733)</b>	<b>1,096</b>	<b>145,579</b>	<b>–</b>	<b>921,058</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

## 5.19 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.20 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

## 5.21 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	6,300.0000	10,072.50	63,456,750.00	100,100.00
<b>Total Local government bonds</b>				<b>63,456,750.00</b>	<b>100,100.00</b>
CZ0008473659	ISCS DLUHOPISOVY FOND	39,942,167.0000	1.04	41,647,697.53	0.00
CZ0008472412	ISCS HIGH YIELD DLUHOPISOVY	20,533,431.0000	1.21	24,802,331.30	0.00
CZ0008472404	ISCS TOP STOCKS	13,596,137.0000	1.27	17,294,286.26	0.00
CZ0008472545	CS NEMOVITOSTNI FOND REICO	98,414,362.0000	1.00	98,817,860.88	0.00
<b>Total Local participation certificates</b>				<b>182,562,175.97</b>	<b>0.00</b>
LU0736560011	ALLIANCEBERNSTEIN SEL ABS ALPHA	15,700.0000	381.88	5,995,462.62	0.00
LU0374107992	APUS-AC STAT VL MKT NTL 12-A	2,383.0000	3,756.92	8,952,744.17	0.00
LU0644384843	ASSENAGON CREDIT DEBT CAP-I	332.0000	26,883.96	8,925,475.32	0.00
IE0033609615	AXA ROSENBERG US EN INDX E-A	76,600.0000	310.60	23,791,691.90	0.00
LU0411704413	BLACKROCK STR EU ABSOLUTE RETURN	5,158.0000	3,016.05	15,556,764.24	0.00
IE00B4Z6MP99	BNY MEL GL- GLOBAL REAL RETURN	197,000.0000	29.03	5,719,734.64	0.00
LU0236501697	CREDIT AGRICOLE AM INDIA C	560.0000	2,777.46	1,555,375.81	0.00
LU0462954396	DB PLAT IV DBX SYS ALPH-I1CE	4,493.0000	2,737.24	12,298,433.70	0.00
LU0468535397	DB PLAT V HERM ABS RT C-I1C	4,070.0000	2,904.17	11,819,983.30	0.00
AT0000639406	ESPA BOND EMERGING MKTS (VT) CZK	6,056.0000	4,644.66	28,128,060.96	0.00
AT0000673306	ESPA BOND EMERGING MKTS (VT) EUR	7,100.0000	4,658.19	33,073,153.26	0.00
AT0000673280	ESPA BOND EUROPE-HIGH YLD (V)	20,000.0000	3,841.39	76,827,840.00	0.00
AT0000639422	ESPA BOND EUROPE-HIGH YLD VT CZ	5,542.0000	3,830.23	21,227,134.66	0.00
AT0000A0AUG5	ESPA BOND LOCAL EMERGING-VA	18,855.0000	3,690.80	69,590,098.11	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	23,762.0000	3,849.19	91,464,343.47	0.00
AT0000659024	ESPA CESKY FOND FIR. DLUH. (VT)	1,167,000.0000	117.94	137,635,980.00	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	1,200,000.0000	145.51	174,612,000.00	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	223,400.0000	129.64	28,961,576.00	0.00
AT0000494885	ESPA STOCK ISTANBUL (VT) CZK	150.0000	11,147.77	1,672,165.50	0.00
AT0000633292	ESPA STOCK JAPAN (VT) CZK	2,710.0000	1,534.10	4,157,411.00	0.00
AT0000A08EG7	ESPA STOCK RUSSIA (VT) CZK	7,000.0000	173.96	1,217,720.00	0.00
AT0000673397	ESPA STOCK VIENNA-VT	580.0000	3,008.50	1,744,932.20	0.00
IE0003583568	INVESCO PRC EQUITY-A CHINA	3,600.0000	883.01	3,178,831.32	0.00
DE000A0MU8J9	LBBW ROHSTOFFE 1-I	2,591.0000	2,485.34	6,439,516.98	0.00
IE00B1Z6CX63	LOOMIS SAY MULTISECT IN-HIC EUR	33,739.0000	367.80	12,409,143.47	0.00
LU0188798671	PICTET – USA INDEX – I USD	1,600.0000	2,274.21	3,638,742.80	0.00
IE0033989843	PIMCO-TOTAL RTRN BD-EUR H I AC	17,358.0000	514.11	8,923,973.45	0.00
AT0000615307	RT OSTEUROPA AKTIENFONDS-T	10,114.0000	240.59	2,433,325.24	0.00
LU0463469121	SCHRODER GAIA EGERTON EQUITY	5,250.0000	3,124.40	16,403,095.80	0.00
LU0149534421	SCHRODER INT. HONG KON EQ-AAC	5,300.0000	704.23	3,732,434.95	0.00
FR0010204040	SSGA EUROPE INDEX EQT FUND-I	4,250.0000	4,348.97	18,483,116.55	0.00
GB00B3D8PZ13	THREADNEEDLE CREDIT OPPORTUN.	328,654.0000	30.17	9,916,486.34	0.00
LU0043389872	UBS LUX EQTY-CANADA-P	430.0000	13,654.75	5,871,544.34	0.00
AT0000697065	XT EUROPA	1,020.0000	27,480.03	28,029,631.82	0.00
AT0000697081	XT USA	1,390.0000	26,375.17	36,661,484.63	0.00
<b>Total Foreign participation certificates</b>				<b>921,049,408.55</b>	<b>0.00</b>
<b>Total</b>				<b>1,167,068,334.52</b>	<b>100,100.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Privátní portfolio AR 50 – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 50 – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 50 – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

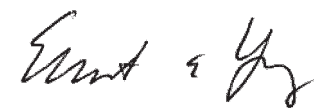
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 50 – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

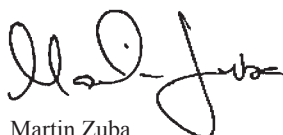
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	36,285	113,147
of which: a/current accounts	2	34,971	111,801
d/ margin accounts	5	1,314	1,346
3 Debt securities	10	24,212	23,214
a/ issued by the government	11	24,212	23,214
4 Shares, unit certificates and other participation interests	13	401,013	446,858
6 Other assets	15	1,562	380
a/ derivatives	16	1,308	0
d/ other assets	19	254	380
7 Prepayments and accrued income	21	41	97
<b>Total Assets</b>	<b>22</b>	<b>463,113</b>	<b>583,696</b>
3 Other liabilities	29	89	5,190
a/ derivatives	30	0	5,053
c/ liabilities from taxes	32	64	25
d/ other liabilities	33	25	112
4 Deferred income and accrued expenses	34	419	530
6 Share premium	39	9,381	463
7 Other funds from profit	40	43,122	87,131
8 Capital funds	41	380,028	534,391
11 Profit or loss for the accounting period	47	30,074	(44,009)
<b>Total Liabilities</b>	<b>48</b>	<b>463,113</b>	<b>583,696</b>
of which: Equity	49	462,605	577,976

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	258,602	252,099
b/ with currency instruments	4	258,602	252,099
6 Assets provided into custody, administration and safekeeping	10	338,783	403,569
of which: securities	11	338,783	403,569
10 Amounts owed from fixed term transactions	14	257,294	257,152
b/ with currency instruments	16	257,294	257,152

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	641	784
of which: a/ interest income from bonds	2	343	379
3 Income from shares and unit certificates	9	427	233
4 Commission and fee expenses	10	6,380	7,920
a/ fees and commissions from securities trading	11	232	285
b/ management fee	12	5,384	6,684
c/ custody fee	13	316	397
d/ other financial expenses	14	448	554
5 Profit or loss on financial operations	15	35,686	(36,909)
a/ profit or loss on transactions with securities	16	29,388	(41,577)
b/ profit or loss on foreign exchange transactions and options	17	85	5,914
c/ profit or loss on fixed term transactions and options	18	6,213	(1,246)
8 Administrative expenses	21	236	162
a/ audit	22	236	162
11 Ordinary profit or loss for the accounting period before tax	26	30,138	(43,974)
15 Income tax	30	64	35
16 Profit or loss for the accounting period after tax	31	30,074	(44,009)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	463	(5,092)
issued unit certificates	3	(859)	(1,582)
repurchase of unit certificates	4	9,777	7,137
closing balance	6	9,381	463
2 Retained earnings	7		
opening balance	8	87,131	63,042
transfers to funds	9	0	24,089
other changes	10	(44,009)	0
closing balance	11	43,122	87,131
3 Capital funds	12		
opening balance	13	534,391	666,179
issued unit certificates	14	12,425	41,175
repurchase of unit certificates	15	(166,788)	(172,963)
closing balance	18	380,028	534,391
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(44,009)	24,089
profit (loss)	29	30,074	(44,009)
transfers to funds, dividends	30	44,009	(24,089)
closing balance	31	30,074	(44,009)
<b>7 Total</b>	<b>32</b>	<b>462,605</b>	<b>577,976</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., Privátní portfolio AR 50 – otevřený podílový fond (the “Fund” or “ISČS, a.s. – PP AR 50 OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., Privátní portfolio AR 50 – otevřený podílový fond. The decision came into legal effect on 4 September 2007. The Fund commenced its activities on 24 October 2007.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

According to the classification binding for the members of the Capital Market Association (the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a.s.  
Privátní portfolio AR 50 – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in securities of collective investment bond and equity funds. The Fund is principally exposed to the currency risk arising from investments in local currencies. Currency, credit and interest rate risks are actively managed using available hedging instruments. The objective is achieved principally through active allocation of the portfolio’s dynamic component (bonds versus investment instruments carrying the equity or real estate risk and alternative investments).

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency exposures.

A benchmark has not been established for the Fund. The success criterion is the achievement of performance above the level of Czech corporate bonds.

### Change in the Fund’s Statute

Czech National Bank Resolution No. 2012/4581/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the



total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company make estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the high volatility and uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

## Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Equity of the Fund

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.15).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the

VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	3.16%	4.41%
Foreign currency VaR	0.10%	0.30%
Interest rate VaR	0.01%	0.01%
Equity VaR	3.15%	4.39%

	31 Dec 2011	Average VaR
Global VaR	2.30%	3.22%
Foreign currency VaR	0.27%	0.91%
Interest rate VaR	0.02%	0.03%
Equity VaR	2.15%	3.08%

The average VaR is calculated as average of daily VaR values in year 2012.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.17.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	34,971	111,801
Margin accounts	1,314	1,346
<b>Total</b>	<b>36,285</b>	<b>113,147</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	385,461	438,146
Market revaluation	15,552	8,712
<b>Total</b>	<b>401,013</b>	<b>446,858</b>

Debt securities	31 Dec 2012	31 Dec 2011
Acquisition cost	23,148	23,815
Market revaluation	1,026	(667)
Accrued interest income	38	66
<b>Total</b>	<b>24,212</b>	<b>23,214</b>

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 100 percent in 2012 (2011: 100 percent).

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	1,308	–
Other	254	380
<b>Total</b>	<b>1,562</b>	<b>380</b>

## 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
Prepayments – loyalty bonus	30	17
<b>Total</b>	<b>41</b>	<b>97</b>

## 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate was determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 0.9547 (2011: CZK 0.9046). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund’s Statute, the profit for 2012 in the amount of CZK 30,074 thousand will be transferred to the reinvestment fund within ‘Other funds from profit’.

In line with the Fund’s Statute, the loss for 2011 in the amount of CZK 44,009 thousand was covered by the reinvestment fund.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Transfers to funds	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>770,724,086</b>	<b>770,724</b>	<b>(104,545)</b>	<b>666,179</b>
Participation certificates sold	41,174,901	41,175	-	41,175
Participation certificates purchased	(172,963,643)	(172,963)	-	(172,963)
<b>Balance at 31 Dec 2011</b>	<b>638,935,334</b>	<b>638,936</b>	<b>(104,545)</b>	<b>534,391</b>
Participation certificates sold	12,425,144	12,425	-	12,425
Participation certificates purchased	(166,788,152)	(166,788)	-	(166,788)
<b>Balance at 31 Dec 2012</b>	<b>484,572,326</b>	<b>484,573</b>	<b>(104,545)</b>	<b>380,028</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Payable to the state budget	64	25
Negative fair values of derivatives	-	5,053
Other liabilities	25	112
<b>Total</b>	<b>89</b>	<b>5,190</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 23 thousand (2011: CZK 29 thousand), the unbilled management fee of CZK 387 thousand (2011: CZK 491 thousand), and the unbilled fee for the local sub-register administration of CZK 7 thousand (2011: CZK 7 thousand) and the unbilled fee for calculation of NAV and participation certificate rate of CZK 2 thousand (2011: CZK 2 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	125,992	125,298	127,563	129,416
<b>Total</b>	<b>125,992</b>	<b>125,298</b>	<b>127,563</b>	<b>129,416</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	694	-	-	1 853
<b>Total</b>	<b>694</b>	<b>-</b>	<b>-</b>	<b>1 853</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	132,610	131,996	124,536	127,736
<b>Total</b>	<b>132,610</b>	<b>131,996</b>	<b>124,536</b>	<b>127,736</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

### Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	614	-	-	3,200
<b>Total</b>	<b>614</b>	<b>-</b>	<b>-</b>	<b>3,200</b>

Currency derivatives are due within one year.

## 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	427	233
<b>Total</b>	<b>427</b>	<b>233</b>

## 5.12 Interest Income

	2012	2011
Interest on deposits at banks	296	405
Interest on margin accounts	2	-
Interest on debt securities	343	379
<b>Total</b>	<b>641</b>	<b>784</b>

### 5.13 Fees and Commissions

	2012	2011
Commissions and fees from securities trading	232	285
Management fees	5,384	6,684
Custody fees	316	397
Expanses of administration of the local sub-register – ČS	81	85
Administration of securities	308	402
Other fees and commissions	59	67
<b>Total</b>	<b>6,380</b>	<b>7,920</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.10 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	29,388	(41,577)
Profit or loss from FX differences	85	5,914
Profit or loss from fixed term transactions and options	6,213	(1,246)
<b>Total</b>	<b>35,686</b>	<b>(36,909)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.15 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	64	35
<b>Total income tax</b>	<b>64</b>	<b>35</b>

## Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	30,138	(43,974)
Items to add	1	1
Deductible items	(427)	(233)
Tax base	29,712	(44,206)
Tax loss utilisation	(29,712)	–
Adjusted tax base	–	–
Tax (5%) on tax base	–	–
Foreign dividends	427	233
Tax on foreign dividends	64	35
<b>Total tax</b>	<b>64</b>	<b>35</b>

## Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 1,686 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 3,172 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.16 Related Party Transactions

Related parties include Česká spořitelna, a.s., Investiční spol. ČS, a.s. and Reico ISČS, a.s.

	31 Dec 2012	31 Dec 2011
Custody fee not yet billed – Česká spořitelna	23	29
Management fee not yet billed – Investiční společnost	387	491
Unbilled fee for administration of the local sub-register – Česká spořitelna	7	7
Other payables to related parties	27	115
<b>Total payables to related parties</b>	<b>444</b>	<b>642</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 995 thousand in 2012 (2011: CZK 1,236 thousand), of which the greatest portion was represented by the depository fee of CZK 316 thousand (2011: CZK 397 thousand).

The costs charged by the Company amounted to CZK 5,385 thousand (2011: CZK 6,684 thousand), which is the annual management fee.

	31 Dec 2012	31 Dec 2011
Accrued income-loyalty bonus for participation certificates	30	16
<b>Total receivables from related parties</b>	<b>30</b>	<b>16</b>

Pursuant to a contract entered into between and by ISČS, a.s. and Reico ISČS, a.s., the Fund receives a bonus for holding the participation certificates of ČS nemovitostní fond which is equal to one twelfth of 0.8 percent of investment value as at the last day of a calendar.

Total income of the Fund from holding the participation certificates of Reico ISČS – loyalty bonus was CZK 348 thousand in 2012 (2011: CZK 216 thousand).



## 5.17 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by their major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	36,285	–	–	–	–	36,285
Shares and participation certificates	–	–	–	–	401,013	401,013
Debt securities	–	–	24,212	–	–	24,212
Other assets	1,562	–	–	–	–	1,562
Prepayments	–	41	–	–	–	41
<b>Total assets</b>	<b>37,847</b>	<b>41</b>	<b>24,212</b>	<b>–</b>	<b>401,013</b>	<b>463,113</b>
<b>Liabilities</b>						
Other liabilities	(444)	(64)	–	–	–	(508)
Net assets	37,403	(23)	24,212	–	401,013	462,605
Available capital	(462,605)	–	–	–	–	(462,605)
<b>Difference</b>	<b>(425,202)</b>	<b>(23)</b>	<b>24,212</b>	<b>–</b>	<b>401,013</b>	<b>–</b>

2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	113,147	–	–	–	–	113,147
Shares and participation certificates	–	–	–	–	446,858	446,858
Debt securities	–	–	–	23,214	–	23,214
Other assets	380	–	–	–	–	380
Prepayments and accrued income	–	97	–	–	–	97
<b>Total assets</b>	<b>113,527</b>	<b>97</b>	<b>–</b>	<b>23,214</b>	<b>446,858</b>	<b>583,696</b>
<b>Liabilities</b>						
Other liabilities	(5,695)	(25)	–	–	–	(5,720)
Net assets	107,832	72	–	23,214	446,858	577,976
Available capital	(577,976)	–	–	–	–	(577,976)
<b>Difference</b>	<b>(470,144)</b>	<b>72</b>	<b>–</b>	<b>23,214</b>	<b>446,858</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

## 5.18 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.19 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

## 5.20 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	2,400.0000	10,072.50	24,174,000.00	38,133.33
<b>Total Local government bonds</b>				<b>24,174,000.00</b>	<b>38,133.33</b>
CZ0008472412	ISCS HIGH YIELD DLUHOPISOVY	7,961,942.0000	1.21	9,617,229.74	0.00
CZ0008472289	ISCS SPOROTREND	11,986,844.0000	1.17	14,076,150.91	0.00
CZ0008472404	ISCS TOP STOCKS	13,422,299.0000	1.27	17,073,164.33	0.00
CZ0008472545	CS NEMOVITOSTNI FOND REICO	45,489,580.0000	1.00	45,676,087.28	0.00
<b>Total Local participation certificates</b>				<b>86,442,632.26</b>	<b>0.00</b>
LU0736560011	ALLIANCEBERNSTEIN SEL ABS ALPHA	7,130.0000	381.88	2,722,780.16	0.00
LU0374107992	APUS-AC STAT VL MKT NTL 12-A	924.0000	3,756.92	3,471,395.56	0.00
LU0644384843	ASSENAGON CREDIT DEBT CAP-I	146.0000	26,883.96	3,925,058.42	0.00
IE0033609615	AXA ROSENBERG US EN INDX E-A	39,300.0000	310.60	12,206,442.45	0.00
LU0411704413	BLACKROCK STR EU ABSOLUTE RETURN	2,331.0000	3,016.05	7,030,402.76	0.00
IE00B4Z6MP99	BNY MEL GL- GLOBAL REAL RETURN	86,500.0000	29.03	2,511,457.09	0.00
LU0462954396	DB PLAT IV DBX SYS ALPH-I1CE	2,077.0000	2,737.24	5,685,254.13	0.00
LU0468535397	DB PLAT V HERM ABS RT C-I1C	1,846.0000	2,904.17	5,361,102.99	0.00
LU0133348622	DEXIA EQUITIES L-AUSTRALIA-I	192.0000	16,549.47	3,177,497.66	0.00
AT0000A05HS1	ESPA BOND BRIK-CORP. (VT)	12,900.0000	3,793.88	48,941,018.46	0.00
AT0000639422	ESPA BOND EUROPE-HIGH YLD VT CZ	2,283.0000	3,830.23	8,744,415.09	0.00
AT0000A0AUG5	ESPA BOND LOCAL EMERGING-VA	6,228.0000	3,690.80	22,986,323.58	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	10,430.0000	3,849.19	40,147,003.72	0.00
AT0000633771	ESPA CESKY FOND ST. DLUHOPISU VT	447,500.0000	145.51	65,115,725.00	0.00
AT0000674692	ESPA FIDUCIA (VT) CZK	0.0000	129.64	0.00	0.00
AT0000633292	ESPA STOCK JAPAN (VT) CZK	1,860.0000	1,534.10	2,853,426.00	0.00
AT0000673397	ESPA STOCK VIENNA-VT	700.0000	3,008.50	2,105,952.66	0.00
DE000A0MU8J9	LBBW ROHSTOFFE 1-I	1,171.0000	2,485.34	2,910,333.61	0.00
IE00B1Z6CX63	LOOMIS SAY MULTISECT IN-HIC EUR	15,248.0000	367.80	5,608,186.95	0.00
LU0188798671	PICTET – USA INDEX – I USD	1,160.0000	2,274.21	2,638,088.53	0.00
IE0033989843	PIMCO-TOTAL RTRN BD-EUR H I AC	6,149.0000	514.11	3,161,280.84	0.00
AT0000615307	RT OSTEUROPA AKTIENFONDS-T	4,843.0000	240.59	1,165,176.40	0.00
LU0463469121	SCHRODER GAIA EGERTON EQUITY	2,365.0000	3,124.40	7,389,204.11	0.00
LU0149534421	SCHRODER INT. HONG KON EQ-AAC	2,900.0000	704.23	2,042,275.73	0.00
FR0010204040	SSGA EUROPE INDEX EQT FUND-I	2,400.0000	4,348.97	10,437,524.64	0.00
GB00B3D8PZ13	THREADNEEDLE CREDIT OPPORTUN.	146,676.0000	30.17	4,425,659.05	0.00
AT0000697065	XT EUROPA	560.0000	27,480.03	15,388,817.47	0.00
AT0000697081	XT USA	850.0000	26,375.17	22,418,893.48	0.00
<b>Total Foreign participation certificates</b>				<b>314,570,696.54</b>	<b>0.00</b>
<b>Total</b>				<b>425,187,328.80</b>	<b>38,133.33</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Privátní portfolio AR 75 – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 75 – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 75 -otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

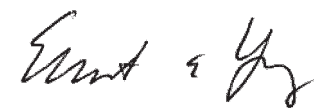
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Privátní portfolio AR 75 – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013


Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	9,574	28,092
of which: a/current accounts	2	8,676	27,162
d/ margin accounts	5	898	930
4 Shares, unit certificates and other participation interests	13	72,474	77,988
6 Other assets	15	392	16
a/ derivatives	16	365	0
d/ other assets	19	27	16
7 Prepayments and accrued income	21	15	87
<b>Total Assets</b>	<b>22</b>	<b>82,455</b>	<b>106,183</b>
3 Other liabilities	29	19	972
a/ derivatives	30	0	920
c/ liabilities from taxes	32	7	5
d/ other liabilities	33	12	47
4 Deferred income and accrued expenses	34	108	109
6 Share premium	39	9,098	3,928
7 Other funds from profit	40	716	14,652
8 Capital funds	41	69,662	100,457
11 Profit or loss for the accounting period	47	2,852	-13,935
<b>Total Liabilities</b>	<b>48</b>	<b>82,455</b>	<b>106,183</b>
of which: Equity	49	82,328	105,102

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	75,231	49,961
b/ with currency instruments	4	75,231	49,961
6 Assets provided into custody, administration and safekeeping	10	63,098	42,235
of which: securities	11	63,098	42,235
10 Amounts owed from fixed term transactions	14	74,866	50,881
b/ with currency instruments	16	74,866	50,881

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	52	82
2 Interest expenses and similar expenses	6	0	1
3 Income from shares and unit certificates	9	45	42
4 Commission and fee expenses	10	1,534	1,990
a/ fees and commissions from securities trading	11	141	196
b/ management fee	12	1,211	1,560
c/ custody fee	13	55	80
d/ other financial expenses	14	127	154
5 Profit or loss on financial operations	15	4,529	(11,900)
a/ profit or loss on transactions with securities	16	3,054	(14,612)
b/ profit or loss on foreign exchange transactions and options	17	(570)	2,519
c/ profit or loss on fixed term transactions and options	18	2,045	193
8 Administrative expenses	21	233	162
a/ audit	22	233	162
11 Ordinary profit or loss for the accounting period before tax	26	2,859	(13,929)
15 Income tax	30	7	6
16 Profit or loss for the accounting period after tax	31	2,852	(13,935)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	3,928	(360)
issued unit certificates	3	(32)	(1,667)
repurchase of unit certificates	4	5,202	5,955
closing balance	6	9,098	3,928
2 Retained earnings	7		
opening balance	8	14,652	13,156
transfers to funds	9	0	1,495
other changes	10	(13,936)	1
closing balance	11	716	14,652
3 Capital funds	12		
opening balance	13	100,457	135,006
issued unit certificates	14	181	18,449
repurchase of unit certificates	15	(30,976)	(52,998)
closing balance	18	69,662	100,457
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(13,935)	1,495
profit (loss)	29	2,852	(13,935)
transfers to funds, dividends	30	13,935	(1,495)
closing balance	31	2,852	(13,935)
<b>7 Total</b>	<b>32</b>	<b>82,328</b>	<b>105,102</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., Privátní portfolio AR 75 – otevřený podílový fond (the “Fund” or “ISČS, a.s. – PP AR 75 OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., Privátní portfolio AR 75 – otevřený podílový fond. The decision came into legal effect on 4 September 2007. The Fund commenced its activities on 24 October 2007.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

According to the classification binding for the members of the Capital Market Association (the “AKAT”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a.s.  
Privátní portfolio AR 75 – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporary halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with a long-term appreciation of participation certificates primarily through investments in securities of collective investment bond and equity funds. The Fund is principally exposed to the currency risk arising from investments in local currencies. Currency, credit and interest rate risks are actively managed using available hedging instruments. The objective is achieved principally through active allocation of the portfolio’s dynamic component (bonds versus investment instruments carrying the equity or real estate risk and alternative investments).

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency exposures.

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The portfolio of the mutual fund can also be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/ (loss) is based on the difference between income and expenses related to the management of the Fund’s assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company’s management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss is covered by a reduction in the Fund’s capital fund.

The Fund’s assets must not be used for the provision of loans, borrowings or gifts, to secure a third party’s obligation or to settle



a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4582/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company make estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### 3. Accounting Policies

#### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

#### Securities

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

#### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

#### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair

value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Equity

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.15).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KVaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	3.25%	6.48%
Foreign currency VaR	0.84%	0.32%
Interest rate VaR	0.01%	0.01%
Equity VaR	2.96%	6.49%

	31 Dec 2011	Average VaR
Global VaR	3.12%	4.77%
Foreign currency VaR	0.03%	0.77%
Interest rate VaR	0.02%	0.03%
Equity VaR	3.13%	4.68%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps and forwards.

## Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

The Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed, if the purchase of a participation certificate is not suspended.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.17.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	8,676	27,162
Margin accounts	898	930
<b>Total</b>	<b>9,574</b>	<b>28,092</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	71,075	77,028
Market revaluation	1,399	960
<b>Total</b>	<b>72,474</b>	<b>77,988</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	365	–
Other	27	16
<b>Total</b>	<b>392</b>	<b>16</b>

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
Deffered income – loyalty bonus Reico	4	7
<b>Total</b>	<b>15</b>	<b>87</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate was determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totaled CZK 0.8404 (2011: CZK 0.8164). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value minimally differs from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

The profit for 2012 in the amount of CZK 2,852 thousand will be transferred to the reinvestment fund which is included in ‘Other funds from profit’.

In line with the Fund’s Statute, the loss for 2011 in the amount of CZK 13,935 thousand was covered by the reinvestment fund within ‘Other funds from profit’.

### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of the capital fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>163,309,228</b>	<b>163,310</b>	<b>(28,304)</b>	<b>135,006</b>
Participation certificates sold	18,449,504	18,449	–	18,449
Participation certificates purchased	(52,997,821)	(52,998)	–	(52,998)
<b>Balance at 31 Dec 2011</b>	<b>128,760,911</b>	<b>128,761</b>	<b>(28,304)</b>	<b>100,457</b>
Participation certificates sold	181,273	181	–	181
Participation certificates purchased	(30,976,844)	(30,976)	–	(30,976)
<b>Balance at 31 Dec 2012</b>	<b>97,965,340</b>	<b>97,966</b>	<b>(28,304)</b>	<b>69,662</b>

### 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	–	920
State budget settlement	7	5
Other liabilities	12	47
<b>Total</b>	<b>19</b>	<b>972</b>

### 5.8 Accrued Expenses and Deferred Income

Accrued expenses predominantly consist of the unbilled custody fee of CZK 4 thousand related to December 2012 (2011: CZK 5 thousand), the unbilled management fee of CZK 99 thousand related to December 2012 (2011: CZK 99 thousand), and the unbilled fee for the local sub-register administration of CZK 4 thousand related to December 2012 (2011: CZK 4 thousand).

### 5.9 Financial Derivatives Designated as Hedging Derivatives

Nominal value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	39,881	39,677	34,078	34,573
<b>Total</b>	<b>39,881</b>	<b>39,677</b>	<b>34,078</b>	<b>34,573</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

Fair value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	204	-	-	495
<b>Total</b>	<b>204</b>	<b>-</b>	<b>-</b>	<b>495</b>

### 5.10 Financial Derivatives Designated as Trading Derivatives

Nominal value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	35,350	35,189	15,883	16,308
<b>Total</b>	<b>35,350</b>	<b>35,189</b>	<b>15,883</b>	<b>16,308</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts Fair value of the derivatives (except Futures which are converted monthly).

Fair value of the derivatives

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	161	-	-	425
<b>Total</b>	<b>161</b>	<b>-</b>	<b>-</b>	<b>425</b>

All currency derivatives are due within one year.

### 5.11 Income from Shares and Interests

	2012	2011
Foreign dividends	45	42
<b>Total</b>	<b>45</b>	<b>42</b>

## 5.12 Interest income

	2012	2011
Interest on deposits at banks	52	82
<b>Total</b>	<b>52</b>	<b>82</b>

## 5.13 Fees and Commissions

	2012	2011
Management fees	1,211	1,560
Custody fees	55	80
Commissions and fees from securities trading	141	196
Local sub-register	47	48
Administration of securities	61	74
NAV calculation	4	–
Other fees and commissions	15	32
<b>Total</b>	<b>1,534</b>	<b>1,990</b>

The fee for the management of the Fund's assets amounts to 1.50 percent of the average annual net asset value of the Fund.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	3,054	(14,612)
Profit or loss from FX differences	(570)	2,519
Profit or loss from fixed term transactions and options	2,045	193
<b>Total</b>	<b>4,529</b>	<b>(11,900)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with financial instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.15 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	7	6
<b>Total income tax</b>	<b>7</b>	<b>6</b>

## Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	2,859	(13,929)
Items to add	-	-
Deductible items	(45)	(42)
Tax base	2,814	(13,971)
Tax loss utilisation	(2,814)	-
Adjusted tax base	-	-
Tax (5%) on tax base	-	-
Foreign dividends	45	42
Tax on foreign dividends	7	6
<b>Total tax</b>	<b>7</b>	<b>6</b>

## Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 1,263 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 1,404 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.16 Related Party Transactions

Related parties include Česká spořitelna, a.s., Investiční společnost České spořitelny, a.s., and Reico ISČS, a.s.

	2012	2011
Accrued income-loyalty bonus for holding of participation certificates of ČS nemovitostní fond	4	7
<b>Total receivables from related party</b>	<b>4</b>	<b>7</b>

Total income from a loyalty bonus for holding of participation certificates of OPF Reico was CZK 62 thousand in 2012 (2011: 64 tis Kč).

Pursuant to a contract entered into between and by ISČS, a.s. and Reico ISČS, a.s., the Fund receives a bonus for holding the participation certificates of ČS nemovitostní fond which is equal to one twelfth of 0.8 percent of investment value as at the last day of a calendar month.

	31 Dec 2012	31 Dec 2011
Custody fee not yet billed – Česká spořitelna	4	5
Management fee not yet billed – Investiční společnost	99	99
Unbilled fee for local sub-register administration	4	4
Other payables to related parties	12	47
<b>Total payables to related parties</b>	<b>119</b>	<b>155</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 323 thousand in 2012 (2011: CZK 358 thousand), of which the greatest portion was represented by the commissions from securities trading of CZK 141 thousand (2011: CZK 196) and the fee for maintenance of securities accounts of CZK 61 thousand (2011: CZK 74 thousand). The costs charged by the Company amounted to CZK 1,211 thousand in 2012 (2011: CZK 1,560 thousand), which is the annual management fee.

## 5.17 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.



## 2012

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	9,574	-	-	-	-	9,574
Shares and participation certificates	-	-	-	-	72,474	72,474
Other assets	392	-	-	-	-	392
Prepayments	4	11	-	-	-	15
<b>Total assets</b>	<b>9,970</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>72,474</b>	<b>82,455</b>
<b>Liabilities</b>						
Other liabilities	(120)	(7)	-	-	-	(127)
Net assets	9,850	4	-	-	72,474	82,328
Available capital	(82,328)	-	-	-	-	(82,328)
<b>Difference</b>	<b>(72,478)</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>72,474</b>	<b>-</b>

## 2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	28,092	-	-	-	-	28,092
Shares and participation certificates	-	-	-	-	77,988	77,988
Other assets	16	-	-	-	-	16
Prepayments	7	80	-	-	-	87
<b>Total assets</b>	<b>28,115</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>77,988</b>	<b>106,183</b>
<b>Liabilities</b>						
Other liabilities	(1,081)	-	-	-	-	(1,081)
Net assets	27,034	80	-	-	77,988	105,102
Available capital	(105,102)	-	-	-	-	(105,102)
<b>Difference</b>	<b>(78,068)</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>77,988</b>	<b>-</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

### 5.18 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### 5.19 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

### 5.20 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0008472404	ISCS TOP STOCKS	2,201,838.0000	1.27	2,800,737.94	0.00
CZ0008472545	CS NEMOVITOSTNI FOND REICO	6,548,740.0000	1.00	6,575,589.83	0.00
<b>Total Local participation certificates</b>				<b>9,376,327.77</b>	<b>0.00</b>
LU0736560011	ALLIANCEBERNSTEIN SEL ABS ALPHA	2,500.0000	381.88	954,691.50	0.00
LU0374107992	APUS-AC STAT VL MKT NTL 12-A	340.0000	3,756.92	1,277,353.34	0.00
LU0644384843	ASSENAGON CREDIT DEBT CAP-I	40.0000	26,883.96	1,075,358.47	0.00
IE0033609615	AXA ROSENBERG US EN INDX E-A	13,200.0000	310.60	4,099,873.80	0.00
LU0411704413	BLACKROCK STR EU ABSOLUTE RETURN	601.0000	3,016.05	1,812,643.53	0.00
IE00B4Z6MP99	BNY MEL GL- GLOBAL REAL RETURN	32,000.0000	29.03	929,093.95	0.00
LU0462954396	DB PLAT IV DBX SYS ALPH-I1CE	760.0000	2,737.24	2,080,304.83	0.00
LU0468535397	DB PLAT V HERM ABS RT C-I1C	370.0000	2,904.17	1,074,543.94	0.00
AT0000A05HS1	ESPA BOND BRIK-CORP. (VT)	1,655.0000	3,793.88	6,278,867.10	0.00
AT0000673280	ESPA BOND EUROPE-HIGH YLD (V)	3,200.0000	3,841.39	12,292,454.40	0.00
AT0000A0AUG5	ESPA BOND LOCAL EMERGING-VA	1,100.0000	3,690.80	4,059,883.74	0.00
AT0000637491	ESPA BOND USA HIGH YIELD T	1,630.0000	3,849.19	6,274,172.20	0.00
AT0000633292	ESPA STOCK JAPAN (VT) CZK	700.0000	1,534.10	1,073,870.00	0.00
DE000A0MU8J9	LBBW ROHSTOFFE 1-I	453.0000	2,485.34	1,125,859.20	0.00
IE00B1Z6CX63	LOOMIS SAY MULTISECT IN-HIC EUR	4,500.0000	367.80	1,655,091.90	0.00
IE0033989843	PIMCO-TOTAL RTRN BD-EUR H I AC	2,750.0000	514.11	1,413,810.75	0.00
AT0000615307	RT OSTEUROPA AKTIENFONDS-T	5,500.0000	240.59	1,323,243.90	0.00
LU0463469121	SCHRODER GAIA EGERTON EQUITY	515.0000	3,124.40	1,609,065.59	0.00
LU0149534421	SCHRODER INT. HONG KON EQ-AAC	1,700.0000	704.23	1,197,196.12	0.00
FR0010204040	SSGA EUROPE INDEX EQT FUND-I	400.0000	4,348.97	1,739,587.44	0.00
GB00B3D8PZ13	THREADNEEDLE CREDIT OPPORTUN.	37,052.0000	30.17	1,117,971.03	0.00
AT0000697065	XT EUROPA	127.0000	27,480.03	3,489,963.96	0.00
AT0000697081	XT USA	195.0000	26,375.17	5,143,157.92	0.00
<b>Total Foreign participation certificates</b>				<b>63,098,058.61</b>	<b>0.00</b>
<b>Total</b>				<b>72,474,386.38</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Privátní portfolio AR AKCIE – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Privátní portfolio AR AKCIE – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Privátní portfolio AR AKCIE – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

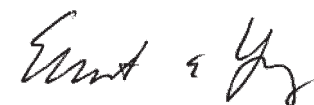
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Privátní portfolio AR AKCIE – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

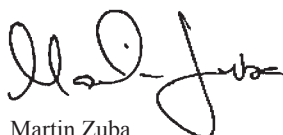
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	20,549	40,864
of which: a/current accounts	2	19,968	40,864
e/ margin constitution	5	581	0
4 Shares, unit certificates and other participation interests	13	235,528	198,978
6 Other assets	15	4,319	419
a/ derivatives	16	4,219	0
c/ receivables from taxes	18	0	371
d/ other assets	19	100	48
7 Prepayments and accrued income	21	11	0
<b>Total Assets</b>	<b>22</b>	<b>260,407</b>	<b>240,261</b>
3 Other liabilities	29	112	1,593
a/ derivatives	30	28	1,503
c/ liabilities from taxes	32	34	0
d/ other liabilities	33	50	90
4 Deferred income and accrued expenses	34	135	81
6 Share premium	39	1,433	2,610
7 Other funds from profit	40	0	2,388
8 Capital funds	41	245,114	265,894
11 Profit or loss for the accounting period	47	13,613	(32,305)
<b>Total Liabilities</b>	<b>48</b>	<b>260,407</b>	<b>240,261</b>
of which: Equity	49	260,160	238,587

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	234,003	101,741
b/ with currency instruments	4	213,708	101,741
c/ with stocks instruments	5	20,295	0
6 Assets provided into custody, administration and safekeeping	10	206,478	89,124
of which: securities	11	206,478	89,124
10 Prepayments and accrued income	14	230,613	103,244
b/ with currency instruments	16	210,033	103,244
c/ with stocks instruments	17	20,580	0

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	133	184
2 Interest expenses and similar expenses	6	0	1
3 Income from shares and unit certificates	9	230	35
4 Commission and fee expenses	10	1,700	1,352
a/ fees and commissions from securities trading	11	150	247
b/ management fee	12	1,168	822
Prepayments and accrued income	13	147	126
d/ other financial expenses	14	235	157
5 Profit or loss on financial operations	15	15,113	(31,035)
a/ profit or loss on transactions with securities	16	10,598	(28,232)
b/ profit or loss on foreign exchange transactions and options	17	457	6,044
c/ profit or loss on fixed term transactions and options	18	4,058	(8,847)
Administrative expenses	21	129	131
a/ audit	22	129	131
11 Ordinary profit or loss for the accounting period before tax	26	13,647	(32,300)
15 Income tax	30	34	5
16 Profit or loss for the accounting period after tax	31	13,613	(32,305)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	2,610	(211)
issued unit certificates	3	(6,323)	1,852
repurchase of unit certificates	4	5,146	969
other changes	5	0	0
closing balance	6	1,433	2,610
2 Retained earnings	7		
Prepayments and accrued income	8	2,388	0
transfers to funds	9	0	2,388
other changes	10	(2,388)	0
closing balance	11	0	2,388
3 Capital funds	12		
opening balance	13	265,894	71,171
issued unit certificates	14	90,275	251,004
repurchase of unit certificates	15	(81,139)	(56,281)
transfers to funds	16	(29,916)	0
other changes	17	0	0
closing balance	18	245,114	265,894
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(32,305)	2,388
profit (loss)	29	13,613	(32,305)
transfers to funds, dividends	30	32,305	(2,388)
closing balance	31	13,613	(32,305)
<b>7 Total</b>	<b>32</b>	<b>260,160</b>	<b>238,587</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., Privátní portfolio AR AKCIE – otevřený podílový fond (the “Fund” or “ISČS, a.s. – PP AR AKCIE OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., Privátní portfolio AR AKCIE – otevřený podílový fond. The decision came into legal effect on 23 September 2010. The Fund commenced its activities on 1 November 2010.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

According to the classification binding for the members of the Capital Market Association (the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a fund of funds.

### Registered Office

Investiční společnost České spořitelny, a.s.  
Privátní portfolio AR AKCIE – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with long-term positive absolute performance of their CZK-denominated investments in participation certificates of the Fund which principally invests in shares, collective investment equity funds and other investment instruments carrying the equity risk. The equity component’s share in the Fund’s portfolio and its regional and sector composition are actively managed. Currency, credit and interest rate risks are actively managed using available hedging instruments. Foreign currency risk is primarily hedged against USD, EUR and GBP; foreign currency risk of investments denominated in local currencies of developing markets can remain unhedged.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency exposures.

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The portfolio of the mutual fund can also be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit / (loss) is based on the difference between income and expenses related to the management of the Fund’s assets.



The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss is covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

CNB decree No. 2012/4583/570 dated 18th May 2012, which matured on 5th June 2012: Changes in the Statute related especially to the responsibility of Investment Company to state the statute in accordance with the amendment to Collective Investment Act No. 189/2004 Coll., (as subsequently amended by Act No. 188/2011 Coll.) and Decree No. 193/2011 Coll., the minimum requisites of a collective investment fund statute and conditions for the use of the mark short-term money market fund and a money market fund. Investment objectives, method of investment or mutual funds risk profile were not virtually changed with the above-mentioned changes in the statutes.

Simultaneously with the change of Statute the data in the list of managed funds have been updated (§8 Article II of the Statute), data about leading persons of investment companies (Annex 1 of the Statute), supplemented with data of the mutual fund performance for the year 2011 (Annex 2 of the Statute). Data on indicators of total expense for 2011 and the date of signature of the Statute have been updated simultaneously.

At the date of becoming legally effective the amendments to the Statute was simplified mutual fund Statute replaced by newly processed document with key information for investors. Key investor information were processed according to Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

### Explanation Added for Translation into English.

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### 3. Accounting Policies

#### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

#### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

#### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

#### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair

value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Equity of the Fund

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to qualified investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within Tax on foreign dividends (see note 5.14.).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	10.22%	9.01%
Foreign currency VaR	0.43%	0.38%
Interest rate VaR	0.01%	0.01%
Equity VaR	9.81%	8.92%

	31 Dec 2011	Average VaR
Global VaR	4.11%	5.82%
Foreign currency VaR	0.01%	0.73%
Interest rate VaR	0.01%	0.02%
Equity VaR	4.13%	5.72%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps and forwards.

## Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

The Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed if the purchase of a participation certificate is not suspended.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.16.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	19,968	40,864
Margin accounts	581	–
<b>Total</b>	<b>20,549</b>	<b>40,864</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	232,134	198,600
Market revaluation	3,394	378
<b>Total</b>	<b>235,528</b>	<b>198,978</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	4,219	–
State budget settlement	–	371
Other	100	48
<b>Total</b>	<b>4,319</b>	<b>419</b>

### 5.4 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to ‘Capital funds’.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund’s net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 0.9459 (2011: CZK 0.8974). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value minimally differed from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

In line with the Fund’s Statute, the profit for 2012 in the amount of CZK 13,613 thousand will be transferred to the ‘Reinvestment fund’ which is included in ‘Other funds from profit’.

In line with the Fund’s Statute, the loss for 2011 in the amount of CZK 32,305 thousand was covered by the reinvestment fund within ‘Other funds from profit’.

### 5.5 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Capital fund used to loss coverage	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>71,171,465</b>	<b>71,171</b>	<b>–</b>	<b>71,171</b>
Participation certificates sold	251,004,206	251,004	–	251,004
Participation certificates purchased	(56,281,789)	(56,281)	–	(56,281)
<b>Balance at 31 Dec 2011</b>	<b>265,893,882</b>	<b>265,894</b>	<b>–</b>	<b>265,894</b>
Participation certificates sold	90,275,348	90,275	–	90,275
Participation certificates purchased	(81,138,621)	(81,139)	–	(81,139)
Capital fund used to loss coverage	–	–	(29,916)	(29,916)
<b>Balance at 31 Dec 2012</b>	<b>275,030,609</b>	<b>275,030</b>	<b>(29,916)</b>	<b>245,114</b>

### 5.6 Other Liabilities

Other liabilities	31. 12. 2012	31. 12. 2011
Negative fair values of financial derivatives	28	1,503
State budget settlement	34	–
Other liabilities	50	90
<b>Total</b>	<b>112</b>	<b>1,593</b>

### 5.7 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 13 thousand related to December 2012 (2011: CZK 12 thousand), the unbilled management fee of CZK 116 thousand related to December 2012 (2011: CZK 64 thousand), and the unbilled fee for the local sub-register administration of CZK 5 thousand related to December 2012 (2011: CZK 4 thousand) and the unbilled fee for calculation of NAV and of participation certificate rate of CZK 1 thousand related to December 2012 (2011: CZK 1 thousand).

## 5.8 Financial Derivatives Designated as Hedging Derivatives

### Nominal value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	127,466	125,347	-	-
<b>Total</b>	<b>127,466</b>	<b>125,347</b>	<b>-</b>	<b>-</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	2,119	-	-	-
<b>Total</b>	<b>2,119</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 5.9 Financial Derivatives Designated as Trading Derivatives

### Nominal Value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	81,077	79,780	101,741	103,244
Currency forwards	5,165	4,906	-	-
Equity futures	20,295	20,580	-	-
<b>Total</b>	<b>106,537</b>	<b>105,266</b>	<b>101,741</b>	<b>103,244</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	1,325	28	-	1,503
Currency forwards	259	-	-	-
Equity futures	516	-	-	-
<b>Total</b>	<b>2,100</b>	<b>28</b>	<b>-</b>	<b>1,503</b>

All currency derivatives are due within one year.

## 5.10 Income from Shares and Interests

	2012	2011
Foreign dividends	230	35
<b>Total received dividends</b>	<b>230</b>	<b>35</b>

### 5.11 Interest Income

	2012	2011
Interest on deposits at banks	133	184
<b>Total</b>	<b>133</b>	<b>184</b>

### 5.12 Fees and Commissions

	2012	2011
Management fees	1,168	822
Custody fees	147	126
Commissions and fees from securities trading	150	247
Local sub-register	57	43
Administration of securities	-	78
Other fees and commissions	178	36
<b>Total</b>	<b>1,700</b>	<b>1,352</b>

The fee for the management of the Fund's assets amounts to 0.60 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

### 5.13 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	10,598	(28,232)
Profit or loss from FX differences	457	6,044
Profit or loss from fixed term transactions	4,058	(8,847)
<b>Total</b>	<b>15,113</b>	<b>(31,035)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with financial instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.14 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	34	5
<b>Total income tax</b>	<b>34</b>	<b>5</b>

### Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	13,648	(32,300)
Items to be added	-	-
Deductible items	(230)	(35)
Tax base	13,418	(32,335)
Loss deduction	(13,418)	-
Tax base after deduction	-	-
Tax from tax base	-	-
Foreign dividends	230	34
Tax on foreign dividends	34	5
<b>Total tax</b>	<b>34</b>	<b>5</b>

### Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 946 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 1,617 thousand arising from provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.15 Related Party Transactions

Related parties include Česká spořitelna, a.s. and Investiční společnost České spořitelny, a.s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	13	12
Unbilled management fee – Investiční společnost	116	64
Unbilled fee for administration of the local sub-register	5	4
Unbilled fee for calculation of NAV and of participation certificate rate	1	1
Other payables to related parties	48	65
<b>Total payables to related parties</b>	<b>183</b>	<b>146</b>

The costs charged to the Fund by Česká spořitelna, a.s. amounted to CZK 532 thousand in 2012 (2011: CZK 530 thousand), of which the greatest portion is represented by the commissions and fees from securities trading amounted to CZK 150 thousand (2011: CZK 247 thousand) and the custody fee of CZK 147 thousand (2011: CZK 126 thousand). The costs charged by the Company amounted to CZK 1,168 thousand in 2012 (2011: CZK 822 thousand) and represent an annual management fee.

### 5.16 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	20,549	-	-	-	-	20,549
Shares and participation certificates	-	-	-	-	235,528	235,528
Other assets	4,319	-	-	-	-	4,319
Accrued income and expenses	11	-	-	-	-	11
<b>Total assets</b>	<b>24,879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,528</b>	<b>260,407</b>
<b>Liabilities</b>						
Other liabilities	(213)	(34)	-	-	-	(247)
Net assets	24,666	(34)	-	-	235,528	260,160
Available capital	(260,160)	-	-	-	-	(260,160)
<b>Difference</b>	<b>(235,494)</b>	<b>(34)</b>	<b>-</b>	<b>-</b>	<b>235,528</b>	<b>-</b>



2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	40,864	–	–	–	–	40,864
Shares and participation certificates	–	–	–	–	198,978	198,978
Other assets	48	371	–	–	–	419
<b>Total assets</b>	<b>40,912</b>	<b>371</b>	<b>–</b>	<b>–</b>	<b>198,978</b>	<b>240,261</b>
<b>Liabilities</b>						
Other liabilities	(1,674)	–	–	–	–	(1,674)
Net assets	39,238	371	–	–	198,978	238,587
Available capital	(238,587)	–	–	–	–	(238,587)
<b>Difference</b>	<b>(199,349)</b>	<b>371</b>	<b>–</b>	<b>–</b>	<b>198,978</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

#### 5.17 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

#### 5.18 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

#### 5.19 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0008472404	ISCS TOP STOCKS	22,838,009.0000	1.2720	29,049,947.45	0.00
<b>Total Local participation certificates</b>				<b>29,049,947.45</b>	
IE0033609615	AXA ROSENBERG US EN INDX E-A	111,600.0000	310.60	34,662,569.40	0.00
LU0236501697	CREDIT AGRICOLE AM INDIA C	800.0000	2,777.46	2,221,965.44	0.00
LU0133348622	DEXIA EQUITIES L-AUSTRALIA-I	131.0000	16,549.47	2,167,980.18	0.00
AT0000673181	ESPA ST EUROPE-EMERGING (VT) EUR	3,000.0000	2,926.80	8,780,396.40	0.00
AT0000494893	ESPA STOCK ISTANBUL (VT) EUR	200.0000	11,180.26	2,236,052.16	0.00
AT0000633292	ESPA STOCK JAPAN (VT) CZK	1,980.0000	1,534.10	3,037,518.00	0.00
AT0000639067	ESPA STOCK JAPAN (VT) EUR	10,700.0000	1,538.57	16,462,677.60	0.00
AT0000673397	ESPA STOCK VIENNA-VT	473.0000	3,008.50	1,423,022.30	0.00
IE0003583568	INVESCO PRC EQUITY-A CHINA	5,500.0000	883.01	4,856,547.85	0.00
LU0188798671	PICTET – USA INDEX – I USD	2,700.0000	2,274.21	6,140,378.48	0.00
AT0000615307	RT OSTEUROPA AKTIENFONDS-T	10,605.0000	240.59	2,551,454.83	0.00
LU0149534421	SCHRODER INT. HONG KON EQ-AAC	10,600.0000	704.23	7,464,869.91	0.00
FR0010204040	SSGA EUROPE INDEX EQT FUND-I	4,500.0000	4,348.97	19,570,358.70	0.00
LU0043389872	UBS LUX EQTY-CANADA-P	184.0000	13,654.75	2,512,474.79	0.00
AT0000697065	XT EUROPA	1,740.0000	27,480.03	47,815,254.29	0.00
AT0000697081	XT USA	1,690.0000	26,375.17	44,574,035.27	0.00
<b>Total Foreign participation certificates</b>				<b>206,477,555.60</b>	<b>0.00</b>
<b>Total</b>				<b>235,527,503.05</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Privátní portfolio AR REALITY – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Privátní portfolio AR REALITY – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Privátní portfolio AR REALITY – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

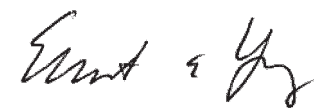
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of investiční společnost České spořitelny, a. s., Privátní portfolio AR REALITY – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013


Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	24,099	34,073
of which: a/current accounts	2	24,099	34,073
4 Shares, unit certificates and other participation interests	13	86,124	87,009
6 Other assets	15	361	99
a/ derivatives	16	319	0
c/ receivables from taxes	18	0	80
d/ other assets	19	42	19
7 Prepayments and accrued income	21	28	17
<b>Total Assets</b>	<b>22</b>	<b>110,612</b>	<b>121,198</b>
3 Other liabilities	29	514	1,768
a/ derivatives	30	117	1,738
c/ liabilities from taxes	32	385	0
d/ other liabilities	33	12	30
4 Deferred income and accrued expenses	34	65	52
6 Share premium	39	599	451
7 Other funds from profit	40	0	656
8 Capital funds	41	97,571	123,329
11 Profit or loss for the accounting period	47	11,863	(5,058)
<b>Total Liabilities</b>	<b>48</b>	<b>110,612</b>	<b>121,198</b>
of which: Equity	49	110,033	119,378

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	62,933	35,442
b/ with currency instruments	4	62,933	35,442
6 Assets provided into custody, administration and safekeeping	10	59,258	25,123
of which: securities	11	59,258	25,123
10 Amounts owed from fixed term transactions	14	62,731	37,180
b/ with currency instruments	16	62,731	37,180

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	61	124
3 Income from shares and unit certificates	9	568	212
4 Commission and fee expenses	10	803	706
a/ fees and commissions from securities trading	11	27	50
b/ management fee	12	577	491
c/ custody fee	13	67	66
d/ other financial expenses	14	132	99
5 Profit or loss on financial operations	15	12,554	(4,526)
a/ profit or loss on transactions with securities	16	11,726	(3,394)
b/ profit or loss on foreign exchange transactions and options	17	(142)	466
c/ profit or loss on fixed term transactions and options	18	970	(1,598)
8 Administrative expenses	21	127	130
a/ audit	22	127	130
11 Ordinary profit or loss for the accounting period before tax	26	12,253	(5,026)
15 Income tax	30	390	32
16 Profit or loss for the accounting period after tax	31	11,863	(5,058)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	451	(265)
issued unit certificates	3	734	527
repurchase of unit certificates	4	(586)	189
other changes	5	0	0
closing balance	6	599	451
2 Retained earnings	7		
opening balance	8	656	0
transfers to funds	9	0	656
other changes	10	(656)	0
closing balance	11	0	656
3 Capital funds	12		
opening balance	13	123,329	44,253
issued unit certificates	14	32,355	106,678
repurchase of unit certificates	15	(53,711)	(27,602)
transfers to funds	16	(4,402)	0
other changes	17	0	0
closing balance	18	97,571	123,329
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(5,058)	656
profit (loss)	29	11,863	(5,058)
transfers to funds, dividends	30	5,058	(656)
closing balance	31	11,863	(5,058)
<b>7 Total</b>	<b>32</b>	<b>110,033</b>	<b>119,378</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., Privátní portfolio AR REALITY – otevřený podílový fond (the “Fund” or “ISČS, a. s. – PP AR REALITY OPF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a. s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a. s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a. s., Privátní portfolio AR REALITY – otevřený podílový fond. The decision came into legal effect on 23 September 2010. The Fund commenced its activities on 1 November 2010.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

### Registered Office

Investiční společnost České spořitelny, a. s.  
Privátní portfolio AR REALITY – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment fund has been authorised by a supervision body of the state where it has its registered office and falls subject to supervision, and further:

- is a public investment fund,
- does not invest more than 10 percent of the value of its assets in securities issued by another collective investment fund.

The Fund can invest in additional liquid assets which consist of placements and term deposits set out in Section 49a para. 1 of the Act.

Finances collected in the Fund, which are not invested in securities of collective investment funds or additional liquid assets, can only

be invested in assets in which the securities special fund can invest pursuant to the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with long-term positive absolute performance of their CZK-denominated investments in participation certificates of the Fund which principally invests in collective investment real estate funds and other investment instruments carrying the risk of real estate markets. The real estate component’s share in the Fund’s portfolio and its regional and sector composition are actively managed.

Currency, credit and interest rate risks are actively managed using available hedging instruments. Foreign currency risk is primarily hedged against USD, EUR and GBP; foreign currency risk of investments denominated in local currencies of developing markets can remain unhedged.

A benchmark has not been established for the Fund. The criterion is the achievement of positive performance within a determined investment horizon, irrespective of the development of primary investment markets. However, this is neither guaranteed nor hedge fund.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency exposures.

### Change in the Fund’s Statute

Czech National Bank Resolution No. 2012/44585/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives,



the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset im-

pairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as 'securities' at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily

basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the “Decree”), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within ‘Profit or loss from financial operations’.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in

the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Equity of the Fund

The selling price of participation certificates is calculated as a proportion of the Fund’s net assets and the relevant number of partici-

pation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within taxes on foreign dividends (see note 5.13).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not

owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). The VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KVaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	6.82%	5.93%
Foreign currency VaR	0.64%	0.27%
Interest rate VaR	0.01%	0.02%
Equity VaR	6.80%	5.93%

	31 Dec 2011	Average VaR
Global VaR	3.11%	4.02%
Foreign currency VaR	0.21%	0.22%
Interest rate VaR	0.01%	0.03%
Equity VaR	3.11%	3.99%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.15.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	24,099	34,073
<b>Total</b>	<b>24,099</b>	<b>34,073</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	77,798	88,629
Market revaluation	8,326	(1,620)
<b>Total</b>	<b>86,124</b>	<b>87,009</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	319	–
State budget settlement	–	80
Other	42	19
<b>Total</b>	<b>361</b>	<b>99</b>

The caption 'Other' represents an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund and receivables from foreign dividends from ČS.

#### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Deffered income – loyalty bonus Reico	18	17
Deffered expences – audit	10	-
<b>Total</b>	<b>28</b>	<b>17</b>

#### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 was CZK 1.0791 (2011: 0.9680). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 11,863 thousand will be transferred to the 'Reinvestment fund'.

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 5,058 thousand was covered partly by the 'Reinvestment fund' (CZK 656 thousand) and partly by 'Capital fund' (CZK 4,402 thousand).

#### 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Fund used to loss coverage	Total capital funds
<b>Balance at 31. 12. 2010</b>	<b>44,253 106</b>	<b>44,253</b>	-	<b>44,253</b>
Participation certificates sold	106,677,651	106,678	-	106,678
Participation certificates purchased	(27,601,688)	(27,602)	-	(27,602)
<b>Balance at 31 Dec 2011</b>	<b>123,329,069</b>	<b>123,329</b>		<b>123,329</b>
Participation certificates sold	32,355,772	32,355	-	32,355
Participation certificates purchased	(53,711,378)	(53,711)	-	(53,711)
Fund used to loss coverage	-	-	(4,402)	(4,402)
<b>Balance at 31 Dec 2012</b>	<b>101,973,463</b>	<b>101,973</b>	<b>(4,402)</b>	<b>97,571</b>

#### 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	385	-
State budget settlement	117	1,738
Other liabilities	12	30
<b>Total</b>	<b>514</b>	<b>1,768</b>

#### 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 6 thousand related to December (2011: CZK 6 thousand), the unbilled management fee of CZK 55 thousand related to December (2011: CZK 42 thousand), and the unbilled fee for the local sub-register administration of CZK 4 thousand related to December (2011: CZK 4 thousand).

## 5.9 Financial Derivatives Designated as Trading Derivatives

### Nominal Value of the Derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	62,933	62,731	35,442	37,180
<b>Total</b>	<b>62,933</b>	<b>62,731</b>	<b>35,442</b>	<b>37,180</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair Value of the Derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	319	117	–	1,738
<b>Total</b>	<b>319</b>	<b>117</b>	<b>–</b>	<b>1,738</b>

Currency swaps are due within one year.

## 5.10 Interest Income

	2012	2011
Interest on deposits	61	124
<b>Total</b>	<b>61</b>	<b>124</b>

## 5.11 Fees and Commissions

	2012	2011
Management fees	577	491
Custody fees	67	66
Commissions and fees from securities trading	27	50
Expenses of administration of the local sub-register – ČS	60	35
Administration of securities	6	5
Fee for calculation of NAV and participation certificate rate	48	42
Other fees and commissions	18	17
<b>Total</b>	<b>803</b>	<b>706</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.60 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a. s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.12 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	11,726	(3,394)
Profit or loss from derivatives	(142)	466
Profit or loss from FX differences	970	(1,598)
<b>Total</b>	<b>12,554</b>	<b>(4,526)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.13 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	390	32
<b>Total income tax</b>	<b>390</b>	<b>32</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	12,253	(5,026)
Items to add	2	1
Deductible items	(390)	(212)
Tax base	11,865	(5,237)
Loss deduction	(5,237)	–
Tax base after deduction	6,628	–
Tax (5%) on tax base	331	–
Foreign dividends	390	212
Tax on foreign dividends	59	32
<b>Total tax</b>	<b>390</b>	<b>32</b>

#### Deferred tax

As at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 262 thousand arising from a tax loss and provisions against receivables. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.14 Related Party Transactions

Related parties include Česká spořitelna, a.s., Investiční společnost České spořitelny, a.s. and Reico ISČS, a.s.

	2012	2011
Accrued income-loyalty bonus for holding of the participation certificates of ČS nemovitostní fond	18	17
<b>Total receivables from related party</b>	<b>18</b>	<b>17</b>

Total income from a loyalty bonus for holding of the participation certificates of PL OPF Reico was CZK 207 thousand in 2012 (2011: CZK 152 thousand).

Pursuant to a contract entered into between and by ISČS, a.s. and Reico ISČS, a.s., the Fund receives a bonus for holding the participation certificates of ČS nemovitostní fond which is equal to one twelfth of 0.8 percent of investment value as at the last day of a calendar month.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	6	6
Unbilled management fee – Investiční společnost	55	42
Unbilled fee for administration of the local sub-register	4	4
Other payables to related parties	12	32
<b>Total payables to related parties</b>	<b>77</b>	<b>84</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 226 thousand in 2012 (2011: CZK 215 thousand), of which the greatest portion is represented by the fee for administration of the local sub-register of CZK 67 thousand in 2012 (2011: CZK 66 thousand)

The costs charged by Investiční společnost České spořitelny, a. s., amounted to CZK 577 thousand representing management fee (2011: CZK 491 thousand).

### 5.15 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

#### 2012

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	24,099	–	–	–	–	24,099
Shares and participation certificates	–	–	–	–	86,124	86,124
Other assets	370	–	–	–	19	389
<b>Total assets</b>	<b>24,469</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>86,143</b>	<b>110,612</b>
<b>Liabilities</b>						
Other liabilities	(194)	(385)	–	–	–	(579)
Net assets	24,275	(385)	–	–	86,143	110,033
Available capital	(110,033)	–	–	–	–	(110,033)
<b>Difference</b>	<b>(85,758)</b>	<b>(385)</b>	<b>–</b>	<b>–</b>	<b>86,143</b>	<b>–</b>

#### 2011

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	34,073	–	–	–	–	34,073
Shares and participation certificates	–	–	–	–	87,009	87,009
Other assets	17	86	–	–	13	116
<b>Total assets</b>	<b>34,090</b>	<b>86</b>	<b>–</b>	<b>–</b>	<b>87,022</b>	<b>121,198</b>
<b>Liabilities</b>						
Other liabilities	(1,820)	–	–	–	–	(1,820)
Net assets	32,270	86	–	–	87,022	119,378
Available capital	(119,378)	–	–	–	–	(119,378)
<b>Difference</b>	<b>(87,108)</b>	<b>86</b>	<b>–</b>	<b>–</b>	<b>87,022</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.



### **5.16 Off-balance Sheet Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

### **5.17 Contingent Assets and Liabilities**

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

### **5.18 Subsequent Events**

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
AT0000641352	CA IMMOBILIEN ANLAGEN AG	18,700.0000	263.22	4,922,135.46	0.00
AT0000697750	CONWERT IMMOBILIEN INVEST SE	12,500.0000	245.62	3,070,222.50	0.00
AT0000809058	IMMOFINANZ IMMOBILIEN ANLAGEN	69,000.0000	79.84	5,509,280.16	0.00
AT0000652250	SPARKASSEN IMMOBILIEN AG	18,100.0000	120.92	2,188,713.54	0.00
<b>Total Foreign shares</b>				<b>15,690,351.66</b>	<b>0.00</b>
CZ0008472545	CS NEMOVITOSTNI FOND REICO	26,756,077.0000	1.00	26,865,776.92	0.00
<b>Total Local participation certificates</b>				<b>26,865,776.92</b>	<b>0.00</b>
LU0216734045	AXA WF-FRM EUROPE RE SC-AC	3,209.0000	3,110.82	9,982,632.93	0.00
AT0000A03MW8	ESPA STOCK ASIA-PACIF PROP(T)EUR	3,350.0000	2,265.11	7,588,131.90	0.00
AT0000708342	ESPA STOCK EUROPE-PROPERTY	1,886.0000	4,987.02	9,405,523.11	0.00
LU0078112413	MORGAN STANLEY ASIAN PROPERTY	6,800.0000	359.57	2,445,061.38	0.00
LU0360481310	MORGAN STANLEY ASIAN PROPERTY-Z	8,400.0000	615.86	5,173,203.84	0.00
LU0073233875	MORGAN STANLEY US PROPERTY	8,028.0000	1,117.77	8,973,427.86	0.00
<b>Total Foreign participation certificates</b>				<b>43,567,981.02</b>	<b>0.00</b>
<b>Total</b>				<b>86,124,109.60</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Privátní portfolio AR ALTERNATIVNÍ INVESTICE – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Privátní portfolio AR ALTERNATIVNÍ INVESTICE – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Privátní portfolio AR ALTERNATIVNÍ INVESTICE – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

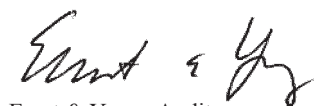
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Privátní portfolio AR ALTERNATIVNÍ INVESTICE – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

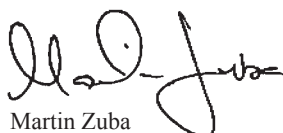
Praha, Česká republika



Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba

Partner



Magdalena Soucek

Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	19,438	12,240
of which: a/current accounts	2	19,438	12,240
4 Shares, unit certificates and other participation interests	13	210,590	246,491
6 Other assets	15	170	198
a/ derivatives	16	170	70
c/ liabilities from taxes	18	0	128
7 Prepayments and accrued income	21	11	0
<b>Total Assets</b>	<b>22</b>	<b>230,209</b>	<b>258,929</b>
3 Other liabilities	29	876	6,013
a/ derivatives	30	837	5,913
c/ liabilities from taxes	32	3	0
d/ other liabilities	33	36	100
4 Deferred income and accrued expenses	34	132	144
6 Share premium	39	6,741	6,264
7 Other funds from profit	40	0	971
8 Capital funds	41	218,790	258,067
11 Profit or loss for the accounting period	47	3,670	(12,530)
<b>Total Liabilities</b>	<b>48</b>	<b>230,209</b>	<b>258,929</b>
of which: Equity	49	229,201	252,772

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	215,745	259,707
b/ with currency instruments	4	215,745	259,707
6 Assets provided into custody, administration and safekeeping	10	210,590	246,491
of which: securities	11	210,590	246,491
10 Amounts owed from fixed term transactions	14	216,412	265,550
b/ with currency instruments	16	216,412	265,550

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	44	112
2 Interest expenses and similar expenses	6	1	1
3 Income from shares and unit certificates	9	0	169
4 Commission and fee expenses	10	1,997	1,991
a/ fees and commissions from securities trading	11	67	27
b/ management fee	12	1,362	1,401
c/ custody fee	13	136	140
d/ other financial expenses	14	432	423
5 Profit or loss on financial operations	15	5,753	(10,663)
a/ profit or loss on transactions with securities	16	(1,607)	4,240
b/ profit or loss on foreign exchange transactions and options	17	374	(198)
c/ profit or loss on fixed term transactions and options	18	6,986	(14,705)
8 Administrative expenses	21	129	131
a/ audit	22	129	131
11 Ordinary profit or loss for the accounting period before tax	26	3,670	(12,505)
15 Income tax	30	0	25
16 Profit or loss for the accounting period after tax	31	3,670	(12,530)

# Statement of Changes in Equity

for the year ended 31 December 2012

	Line	Current	Previous
1 Share premium	1		
opening balance	2	6,264	113
issued unit certificates	3	(548)	6,963
repurchase of unit certificates	4	1,025	(812)
closing balance	6	6,741	6,264
2 Retained earnings	7		
opening balance	8	971	0
transfers to funds	9	0	971
other changes	10	(971)	0
closing balance	11	0	971
3 Capital funds	12		
opening balance	13	258,067	54,823
issued unit certificates	14	74,149	258,548
repurchase of unit certificates	15	(101,867)	(55,304)
transfers to funds	16	(11,559)	0
closing balance	18	218,790	258,067
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(12,530)	971
profit (loss)	29	3,670	(12,530)
transfers to funds, dividends	30	12,530	(971)
closing balance	31	3,670	(12,530)
<b>7 Total</b>	<b>32</b>	<b>229,201</b>	<b>252,772</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a.s., Privátní portfolio AR ALTERNATIVNÍ INVESTICE – otevřený podílový fond (the “Fund” or “ISČS, a.s. – PP ARI OPFF”) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a.s. (the “Company”) in compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”).

Following Investiční společnost České spořitelny, a.s.’s request, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a.s., Privátní portfolio PP ARI – otevřený podílový fond. The decision came into legal effect on 23 September 2010. The Fund commenced its activities on 1 November 2010.

Pursuant to a concluded contract, Česká spořitelna, a.s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Act, the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

The Fund is a special fund of funds which collects funds from the public.

### Registered Office

Investiční společnost České spořitelny, a.s.  
Privátní portfolio AR Alternativní investice – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities for the Fund by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holders with long-term positive absolute performance of their CZK-denominated investments in participation certificates of the Fund which principally invests in so called alternative investment instruments. This component’s share in the Fund’s portfolio and its regional and sector composition are actively managed.

Currency, credit and interest rate risks are actively managed using available hedging instruments. Foreign currency risk is primarily hedged against USD, EUR and GBP; foreign currency risk of investments denominated in local currencies of developing markets can remain unhedged.

A benchmark has not been established for the Fund. The criterion is the achievement of positive performance within a determined investment horizon, irrespective of the development of primary investment markets. However, this is neither guaranteed nor hedge fund.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency exposures.

Finances collected in the Fund are invested predominantly in securities of collective investment funds if such collective investment funds distribute the risk connected to investments and meet other obligations as set by the Act.

The portfolio of the mutual fund can also be expanded by purchasing other investment instruments allowed by the Act for collective investment of a standard fund.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.

### Management Policy

The profit/(loss) is based on the difference between income and expenses related to the management of the Fund’s assets.



The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management.

When managing the Fund's assets, contracts for the sale of investment securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, must not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings must not exceed 10 percent of the value of the Fund's assets.

### Change in the Fund's Statute

Czech National Bank Resolution No. 2012/4584/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key infor-

mation for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards

in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### 3. Accounting Policies

#### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when the fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

#### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

#### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

#### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

### **Income Tax**

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### **Deferred Tax**

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### **Foreign Currency Translations**

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### **Equity of the Fund**

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to qualified investors using the selling price determined on a daily basis.

### **Share Premium**

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

### **Interest Income and Expense and Dividend Income**

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within Tax on foreign dividends (see note 5.14.).

### **Subsequent Events**

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## **4. Risk Management**

### **Credit Risk**

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### **Market Risk**

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	2.45%	1.87%
Foreign currency VaR	0.06%	0.13%
Interest rate VaR	0.02%	0.03%
Equity VaR	2.45%	1.85%

	31 Dec 2011	Average VaR
Global VaR	1.90%	1.96%
Foreign currency VaR	0.27%	0.21%
Interest rate VaR	0.06%	0.10%
Equity VaR	1.89%	1.92%

The average VaR is calculated as an average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial deriva-

tives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps and forwards.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

The Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed if the purchase of a participation certificate is not suspended.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.16.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	19,438	12,240
<b>Total</b>	<b>19,438</b>	<b>12,240</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	206,651	238,050
Market revaluation	3,939	8,441
<b>Total</b>	<b>210,590</b>	<b>246,491</b>

### 5.3 Other Assets

Other Assets	31 Dec 2012	31 Dec 2011
Positive fair values of financial derivatives	170	70
State budget settlement	-	128
<b>Total</b>	<b>170</b>	<b>198</b>

### 5.4 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 0.9950 (2011: CZK 0.9795). This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 971 thousand will be transferred to the 'Reinvestment fund' which is included in 'Other funds from profit'.

In line with the Fund's Statute, the loss for 2011 in the amount of CZK 12,530 thousand was covered by the 'Reinvestment fund' which is included in 'Other funds from profit'.

### 5.5 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of the capital fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>54,823,457</b>	<b>54,823</b>	-	<b>54,823</b>
Participation certificates sold	258,547,529	258,548	-	258,548
Participation certificates purchased	(55,304,450)	(55,304)	-	(55,304)
<b>Balance at 31 Dec 2011</b>	<b>258,066,536</b>	<b>258,067</b>	-	<b>258,067</b>
Participation certificates sold	74,149,273	74,149	-	74,149
Participation certificates purchased	(101,866,209)	(101,867)	-	(101,867)
Use of the capital fund to cover losses	-	-	(11,559)	(11,559)
<b>Balance at 31 Dec 2012</b>	<b>230,349,600</b>	<b>230,349</b>	<b>(11,559)</b>	<b>218,790</b>

### 5.6 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	837	5,913
Payable to the state budget	3	-
Other liabilities	36	100
<b>Total</b>	<b>876</b>	<b>6,013</b>

## 5.7 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 11 thousand related to December 2012 (2011: CZK 13 thousand), the unbilled management fee of CZK 115 thousand related to December 2012 (2011: CZK 126 thousand), the unbilled fee for the local sub-register administration of CZK 5 thousand related to December 2012 (2011: CZK 4 thousand) and the unbilled fee for calculation of NAV of CZK 1 thousand related to December 2012 (2011: CZK 1 thousand).

## 5.8 Financial Derivatives Designated as Hedging Derivatives

### Nominal value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	124,869	125,706	147,351	152,224
<b>Total</b>	<b>124,869</b>	<b>125,706</b>	<b>147,351</b>	<b>152,224</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

### Fair value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	-	837	-	4,873
<b>Total</b>	<b>-</b>	<b>837</b>	<b>-</b>	<b>4,873</b>

## 5.9 Financial Derivatives Designated as Trading Derivatives

### Nominal value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	90,876	90,706	112,356	113,326
<b>Total</b>	<b>90,876</b>	<b>90,706</b>	<b>112,356</b>	<b>113,326</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts.

### Fair value

Currency instruments	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	170	-	70	1,040
<b>Total</b>	<b>170</b>	<b>-</b>	<b>70</b>	<b>1,040</b>

All currency derivatives are due within one year.

## 5.10 Income from Shares and Interests

	2012	2011
Foreign dividends	-	169
<b>Total</b>	<b>-</b>	<b>169</b>

### 5.11 Interest Income

	2012	2011
<b>Income</b>		
Interest on deposits at banks	44	112
<b>Total</b>	<b>44</b>	<b>112</b>

### 5.12 Fees and Commissions

	2012	2011
Management fees	1,362	1,401
Custody fees	136	140
Local sub-register	58	74
Fee for calculation of NAV	11	11
Commissions and fees from securities trading	67	27
Administration of securities	343	315
Other fees and commissions	20	23
<b>Total</b>	<b>1,997</b>	<b>1,991</b>

The fee for the management of the Fund's assets amounts to 0.60 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net asset value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

### 5.13 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	(1,607)	4,240
Profit or loss from FX differences	374	(198)
Profit or loss from fixed term transactions and options	6,986	(14,705)
<b>Total</b>	<b>5,753</b>	<b>(10,663)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with financial instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

### 5.14 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current period	–	25
<b>Total income tax</b>	<b>–</b>	<b>25</b>

## Current income tax – analysis:

	31 Dec 2012	31 Dec 2011
Profit (Loss) before tax	3,670	(12,505)
Items to be added	-	2
Deductible items	-	(168)
Tax base	3,670	(12,671)
Loss deduction	3,670	-
Tax base after deduction	-	-
Tax from tax base	-	-
Foreign dividends	-	169
Tax on foreign dividends	-	25
<b>Total tax</b>	<b>0</b>	<b>25</b>

## Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 450 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 634 thousand arising from a tax loss. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

### 5.15 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31. 12. 2012	31. 12. 2011
Unbilled custody fee – Česká spořitelna	11	13
Unbilled management fee – Investiční společnost	115	126
Unbilled fee for administration of the local sub-register – Česká spořitelna	5	4
Unbilled fee for calculation of NAV	1	1
Other payables to related parties	34	76
<b>Total payables to related parties</b>	<b>166</b>	<b>220</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 635 thousand in 2012 (2011: CZK 590 thousand), of which the greatest portion is the commission for administration of asset accounts of CZK 343 thousand (2011: CZK 315 thousand), the custody fee of CZK 136 thousand (2011: CZK 140 thousand) and expenses of administration of the local sub-register of CZK 58 thousand (2011: CZK 74 thousand).

The costs charged by the Company amounted to CZK 1,362 thousand in 2012 (2011: CZK 1,401 thousand) represent an annual management fee.



## 5.16 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	19,438	–	–	–	–	19,438
Shares and participation certificates	–	–	–	–	210,590	210,590
Other assets	170	–	–	–	–	170
Deferred expenses	–	11	–	–	–	11
<b>Total assets</b>	<b>19,608</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>210,590</b>	<b>230,209</b>
<b>Liabilities</b>						
Other liabilities	(1,005)	(3)	–	–	–	(1,008)
Net assets	18,603	8	–	–	210,590	229,201
Available capital	(229,201)	–	–	–	–	(229,201)
<b>Difference</b>	<b>(210,598)</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>210,590</b>	<b>–</b>

2011

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	12,240	–	–	–	–	12,240
Shares and participation certificates	–	–	–	–	246,491	246,491
Other assets	70	128	–	–	–	198
<b>Total assets</b>	<b>12,310</b>	<b>128</b>	<b>–</b>	<b>–</b>	<b>246,491</b>	<b>258,929</b>
<b>Liabilities</b>						
Other liabilities	(6,157)	–	–	–	–	(6,157)
Net assets	6,153	128	–	–	246,491	252,772
Available capital	(252,772)	–	–	–	–	(252,772)
<b>Difference</b>	<b>(246,619)</b>	<b>128</b>	<b>–</b>	<b>–</b>	<b>246,491</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

## 5.17 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a. s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

## 5.18 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

## 5.19 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

## Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
LU0736560011	ALLIANCEBERNSTEIN SEL ABS ALPHA	26,000.0000	381.88	9,928,791.60	0.00
LU0374107992	APUS-AC STAT VL MKT NTL 12-A	3,775.0000	3,756.92	14,182,379.04	0.00
LU0644384843	ASSENAGON CREDIT DEBT CAP-I	590.0000	26,883.96	15,861,537.46	0.00
LU0411704413	BLACKROCK STR EU ABSOLUTE RETURN	9,600.0000	3,016.05	28,954,039.68	0.00
IE00B4Z6MP99	BNY MEL GL- GLOBAL REAL RETURN	350,000.0000	29.03	10,161,965.10	0.00
LU0462954396	DB PLAT IV DBX SYS ALPH-I1CE	7,823.0000	2,737.24	21,413,453.55	0.00
LU0468535397	DB PLAT V HERM ABS RT C-I1C	7,250.0000	2,904.17	21,055,252.80	0.00
DE000A0MU8J9	LBBW ROHSTOFFE 1-I	4,100.0000	2,485.34	10,189,895.64	0.00
IE00B1Z6CX63	LOOMIS SAY MULTISECT IN-HIC EUR	58,081.0000	367.80	21,362,087.25	0.00
IE0033989843	PIMCO-TOTAL RTRN BD-EUR H I AC	29,665.0000	514.11	15,251,162.15	0.00
LU0463469121	SCHRODER GAIA EGERTON EQUITY	8,610.0000	3,124.40	26,901,077.11	0.00
GB00B3D8PZ13	THREADNEEDLE CREDIT OPPORTUN.	508,000.0000	30.17	15,327,898.22	0.00
<b>Total Foreign participation certificates</b>				<b>210,589,539.60</b>	<b>0.00</b>
<b>Total</b>				<b>210,589,539.60</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Institucionální akciový FF – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., Institucionální akciový FF – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., Institucionální akciový FF – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

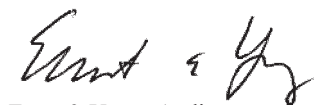
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., Institucionální akciový FF – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

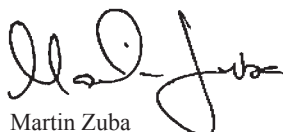
Praha, Česká republika




Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	114,227	6,394
of which: a/current accounts	2	109,652	4,501
d/ margin accounts	5	4,575	1,893
4 Shares, unit certificates and other participation interests	13	365,537	155,953
6 Other assets	15	4,394	1,138
a/ derivatives	16	3,749	89
c/ receivables from taxes	18	0	1,018
d/ other assets	19	645	31
7 Prepayments and accrued income	21	11	80
<b>Total Assets</b>	<b>22</b>	<b>484,169</b>	<b>163,565</b>
3 Other liabilities	29	998	4,138
a/ derivatives	30	802	4,107
c/ liabilities from taxes	32	161	0
d/ other liabilities	33	35	31
4 Deferred income and accrued expenses	34	624	185
6 Share premium	39	67,282	12,458
7 Other funds from profit	40	5,281	54,251
8 Capital funds	41	391,091	141,503
11 Profit or loss for the accounting period	47	18,893	(48,970)
<b>Total Liabilities</b>	<b>48</b>	<b>484,169</b>	<b>163,565</b>
of which: Equity	49	482,547	159,242

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	394,978	149,423
b/ with currency instruments	4	316,067	137,509
c/ with equity instruments	5	78,911	11,914
6 Assets provided into custody, administration and safekeeping	10	278,725	111,162
of which: securities	11	278,725	111,162
10 Amounts owed from fixed term transactions	14	393,704	153,225
b/ with currency instruments	16	314,324	141,610
c/ with equity instruments	17	79,380	11,615

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	168	47
3 Income from shares and unit certificates	9	2,412	2,446
4 Commission and fee expenses	10	4,989	3,755
a/ fees and commissions from securities trading	11	125	310
b/ management fee	12	4,266	3,087
c/ custody fee	13	175	127
d/ other financial expenses	14	423	231
5 Profit or loss on financial operations	15	21,926	(47,176)
a/ profit or loss on transactions with securities	16	17,706	(44,476)
b/ profit or loss on foreign exchange transactions and options	17	637	1,138
c/ profit or loss on fixed term transactions and options	18	3,583	(3,838)
8 Administrative expenses	21	235	162
a/ audit	22	235	162
10 Depreciation and creation of provisions against receivables	25	27	3
11 Ordinary profit or loss for the accounting period before tax	26	19,255	(48,603)
15 Income tax	30	362	367
16 Profit or loss for the accounting period after tax	31	18,893	(48,970)

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	12,458	16,274
issued unit certificates	3	76,782	23,965
repurchase of unit certificates	4	(21,958)	(27,781)
other changes	5	0	0
closing balance	6	67,282	12,458
2 Retained earnings	7		
opening balance	8	54,251	38,532
transfers to funds	9	0	15,719
other changes	10	(48,970)	0
closing balance	11	5,281	54,251
3 Capital funds	12		
opening balance	13	141,503	167,238
issued unit certificates	14	412,856	94,157
repurchase of unit certificates	15	(163,268)	(119,892)
transfers to funds	16	0	0
other changes	17	0	0
closing balance	18	391,091	141,503
4 Gains or losses from revaluation	19		
opening balance	20	0	0
foreign exchange rate differences and gains or losses from revaluation not included in profit (loss)	21	0	0
closing balance	22	0	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
other changes	25	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	(48,970)	15,718
profit (loss)	29	18,893	(48,970)
transfers to funds, dividends	30	48,970	(15,718)
closing balance	31	18,893	(48,970)
<b>7 Total</b>	<b>32</b>	<b>482,547</b>	<b>159,242</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., Institucionální akciový FF – otevřený podílový fond was formed based upon the resolution of the Czech National Bank, which came into legal effect on 24 September 2008. The Fund commenced its activities on 3 November 2008.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by Investiční společnost České spořitelny, a. s. (hereinafter the “Company”). In compliance with the Collective Investment Act No. 189/2004 Coll. (hereinafter the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a special fund of the funds.

### Registered Office

Investiční společnost České spořitelny, a. s.  
Institucionální akciový FF – otevřený podílový fond  
Prague 6, Dejvice, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets. No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. The Company reserves the right to temporarily halt the issuing of participation certificates for no longer than three months in compliance with the Act.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the investment policy is to provide participation certificate holder with a long-term appreciation of participation certificates primarily through investments in securities of collective investment equity funds.

The portfolio of the Fund predominantly includes securities of collective investment equity funds, shares and other investment in-

struments carrying equity risk. This equity component's share in the Fund's portfolio is actively managed. Due to an emphasis on investing into securities issued by collective investment funds and a longer investment horizon of individual investments, the Fund achieves a relatively low asset turnover. Currency, credit and interest rate risks are actively managed using available hedging instruments. Foreign currency risk is primarily hedged against EUR, USD and GBP. Foreign currency risk of investments denominated in local currencies of developing markets can remain unhedged.

Finances collected in the Fund are invested predominantly in securities of collective investment funds.

The Fund can invest in additional liquid assets which consist of placements and term deposits set out in the Act.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund's Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency exposures.

### Change in the Statute

Czech National Bank Resolution No. 2012/4575/570, dated 18 May 2012, which came into force on 5 June 2012: The changes to the Funds statute related mainly to the duty of the asset investment company to ensure that its statute is in accordance with the amendment to Act 189/2004 Coll., on collective investments (as ensuing from the changes made by Act 188/2011 Coll.) and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund. In light of the change made to the methodology of classifying mutual funds of the Capital Market Association, the definition of a bond fund in the introductory Definition of Terms of the Funds statute has been modified, as well as the wording of certain related provisions. Investment objectives, the method of investing and the risk profile of the Fund have not been changed in the amendments referred to above.

Along with the change made to the statute, information was updated as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), in particular information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.



On the date the changes to the statute came into force the simple statute of the Fund was replaced by a newly processed document providing required key information for investors. Such key information for investors was processed in accordance with Government Regulation No. 189/2011 Coll.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

## Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

### Transaction Recognition Date

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for bonds.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition using the weighted average method. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within ‘Profit or loss from financial operations’.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities, receivables from positive fair values of derivatives and other operating receivables. The Fund records payables arising from its transactions with securities and payables from negative fair values of derivatives.

Pursuant to the prudence principle, provisions are created based on the aging of receivables.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from revaluation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis through expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in

assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value, embedded derivatives are not accounted for separately.

### Income Tax

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

### Deferred Tax

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

### Foreign Currency Translations

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

### Capital Funds

The selling price of participation certificates is calculated as a proportion of the Fund’s net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

### Share Premium

Share premium is the difference between the nominal value of all participation certificates and their market value.

### Interest Income and Expense and Dividend Income

Interest income and expense are recognized using the accrual principle.

Dividend income is recognized as at the date when the right to receive the payment is established (ex-dividend date). Dividend income from domestic securities is presented after withholding tax. Dividend income from foreign securities is presented gross with the applicable taxes presented within Tax on foreign dividends (see note 5.16.).

### Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## 4. Risk Management

### Credit Risk

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

### Market Risk

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	12.68%	12.51%
Currency VaR	0.85%	1.06%
Interest rate VaR	0.04%	0.03%
Equity VaR	11.83%	11.96%

	31 Dec 2011	Average VaR
Global VaR	11.66%	11.18%
Currency VaR	3.01%	2.38%
Interest rate VaR	0.03%	0.05%
Equity VaR	11.41%	10.86%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency swaps, currency forwards and interest rate swaps.

### Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holder's interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctua-

tions on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.18.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012	31 Dec 2011
Current accounts	109,652	4,501
Margin accounts	4,575	1,893
<b>Total</b>	<b>114,227</b>	<b>6,394</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Shares, participation certificates and other holdings	31 Dec 2012	31 Dec 2011
Acquisition cost	351,681	169,704
Market revaluation	13,856	(13,751)
<b>Total</b>	<b>365,537</b>	<b>155,953</b>

### 5.3 Other Assets

Other assets	31 Dec 2012	31 Dec 2011
Financial derivatives – positive fair value	3,749	89
State budget settlement	–	1,018
Other assets	3	30
Other	642	1
<b>Total</b>	<b>4,394</b>	<b>1,138</b>

Other assets represent mainly receivables arising from foreign dividends. The caption 'Other' represents mainly an estimated receivable for foreign dividends and an estimated receivable for the return of a portion of the management fee for purchased participation certificates of Erste Bank der oesterreichischen Sparkassen AG Group's fund.

### 5.4 Prepayments and Accrued Income

Prepayments and accrued income	31 Dec 2012	31 Dec 2011
Prepayments – audit fees	11	80
<b>Total</b>	<b>11</b>	<b>80</b>

### 5.5 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase.

The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.2097 (2011: CZK 1.0666). This is the most recent announced value of the participation certificate for 2012, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value minimally differs from the accounting value of the participation certificate at the balance sheet date due to additional recognition of some items within the financial statements.

The profit for 2012 in the amount of CZK 18,893 thousand will be transferred to the reinvestment fund within 'Other funds from profit'.

The loss for 2011 in the amount of CZK 48,970 thousand was covered in whole amount by the reinvestment fund.

## 5.6 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Additions to capital fund	Total capital funds
<b>Balance at 31 Dec 2010</b>	<b>175,038,557</b>	<b>175,038</b>	<b>(7,800)</b>	<b>167,238</b>
Participation certificates sold	94,157,336	94,157	-	94,157
Participation certificates purchased	(119,892,563)	(119,892)	-	(119,892)
<b>Balance at 31 Dec 2011</b>	<b>149,303,330</b>	<b>149,303</b>	<b>(7,800)</b>	<b>141,503</b>
Participation certificates sold	412,855,625	412,856	-	412,856
Participation certificates purchased	(163,267,533)	(163,268)	-	(163,268)
<b>Balance at 31 Dec 2012</b>	<b>398,891,422</b>	<b>398,891</b>	<b>(7,800)</b>	<b>391,091</b>

## 5.7 Other Liabilities

Other liabilities	31 Dec 2012	31 Dec 2011
Negative fair values of financial derivatives	802	4,107
Payable to the state budget	161	-
Other liabilities	35	31
<b>Total</b>	<b>998</b>	<b>4,138</b>

## 5.8 Accrued Expenses and Deferred Income

Accrued expenses consist of the unbilled custody fee of CZK 24 thousand related to December 2012 (2011: CZK 8 thousand), the unbilled management fee of CZK 594 thousand related to December 2012 (2011: CZK 172 thousand), and the unbilled fee for the local sub-register administration of CZK 4 thousand related to December 2012 (2011: CZK 5 thousand).

## 5.9 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	75,955	76,234	66,853	67,810
<b>Total</b>	<b>75,955</b>	<b>76,234</b>	<b>66,853</b>	<b>67,810</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

## Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	-	279	-	957
<b>Total</b>	<b>-</b>	<b>279</b>	<b>-</b>	<b>957</b>

Currency derivatives are due within one year.

## 5.10 Financial Derivatives Designated as Trading Derivatives

## Nominal value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
Currency swaps	240,112	238,090	70,656	73,800
Equity indices futures	78,911	79,380	11,914	11,615
<b>Total</b>	<b>319,023</b>	<b>317,470</b>	<b>82,570</b>	<b>85,415</b>

Open positions of derivatives accounted on off-balance sheet are converted daily from 1 January 2011 to fair value in absolute amounts (except Futures which are converted monthly).

## Fair value of the derivatives

	31 Dec 2012		31 Dec 2011	
	Positive	Negative	Positive	Negative
Currency swaps	2,545	523	-	3,144
Equity indices futures	1,204	-	89	5
<b>Total</b>	<b>3,749</b>	<b>523</b>	<b>89</b>	<b>3,149</b>

Currency derivatives are due within one year. Equity derivatives are due within one year.

## 5.11 Interest Income

	2012	2011
Interest on deposits at banks	168	47
<b>Total</b>	<b>168</b>	<b>47</b>

## 5.12 Income from Shares and Interests

	2012	2011
Foreign dividends	2,412	2,446
<b>Total received dividends</b>	<b>2,412</b>	<b>2,446</b>

## 5.13 Fees and Commissions

	2012	2011
Management fees	4,266	3,087
Custody fees	175	127
Commissions and fees from securities trading	125	310
Expenses of administration of the local sub-register	51	53
Other fees and commissions	372	178
<b>Total</b>	<b>4,989</b>	<b>3,755</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 1.80 percent of the average annual net asset value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net assets value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

#### 5.14 Profit or Loss from Financial Operations

	2012	2011
Profit or loss from securities at fair value through profit or loss	17,706	(44,476)
Profit or loss from fixed term transactions	3,583	(3,838)
Profit or loss from FX differences	637	1,138
<b>Total</b>	<b>21,926</b>	<b>(47,176)</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit from realised sales of securities, from payable securities and from daily valuation of securities at fair value.

Profit or loss from derivatives includes profit on the settlement of fixed term transactions with currency instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

#### 5.15 Administrative Expenses

	2012	2011
Audit	235	162
<b>Total</b>	<b>235</b>	<b>162</b>

#### 5.16 Income Tax

The principal income tax components are as follows:

	2012	2011
Tax payable – current year	362	367
<b>Total income tax</b>	<b>362</b>	<b>367</b>

Current income tax – analysis:

	2012	2011
Profit (Loss) before tax	19,255	(48,603)
Items to be added	31	9
Deductible items	(2,412)	(2,446)
Tax base	16,874	(51,040)
Loss deduction	(16,874)	–
Tax base after deduction	–	(51,040)
Tax (5%) on tax base	–	–
Foreign dividends	2,412	2,446
Tax on foreign dividends	362	367
<b>Total tax</b>	<b>362</b>	<b>367</b>

## Deferred tax

As at 31 December 2012, the Fund determined a deferred tax asset of CZK 1,710 thousand. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

As at 31 December 2011, the Fund determined a deferred tax asset of CZK 2,552 thousand. The deferred tax asset was not recorded on the basis that its recovery was uncertain.

## 5.17 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	31 Dec 2012	31 Dec 2011
Unbilled custody fee – Česká spořitelna	24	8
Unbilled management fee – Investiční společnost	594	172
Unbilled fee for administration of the local sub-register	4	5
Other payables to related parties	33	31
<b>Total payables to related parties</b>	<b>655</b>	<b>216</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 724 thousand in 2012 (2011: CZK 668 thousand), of which the second greatest portion was represented by the custody fee of CZK 175 thousand (2011: CZK 127 thousand). The costs charged by the Company amounted to CZK 4,266 thousand in 2012 (2011: CZK 3,087 thousand), which is the annual management fee.

## 5.18 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes. Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	114,227	-	-	-	-	114,227
Shares and participation certificates	-	-	-	-	365,537	365,537
Other Assets	4,391	-	-	-	3	4,394
Prepayments	11	-	-	-	-	11
<b>Total assets</b>	<b>118,629</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>365,540</b>	<b>484,169</b>
<b>Liabilities</b>						
Other liabilities	(1,461)	(161)	-	-	-	(1,622)
Net assets	117,168	(161)	-	-	365,540	482,547
Available capital	(482,547)	-	-	-	-	-
<b>Difference</b>	<b>(365,379)</b>	<b>(161)</b>	<b>-</b>	<b>-</b>	<b>365,540</b>	<b>-</b>

2011

Assets	Less than 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Not specified	Total
Receivables from banks	6,394	-	-	-	-	6,394
Shares and participation certificates	-	-	-	-	155,953	155,953
Other Assets	89	1,018	-	-	31	1,138
Prepayments	-	80	-	-	-	80
<b>Total assets</b>	<b>6,483</b>	<b>1,098</b>	<b>-</b>	<b>-</b>	<b>155,984</b>	<b>163,565</b>
<b>Liabilities</b>						
Other liabilities	(4,323)	-	-	-	-	(4,323)
Net assets	2,160	1,098	-	-	155,984	159,242
Available capital	(159,242)	-	-	-	-	(159,242)
<b>Difference</b>	<b>(157,082)</b>	<b>1,098</b>	<b>-</b>	<b>-</b>	<b>155,984</b>	<b>-</b>



Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from participation certificate holders can be undertaken.

#### **5.19 Off-balance Sheet Assets and Liabilities**

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign securities administered by Česká spořitelna, a.s. (this item does not include participation certificates of open-ended mutual funds of the Company, which the Fund maintains in its portfolio).

#### **5.20 Contingent Assets and Liabilities**

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

#### **5.21 Subsequent Events**

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.

# Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
CZ0008472289	ISCS SPOROTREND	52,870,406.0000	1.17	62,085,717.77	0.00
CZ0008472404	ISCS TOP STOCKS	19,438,609.0000	1.27	24,725,910.65	0.00
<b>Total Local participation certificates</b>				<b>86,811,628.42</b>	<b>0.00</b>
LU0389811539	AMUNDI-INDEX EQ EUROPE-IEC	940.0000	29,174.22	27,423,762.85	0.00
LU0114722498	FIDELITY FNDS-FIN SVC AEUR	6,000.0000	481.93	2,891,602.80	0.00
GB0033874107	FIRST STATE G CHINA GR-A-ACC	11,000.0000	131.44	1,445,816.13	0.00
US4642872349	ISHARE MSCI EMERGIN MARKETS IN	12,500.0000	845.09	10,563,615.63	0.00
US4642865095	ISHARES MSCI CANADA INDEX FUNDD	4,500.0000	541.16	2,435,229.00	0.00
IE00B0M63953	ISHARES MSCI EASTERN EUROPE	32,600.0000	564.78	18,411,957.10	0.00
US4642865665	ISHARES MSCI EM EASTERN EUROPE	16,500.0000	515.63	8,507,866.95	0.00
US46429B7055	ISHARES MSCI RUSSIA	111,917.0000	450.65	50,435,479.99	0.00
GB0031189888	NEWTON UK OP-RETAIL-INC	140,000.0000	63.10	8,833,553.90	0.00
LU0148538712	PICTET – PAC (XJPN)-P USD	2,000.0000	6,527.67	13,055,342.70	0.00
LU0188497985	PICTET EMERG MKTS INDEX I USD	3,905.0000	4,938.67	19,285,525.48	0.00
US78463X6085	SPDR SP EMERGING EUROPE ETF	43,350.0000	837.47	36,304,205.29	0.00
IE0007292083	VANGUARD-JAPAN STK IND-USD INV	4,700.0000	2,613.96	12,285,608.16	0.00
IE0002639775	VANGUARD-US 500 STK IDX- USD INS	205,000.0000	278.63	57,119,115.56	0.00
AT0000697065	XT EUROPA	66.0000	27,480.03	1,813,682.06	0.00
AT0000697081	XT USA	300.0000	26,375.17	7,912,550.64	0.00
<b>Total Foreign participation certificates</b>				<b>278,724,914.24</b>	<b>0.00</b>
<b>Total</b>				<b>365,536,542.66</b>	<b>0.00</b>

# Independent Auditor's Report

to the Participation certificate holders of Investiční společnost České spořitelny, a. s.,  
Dluhopisový fond – otevřený podílový fond

We have audited the accompanying financial statements of Investiční společnost České spořitelny, a. s., DLUHOPISOVÝ FOND – otevřený podílový fond, which comprise the balance sheet as at 31 December 2012, and the income statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Investiční společnost České spořitelny, a. s., DLUHOPISOVÝ FOND – otevřený podílový fond, see Note 1 to the financial statements.

## Management's Responsibility for the Financial Statements

Management of Investiční společnost České spořitelny, a. s., is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

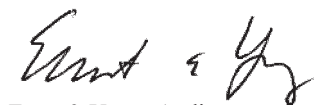
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Investiční společnost České spořitelny, a. s., DLUHOPISOVÝ FOND – otevřený podílový fond, as at 31 December 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

11 March 2013

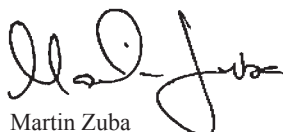
Praha, Česká republika




Ernst & Young Audit, s.r.o.

License No. 401

Represented by



Martin Zuba  
Partner



Magdalena Soucek  
Auditor, License No. 1291

# Balance Sheet

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Receivables from banks	1	31,410	0
of which: a/current accounts	2	31,410	0
3 Debt securities	10	218,018	0
a/ issued by the government	11	204,930	0
b/ issued by other entities	12	13,088	0
6 Other assets	15	155	0
d/ other assets	19	155	0
<b>Total Assets</b>	<b>22</b>	<b>249,583</b>	<b>0</b>
3 Other liabilities	29	688	0
a/ derivatives	30	89	0
c/ receivables from taxes	32	532	0
d/ other liabilities	33	67	0
4 Deferred income and accrued expenses	34	80	0
6 Share premium	39	120	0
8 Capital funds	41	238,580	0
11 Profit or loss for the accounting period	47	10,115	0
<b>Total Liabilities</b>	<b>48</b>	<b>249,583</b>	<b>0</b>
of which: Equity	49	248,815	0

# Off Balance Sheet Accounts

at 31 December 2012

(in thousands CZK)	Line	Current	Previous
2 Amounts due from fixed term transactions	2	13,236	0
b/ with currency instruments	4	13,236	0
6 Assets provided into custody, administration and safekeeping	10	218,018	0
of which: securities	11	218,018	0
10 Amounts owed from fixed term transactions	14	13,325	0
b/ with currency instruments	16	13,325	0

# Profit and Loss Account

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Interest income and similar income	1	5,143	0
of which: a/ interest income from bonds	2	4,951	0
4 Commission and fee expenses	10	1,027	0
b/ management fee	12	709	0
c/ custody fee	13	142	0
d/ other financial expenses	14	176	0
5 Profit or loss on financial operations	15	6,692	0
a/ profit or loss on transactions with securities	16	6,409	0
b/ profit or loss on foreign exchange transactions and options	17	3	0
c/ profit or loss on fixed term transactions and options	18	280	0
8 Administrative expenses	21	161	0
a/ audit	22	161	0
11 Ordinary profit or loss for the accounting period before tax	26	10,647	0
15 Income tax	30	532	0
16 Profit or loss for the accounting period after tax	31	10,115	0

# Statement of Changes in Equity

for the year ended 31 December 2012

(in thousands CZK)	Line	Current	Previous
1 Share premium	1		
opening balance	2	0	0
issued unit certificates	3	120	0
repurchase of unit certificates	4	0	0
closing balance	6	120	0
2 Retained earnings	7		
opening balance	8	0	0
transfers to funds	9	0	0
other changes	10	0	0
closing balance	11	0	0
3 Capital funds	12		
opening balance	13	0	0
issued unit certificates	14	238,580	0
repurchase of unit certificates	15	0	0
closing balance	18	238,580	0
5 Retained earnings or accumulated losses from previous periods	23		
opening balance	24	0	0
closing balance	26	0	0
6 Profit (loss) for the current period after taxes	27		
opening balance	28	0	0
profit (loss)	29	10,115	0
transfers to funds, dividends	30	0	0
closing balance	31	10,115	0
<b>7 Total</b>	<b>32</b>	<b>248,815</b>	<b>0</b>

# Notes to the Financial Statements

for the year ended 31 December 2012

## 1. Organisation and Description of Business

### Formation and Description of the Business

Investiční společnost České spořitelny, a. s., Dluhopisový fond – otevřený podílový fond (dále jen „Fond“ nebo „ISČS, a. s. Dluhopisový fond – OPF“) is an accounting entity without legal entity status, formed by Investiční společnost České spořitelny, a. s. (the “Company”) in compliance with the Investment Companies and Investment Funds Act No. 248/1992 Coll.

Following Investiční společnost České spořitelny, a. s.’s request of 11 October 2011, the Czech National Bank approved the formation of a fund entitled Investiční společnost České spořitelny, a. s. – Dluhopisový fond – otevřený podílový fond. The Fund commenced its activities on 1 January 2012.

Pursuant to a concluded contract, Česká spořitelna, a. s. acts as the depository of the Fund.

The Fund is managed by the Company. In compliance with the Collective Investment Act No. 189/2004 Coll. (the “Act”), the Company is responsible for the management of the assets of the Fund, which involves the administration and handling of the assets.

According to the classification binding for the members of the Capital Market Association (hereinafter the “AKAT CR”) as at the date of the approval of this Statute, the Fund can be defined as a special fund of funds.

### Registered Office

Investiční společnost České spořitelny, a. s.  
PLUS – otevřený podílový fond  
Prague 6, Evropská 2690/17

### Principal Business

The Company collects funds from individuals and legal entities by issuing participation certificates with the purpose of their collective investment on local and foreign financial markets.

No restrictions are placed on the number of participation certificates for issue and the period for which the Fund is established. Pursuant to Section 12 of the Act, the Company can suspend issues and purchases of the Fund’s participation certificates for a maximum of three months in compliance with the Act.

The Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the

date when the repurchase right is claimed if the purchase of a participation certificate is not suspended.

The participation certificates of the Fund are available both in the Czech Republic and in other EU member countries.

### Investment Policy of the Fund

The objective of the Fund’s investment policy is to appreciate participation certificates of the participation certificate holders in the long-term by investing in bonds of corporate, municipality, bank and state issuers from developing countries in Europe, the Middle East and Africa. The aim is achieved by investing in a widely diversified portfolio of securities with interest income and active management of interest rate risk. The Fund invests in the bonds of the issuers referred to above, traded on the public markets of the member states of the Organisation for Economic Cooperation and Development. Foreign currency risk is hedged by standard hedging transactions.

The portfolio of the Fund predominantly includes bonds with fixed and variable coupon, denominated in EUR and USD, the issuers of which are companies and state institutions from EMEA region countries (Eastern and Central Europe, Middle East and Africa). The Fund also invests in treasury bills, bank deposits, or bonds with embedded derivatives.

The portfolio of the Fund may also be expanded by purchasing bonds exchangeable for shares or with the option to subscribe for shares.

The Fund may invest in securities of collective investment funds, if such a collective investment fund invests in the same types of assets, distributes the risk connected to investments and meets other obligations as set by the Act.

The limits of the Fund are adhered to on the basis of the Act, or they are regulated in the Fund’s Statute in compliance with the Act.

The Fund uses financial derivatives to hedge against currency and interest rate exposures.

The Company can use financial derivatives to effectively manage the Fund’s assets. Efficient asset management represents transactions for the purpose of decreasing risk, decreasing costs or achieving sufficient income for the Fund provided that the risk is demonstrably low. The exposure from these transactions must be fully covered by the Fund’s assets so that liabilities arising from these transactions are fulfilled.



## Management Policy

The profit / (loss) is based on the difference between income and expenses related to the management of the Fund's assets.

The generated profit has been fully retained by the Fund, in the reinvestment fund, as a source for further investments, and increases the participation certificate value. In the event that the Fund incurs a loss from the Company's management of assets, the loss is covered from the reinvestment fund which was created from earnings brought forward. If the reinvestment fund is not sufficient, the loss must be covered by a reduction in the Fund's capital fund.

The Fund's assets must not be used for the provision of loans, borrowings or gifts, to secure a third party's obligation or to settle a payable which is not related to the Fund's management. This provision does not affect Sections 26 and 27 of the Collective Investment Act.

When managing the Fund's assets, contracts for the sale of securities and money market instruments, securities issued by other collective investment funds and financial derivatives which are not owned by the Fund at the moment of concluding the respective contracts, may not be entered into.

The Company can accept loans and borrowings for the maximum of six months when managing the Fund's assets, to cover temporary needs related to the management of the Fund's assets or purchases of participation certificates. The volume of the received loans and borrowings is not allowed to exceed 10 percent of the value of the Fund's assets.

## Change in the Statute

The mutual fund statute was put into accordance with the amendment to Act 189/2004 Coll., on collective investment (as ensuing from the changes made by Act 188/2011 Coll.), and Decree No. 193/2011 Coll., on the minimum requisites of the statute and on the conditions for the use of the name Short-Term Money Market Fund and Money Market Fund at the end of 2011. For this reason no changes to the statute were made in 2012.

On 5 June 2012 only updated information was as to the list of funds managed by the Company (Article II Paragraph 8 of the statute), information on the managing parties of the asset management company (Appendix 1 to the statute), information added on the performance of the mutual fund for 2011 (Appendix 2 to the statute), information updated on the total cost indicators for 2011, and the date on which the statute being signed was updated.

The fee for a daily calculation of the Fund's net asset value and the calculation of current value of participation certificates is paid every month based on an invoice issued by Česká spořitelna. A monthly fee is calculated as one twelfth of a contractual percentage of the Fund's net asset value at the last day of every calendar month, increased by the statutory value added tax.

All other costs related to the management of the Fund, which are not listed in the Fund's Statute, are included in the fee for the management.

## 2. Basis of Preparation

The financial statements have been prepared on the basis of underlying accounting records maintained in accordance with Accounting Act No. 563/1991 Coll., and applicable regulations, decrees and internal standards in compliance with and in the scope defined in Czech Finance Ministry Regulation No. 501/2002 of 6 November 2002, as subsequently amended, which sets out the overall framework for the presentation of the financial statements, and guidelines for the structure and minimum requirements for the content of the financial statements of banks and certain financial institutions, and Czech Accounting Standards for Financial Institutions, which establish the accounting principles and policies.

The basis of preparation and the accounting policies have been consistently applied during both 2012 and 2011.

The Fund is obliged to comply with the regulatory requirements of the Act.

The financial statements are based on the accrual principle, that is, transactions and other events are recognized in the accounting period in which they occur, regardless of when the related monetary flow arises. The financial statements are presented in compliance with general accounting principles, specifically the accrual principle, the prudence concept and the going concern assumption.

The financial statements contain the balance sheet, profit and loss account, off balance sheet accounts, statement of changes in equity, and notes to the financial statements.

The presentation of the financial statements requires that the Company makes estimates which have an impact on the reported amounts of assets and liabilities as at the date of the financial statements as well as expenses and income in the relevant accounting period. These estimates are based on information available as at the date of the financial statements and may differ from the actual results.

As a result of continued market volatility since the start of the global financial crisis, the Fund may be exposed to increased risk, specifically due to the uncertainty regarding possible asset impairments and future developments on the market. The financial statements have been prepared based on the current best estimates using all relevant and available information as at the date of the financial statements.

These financial statements are unconsolidated.

All amounts are stated in thousands of Czech crowns (CZK), unless indicated otherwise.

The Fund commenced operations on 1 January 2012 and therefore all data are reported for the year 2012 for the period from 1 January to 31 December 2012. Comparative period in 2011 is due to foundation of the Fund in 2012 in the notes to the Financial Statements reported.

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## 3. Accounting Policies

Purchases and sales of securities are recognized using trade date accounting provided that the period between the trade date and the fulfilment of the commitment arising from the contract does not exceed a period typical for the relevant type of transaction.

The transaction recognition date for derivative contracts is:

- a) the date upon which the related contract was entered into;
- b) the date when fulfilment was delivered based on the relevant contract.

The transaction recognition date can also be the date when money in circulation is paid or received, the date when foreign currency is purchased or sold, the date when a payment is made, the date when ownership is acquired or terminated, when a receivable or payable arises, changes or ceases to exist, when assets move within an accounting entity, and the date when other matters to be included in the accounting records occur, or when the documents supporting these other matters are available, or when other matters are a consequence of internal conditions of the accounting entity and/or special regulations.

### Securities

In accordance with the Fund's strategy, all securities are classified as securities at fair value through profit or loss. During the accounting period, securities are re-measured at fair value on a daily basis pursuant to the Finance Ministry Regulation No. 194/2011 Coll., on more detailed regulation of certain rules in collective investment (the "Decree"), as amended. The fair value of the securities is determined in accordance with the International Financial Reporting Standards with an exception, that an average price between the most favourable binding offer and demand (MID price) is used for.

Pursuant to the Regulation, securities are valued at the price quoted on a public market which is adjusted, as appropriate, to reflect the

rules set out in the Regulation. If the market value is unavailable, the Fund uses a value determined by the Company using valuation models based on discounted future cash flows according to the yield curve calculated using the Reuters and Kondor+ systems.

Securities are measured at cost upon initial recognition. The acquisition cost includes direct transaction costs related to the acquisition of securities.

Realised capital gains or losses are recorded in the profit and loss account within 'Profit or loss from financial operations'.

Accrued interest relating to assets is included within the total balance of these assets.

### Receivables and Payables

The Fund records receivables arising from its transactions with securities and other operating receivables at their nominal value, while receivables from positive fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date. Pursuant to the prudence principle, provisions are created based on the aging of receivables.

The Fund records payables arising from its transactions with securities and operating payables at their nominal value, while payables from negative fair values of derivatives are recorded at the fair value of the derivatives at the balance sheet date.

### Financial Derivatives and Hedging Transactions

In the normal course of business, the Fund enters into hedging contracts with financial derivatives to hedge against interest rate and foreign currency exposures associated with its transactions on financial markets. The method of fair value hedges is applied to hedging derivatives.

The Fund designates certain derivatives as hedges provided that the following criteria are met:

- the Fund has developed a risk management strategy;
- at the inception of the hedge, the hedging relationship is formally documented, the documentation identifies the hedged item and the hedging instrument, and it defines the risk that is being hedged and the approach to establishing whether the hedge is effective; and
- the hedge is effective, that is, changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80 percent to 125 percent.

Nominal values of derivative financial instruments are recognized in the off-balance sheet accounts. Changes in the fair value of derivatives that are designated and qualify as hedges (see above) are recorded as income or expense. Changes in the fair value of the hedging derivatives attributable to the risk hedged are recognized in the same income or expense accounts as differences from re-valuation of a hedged instrument.

All financial derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are derived from valuation models.

Derivatives that are not designated as hedging derivatives are treated as trading derivatives. These derivatives are measured at fair value on a daily basis and gains and losses on revaluation are posted to derivative expense and income accounts.

Certain derivatives are embedded in compound financial instruments, which comprise the host instrument and the derivative. Pursuant to the applicable regulations, the Fund recognises changes in assets and liabilities arising from the movements in rates or prices of securities or changes in exchange rates through expense and income accounts. Given that the assets of the Fund are valued at fair value and changes of fair values are reported within expenses and income from derivatives, embedded derivatives are not accounted for separately.

#### **Income Tax**

Under effective tax regulations, the income tax rate applicable to mutual funds is 5 percent.

#### **Deferred Tax**

Deferred tax is provided using the liability method on all temporary differences between the carrying amount of assets and liabilities reported in the balance sheet and their value for tax purposes. Deferred tax assets are recognized only up to the amount of probable future taxable income against which the deferred tax asset can be offset.

#### **Foreign Currency Translation**

Foreign currencies are translated using the exchange rate promulgated by the Czech National Bank as at the relevant date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are translated on the same basis.

Foreign exchange rate gains and losses from the daily translation of assets and liabilities in foreign currencies are posted to expense or income accounts.

#### **Capital Funds**

The selling price of participation certificates is calculated as a proportion of the Fund's net assets and the relevant number of participation certificates. Participation certificates are sold to investors using the selling price determined on a daily basis.

#### **Share Premium**

Share premium is the difference between the nominal value of all participation certificates and their carrying amounts as at the date of their issue or purchase.

#### **Interest Income and Expense**

Interest income and expense are recognized using the accrual principle.

#### **Subsequent Events**

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

## **4. Risk Management**

#### **Credit Risk**

In accordance with the Statute and the investment strategy, the Company establishes rules and policies for selecting investment instruments such that the overall credit risk profile of allocated investments is consistent with the characteristics of the Fund. New types of instruments are approved on a case by case basis by the risk management function together with the specification of limits for positions pertaining to these instruments. Specific emphasis is placed on an appropriate rating structure and a relatively detailed diversification of portfolios (especially in relation to interest bearing securities).

#### **Market Risk**

The Fund uses a wide range of tools to eliminate risk exposures attached to its portfolios. Significant attention is paid to market risks. Apart from statutory restrictions, the Fund is subject to a set of internal limits having a direct impact on the FX exposure, interest rate exposure (the modified duration range of the Fund), equity allocation on individual markets according to their volatility, portfolio rating structure (see above), and other characteristics of the Fund. The relevant limits are appropriately applied to correspond with the type of the Fund.

Whenever the Fund purchases new types of instruments, these instruments are first analysed to assess the potential credit risk, as well as the market risk that the instruments might bring to or help eliminate from the portfolio. Subsequently, their appropriateness and, if appropriate, the acceptable proportion of these instruments in the portfolio is evaluated.

The level of the Fund's market risk exposure is measured using the Value at Risk ("VaR"). With effect from 1 August 2006, the VaR for the Company's Funds is calculated by the Central Risk Management Department of Česká spořitelna using the historical simulation method in the K + KvaR system.

Set out below are relative monthly values of the VaR in percentage terms for individual types of risks:

	31 Dec 2012	Average VaR
Global VaR	0.16%	0.33%
Foreign currency VaR	0.01%	0.01%
Interest rate VaR	0.16%	0.33%
Equity VaR	0.00%	0.00%

The average VaR is calculated as average of daily VaR values in years 2012 and 2011 respectively.

The Fund monitors Value at Risk globally and also broken down to Foreign Currency VaR, Interest Rate VaR and Equity VaR. Based on the above values, the Fund identifies critical risk segments. This identification influences the reinvestment process. The limits set the maximum acceptable VaR for the Fund.

The Equity VaR also reflects the risk related to the holding of mutual funds' participation certificates (including funds of money market and bond funds).

Adherence to all the above limits and their effectiveness is monitored and assessed on an ongoing basis. The limits are reviewed, if necessary.

The portfolio's risk of unfavourable development of foreign exchange rates, interest rates, and other market factors is hedged, to an appropriate extent, by financial derivatives. Financial derivatives are traded on the OTC market as this market enables the trading of contracts whose parameters and nature appropriately satisfy the requirements of a hedge. Portfolios primarily include currency and interest rate swaps.

## Liquidity Risk

Another monitored risk is the liquidity risk. Liquidity risk is a risk that the Fund will not have enough available resources to meet its obligations arising from financial contracts. Liquidity is monitored and managed based on expected cash flows, with appropriate adjustments made to the structure of securities and term placements portfolios.

Pursuant to the Act, the Company is obliged to repurchase a participation certificate without undue delay but not later than 15 business days from the date when the repurchase right is claimed. Given that the Fund holds securities traded on foreign stock exchanges which can be realised within a few days, the Fund's inability to meet its obligations due to lack of liquidity is unlikely.

Pursuant to Section 12 of the Collective Investment Act, the Company can suspend issues and purchases of the Fund's participation certificates for a maximum of three months, if necessary due to the protection of rights or the participation certificate holders' interests protected by law. Issuing and purchasing participation certificates can be suspended particularly at the end or beginning of the calendar year, in the event of natural disasters, upon very strong fluctuations on financial markets and upon high requirements for the sales or purchases of participation certificates provided they could endanger the Fund's assets.

The quantitative information about the residual maturity of assets and liabilities is given in Note 5.15.

## 5. Additional Information on the Financial Statements

### 5.1 Receivables from Banks

Receivables from banks	31 Dec 2012
Current accounts	31,410
<b>Total</b>	<b>31,410</b>

Balances on current accounts are repayable on demand.

### 5.2 Securities

Individual types of securities by issuer, number of securities, their market value and interest rate are disclosed in the Portfolio attached to the annual report. All securities held by the Fund are publicly listed on the Prague Stock Exchange or foreign stock exchanges. Participation certificates which are not listed on stock exchanges are purchased and administered by the Company.

Debt securities	31 Dec 2012
Acquisition cost	209,963
Market revaluation	6,116
Accrued interest income	1,939
<b>Total</b>	<b>218,018</b>

Of the aggregate volume of debt securities, debt securities maturing within one year accounted for 8.36 percent in 2012.

Of the aggregate volume of debt securities, debt securities maturing within more than one year with a variable coupon accounted for 39.21 percent in 2012.

Debt securities maturing within more than one year with a fixed coupon accounted for 52.43 percent in 2012.

### 5.3 Other Assets

Other assets	31 Dec 2012
Other	155
<b>Total</b>	<b>155</b>

### 5.4 Equity

The Fund has no share capital. The nominal value of one participation certificate is CZK 1. The total nominal value of all participation certificates is posted to 'Capital funds'.

Share premium arising from the difference between the nominal and selling values of the participation certificates is recorded separately. The Fund accounts for share premium upon the sale of participation certificates as well as upon their repurchase. The selling price of the participation certificate is determined as the share of the Fund's net assets and the number of issued participation certificates.

The value of a participation certificate as at the last trading date in 2012 totalled CZK 1.0428. This is the most recent announced value of the participation certificate for the year, for which purchases and repurchases of the participation certificates of the Fund were undertaken. This value is at least different from the carrying value of participation certificate as at 31 December 2012 due to the additional booking of some items during the financial statement.

In line with the Fund's Statute, the profit for 2012 in the amount of CZK 10,115 thousand will be transferred to the reinvestment fund within 'Other funds from profit'

### 5.5 Changes in the Capital Fund

	Number of participation certificates	Nominal value of participation certificates	Use of fund to cover losses	Total capital funds
<b>Balance at 31 Dec 2011</b>	–	–	–	–
Participation certificates sold	238,579,943	238,580	–	238,580
Participation certificates purchased	–	–	–	–
<b>Balance at 31 Dec 2012</b>	<b>238,579,943</b>	<b>238,580</b>	<b>–</b>	<b>238,580</b>

### 5.6 Other Liabilities

Other liabilities	31 Dec 2012
Negative fair values of financial derivatives	89
State budget settlement	532
Other liabilities	67
<b>Total</b>	<b>688</b>

### 5.7 Accrued Expenses and Deferred Income

Accrued expenses consist mostly of the unbilled custody fee of CZK 12 thousand related to December 2012, the unbilled management fee of CZK 62 thousand related to December 2012, the unbilled fee for the local sub-register administration of CZK 3 thousand related to December 2012 and the unbilled fee for calculation of NAV and participation certificate rate of CZK 1 thousand.

## 5.8 Financial Derivatives Designated as Hedging Derivatives

### Nominal value of the derivatives

	31 Dec 2012	
	Assets	Liabilities
Currency swaps	13,236	13,325
<b>Total</b>	<b>13,236</b>	<b>13,325</b>

### Fair value of the derivatives

	31 Dec 2012	
	Positive	Negative
Currency swaps	-	89
<b>Total</b>	<b>-</b>	<b>89</b>

Currency derivatives are due within one year.

## 5.9 Interest Income

	31 Dec 2012
Interest on deposits	192
Interest on debt securities	4,951
<b>Total</b>	<b>5,143</b>

## 5.10 Fees and Commissions

	31 Dec 2012
Management fees	709
Custody fees	142
Administration of securities	104
Expenses of administration of the local sub-register – Česká spořitelna	40
Fee for calculation of NAV and participation certificate rate	12
Other fees and commissions	20
<b>Total</b>	<b>1,027</b>

In compliance with the Statute of the Fund, the management fee paid to the Company by the Fund amounts to 0.30 percent of the average annual net assets value.

Pursuant to the custody service contract entered into with Česká spořitelna, a.s., the Fund pays a fee equal to 0.06 percent of its average annual net asset value.

If participation certificates of another mutual fund managed by the Company are purchased and added to the Fund's assets, the Fund's aggregate net assets value reduced by the current value of investments in participation certificates of the other mutual fund managed by the Company is used as the basis for the calculation of the fixed part of the management fee.

## 5.11 Profit or Loss from Financial Operations

	31 Dec 2012
Profit or loss from securities at fair value through profit or loss	6,409
Profit or loss from FX differences	3
Profit or loss from derivatives	280
<b>Total</b>	<b>6,692</b>

Profit or loss from securities at fair value through profit or loss primarily comprises the profit or loss from the realised sales of securities, from payable securities and from the daily valuation of securities at fair value.

Profit or loss from derivatives includes profit or loss on the settlement of fixed term transactions with financial instruments and also the revaluation of open derivatives at fair value.

Profit or loss from FX differences represents the value of realised FX profit or loss from foreign currency accounts and from the settlement of foreign currency receivables and payables and also gains or losses arising from the revaluation of assets, with the exception of securities, and liabilities in foreign currency at fair value.

## 5.12 Administrative Expenses

	<b>31 Dec 2012</b>
Audit	161
<b>Total</b>	<b>161</b>

## 5.13 Income Tax

Current income tax – analysis:

	<b>2012</b>
Profit (Loss) before tax	10,647
Items to add	–
Deductible items	–
Tax base	10,647
Reduction for loss	–
Tax base after reduction	10,647
Tax (5%) on tax base	532
<b>Total tax</b>	<b>532</b>

## Deferred Tax

As at 31 December 2012, no temporary differences existed between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 5.14 Related Party Transactions

Related parties include Česká spořitelna, a. s. and Investiční společnost České spořitelny, a. s.

	<b>31 Dec 2012</b>
Unbilled management fee – Investiční společnost	62
Unbilled custody fee for December – Česká spořitelna	12
Unbilled fee for administration of the local sub-register – Česká spořitelna	3
Unbilled fee for calculation of NAV and participation certificate rate	1
Other payables to related parties	10
<b>Total payables to related parties</b>	<b>88</b>

The costs charged to the Fund by Česká spořitelna, a. s. amounted to CZK 319 thousand in 2012, of which the greatest portion was represented by the custody fee of CZK 142 thousand.

The costs charged by the Company amounted to CZK 709 thousand, which is the annual management fee.

### 5.15 Liquidity

The following tables show the residual maturity of assets and liabilities broken down by major classes of assets.

Given that all securities are traded on public markets, sales can easily be undertaken within three months.

2012

<b>Assets</b>	<b>Less than 3 months</b>	<b>3 month – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Not specified</b>	<b>Total</b>
Receivables from banks	31,410	–	–	–	–	31,410
Debt securities	–	18,225	199,793	–	–	218,018
Other assets	155	–	–	–	–	155
<b>Total assets</b>	<b>31,565</b>	<b>18,225</b>	<b>199,793</b>	<b>–</b>	<b>–</b>	<b>249,583</b>
<b>Liabilities</b>						
Other liabilities	(236)	(532)	–	–	–	(768)
Net assets	31,329	17,693	199,793	–	–	248,815
Available capital	(248,815)	–	–	–	–	(248,815)
<b>Difference</b>	<b>(217,486)</b>	<b>17,693</b>	<b>199,793</b>	<b>–</b>	<b>–</b>	<b>–</b>

Liquidity risk, to which the Fund is exposed, is low as all assets are immediately convertible into cash before the expected purchases of participation certificates from holders can be undertaken.

### 5.16 Off-balance Sheet Assets and Liabilities

The Fund's off-balance sheet accounts include receivables and payables from fixed term transactions and assets provided into custody and safekeeping. The item 'Assets provided into custody, administration and safekeeping' shows foreign and domestic securities administered by Česká spořitelna, a.s.

### 5.17 Contingent Assets and Liabilities

The Fund has no assets or liabilities that were not disclosed in the balance sheet or off-balance sheet accounts.

### 5.18 Subsequent Events

No significant events occurred after the date of the financial statements, which would have a material impact on the Fund's financial statements.



## Portfolio at 31 December 2012

The detail of the portfolio is not part of the fund's final accounts. Figures are stated in CZK.

ISIN	Name of the security	Amount	Market Price	Market Price Total	Accrued Interest
XS0176311792	ERSTE BANK 4.75 09/18/13	500.0000	25,836.25	12,918,126.15	169,660.66
<b>Total Foreign corporate bonds</b>				<b>12,918,126.15</b>	<b>169,660.66</b>
CZ0001002869	GOVERNMENT BOND 2.75 03/31/14	3,000.0000	10,325.00	30,975,000.00	618,750.00
CZ0001002729	GOVERNMENT BOND 2.8 09/16/13	500.0000	10,194.50	5,097,250.00	40,444.44
CZ0001002737	GOVERNMENT BOND 3.4 09/01/15	6,500.0000	10,815.00	70,297,500.00	730,527.78
CZ0001001903	GOVERNMENT BOND 4 04/11/17	1,000.0000	11,395.00	11,395,000.00	287,777.78
CZ0001003438	GOVERNMENT BOND VAR 07/23/17	1,420.0000	10,485.00	14,888,700.00	-19 323.83
CZ0001002331	GOVERNMENT BOND VAR 10/27/16	7,000.0000	10,072.50	70,507,500.00	111,222.22
<b>Total Local government bonds</b>				<b>203,160,950.00</b>	<b>1,769,398.39</b>
<b>Total</b>				<b>216,079,076.15</b>	<b>1,939,059.05</b>

## **Investiční společnost České spořitelny, a. s.**

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### **Annual Report 2012**

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