

**Raiffeisen fond dluhopisové stability,  
otevřený podílový fond,  
Raiffeisen investiční společnost a.s.**

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**Annual Report  
2017**

## **General information of Raiffeisen investiční společnost a.s. (hereinafter the “Company”)**

Business name: Raiffeisen investiční společnost a.s.  
Legal form: joint-stock company  
Registered office: Hvězdova 1716/2b  
Praha 4 – Nusle, Postal Code 140 78  
Czech Republic  
Company no. (IČO): 29146739  
Company register: Insert B18837, administered by the Municipal Court in Prague  
Registered capital: CZK 40,000,000.00  
Shareholder: Raiffeisenbank a.s., Hvězdova 1716/2b, Praha 4 – Nusle, Postal Code 140 78

### **Company description**

Raiffeisen investiční společnost a.s., Company no. (IČ): 29146739, with registered office at Hvězdova 1716/2b, Praha 4 – Nusle, Postal Code 140 78, acts as the investment company administering and managing the Fund assets. The company was founded on 21 December 2012. The relevant licence to act as an investment company was issued by the Czech National Bank, by way of Decision Ref. no. 2013/4256/570, dated 9 April 2013, that acquired legal force on 9 April 2013. The Company is a 100% owned subsidiary of Raiffeisenbank a.s.

Raiffeisen investiční společnost a.s. was founded on 21 December 2012 as a company fully owned by its sole shareholder, Raiffeisenbank a.s. The Company was established in order to extend the scope of products offered by Raiffeisenbank a.s., thus increasing the bank's market share. Within a few years, the Company has become a respected asset administrator with regional impacts in Central Europe.

### **Contacts**

Tel: +420 800 900 900  
Fax: +420 234 402 223  
web: [www.rfis.cz](http://www.rfis.cz)

### **List of funds managed as of 31 December 2017**

Raiffeisen investiční společnost a.s. managed a total of 17 open-ended mutual funds as of 31 December 2017.

#### **Standard funds**

- Raiffeisen fond dluhopisových příležitostí (ISIN CZ0008473998, ISIN CZ0008474921)
- Raiffeisen fond dluhopisové stability (ISIN CZ0008474293)
- Raiffeisen fond dluhopisových trendů (ISIN CZ0008474376)
- Raiffeisen fond globálních trhů (ISIN CZ0008474442)
- Raiffeisen fond udržitelného rozvoje (ISIN CZ0008474400)
- Raiffeisen fond high-yield dluhopisů (ISIN CZ0008474848)
- Raiffeisen fond flexibilního růstu (ISIN CZ0008474871)
- Raiffeisen fond amerických akcií (ISIN CZ0008475175)
- Raiffeisen fond evropských akcií (ISIN CZ0008475266)
- Raiffeisen fond emerging markets akcií (ISIN CZ0008475274)

#### Special funds

- Raiffeisen chráněný fond ekonomických cyklů (ISIN CZ0008474038)
- Raiffeisen privátní fond dynamický (ISIN CZ0008474350)
- Raiffeisen fond alternativní (ISIN CZ0008474368, ISIN CZ0008474954)
- Raiffeisen fond optimálního rozložení (ISIN CZ0008474731)
- Raiffeisen fond dividendový (ISIN CZ0008475027)
- Raiffeisen realitní fond (ISIN CZ0008475100)

#### Qualified investors' funds

- LEONARDO (ISIN CZ0008474525)

An agreement on partial management of the investment fund named Raiffeisen-Czech-Click Fund II (ISIN AT0000A0QRK9) concluded by and between the Company and Raiffeisen Kapitalanlage – Gesellschaft m.b.H. on 1 July 2013 was terminated as of 31 December 2016. Certain additional payments continued to result from the agreement in the course of 2017.

## **Raiffeisen fond dluhopisové stability (hereinafter the “Fund”)**

### **Annual Report for the period from 1 January 2017 to 31 December 2017**

Currency:	CZK
Capitalisation class ISIN:	CZ0008474293
Nominal value per share certificate:	none
Fund format:	open-ended mutual fund
AKAT-type fund:	bond fund
Date of establishment:	17 March 2014

#### **Fund manager**

The Fund has been managed by Raiffeisen investiční společnost a.s. The Company has not concluded any contracts with any other persons or entities covering activities of a senior supporter of the Fund pursuant to Sections 85 to 91 of Act no. 240/2013 Collection of Laws (“Coll.”), on Investment Companies and Investment Funds.

#### **Fund depositary**

The services of a depositary have been provided by UniCredit Bank Czech Republic and Slovakia, a.s., Company no. (IČ): 64948242, with registered office at Želetavská 1525/1, Praha 4, Postal Code 140 92, incorporated in the Companies Register administered by the Municipal Court in Prague, Section B, Insert 3608. The Depositary has also been in charge of custody of the Fund assets throughout the record period.

#### **Auditor**

The Fund has been audited by Deloitte Audit s.r.o., Company no. (IČ): 49620592, with registered office at Karolinská 654/2, Praha 8 – Karlín, Postal Code 186 00, incorporated in the Companies Register administered by the Municipal Court in Prague, Section C, Insert 24349.

#### **Investment strategy**

The Fund invests mainly in bonds, money market instruments, and bond funds denominated in Czech crowns, issued – inter alia – by governments, supranational institutions or credit-rating undertakings. To a lesser extent, it may also invest in instruments with selected foreign hedging. It may invest up to 100 percent of the Fund assets value in investment securities or in money-market instruments issued or guaranteed by the Czech Republic. The Fund has been rated in Risk Group 2 according to the Synthetic Risk and Reward Indicator (SRRI).

#### **Fund portfolio manager**

Ing. Martin Zezula

Education:	Finance and Accounting Faculty of the University of Economics in Prague
Courses and training:	Broker’s licence issued by the Ministry of Finance of the Czech Republic
Practical experiences:	20 years
RIS portfolio manager:	Since 17 June 2013

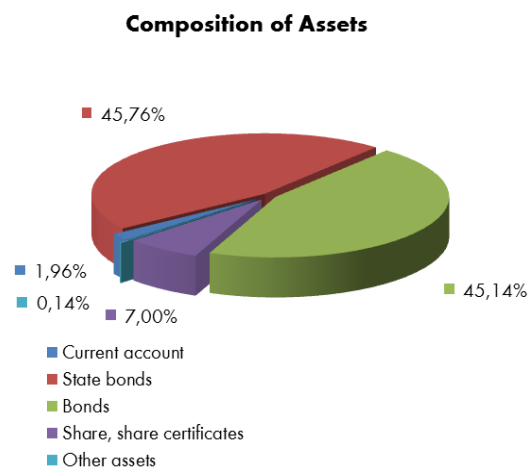
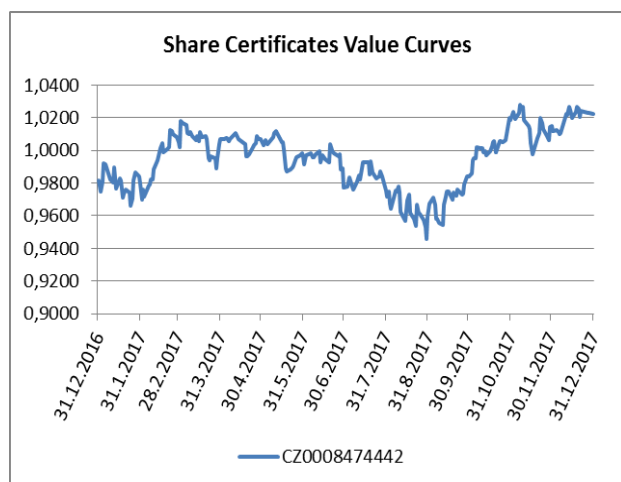
#### **Portfolio manager’s comments**

Also in 2017, the Fund’s assets remained invested, without limitation, in sovereign and corporate bonds with duration (simply speaking: average term to maturity) of less than 1.5 years. As regards credit quality, investments went exclusively to bonds in so-called ‘investment rating zone’ (i.e., rating BBB-/Baa3 and better). Acquired have been bonds denominated in CZK, EUR, and USD; however, hedging against exchange rate risk has been applied in respect of a significant portion of such foreign currency assets.

Financial indicators	31 December 2017	31 December 2016	31 December 2015
Shareholders' equity, in CZK'000	2,151,381	3,003,494	2,883,891
Shareholders equity per share certificate, in CZK	1.0029	1.0177	1.0119
Profit/(loss) after tax, in CZK'000	(38,979)	16,222	14,760
Number of share certificates, in pieces	2,145,142,570	2,951,309,273	2,849,867,494

#### Number of issued and redeemed units in the term of 1 January 2017 to 31 December 2017

ISIN	Issued share certificates		Redeemed share certificates		BALANCE (+/-)	
	pieces	CZK'000	pieces	CZK'000	pieces	CZK'000
CZ0008474293	630,824,438	636,684	1,436,991,141	1,449,817	(806,166,703)	(813,133)



**List of securities held in excess of 1 percent as of 31 December 2017**

CURRENCY	COUNTRY	ISIN	NAME	ACQUISITION PRICE In CZK'000	FAIR VALUE In CZK'000	SHARE IN ASSETS (%)
CZK	CZ	CZ0001004717	CZGB 0 07/17/19	302,102	299,280	13.93
CZK	CZ	CZ0001003834	CZGB 1,50/19	278,068	268,721	12.50
CZK	CZ	CZ0001004113	CZGB Float 12/09/20	195,750	195,976	9.12
CZK	CZ	CZ0002002520	UNICZ 6 04/27/18	195,455	179,554	8.36
EUR	AT	AT0000622022	RAIFFEISEN- INFLTIONSSCHTZ-VA	157,015	150,502	7.00
CZK	CZ	CZ0001003123	CZGB Float 04/18/23 HYPO NOE GRUPPE	97,214	97,768	4.55
CZK	AT	AT0000A1GD94	Float 09/16/20	70,001	70,129	3.26
CZK	CZ	CZ0001002471	CZGB 5 04/11/19	60,127	54,743	2.55
CZK	CZ	CZ0001000822	CZGB 4,6 08/18/18	52,572	49,922	2.32
CZK	CZ	CZ0003515033	CEPSAS 0,25 09/30/21	45,201	44,452	2.07
EUR	RU	ROIIBKDBC049	IINVBK 1,593 09/25/20	40,172	40,341	1.88
CZK	FR	FR0011734961	BPCEGP Float 02/14/19	40,172	40,233	1.87
CZK	FR	XS1040279462	ACAFP Float 02/28/19	40,321	40,186	1.87
CZK	CZ	XS1090620730	NETGAS 2,25 01/28/21	34,739	35,301	1.64
EUR	ES	ES00000121G2	SPGB 4,80 01/31/24	33,366	32,964	1.53
CZK	AT	AT000B013750	RBIIV 0,73 04/01/21	33,001	32,686	1.52
EUR	RO	XS1060842975	ROMANI 3,625/24	30,238	30,200	1.41
CZK	NL	XS1716334781	NIBCAP Float 10/11/2023	30,001	29,962	1.39
CZK	AT	AT0000A1YQT4	RFLBOB 0,55/10/20	30,001	29,556	1.38
EUR	NL	XS0811554962	HEIANA 2,125 08/04/20	30,054	27,137	1.26
EUR	CZ	XS1415366720	CESDRA 1,875/23	27,875	27,103	1.26
EUR	NL	XS1167644407	VW 0,875 01/16/23	27,785	26,149	1.22
CZK	KR	XS0943004878	EIBKOR Float 06/17/18	24,003	23,771	1.11
USD	ES	XS0895794658	SPAIN 4 03/06/18	26,113	22,065	1.03
<b>Total</b>				<b>1,901,346</b>	<b>1,848,701</b>	<b>86.03</b>

**Information about wages, remunerations, and similar incomes of employees and managers that may be considered as rewards paid out by the Fund manager to its employees and managers in the period ending 31 December 2017.**

	Number	Fixed pay In CZK'000	Bonuses In CZK'000	Fund performance rewards In CZK'000
Employees	21	20,354	4,607	-
incl.: managers	7	11,093	2,906	-

**Information about wages, payments, and similar incomes of employees or managers that may be considered as rewards paid out by the Fund manager to those of its employees or managers who have had a major impact on the risk profile of that Fund in the period ending 31 December 2017.**

	<b>CZK'000</b>
Employees	16,433
incl.: managers	13,999

**Description of material changes in the information contained in the Prospectus of the investment Fund occurring during the financial year.**

No changes in the information contained in the Prospectus occurred during the financial year.

**The techniques serving the management of standard funds include solely financial derivatives pursuant to Sections 12 and 13 of the Regulation.**

All fund management techniques comply with the provision of Section 30(2) of Government Regulation no. 243/2013 Coll. (hereinafter the “Regulation”). Any application of such techniques does not intend to evade any rules as specified in that Regulation as well as in the Fund Prospectus or the investment strategy of the Fund, and standard funds shall be at any time capable of fulfilling their obligations to transfer either pecuniary funds or to supply any underlying assets belonging to such financial derivatives negotiated on the account of the Fund.

**Further material information according to Appendix no. 2 to Decree no. 244/2013 Coll.:**

**g)** The Company has not been the party on behalf of the Fund of any legal dispute or arbitration in the recorded period.

**h)** The Fond represents a growth fund, i.e., all profit has been reinvested.

**i)** Information about genuinely paid management fees for the management of the Fund, broken down to depositary fees, administration fees, senior supporter fees, and auditor fees, as well as information about further costs or taxes.

This information is carried in Part 5. COSTS OF FEES AND COMMISSION and in Part 7. ADMINISTRATIVE COSTS in the Notes to the Financial Statements, which comprise the present Report.

**j)** The Fund’s investments executed in the recorded period have complied with the investment strategy of the Fund as stipulated in the Fund Prospectus and in any relevant regulations. The financial derivatives risk ensues from (a) so-called ‘basis’ risk resulting from differences in the values of hedging instruments (derivatives) and items; (b) risks of a counterparty failure. The value of foreign currency investment instruments which have not been hedged against CZK may account for up to 7.5 percent of the Fund assets value. Financial derivatives have been negotiated with the following counterparts: Česká spořitelna, a.s., Československá obchodní banka, a.s., Komerční banka, a.s., PPF banka, a.s., Raiffeisenbank, a.s., UniCredit Bank Czech Republic and Slovakia, a.s. More information about qualitative restrictions and methods used in the assessment of risks related to techniques and instruments applied by the Fund is described in the financial statements comprised in the present Annual Report.

The Company wishes to inform, in the sense of Art. 13 (Part A of the Appendix) of Regulation (EU) 2015/2365 of the European Parliament and of the Council, that the Fund did not perform any SFT trading in the recorded period, i.e., trading hedging financing or swaps of all revenues.

**Additional information**

The Fund did not expend in 2017 any expenses in respect of research, nor did it exert any activities in the recorded period in the area of environmental protection and labour relations.

**Subsequent events**

With the exception of the major events as described in the Financial Statements, the Company management has not been aware of any significant subsequent events that could have affected the Financial Statements for the period ending 31 December 2017.

## INDEPENDENT AUDITOR'S REPORT

To the Partners of  
Raiffeisen fond dluhopisové stability, otevřený podílový fond,  
Raiffeisen investiční společnost a.s.

Having its registered office at: Hvězdova 1716/2b, 140 78 Praha 4- Nusle

### Opinion

We have audited the accompanying financial statements of Raiffeisen fond dluhopisové stability, otevřený podílový fond, Raiffeisen investiční společnost a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2017, and the profit and loss account and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Raiffeisen fond dluhopisové stability, otevřený podílový fond, Raiffeisen investiční společnost a.s. as at 31 December 2017, and of its financial performance for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

### Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information in the Annual Report

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

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

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. As described in the Basis for Qualified Opinion section above, we have concluded that the other information is not materially misstated.



Responsibilities of the Board of Directors and Supervisory Board of Raiffeisen investiční společnost a.s. for the Financial Statements

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

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

The Supervisory Board of Raiffeisen investiční společnost a.s. is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

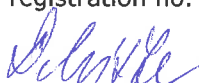
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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

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

In Prague on 20 March 2018

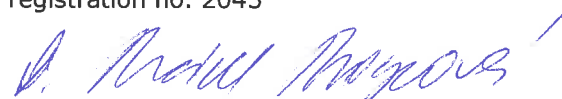
Audit firm:

Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

Diana Rádl Rogerová  
registration no. 2045



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

**Name of the Company:** Raiffeisen fond dluhopisové stability, otevřený podílový fond, Raiffeisen investiční společnost a.s.

**Registered Office:** Hvězdova 1716/2b, 140 78 Praha 4 - Nusle

**Corporate ID:** 291 46 739

### Components of the Financial Statements:

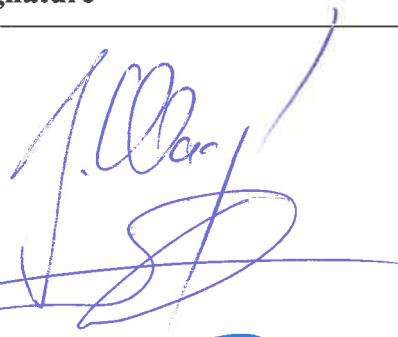

Balance Sheet

Profit and Loss Account

Statement of Changes in Equity

Notes to the Financial Statements

These financial statements were prepared on 20 March 2018.

Statutory body of the reporting entity:	Signature
<b>On behalf of the statutory body:</b> Jaromír Sladkovský Michal Ondruška	 
<b>Individual in charge of the accounting records:</b> Petra Paďourová	

**Business name: Raiffeisen fond dluhopisové stability**  
Raiffeisen investiční společnost a.s.  
Registered office: Hvězdova 1716/2b, Praha 4, 140 78  
Company no. (IČO): 29146739  
Principal activities: fund administration and management  
Financial statements date: 4 January 2018

**BALANCE SHEET**  
**as of 31 December 2017**

In CZK'000	Item	31.12.2017	31.12.2016
<b>ASSETS</b>			
2	Treasury bonds and other securities accepted by the central bank for refinancing	8	
	incl.: a) Issued by the government institutions	983,459	1,773,324
3	Receivables from banks and cooperative credit unions	9	
	incl.: a) Payable upon request	42,088	115,191
5	Debt securities	10	
	incl.: a) Issued by the government institutions	970,012	959,898
	b) Issued by other entities	85,229	84,192
6	Shares, share certificates and other investments	11	
	b) Share certificates	884,783	875,706
11	Other assets	12	
	incl.: Derivatives	150,502	157,950
		2,916	440
		2,055	-
<b>Total assets</b>		<b>2,148,977</b>	<b>3,006,803</b>
<b>LIABILITIES</b>			
4	Other liabilities	14	
	incl.: Derivatives	(3,088)	927
5	Accrued expenses and deferred income	15	
		733	876
6	Reserves	17	
	b) Tax reserves	684	1,528
12	Capital funds	13	
14	Retained earnings or accumulated loss brought forward	18	
15	Profit or loss for the current period	18	
		-	854
		-	854
		2,159,696	2,972,829
		30,664	14,443
		(38,979)	16,222
<b>Total liabilities</b>		<b>2,148,977</b>	<b>3,006,803</b>
<b>OFF-BALANCE ITEMS</b>			
<b>Off-balance assets</b>			
4	Receivables from fixed term transactions	16	
8	Values placed under management	21	
		347,084	158,691
		2,146,061	3,006,362
<b>Off-balance liabilities</b>			
12	Liabilities from fixed term transactions	16	
		343,095	159,565

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**PROFIT AND LOSS ACCOUNT**  
**for the term ending 31 December 2017**

In CZK'000	Item	31.12.2017	31.12.2016
1	Interest income and similar income incl.: Income from debt securities	4,564 4,564	10,944 10,849
4	Fees and commission income	663	684
5	Fees and commission expenses	(9,831)	(17,622)
6	Profit or loss from financial transactions	(34,125)	23,319
9	Administrative expenses	(250)	(250)
	b) Other administrative expenses	(250)	(250)
<b>19</b>	<b>Profit or loss for the reporting period from ordinary activities before tax</b>	<b>(38,979)</b>	<b>17,075</b>
23	Corporate tax	-	(853)
<b>24</b>	<b>Profit/loss for the current period after tax</b>	<b>(38,979)</b>	<b>16,222</b>

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Company no. (IČO): 29146739  
Principal activities: fund administration and management  
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**CHANGES IN THE SHAREHOLDERS' EQUITY**  
as of 31 December 2017

In CZK'000	Capital funds	Retained earnings or accumulated loss brought forward	Profit (Loss)	Total
<b>Balance as of 1. 1. 2016</b>	<b>2,880,165</b>	<b>(285)</b>	<b>14,760</b>	<b>2,894,640</b>
Net profit/loss for the financial year	-	-	16,222	16,222
Dividend paid	-	(32)	-	(32)
Share certificates sold	1,215,386	-	-	1,215,386
Share certificates purchased	(1,122,722)	-	-	(1,122,722)
Transfers to funds	-	14,760	(14,760)	-
<b>Balance as of 31.12.2016</b>	<b>2,972,829</b>	<b>14,443</b>	<b>16,222</b>	<b>3,003,494</b>

In CZK'000	Capital funds	Retained earnings or accumulated loss brought forward	Profit (Loss)	Total
<b>Balance as of 1. 1. 2017</b>	<b>2,972,829</b>	<b>14,443</b>	<b>16,222</b>	<b>3,003,494</b>
Net profit/loss for the financial year	-	-	(38,979)	(38,979)
Share certificates sold	636,684	-	-	636,684
Share certificates purchased	(1,449,818)	-	-	(1,449,818)
Transfers to funds	-	16,222	(16,222)	-
<b>Balance as of 31. 12. 2017</b>	<b>2,159,695</b>	<b>30,665</b>	<b>(38,979)</b>	<b>2,151,381</b>

## **1. GENERAL INFORMATION**

### **(a) Fund characteristics**

#### ***Fund emergence and characteristics***

Raiffeisen fond dluhopisové stability, otevřený podílový fond [*Raiffeisen Bond Stability Fund, open-ended mutual fund*], Raiffeisen investiční společnost a.s. (hereinafter the “**Fund**”) represents an accounting entity without legal personality founded by Raiffeisen investiční společnost a.s. (hereinafter the “**Company**”) pursuant to Act no. 240/2013 Collection of Laws (“**Coll.**”), on management companies and investment funds (hereinafter “**ZISIF**” or the “**Act**”). The Fund was established on the date of its registration in the list maintained by the CNB pursuant to Section 597(b) of the Act on 17 March 2014. The Fund commenced operation on 24 April 2014.

The Fund represents a standard securities fund pursuant to the Act, in compliance with the laws of the European Communities.

Neither the number of such issued nor the term of the duration of the Fund have been limited.

The Fund has no employees and all administration relating to the business activities of the Fund have been supplied by the Company.

#### ***Information about the management company***

The Fund assets are administered and managed by Raiffeisen investiční společnost a.s., Company no. (IČ) 29146739, with registered office at Hvězdova 1716/2b, Praha 4 – Nusle, Postal code 140 78. The Company was founded on 21 December 2012. Its managing company licence was issued by the Czech National Bank by its decision Ref. no. 2013/4256/570 dated 9 April 2013, which acquired legal force on 9 April 2013.

The Company is a management company in the sense of the existing legislation and it acts in its capacity of a legal entity that collects pecuniary funds from both legal entities and natural persons (individuals), for the purpose of using them to participate in business (collective investing).

#### ***Company objects***

The Company, pursuant to the Act and to such extent as licensed by the Czech National Bank, has been authorised to:

- manage investment funds or international investment funds;
- exceed the applicable limit(s);
- administer investment funds or international investment funds.

#### ***Depository information***

The depository services have been provided by UniCredit Bank Czech Republic and Slovakia, a.s., Company no. (IČ) 64948242, with registered office at Želetavská 1525/1, Praha 4, Postal code 140 92 (hereinafter the “**Depository**”), under a depository agreement dated 6 February 2014.

### **(b) Basis for the drafting of financial statements**

The financial statements were drafted on the basis of accounting books maintained in compliance with:

- the Accounting Act no. 563/1991, as amended by further legislation;
- Regulation no. 501/2002 of the Ministry of Finance, as amended by further legislation;
- the Czech Accounting Standards for Financial Institutions issued by the Ministry of Finance.

The financial statements were drafted using the principles of accrued revenues and deferred costs, and historical prices, with the exception of some selected financial instruments valued at their fair values.

The financial statements are based on the going concern assumption and that no facts have occurred in respect of it that would restrict or otherwise prevent it from continuing such activities in the foreseeable future as well.

The Fund's regular accounting period (financial year) coincides with the financial year ending on 31 December 2017. Information relating to the previous accounting period (financial year), i.e., the year 2016, has been applied as the relevant comparable information.

All information is quoted in thousands of CZK (CZK'000), unless specified otherwise. Figures shown in brackets represent negative values.

The present financial statements represent unconsolidated financial statements.

## **2. IMPORTANT ACCOUNTING POLICIES**

### **(a) Transaction date**

Depending on the transaction type, the transaction dates refer to, without limitation:

- dates of payment or receipt of cash;
- dates of purchase or sale of foreign currencies, and/or securities;
- dates of payments;
- dates of crediting (value date) of funds as shown in the account statement;
- trade dates and settlement dates of spot transactions, i.e., purchase or sale of financial instruments or commodities with such delivery dates, where the period from the trade date to the settlement date does not exceed five days;
- trade dates and settlement dates of derivative transactions.

The accounting entity has opted that spot transactions (i.e., purchases and sales of financial assets with usual terms of delivery accounted for) should be reported as the relevant assets or liabilities on the trade date.

The Fund will derecognise any financial assets or any parts thereof from its balance sheet if it should lose control over any contractual title to such financial assets or any parts thereof. The Fund loses such control if it exercises any titles to benefits defined in the contract, if such titles expire or if such titles have been waived.

If a financial liability or any parts thereof expires (e.g., if a duty defined in the contract is fulfilled, cancelled or expired), the accounting entity will no longer report such financial liability or any parts thereof in its balance sheet. The difference between the value of the financial liability in the accounting books, and/or any parts thereof, that have expired or that have been transferred to another entity, and the amount of payment in respect of the debt in question, will be reported as costs or revenues.

### **(b) Securities**

In compliance with the Fund strategy, all securities have been classified as securities valued at their fair value. Securities are re-valued on a daily basis during the financial year, pursuant to Decree no. 244/2013 Coll., of the Ministry of Finance of the Czech Republic, on detailed issues related to the Act on management companies and investment funds, as amended (hereinafter the "**Decree**"). Pursuant to the Decree, securities are valued with the help of prices derived from public markets, which may be further adjusted in keeping with the provisions of the Decree. If no market price is available, such value shall be applied as determined according to valuation models based on discounted future cash flows derived from the yield curve.

Upon their initial recognition, securities shall be valued at their acquisition cost. Such acquisition cost also includes direct transaction costs related to the acquisition of the securities.

***Interest income***

The term 'Interest income' means the following:

- a) as regards debt securities with coupon, the accrued coupon as determined in the issue terms and conditions and the accrued difference between the nominal value and the net purchase price, known as a premium or discount;
- b) as regards debt securities without coupon and bills of exchange, the accrued difference between the nominal value and the purchase price.

Interest income from debt securities is reported in the profit and loss account commencing on the purchase, using the effective interest rate method.

***Derecognition of securities***

Upon sales of securities, the accounting entity values such securities outflow making use of the 'Average Price Method'.

**(c) Receivables and provisions**

Operating receivables are reported in their nominal value net of provisions. Bad debts (receivables) shall be written off upon the completion of bankruptcy proceedings against the debtor or in the event that the likelihood of their recovery is not realistic.

Creation of provisions is reported as expenses; their usage is reported together with expenses or losses associated with the loss of assets in the profit and loss account. Dilution of provisions that are no longer necessary shall be reported as income.

**(d) Financial derivatives**

Derivatives are financial instruments that meet the following conditions:

- a) their fair value varies depending on changes in interest rates, security prices, commodity prices, foreign exchange rates, price indices, credit assessments (ratings) or indices, and/or depending on any other variables (so-called underlying assets);
- b) as compared to other types of contracts, which show similar responses to changing market conditions, they require little or no initial investments;
- c) they will be settled in the future and the term from the trade date to settlement exceeds that of spot transactions.

Derivatives are reported in the balance sheet at their fair values. Positive fair values of derivatives are reported as assets under the title of 'Other assets'. Negative fair values of derivatives are reported as liabilities under the title of 'Other liabilities'.

The fair value of financial derivatives is determined as the present value of future cash flows from these transactions. The present value is determined with the help of parameters identified on the active market, such as exchange rates, interest rates for a given maturity based on the yield curve, etc.

In the off-balance sheet, derivatives are reported at contractual undiscounted values of the underlying instrument under the titles of 'Receivables from fixed term operations' and 'Liabilities from fixed term operations'.

**(e) Funds invested by unit-holders**

The Fund has no registered capital. The units have no determined nominal values. The Fund does not charge any share premium.

***Capital funds***

The selling price of units is determined as a ratio of the Fund equity and the number of units issued. Units are sold to investors for selling prices determined on a daily basis.



**(f) Creation of reserves**

Reserves represent probable cash outflows of uncertain timing and amount. Reserves are charged to expenses in the amount, which represents the best estimate of expenditures required in order to settle existing liabilities.

Reserves are created subject to the fulfilment of the following criteria:

- a) an obligation to pay (legal or matter-of-fact) exists resulting from past events;
- b) it is probable or certain that an event of payment will occur and will require an outflow of resources representing economic benefits; the term 'probable' meaning probability greater than 50 percent;
- c) it is possible to make a reliable estimate of such payment.

**(g) Foreign currency conversion**

Transactions reported in foreign currencies are accounted for in the local currency, to be converted with the help of foreign exchange rates announced by the Czech National Bank and valid on the transaction days, i.e., on the accounting transaction dates.

Assets and liabilities denominated in foreign currencies, together with foreign exchange spot transactions prior to maturity date, are converted into local currency at the exchange rate announced by the Czech National Bank and valid on the balance sheet date. The resulting profit or loss from such conversions of assets and liabilities denominated in foreign currencies, except for units denominated in foreign currencies, and/or items that serve to hedge currency risk resulting from agreements not yet recorded in the balance sheet of the Fund, or from anticipated future transactions, are reported in the profit and loss account as 'Profit or loss from financial operations'.

**(h) Taxation**

***Tax due***

The income tax base is calculated from profits for the current period before tax, increased by non-deductible expenses, less the revenues that are not subject to income tax, and further adjusted for tax allowances and any relevant credits. Under the applicable tax regulations, the income tax rate imposed on mutual funds amounts to 5 percent.

***Deferred tax***

Deferred tax is based on all temporary differences between accounting and tax values of assets and liabilities, using the expected tax rate for the following period. Deferred tax is accounted for only if there is no doubt that it will be realized in subsequent accounting periods.

**(i) Interest received and interest paid and dividend income**

Interest received and interest paid are reported on the accrual basis.

Dividend income is reported on the effective date of entitlement to receive its payment (ex-dividend date). Dividend income from domestic securities is reported after the deduction of the withholding tax. Dividend income from foreign securities is reported prior to the deduction of withholding tax.

**3. INTEREST INCOME AND SIMILAR INCOME**

In CZK'000	2017	2016
Interest from current accounts and term deposits	-	95
Interest from debt securities	4,564	10,849
<b>Total</b>	<b>4,564</b>	<b>10,944</b>

#### 4. FEES AND COMMISSION INCOME

The item entitled 'Fees and commission income' includes an incentive received in connection with investing in KAG funds in the amount of CZK 663,000 (2016: CZK 684,000).

#### 5. FEES AND COMMISSION EXPENSE

In CZK'000	2017	2016
Management fee	7,643	14,689
Depository fee	1,553	2,132
Securities administration	584	636
Other fees and commissions	51	165
<b>Total</b>	<b>9,831</b>	<b>17,622</b>

According to the Fund Prospectus, the management fee paid by the Fund to the Company amounts to 0.25 percent of the average annual value of the Fund equity. Until 28 February 2017, the management fee was charged in the amount of 0.50 percent.

No administration fee has been charged.

Under the Depository Agreement, the Fund pays a fee in the amount of 0.0605 percent of the average annual value of the Fund equity.

#### 6. PROFIT OR LOSS FROM FINANCIAL OPERATIONS

In CZK'000	2017	2016
Profit/(loss) from securities valued at fair value	(29,353)	24,313
Profit/(loss) from exchange rate differences	(15,793)	562
Profit/(loss) from spot and fixed term transactions	11,021	(1,556)
<b>Total</b>	<b>(34,125)</b>	<b>23,319</b>

Profit or loss from securities at fair value mainly represents daily revaluation of securities to fair value.

Profit or loss from exchange rate differences mainly represents both realised and unrealised exchange rate differences from revaluation of bonds and balances on foreign currency current accounts.

Profit or loss from spot and fixed term transactions includes profit and loss from settlements of spot transactions and fixed term transactions with financial instruments and also revaluation of open derivatives at fair value.

#### 7. ADMINISTRATIVE EXPENSES

The item entitled 'Administrative expenses' represents audit costs in the amount of CZK 250,000 (2016: CZK 250,000).

#### 8. TREASURY BONDS WITHOUT COUPON AND OTHER SECURITIES ACCEPTED BY THE CENTRAL BANK FOR REFINANCING

All securities held by the Fund are listed on the Prague Stock Exchange or on foreign stock exchanges. All securities are included in the portfolio of securities at fair value.

In CZK'000	31.12.2017	31.12.2016
Treasury bonds	983,459	1,773,324
<b>Net book value</b>	<b>983,459</b>	<b>1,773,324</b>

## **9. RECEIVABLE FROM BANKS AND COOPERATIVE CREDIT UNIONS**

The item entitled 'Receivables from banks and cooperative credit unions' represents current accounts maintained by UniCredit bank Czech Republic and Slovakia in the amount of CZK 42,088,000 (2016: CZK 115,191,000). The current accounts are repayable on demand.

## **10. DEBT SECURITIES**

In CZK'000	31.12.2017	31.12.2016
Bonds issued by government institutions	85,229	84,192
Bonds issued by other entities	884,783	875,706
<b>Net book value</b>	<b>970,012</b>	<b>959,898</b>

## **11. SHARES, SHARE CERTIFICATES AND OTHER INVESTMENTS**

In CZK'000	31.12.2017	31.12.2016
Share certificates	150,502	157,950
<b>Net book value</b>	<b>150,502</b>	<b>157,950</b>

## **12. OTHER ASSETS**

In CZK'000	31.12.2017	31.12.2016
Positive values of derivatives	2,055	-
Other receivables	861	440
<b>Total</b>	<b>2,916</b>	<b>440</b>

## **13. SHAREHOLDERS' EQUITY**

As of 31 December 2017, the Fund has issued a total of 2,145,142,570 share certificates (2016: 2,951,309,273 pieces).

The shareholders' equity amounts to CZK 2,151,381,000 (2016: CZK 3,003,494,000).

The Capitalisation class unit value on the last trading day of 2017 amounted to CZK 1.0022 (2016: CZK 1.0180). They represent the last unit values in the year, for which purchases and redemptions of the Fund units were realised.

## **14. OTHER LIABILITIES**

In CZK'000	31.12.2017	31.12.2016
Negative value of derivatives	733	876
Other liabilities	(3,821)	51
<b>Total</b>	<b>(3,088)</b>	<b>927</b>

The item 'Other liabilities' includes unsettled transaction with share certificates in the amount of CZK 3,875,000.

## **15. ACCRUED EXPENSES AND DEFERRED INCOME**

The item entitled 'Accrued expenses' includes, without limitation, not yet invoices management fee in the amount of CZK 448,000 (2016: CZK 1,252,000).

## 16. FINANCIAL DERIVATIVES

### Nominal value of derivatives:

In CZK'000	31.12.2017		31.12.2016	
	Receivable	Liability	Receivable	Liability
Currency forwards	347,084	343,095	158,691	159,565
<b>Total</b>	<b>347,084</b>	<b>343,095</b>	<b>158,691</b>	<b>159,565</b>

Off-balance sheet assets and liabilities represent the nominal (contractual) undiscounted values re-evaluated by the Fund using the exchange rate issued by the Czech National bank on the financial statements date. All of the above financial instruments were concluded on the inter-bank market (OTC).

### Fair value of derivatives:

In CZK'000	31.12.2017		31.12.2016	
	Positive	Negative	Positive	Negative
Currency forwards	2,055	733	-	876
<b>Total</b>	<b>2,055</b>	<b>733</b>	<b>-</b>	<b>876</b>

All currency derivatives mature within one year.

## 17. RESERVES

	Income tax	Total reserves
Balance as of 1 January 2017	854	854
Creation of reserves	-	-
Usage of reserves	(854)	(854)
<b>Balance as of 31 December 2017</b>	<b>-</b>	<b>-</b>

The Fund creates reserves for income tax because the financial statements will have been compiled prior to the determination of the tax duty. The Fund will dilute such reserve in the following financial year and it will account for any such determined tax duty.

## 18. PROPOSED COVERAGE OF LOSS

*The Board of Directors of the Company proposes to have the 2017 loss covered as follows:*

In CZK'000	Profit / (Loss)	Retained earnings or accumulated loss brought forward
Balance as of 31 December 2017 prior to coverage of the 2017 loss		30,664
2017 loss	(38,979)	
<b>Proposed coverage of the 2017 loss:</b>		
Loss brought forward	38,979	(38,979)
<b>Total</b>	<b>-</b>	<b>(8,315)</b>

## 19. INCOME TAX

### (a) Income tax

In CZK'000	2017	2016
Income tax reserve	-	854
<b>Total</b>	<b>-</b>	<b>854</b>

### (b) Income tax – tax analysis

In CZK'000	2017	2016
Profit or (loss) for financial year before tax	(38,979)	17,075
Subtotal	(38,979)	17,075
<b>Tax calculated at the rate of 5 percent</b>	<b>-</b>	<b>853</b>

## 20. TRANSACTIONS WITH RELATED PARTIES

In CZK'000	31.12.2017	31.12.2016
Assets		
Incentives for investing in KAG funds	169	176
Liabilities		
Management fee payable to the Company	448	1,252

In CZK'000	2017	2016
Expenses		
Management fee payable to the Company	7,643	14,689
Income		
Incentives for investing in KAG funds	664	684

In CZK'000	31.12.2017	31.12.2016
Off-balance sheet assets		
Values placed under management	2,146,061	3,006,362

## 21. VALUES PLACED UNDER MANAGEMENT

The Fund has surrendered its entire assets to be managed by the Company. The item entitled 'Values placed under management' covers foreign and local securities, term deposits, as well as balances deposited on current accounts.

## 22. FINANCIAL INSTRUMENTS – MARKET RISK

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

### (a) Risk management

The basic risk management instrument is represented by imposing limits regarding the ratio of different types of financial instruments in the portfolio, which are determined in accordance with legal requirements, the Fund Prospectus, and its investment strategy. The key risks, which are evaluated on a daily basis, include foreign currency exposures and sensitivity to interest rate fluctuations.

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Market risks are measured using the Value at Risk (“VaR”) method. Value at Risk represents a potential loss resulting from unfavourable developments on the market within a certain time period and at a certain level of reliability. The ‘Value at Risk’ value is measured on the basis of a one-year holding period and a 99-percent reliability level.

**(b) Liquidity risk**

‘Liquidity risk’ represents the risk that the Fund will not have sufficient cash resources to meet its commitments associated with its financial contracts. Liquidity is monitored and managed on the basis of expected cash flows; in this context, the structure of the securities and the term deposits portfolio is adjusted.

***Residual maturity of the Fund assets and debts***

In CZK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No specific.	Total
<b>As of 31 December 2017</b>						
Treasury bonds and other securities accepted by the central bank for refinancing	-	53,245	818,954	111,260	-	<b>983,459</b>
Receivables from banks	42,088	-	-	-	-	<b>42,088</b>
Debt securities	74,646	205,212	518,639	171,515	-	<b>970,012</b>
Shares, share certificates	-	-	-	-	150,502	<b>150,502</b>
Other assets	2,916	-	-	-	-	<b>2,916</b>
<b>Total</b>	<b>119,650</b>	<b>258,457</b>	<b>1,337,593</b>	<b>282,775</b>	<b>150,502</b>	<b>2,148,977</b>
Other liabilities	(3,088)	-	-	-	-	<b>(3,088)</b>
Accrued expenses and deferred income	684	-	-	-	-	<b>684</b>
Reserves	-	-	-	-	-	<b>-</b>
Shareholders' equity	-	-	-	-	2,151,381	<b>2,151,381</b>
<b>Total</b>	<b>(2,404)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,151,381</b>	<b>2,148,977</b>
<b>GAP</b>	<b>122,054</b>	<b>258,457</b>	<b>1,337,593</b>	<b>282,775</b>	<b>(2,000,879)</b>	<b>-</b>
<b>Cumulative GAP</b>	<b>122,054</b>	<b>380,511</b>	<b>1,718,104</b>	<b>2,000,879</b>	<b>-</b>	<b>-</b>

***Residual maturity of the Fund assets and debts***

In CZK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No specific.	Total
<b>As of 31 December 2016</b>						
Treasury bonds and other securities accepted by the central bank for refinancing	1,752	11,389	1,467,840	292,343	-	<b>1,773,324</b>
Receivables from banks	115,191	-	-	-	-	<b>115,191</b>
Debt securities	2,096	79,066	800,272	78,464	-	<b>959,898</b>
Shares, share certificates	-	-	-	-	157,950	<b>157,950</b>
Other assets	440	-	-	-	-	<b>440</b>
<b>Total</b>	<b>119,479</b>	<b>90,455</b>	<b>2,268,112</b>	<b>370,807</b>	<b>157,950</b>	<b>3,006,803</b>
Other liabilities	927	-	-	-	-	<b>927</b>
Accrued expenses and deferred income	1,528	-	-	-	-	<b>1,528</b>
Reserves	-	854	-	-	-	<b>854</b>
Shareholders' equity	-	-	-	-	3,003,494	<b>3,003,494</b>
<b>Total</b>	<b>2,455</b>	<b>854</b>	<b>-</b>	<b>-</b>	<b>3,003,494</b>	<b>3,006,803</b>
<b>GAP</b>	<b>117,024</b>	<b>89,601</b>	<b>2,268,112</b>	<b>370,807</b>	<b>(2,845,544)</b>	<b>-</b>
<b>Cumulative GAP</b>	<b>117,024</b>	<b>206,625</b>	<b>2,474,737</b>	<b>2,845,544</b>	<b>-</b>	<b>-</b>

The above tables show residual maturities of the carrying amount of the individual financial instruments, rather than of all cash flows resulting from such instruments.

**(c) Interest rate risk**

The Fund is exposed to interest rate risk due to the impact of fluctuations in prevailing market interest rates. Both the fair value and income from financial assets may both grow as well as drop as a result of such fluctuation.

The following tables sum up discrepancies related to the Fund assets and liabilities sensitive to interest rate fluctuations. The carrying amount of these assets and liabilities is included in the period, in which they mature or in which the interest rate changes occur, whichever comes first.

***Interest rate sensitivity of the Fund assets and debts***

In CZK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
<b>As of 31 December 2017</b>					
Treasury bonds and other securities accepted by the central bank for refinancing	-	346,221	623,040	14,198	<b>983,459</b>
Receivables from banks	42,088	-	-	-	<b>42,088</b>
Debt securities	397,474	193,548	264,835	114,155	<b>970,012</b>
<b>Total</b>	<b>439,562</b>	<b>539,769</b>	<b>887,875</b>	<b>128,353</b>	<b>1,995,559</b>

***Interest rate sensitivity of the Fund assets and debts***

In CZK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
<b>As of 31 December 2016</b>					
Treasury bonds and other securities accepted by the central bank for refinancing	4,794	567,108	1,137,734	63,688	<b>1,773,324</b>
Receivables from banks	115,191	-	-	-	<b>115,191</b>
Debt securities	390,287	91,186	451,346	27,079	<b>959,898</b>
<b>Total</b>	<b>510,272</b>	<b>658,294</b>	<b>1,589,080</b>	<b>90,767</b>	<b>2,848,413</b>

The above summary includes only interest-rate sensitive assets and liabilities and therefore it is not identical with the values presented in the Fund balance sheet.

**(d) Currency risk**

The financial position and cash flows have been affected by fluctuations of the current exchange rates of foreign currencies.

Both realised and unrealised foreign exchange profit and loss is reported directly in the profit and loss account. The foreign exchange positions of the Fund in the most significant currencies are as follows:

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*Foreign exchange positions of the Fund*

In CZK'000	EUR	PLN	USD	CZK	Total
<b>As of 31 December 2017</b>					
Treasury bonds and other securities accepted by the central bank for refinancing	-	-	-	983,459	<b>983,459</b>
Receivables from banks	696	31	2,100	39,261	<b>42,088</b>
Debt securities	183,893	-	22,065	764,054	<b>970,012</b>
Shares, share certificates and other investments	150,502	-	-	-	<b>150,502</b>
Other assets	1,793	-	262	861	<b>2,916</b>
<b>Total</b>	<b>336,884</b>	<b>31</b>	<b>24,427</b>	<b>1,787,635</b>	<b>2,148,977</b>
Other liabilities	733	-	-	(3,821)	<b>(3,088)</b>
Accrued expenses and deferred income	-	-	-	684	<b>684</b>
Shareholders' equity	(3,628)	1,113	(5,249)	2,159,145	<b>2,151,381</b>
<b>Total</b>	<b>(2,895)</b>	<b>1,113</b>	<b>(5,249)</b>	<b>2,156,008</b>	<b>2,148,977</b>
Long off-balance instruments positions	21,526	-	-	325,558	<b>347,084</b>
Short off-balance instruments positions	321,804	-	21,291	-	<b>343,095</b>
<b>Net foreign exchange positions</b>	<b>39,501</b>	<b>(1,082)</b>	<b>8,385</b>	<b>(42,815)</b>	<b>-</b>

*Foreign exchange positions of the Fund*

In CZK'000	EUR	PLN	USD	CZK	Total
<b>As of 31 December 2016</b>					
Treasury bonds and other securities accepted by the central bank for refinancing	-	-	-	1,773,324	<b>1,773,324</b>
Receivables from banks	733	8,212	198	106,048	<b>115,191</b>
Debt securities	56,543	30,375	53,817	819,163	<b>959,898</b>
Shares, share certificates and other investments	157,950	-	-	-	<b>157,950</b>
Other assets	-	-	-	440	<b>440</b>
<b>Total</b>	<b>215,226</b>	<b>38,587</b>	<b>54,015</b>	<b>2,698,975</b>	<b>3,006,803</b>
Other liabilities	281	-	595	51	<b>927</b>
Accrued expenses and deferred income	-	-	-	1,528	<b>1,528</b>
Reserves	-	-	-	854	<b>854</b>
Shareholders' equity	-	-	-	3,003,494	<b>3,003,494</b>
<b>Total</b>	<b>281</b>	<b>-</b>	<b>595</b>	<b>3,005,927</b>	<b>3,006,803</b>
Long off-balance instruments positions	-	-	-	158,691	<b>158,691</b>
Short off-balance instruments positions	112,133	-	47,432	-	<b>159,565</b>
<b>Net foreign exchange positions</b>	<b>102,812</b>	<b>38,587</b>	<b>5,988</b>	<b>(148,261)</b>	<b>-</b>

## 23. FINANCIAL INSTRUMENTS – CREDIT RISK

Credit risk represents a risk of financial losses to which the Fund is exposed if the counterparty in a transaction involving a financial instrument fails to meet its contractual obligations.

Fund's investments ensure that the rating structure of the securities complies with the Fund Prospectus and its investment strategy. Credit risk management includes monitoring of both geographical and credit risk exposition of issuers diversification of investments.



**Raiffeisen fond dlhopisové stability, otevřený podílový fond,**  
**Raiffeisen investiční společnost a.s.**  
For the period ending 31 December 2017

*Distribution of assets based on geographical segment*  
*As of 31 December 2017*

In CZK'000	CR	EU	Other Europe	Other	Total
Treasury bonds and other securities accepted by the central bank for refinancing	983,459	-	-	-	983,459
Receivables from banks	42,088	-	-	-	42,088
Debt securities	332,004	573,896	40,341	23,771	970,012
Shares, share certificates and other investments	-	150,502	-	-	150,502
Other assets	2,916	-	-	-	2,916
<b>Total</b>	<b>1,360,467</b>	<b>724,398</b>	<b>40,341</b>	<b>23,771</b>	<b>2,148,977</b>

*Distribution of assets based on geographical segment*  
*As of 31 December 2016*

In CZK'000	CR	EU	Other Europe	Other	Total
Treasury bonds and other securities accepted by the central bank for refinancing	1,773,324	-	-	-	1,773,324
Receivables from banks	115,191	-	-	-	115,191
Debt securities	341,844	594,107	-	23,947	959,898
Shares, share certificates and other investments	-	157,950	-	-	157,950
Other assets	440	-	-	-	440
<b>Total</b>	<b>2,230,799</b>	<b>752,057</b>	<b>-</b>	<b>23,947</b>	<b>3,006,803</b>

*Distribution of securities according to issuers*

In CZK'000	31.12.2017	31.12.2016
Issued by financial institutions	642,135	703,839
Issued by collective investing funds (UCITS)	150,502	157,950
Issued by non-financial institutions	178,536	142,983
Issued by insurance companies	-	4,937
Issued by the government	1,132,800	1,881,462
<b>Total</b>	<b>2,103,973</b>	<b>2,891,171</b>

## 24. SUBSEQUENT EVENTS

No events occurred after the balance sheet date that would have a significant impact on the financial statements of the Fund as of 31 December 2017.