

ANNUAL REPORT

for 2021



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I. INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



2021 was marked by the economic impacts of the coronavirus pandemic and gradually rising inflation. This, along with the termination of operations of a number of energy suppliers, created new uncertainties and concerns regarding the future direction of the Czech economy. The end of

the year already clearly showed that, going forward, many businesses and households will be facing worsening economic conditions and that a stable and sound banking system, robust control mechanisms and a statutory guarantee system will play more important roles than ever.

In 2021, for the first time in five years, the Guarantee System had to activate its mechanisms for the disbursement of compensation for deposits and, on 11 August 2021, it commenced the payout of compensation for the deposits of clients of Československé úvěrní družstvo (ČSÚD). The total compensation to be paid by the Guarantee System to 541 clients of ČSÚD is CZK 52.3 million. The bulk of the compensation to be paid is made up of time deposits. By the end of 2021, 24 clients had collected their compensation and their deposits accounted for 91% of the total compensation to be paid.

The deposit compensation payout was made on the instruction of the Guarantee System by Komerční banka, a.s., the new payout bank. The Guarantee System concluded a contract for the disbursement of compensation with Komerční banka, a.s. with effect from 20 January 2021 for the next four years, following a public tender. Thus, Komerční banka has replaced Česká spořitelna, a.s., which was responsible for deposit compensation payouts in previous years.

When disbursing the compensation for deposits at ČSÚD, the Guarantee System tested several innovations aimed at making accessing information more convenient during deposit compensation payouts. The clients of a financial institution for which the disbursement of deposit compensation has been

commenced will also be newly informed about this commencement by a letter sent by registered mail to the permanent residential address kept in the records of the financial institution, describing the method of disbursement and the amount of the basic compensation to which the client is entitled. The Guarantee System has also launched a new information support system for clients via a dedicated hotline.

Last year also saw several important staff changes at the Guarantee System. At the beginning of January 2021 the term of office of Mr Dušan Hradil, Chairman of the Board of Directors of the Guarantee System, and Mr Radek Urban, Member of the Board of Directors, expired and they were both appointed for an additional term of five years. As Dušan Hradil became a member of the Supervisory Board of the Czech Export Bank in August 2021, his membership of the Board of Directors of the Guarantee System ceased due to the incompatibility of these two positions. I was very privileged to have been appointed as a new member and Chairman of the Board of Directors of the Guarantee System with effect from 1 September 2021. My term of office runs until January 2026. I would like to thank Dušan Hradil for his commitment and contribution to the Guarantee System.

Ms Monika Zahálková, who is also the Executive Director of the Czech Banking Association, will sit on the Management Board of the Guarantee System from 1 August 2021. Her term of office will last until 2024. She has replaced Mr Vladimír Staňura.

One of the activities that the Guarantee System is mandated to carry out is raising awareness about the stability and system of guarantee mechanisms of the banking system. The developments last year as well as those in early 2022 have confirmed to us that this role of the Guarantee System will become even more important with time.

2021 also saw the confirmation of one of the more closely watched business combinations in the banking market: the merger between Equa bank and Raiffeisenbank. With regard to the fact that the Czech banking market does not experience frequent ownership structure changes, it was appropriate for the Guarantee System to actively inform about the major impacts of

this merger on deposit insurance and about the rights of clients in the light of the forthcoming combination of these two financial institutions.

In 2021, the Guarantee System maintained its long-term education strategy regarding the functioning of hedging mechanisms, which, especially at a time of financial market turbulence, reinforce stability and reduce the risk of escalation and spread of distrust in financial institutions. The coronavirus pandemic changed the habits of Czechs in consuming media content and shifted the focus of information dissemination to the online space, to which the Guarantee System responded in its communication strategy. Six vlogs focusing on deposit insurance were published on the Facebook profile and YouTube channel. The vlogs are also a part of the Guarantee System's educational materials published on its website. Throughout the year, we also ran an information campaign through selected media in the form of educational articles and direct interviews with Ms Renáta Kadlecová on the current problems that clients of financial institutions were facing.

2021 was again full of tasks that would have been impossible to cope with without a professional team of employees and associates. Therefore, I would like to thank them for the high level of commitment and effort they have applied to their jobs. Thanks are also due to the members of the Board of Directors who, in addition to their duties and responsibilities at the Ministry of Finance of the Czech Republic, the Czech National Bank or the Czech Banking Association, dedicate their time to the agenda of the Financial Market Guarantee System.

In conclusion, I can say with confidence that the Financial Market Guarantee System has once again confirmed that it is an important element of the financial safety net and is ready to meet its duties and obligations even under demanding conditions.

Tomáš Müller
Chairman of the Board of Directors
of the Financial Market Guarantee System

II. ABOUT THE FINANCIAL MARKET GUARANTEE SYSTEM

The Financial Market Guarantee System is a statutory institution to secure, manage and use financial resources intended to ensure and maintain the stability of the financial market in the Czech Republic. The Financial Market Guarantee System manages two funds which, in accounting terms, are kept separately: the Deposit Insurance Fund and the Crisis Resolution Fund. These funds are its accounting units and unlike the Financial Market Guarantee System do not have legal personality.

The role of the **Deposit Insurance Fund** is defined in Section 41a to Section 41s of Act No. 21/1992 Coll., on Banks, as amended (the "Act on Banks"). The Deposit Insurance Fund is used to disburse compensation for deposits of clients of a financial institution the Czech National Bank has labelled as unable to meet its obligations to beneficiaries under statutory and contractual terms, or where a court has decided on bankruptcy or has made a different decision for reasons directly related to the financial situation of such institution, a consequence of which is the suspension of depositors' right to dispose of deposits covered by the insurance. Banks, branches of banks from non-Member States, building savings banks and cooperative credit unions must make regular annual contributions to the Deposit Insurance Fund.

The role of the Financial Market Guarantee System in crisis resolution is mainly defined in Act No. 374/2015 Coll., on Financial Crisis Prevention and Resolution, as amended (the "Act on Recovery Procedures"). The purpose of the **Crisis Resolution Fund** is to have available resources that can be used in the event of a threat to the stability of a financial institution so that it is not necessary to terminate its existence and initiate the disbursement of compensation for deposits to its clients. The Czech National Bank, as the resolution authority, decides on the use of these resources. This measure can only be applied if the institution is failing or if its failure can reasonably be anticipated, there are no other supervisory or private sector measures that would prevent the institution's failure in the short term, and if the resolution of the crisis is in the public interest. The objective is to strengthen the stability of the financial sector, minimize costs and damage and, if possible, eliminate the use of public funds. Contributions to the Crisis Resolution Fund are

made by institutions already participating in the deposit insurance system, and by some investment firms, also on a regular annual basis.

The Crisis Resolution Fund is, by law, composed of two funds:

- The Contribution Fund, which consists of regular or extraordinary contributions from financial institutions, resources raised from the market, loans through crisis resolution financing mechanisms, or state subsidies or assistance and other revenues based on decisions by the Czech National Bank or, as the case may be, funds transferred from the Operational Fund;
- The Operational Fund, which consists mainly of yields from the investment of the resources on the Crisis Resolution Fund and the proceeds of completed liquidation and insolvency proceedings.

III. BODIES OF THE FINANCIAL MARKET GUARANTEE SYSTEM

Board of Directors

The supreme body of the Financial Market Guarantee System is the Board of Directors. Its members are appointed by the Minister of Finance of the Czech Republic. The Board of Directors has five members and is composed of two employees of the Czech National Bank, two employees of the Ministry of Finance of the Czech Republic, and one member appointed on a proposal from the Czech Banking Association. Its members are appointed for a term of five years.

At the beginning of 2021, Dušan Hradil, Chairman of the Board of Directors, and Radek Urban, Member of the Board of Directors, were reappointed for further five-year term. However, due to his new and additional work duties, Dušan Hradil ceased to hold the position of Chairman and on 1 September 2021 was replaced by Tomáš Müller, also from the Ministry of Finance of the Czech Republic. As of 1 August 2021, Vladimír Staňura was replaced by Ms Monika Zahálková, Executive Director of the Czech Banking Association.

Members of the Board of Directors of the Financial Market Guarantee System in 2021

Chairman	Tomáš Müller (from 1 September 2021, until 31 July 2021 Dušan Hradil) <i>Term of office: until 2026</i> In charge of a department of the Ministry of Finance of the Czech Republic
Vice-Chairman	Karel Bauer <i>Term of office: until 2025</i> Director of a Czech National Bank section
Member	Radek Urban <i>Term of office: until 2026</i> Director of a Czech National Bank department
	Alex Ivančo <i>Term of office: until 2025</i> Departmental Director at the Ministry of Finance of the Czech Republic
	Monika Zahálková (from 1 August 2021, until 31 July 2021 Vladimír Staňura) <i>Term of office: until 2024</i> Executive Director of the Czech Banking Association

Management Board

The statutory body of the Financial Market Guarantee System, which ensures the activity of the Financial Market Guarantee System and executes the decisions of the Board of Directors, is the Management Board. The Management Board has three members, who are appointed by the Board of Directors and who are employed by the Financial Market Guarantee System.

Members of the Management Board of the Financial Market Guarantee System in 2021

Chairperson	Renáta Kadlecová Executive Director
Member	Tomáš Hejduk Chief Legal Manager
	Roman Kahánek Finance Manager

As of 30 April 2022, Tomáš Hejduk resigned as a member of the Management Board. With effect from 1 May 2022, the Board of Directors of the Financial Market Guarantee System appointed Martin Hlavnička, who also serves as Risk Manager, as a new member of the Management Board.

IV. MACROECONOMIC AND REGULATORY ENVIRONMENT OF THE INSURED INSTITUTIONS IN 2021

GDP decline representing 5,6% in 2020 was followed by moderate growth of 3.3% in 2021. This growth was driven primarily by domestic consumption, which increased mainly as a result of the phasing out of COVID-19 restrictions in the services and retail sector. On the other hand, there were headwinds in the form of supply-chain bottlenecks, which had a particular impact on the export industry. The state budget posted a deficit of CZK 419.7 billion, which was CZK 52 billion worse than in 2020. At the same time, this is the highest annual budget deficit in the history of the independent Czech Republic. As a result, the government debt-to-GDP ratio increased to nearly 41%. This record-breaking deficit was mainly due to the impact of the pandemic and the related support measures¹.

Last year saw the failure of one institution: the cooperative credit union Československé úvěrní družstvo. The payout of deposit compensation started on 11 August 2021. However, in terms of the number of clients and the value of covered deposits, this was one of the smallest member institutions of the deposit insurance system. Regardless of this isolated failure, the banking system as a whole maintained its resilience and robust capital position: the average capital ratio of the sector as of 31 December 2021 was 23.52%. The voluntary capital surplus above the regulatory requirements played an important role here, amounting to 8.5 percentage points in the first half of 2021, providing a cushion of CZK 247 billion. This surplus was largely made up of earnings from previous years. The sector also maintained its traditionally strong liquidity position. By mid-2021, the aggregate value of the liquidity coverage ratio (LCR) had increased by 39 percentage points year-on-year to 228%. Importantly, all regulated institutions reported a ratio above the regulatory threshold of 100%. As of the middle of the last year,

the aggregate value of the net stable funding ratio (NSFR) was 171% (the regulatory minimum here is also 100%).

At the end of 2021, the ratio of non-performing receivables to total receivables from the non-financial corporations and households sector stood at an acceptable 4.15%, a year-on-year improvement of 0.48 percentage points. Compared to 2020, the total net profit of banks was up by CZK 23 billion to CZK 70.5 billion. This increase was mainly driven by a significant decrease in impairment losses of CZK 25.7 billion and a slight increase in the profit from operating and financial activities by CZK 3.9 billion. The cooperative credit unions sector posted a profit of CZK 44.8 million in 2021, representing a considerable increase compared to the loss of CZK 113.2 million in 2020. It appears that a significant decline in impairment losses contributed to this result.

The “mortgage bubble” in the form of the continued rapid rise in property prices and high demand for mortgage loans was also perceived as a significant risk in 2021. Nearly CZK 430 billion worth of mortgage loans were provided in 2021, a year-on-year increase of 70%. In autumn 2021, the Czech National Bank estimated that real estate was overvalued by up to 25% (+ 8 percentage points on a year-on-year basis) and by more than 30% for investment apartments. Last November, due to the widespread easing of lending standards for mortgage loans, the Czech National Bank adopted binding measures².

In 2021, the Czech National Bank also increased gradually its interest rates: between June 2021 and 23 December 2021, the two-week repo rate was gradually increased from 0.25% to as high as 3.75%. This significant interest rate growth may have bolstered the profit and loss accounts of institutions that invest

¹ Nevertheless, according to a Supreme Audit Office report, almost 90 percent of the year-on-year increase in total state budget spending last year was not related to the fight against the COVID-19 pandemic. The high pace of government borrowing and the lack of savings pose a serious threat to the long-term stability of public finances. <https://www.patria.cz/zpravodajstvi/4959447/za-lonskym-rekordnim-schodkem-byl-predevsim-enormni-narust-beznych-vydaju-ktete-nesouvisely-s-covidem-jen-pramalo-investice-pise-nku.html>

² A DTI (the applicant's total debt expressed in multiples of his/her net annual income) limit of 8.5; a DSTI (the ratio between the applicant's total monthly debt repayments and his/her net monthly income) limit of 45%; a reduction in the upper LTV limit to 80%. Even though the measures were supposed to be binding from 1 April 2022, the Czech National Bank recommended that banks start observing the rules voluntarily before 1 April 2022.

a substantial portion of their assets in reverse repo operations with the Czech National Bank, or may have increased interest income in general.

In 2021, Raiffeisen Bank International acquired Equa bank a.s., thus becoming the sole shareholder of the latter. On 1 January 2022, Raiffeisen bank a.s. merged with Equa bank a.s. and Equa bank a.s. thus ceased to exist as a separate legal entity.

V. ACTIVITIES OF THE FINANCIAL MARKET GUARANTEE SYSTEM IN 2021

Functioning of the Financial Market Guarantee System During the COVID-19 Pandemic

2021 was the second year in which the whole world grappled with the COVID-19 pandemic. And even the Financial Market Guarantee System had to adapt to this situation, revising and amending its internal security and emergency regulations and continuing to monitor new risks related to the pandemic. Staff continued to work outside their offices. Nevertheless, this situation caused no disruptions of any kind to the operations of the Financial Market Guarantee System.

Stress Tests

Every year, the Financial Market Guarantee System performs stress tests in line with the general guidelines of the European Banking Authority (the "EBA Guidelines") on stress tests of deposit insurance schemes according to Directive 2014/49/EU (EBA/GL/2016/04). The tests were scheduled over a five-year period to 2021. In coordination with the colleagues from the Resolution Department of the Czech National Bank, a stress test was performed in early 2021 on "Using a Contribution from the Deposit Insurance Fund for Crisis Resolution Purposes". Last September, the relevant EBA Guidelines were revised, introducing additional stress tests planned until June 2024, the first of which, "Deposit Payout of a Medium-Sized Bank", will be performed in 2022.

2021 also saw the performance of a stress test designed to check the readiness of the Financial Market Guarantee System for a potential cyber attack aiming at the theft of personal data managed by the Guarantee System. All steps resulting from such a situation have been tested, both in terms of IT security and in

terms of the requirements arising from Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "GDPR").

Information Technologies and Security

In the IT area, changes were implemented to improve the cyber security of the environment designed for the testing of data of insured institutions. As part of this solution, the Guarantee System also developed an option for quickly restoring the testing environment in the event of an accident to ensure the continuity of operations of the Guarantee System.

Adjustments were also made to the IT systems in connection with the change of payout bank from Česká spořitelna, a.s. to Komerční banka, a.s.

Last but not least, the Guarantee system is preparing an emergency system for deposit compensation payouts (an alternative option in situations where the services of the payout bank are not available), a part of which was already successfully tested in 2021.

International Cooperation

The Financial Market Guarantee System is a member of two international associations of similar organisations, namely the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI). In both organizations, it actively participates in meetings of their committees and working groups, and attends conferences. At the same time, the Financial

Market Guarantee System also bilaterally cooperates with similar organisations, both in the EU and globally.

Like the previous year, 2021 was a very specific year for international cooperation. Due to the COVID-19 pandemic and related measures, it was not possible to hold face-to-face meetings and, therefore, the activities of both organizations were reduced to the necessary minimum and moved to the online environment.

The European Forum of Deposit Insurers organized several online meetings of its long-standing committees and working groups in which officials of the Financial Market Guarantee System participate (the EU Committee, the Communications and Public Relations Committee, the Banking Union Working Group, the Stress-Test Working Group, etc.). The Monthly Coffee Club (a short online morning presentation on some current topics) initiative continued, as did the D3 Initiative, intended to assist the preparation of EFDI opinions on various issues where EFDI members will jointly push for legislative amendments as part of the preparation of a new directive on deposit insurance schemes (the "DGSD3" Directive). This initiative is headed by Ms Renáta Kadlecová, Executive Director of the Financial Market Guarantee System, together with a colleague from Germany.

The activities of the International Association of Deposit Insurers focused mainly on debate about the future direction of the organization (priority goals) and about modification of the system of differentiated membership fees. The representatives of the Financial Market Guarantee System have long participated especially in the meetings of the European Committee and the Fintech Committee. 2021 saw the start of a series of regular debrief presentations introduced by the new chairman Yuri Isaev (from Russia's deposit insurance scheme). During these presentations, members of the association are kept informed about the activities of the organization.

Investment Activities

The Financial Market Guarantee System separately manages the assets of the Deposit Insurance Fund and the Crisis Resolution Fund. The individual funds have different sources of financing and a different method of use determined by the Act on Banks, the Act on Recovery Procedures, and Commission Delegated Regulation (EU) 2015/63 supplementing Directive 2014/59/EU with regard to ex ante contributions to resolution financing arrangements. The Financial Market Guarantee System can only invest resources in managed funds in a safe manner in accordance with statutory requirements, the Statute of the Financial Market Guarantee System, the statutes of the individual managed funds, and other internal rules of the Financial Market Guarantee System.

Through long-term and short-term investment strategies, the investment policy determines the method of investing financial reserves. The long-term investment strategy is a long-term framework for composing and determining the risk positioning of individual portfolios. The short-term investment strategy defines, within the limits of the long-term investment strategy, the risk parameters of the benchmark, the parameters of the investment limits of the portfolio in performing individual transactions, the market risk conditions and other investment limits. Information on the management of the portfolios of the two funds in 2021 is contained in Chapters VI. Activities in Deposit Insurance in 2021 and VII. Activities in Crisis Management in 2021.

Reporting Method

The Financial Market Guarantee System prepares an annual report. The Financial Market Guarantee System publishes the annual report on its website after it is audited, and archives the original in paper form in the registry in accordance with the Filing and Shredding Rules.

VI. ACTIVITIES IN DEPOSIT INSURANCE IN 2021

Testing Banking Data

In 2021, the Financial Market Guarantee System performed two complete rounds of testing the client data of banks, building

savings banks and cooperative credit unions to verify the functionality of the system for disbursing compensation for deposits, as required by Section 41n (1) of the Act on Banks.

In accordance with Decree No. 71/2011 Coll., on the form, structure and method of keeping and providing data that a bank and a branch of a bank from a non-EU Member State must keep, and which must be provided to the Financial Market Guarantee System, as amended, the Guarantee System, in the period of April to May 2021, successfully tested the data of 31 entities participating in the deposit insurance system. The tests did not include the data of České spořitelní družstvo, which held no insured deposits in 2021, and, as a result of the merger, the tests no longer included the data of Wüstenrot hypoteční banka.

Subsequently, in the period of October to November 2021 and in line with the aforementioned decree, the Guarantee System successfully tested the data of 30 entities participating in the deposit insurance system. This test no longer included the data of Československé úvěrní družstvo in liquidation, for which the Guarantee System started the payout of deposit compensation in August 2021.

Disbursements of Compensation for Deposits

On 11 August 2021, the Financial Market Guarantee System commenced the disbursement of compensation for the deposits at Československé úvěrní družstvo in liquidation. The payout of this compensation concerned 541 clients, whose total deposits in the aforementioned cooperative credit union amounted to CZK 52.35 million.

Since its establishment, the Financial Market Guarantee System (formerly the Deposit Insurance Fund) has disbursed compensation for deposits twenty-three times and, by 31 December 2021, it had provided compensation to clients of thirteen banks and six cooperative credit unions through nineteen regular and four additional disbursements totalling CZK 45,706.79 million.

Table 1 Compensation Disbursed from the Deposit Insurance Fund to 31 December 2021

(in CZK mil.)

Insured institution	Compensation for deposits disbursed	Date of commencement of compensation disbursement
Česká banka, a. s.*	948.61	11/12/1995
AB banka, a. s.	0.03	31/1/1996
První slezská banka, a. s.	217.48	15/5/1996
Podnikatelská banka, a. s.	1,073.54	17/6/1996
Realitbanka, a. s.	23.97	24/7/1996
Velkomoravská banka, a. s.	1,006.09	29/7/1996
Kreditní banka Plzeň, a. s.	580.30	23/9/1996
Pragobanka, a. s.**	414.13	1/12/1998
Universal banka, a. s.**	2,299.75	17/5/1999
Moravia banka, a. s.**	6,394.40	11/10/1999
Union banka, a. s.	12,366.79	17/5/2003
Plzeňská banka, a. s.	135.70	7/6/2003
Vojenská družstevní záložna	68.34	30/5/2011
UNIBON, spořitelni a úvěrní družstvo	1,805.96	23/7/2012
Úvěrní družstvo PDW, Praha	20.14	11/3/2013
Metropolitní spořitelni družstvo	12,014.98	27/1/2014
WPB Capital, spořitelni družstvo	2,780.45	14/10/2014
ERB bank, a. s.	3,508.49	20/10/2016
Československé úvěrní družstvo	47.64	11/8/2021
Total	45,706.79	

* disbursement of additional compensation commenced on 8/6/1998

** disbursement of additional compensation commenced on 4/1/2002

Receivables Against Insured Institutions

Pursuant to Section 41h (2) of the Act on Banks, starting from the disbursement commencement date the Financial Market Guarantee System becomes a creditor of the insured institution that has failed to meet its commitments under statutory and contractual terms and conditions to the extent of the rights of beneficiaries of the bank to receive payment from the Deposit Insurance Fund.

Of the total of thirteen banks and six cooperative credit unions paid out, bankruptcy proceedings have been completed in nine cases, and liquidation has been completed in one. Of the total amount of disbursed compensation of deposits, which reached CZK 45,706.79 million as of 31 December 2021, CZK 43,687.10 million of the Financial Market Guarantee System claims have been recognised in bankruptcy proceedings and liquidation processes.

The table below shows a summary of the Financial Market Guarantee System claims against the individual banks and cooperative credit unions as registered as of 31 December 2021 for the purposes of bankruptcy and insolvency proceedings and the liquidation process of the disbursed banks and cooperative credit unions. Of the total of CZK 37,405.89 million in registered claims, a preliminary distribution schedule has been drawn up for four banks and two cooperative credit unions.

As of 31 December 2021, the Financial Market Guarantee System registers CZK 25,649.96 million in receivables due from banks.

Table 2 Overview of Registered Receivables in Bankruptcy and Liquidation Proceedings as of 31 December 2021

(in CZK mil.)

Insured institution	Type of disbursement	Total amount of claim in bankruptcy/ liquidation	Returned to the Deposit Insurance Fund	Claim in bankruptcy/ liquidation
AB banka, a. s.	regular	0.23	0.03	0.20
Moravia banka, a. s.	regular	4,753.70	1,281.40	3,472.30
Union banka, a. s.	regular	12,416.54	4,966.62	7,449.92
UNIBON, spořitelní a úvěrní družstvo	regular	1,806.58	495.54	1,311.04
Úvěrní družstvo PDW, Praha	regular	20.97	0.00	20.97
Metropolitní spořitelní družstvo	regular	12,021.48	4,062.34	7,959.14
WPB Capital, spořitelní družstvo	regular	2,799.88	0.00	2,799.88
ERB banka, a. s.	regular	3,534.16	950.00	2,584.16
Československé úvěrní družstvo	regular	52.35	0.00	52.35
Total		37,405.89	11,755.93	25,649.96

As concerns bankruptcy proceedings completed by the end of 2021, judicial composition has already been carried out in the case of Podnikatelská banka, a. s., and composition as part of the closing schedule in the case of Pragobanka, a. s., Plzeňská banka, a. s., První slezská banka, a. s., Kreditní banka Plzeň, a. s., Česká banka, a. s., Velkomoravská banka, a. s., and Universal banka, a. s., and composition as part of the completed liquidation of Vojenská družstevní záložna. The bankruptcy

proceedings of Realitbanka, a. s. were terminated because of lack of assets. Thus, the Financial Market Guarantee System had no more registered claims against these nine banks and one cooperative credit union as of 31 December 2021. A summary of these claims in completed bankruptcy and liquidation proceedings, including revenues received and recovery rates achieved, is shown in the table below.

Table 3 Summary of the Proceeds of Receivables against Insured Institutions in Completed Bankruptcy and Liquidation Proceedings as of 31 December 2021

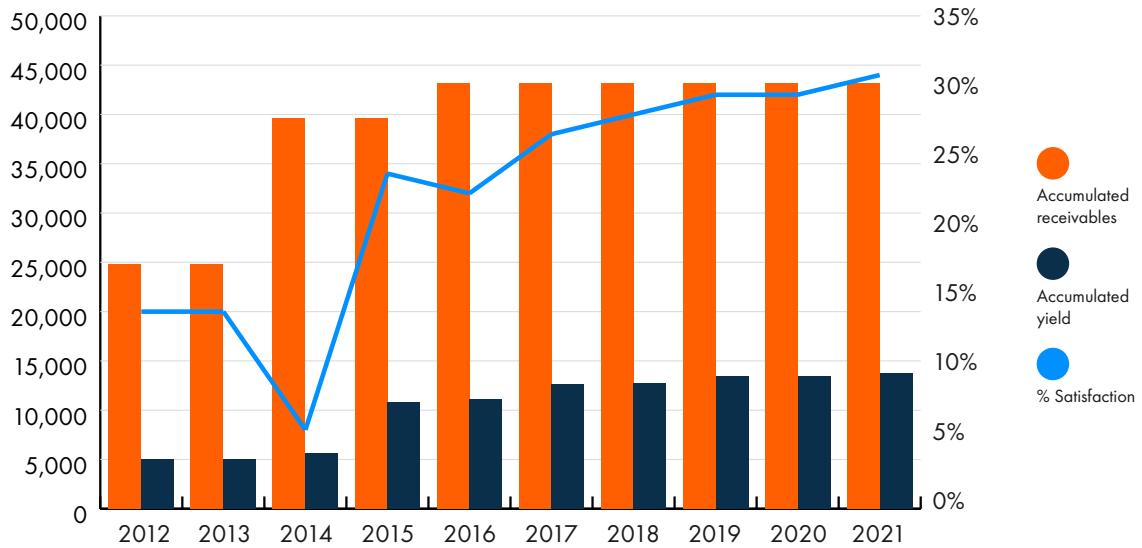
(in CZK mil.)

Insured institution	Type of disbursement	Total amount of claim	Returned to the Deposit Insurance Fund	Recovery rate (%)
Podnikatelská banka, a. s.	regular	1,075.53	548.52	51.00
Pragobanka, a. s.	regular + additional	348.20	184.33	52.94
Plzeňská banka, a. s.	regular	134.85	70.67*	52.41
Realitbanka, a. s.	regular	24.20	0.00	0.00
Vojenská družstevní záložna	regular	69.05	45.55	65.97
První slezská banka, a. s.	regular	217.50	11.54	5.30
Kreditní banka Plzeň, a. s.	regular	580.95	58.48	10.07
Česká banka, a. s.	regular	961.67	20.73	2.16
Velkomoravská banka, a. s.	regular	1,006.63	224.31	22.28
Universal banka, a. s.	regular	1,862.64	788.72	42.34
Total		6,281.22	1,952.85	31.09

* In addition to this payment, the Deposit Insurance Fund received CZK 1.025 million from the bankruptcy assets of Plzeňská banka, a. s. in 2004 as an additional payment to the contribution for insured deposits for 2003

Graph 1 Development of the Recovery Ratio of Receivables From Bankrupt Banks and Cooperative Credit Unions over the last 10 years

In CZK mil.



Contributions by Insured Institutions to the Deposit Insurance Fund

The amount of annual contributions to the Deposit Insurance Fund is set for each institution by the Czech National Bank depending on the amount of covered claims for deposits (i.e. deposits up to the coverage limit equivalent of EUR 100,000) registered against the given insured institution and on the overall risk profile of the institution. The insured institutions must pay contributions to the Deposit Insurance Fund by 30 June of the relevant calendar year.

For 2021, the insured institutions paid contributions to the Deposit Insurance Fund totalling CZK 1,284.09 million. Due to the achievement of the target volume of resources in the Deposit Insurance Fund (0.8% of covered deposits), according to the legislation effective from 1 January 2016, the total annual contribution is only 0.045% of covered deposits. Since its establishment in 1994, the Deposit Insurance Fund has received a total of CZK 61,721.90 million in contributions. The table below shows a summary of the contributions received by the Deposit Insurance Fund over the past 10 years.

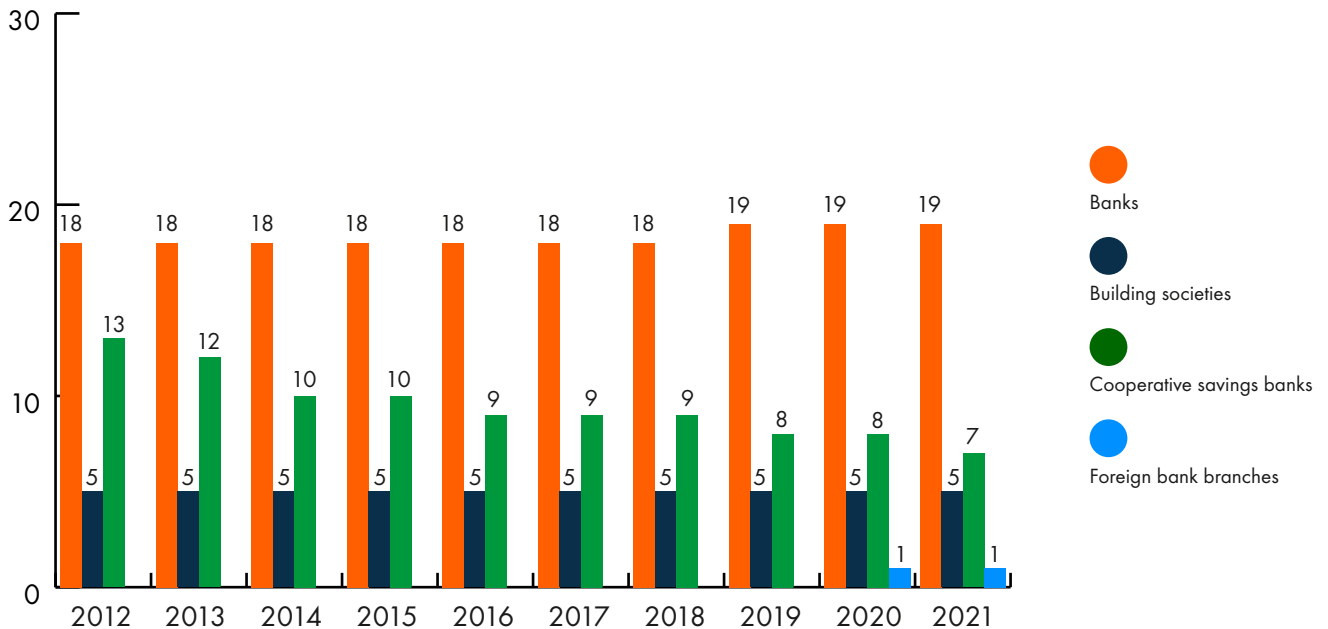
Table 4 **Contributions by Insured Institutions to the Deposit Insurance Fund by year of contribution payment, for the past 10 years**

Contribution payment year	Amount in CZK mil.
2012	3,526.62
2013	3,749.82
2014	4,260.52
2015*	4,417.47
2016**	2,055.54
2017	940.65
2018	1,003.03
2019	1,075.67
2020	1,145.66
2021	1,284.09
Total	23,459.07

* In 2014, an advance payment of a contribution due in 01/2015 was made

** Since 2016, contributions to the Deposit Insurance Fund have been annual; 2016 also contains the payment for the 4th quarter of 2015

Graph 2 **Number of Institutions Contributing to the Deposit Insurance Fund over the last 10 years**



Management of the Deposit Insurance Fund Portfolio

The total volume of the financial reserves of the Deposit Insurance Fund at the end of 2021 reached CZK 37,279.64 million. In 2021, the volume of the financial reserves of the Deposit Insurance Fund increased by

CZK 1,767.64 million, with this increase being mainly driven by income from the contributions received from financial institutions, which amounted to CZK 1,284.09 million, income from financial reserves, which was CZK 318.69 million, and income from bankruptcies and liquidations, totalling CZK 250.00 million.

The financial reserves of the Deposit Insurance Fund have been divided into three portfolios: the short-term portfolio, the portfolio of securities held to maturity (the HTM portfolio), and the portfolio of available-for-sale securities (the AFS portfolio). All the portfolios are managed by the Financial Market Guarantee System.

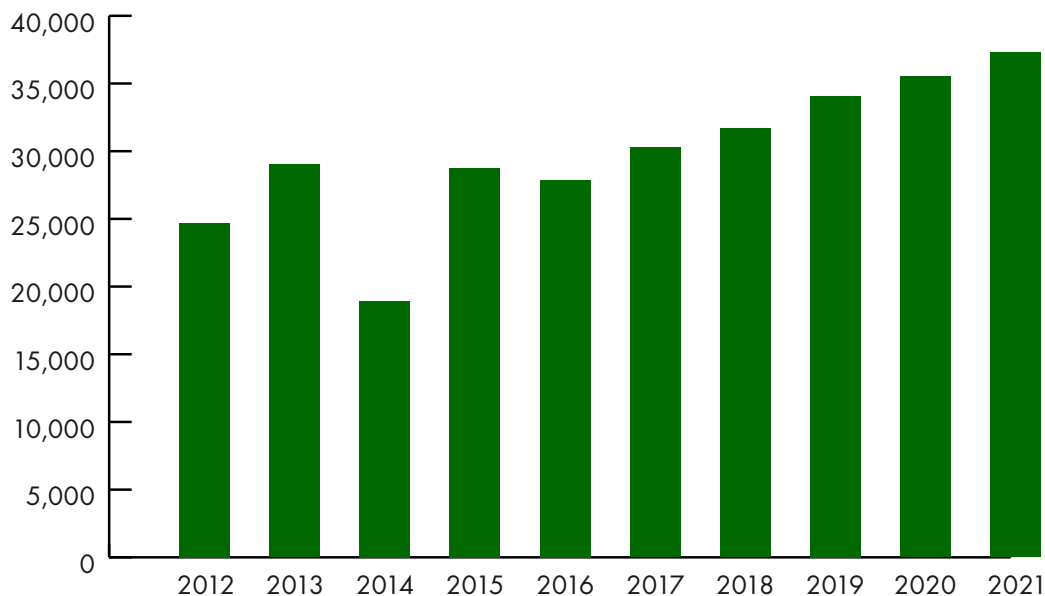
Just as in the previous year, 2021 saw an increase in the volume of the short-term portfolio. This increase totalled CZK 2,208.35 million. The transfer to the short-term portfolio involved new financial resources (received contributions and income from financial reserves) in particular. At the end of 2021, the volume of the short-term portfolio stood at CZK 34,288.64 million and thus accounted for 92% of the total reserves of the Deposit Insurance Fund. During the year, the financial reserves managed under the short-term portfolio were invested mainly in short-term repo operations with bills issued by the Czech National Bank.

In 2021, the HTM portfolio was maintained by reinvestments made at roughly the same level as in the previous years. In 2021, the volume of the HTM portfolio decreased by maturing bonds with a nominal value of CZK 789.2 million but, at the same time, new bonds with a nominal value of CZK 500 million were purchased for this portfolio. The total value of the HTM portfolio reached CZK 2,991 million by the end of 2021, accounting for 8% of the financial reserves of the Deposit Insurance Fund.

In 2021, the AFS portfolio was terminated. During 2021, all the bonds in this portfolio, with their nominal value totalling CZK 100 million, matured and no new bonds were purchased for this portfolio.

Graph 3 Development in the Volume of Financial Reserves in the Deposit Insurance Fund in the Past 10 Years

In CZK mil.



At the end of 2021, 92% of the financial reserves of the Deposit Insurance Fund was made up by short-term funds (deposits)

and 8% was comprised of domestic government bonds issued by the Ministry of Finance of the Czech Republic.

Table 5 **Structure of Financial Reserves by Instrument, as of 31 December 2021**

Type of instrument	Value in CZK mil.
Current accounts, term deposits, buy/sell and repo operations, receivables *	34,288.64
Bonds:	2,991.00
of which: Government bonds	2,991.00
Total	37,279.64

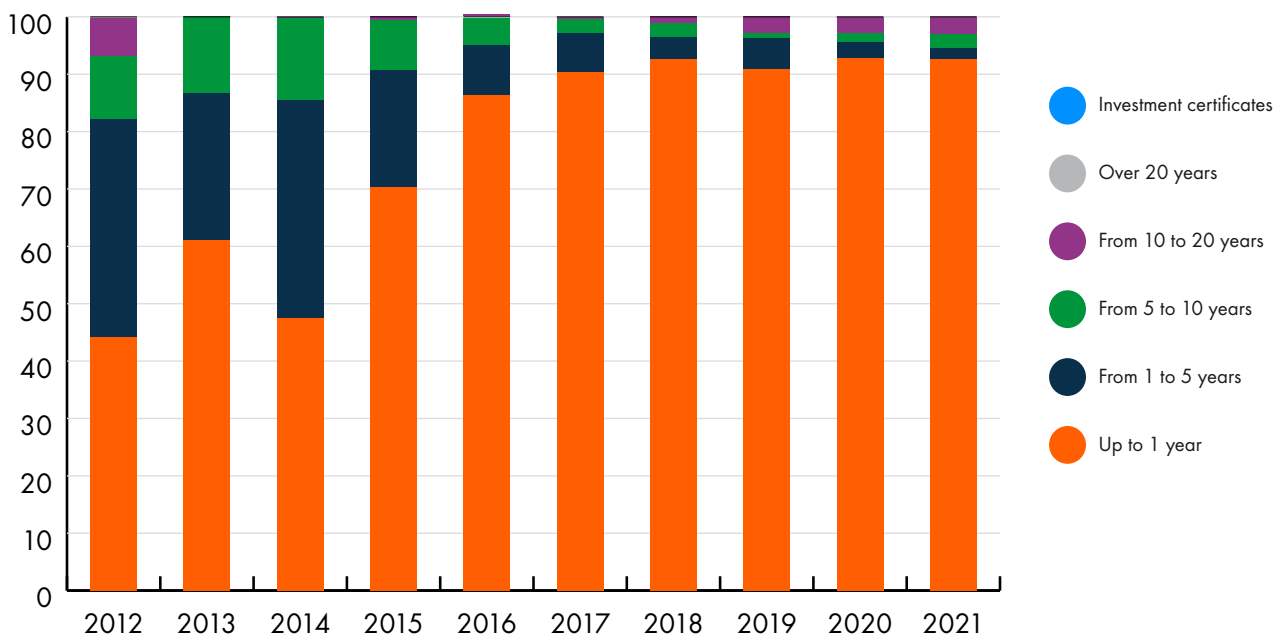
*Receivables arising from financial transactions and unpaid coupons

Instruments maturing within 1 year made up the largest share (92.7%) in the total volume of financial reserves, and the remaining portion of the portfolio is divided by maturity among

instruments maturing in 1 to 5 years (2.0%), 5 to 10 years (2.4%) and 10 to 20 years (2.9%).

Table 6 **Structure of Financial Reserves by Maturity, as of 31 December 2021**

Instrument maturity	Value in CZK mil.
Up to 1 year	34,550.39
From 1 to 5 years	741.13
From 5 to 10 years	885.63
From 10 to 20 years	1,102.49
Total	37,279.64

Graph 4 **Development of the Financial Reserve Structure by Maturity in the Past 10 Years**
in %

The total gross appreciation of Deposit Insurance Fund financial reserves for 2021 was 0.88% p.a., i.e. approximately CZK 318.69 million.

Main Cash Flows of the Deposit Insurance Fund – History

Table 7 **Summary of Income and Expenditure for 1994–2021**

(in CZK mil.)

I.	Income	86,777.12
	Contributions from banks and cooperative credit unions	61,721.90
	Income from judicial composition and bankruptcy proceedings	13,709.79
	Refunds of disbursed compensation	130.51
	Returned advance payments of non-disbursed compensation	89.66
	Interest received and other revenues	8,125.26
	– <i>investment revenue</i>	8,017.86
	– <i>other financial revenue</i>	107.40
	Loans received	3,000.00
II.	Expenditure	49,484.85
	Compensation for deposits disbursements	45,881.81
	Operating costs	481.82
	Operating costs of the Crisis Resolution Fund ¹	0.06
	Interest paid	121.16
	Loan repayments	3,000.00
III	Difference between income and expenditure	37,292.27

¹ In 2021, the actual operating costs of the Crisis Resolution Fund were higher by CZK 63,430.53 than the advance payments for operating costs provided from the Operational Fund of the Crisis Resolution Fund. The difference will be settled after approval of the financial statements.

VII. ACTIVITIES IN CRISIS MANAGEMENT IN 2021

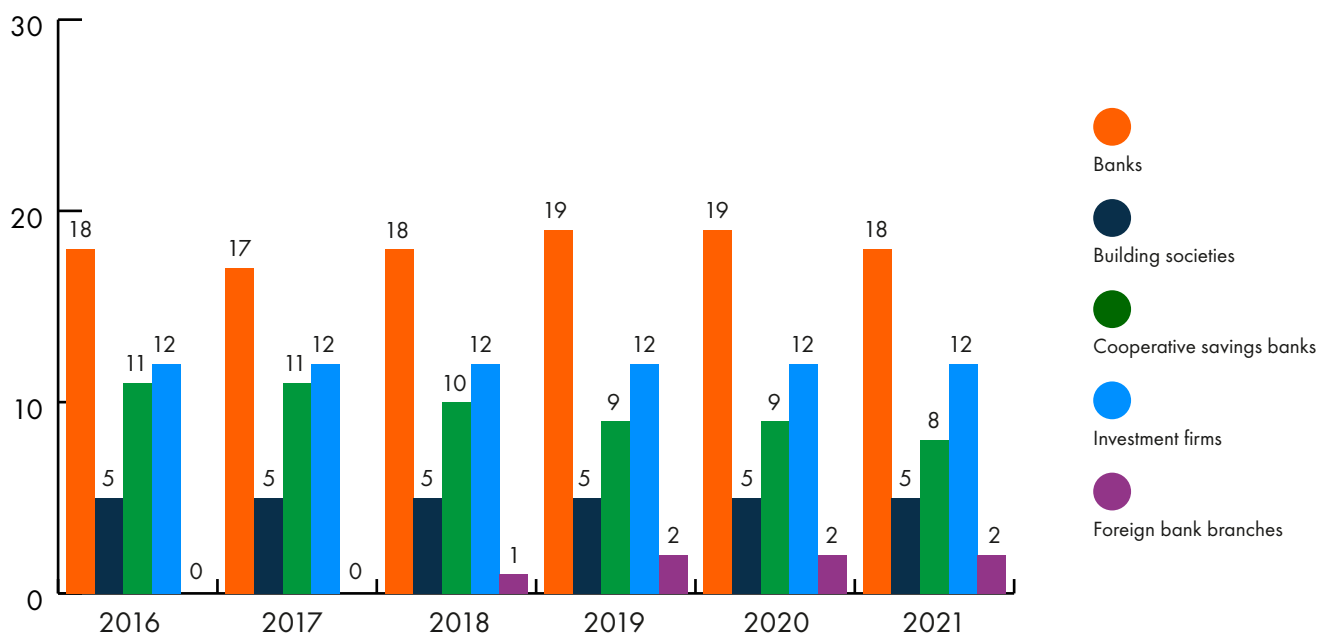
Contributions to the Crisis Resolution Fund

The amount of contributions to the Crisis Resolution Fund is determined by the Czech National Bank following discussion with the Financial Market Guarantee System, in accordance with Commission Delegated Regulation (EU) 2015/63 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements. The Czech National Bank is obliged to take into account that the target volume of assets in the Contribution Fund of the Crisis Resolution Fund must reach 1% of the total volume of covered deposit

receivables by 31 December 2024. The contribution for 2021 was set by the Czech National Bank in the amount of CZK 4,332.68 million. The objective is that the Crisis Resolution Fund will accumulate approximately CZK 36 billion in its Contribution Fund by 31 December 2024.

Institutions are obliged to pay contributions to the Crisis Resolution Fund based on the decision of the Czech National Bank regarding the amount of the specific contribution, issued by the Czech National Bank to the relevant financial institution by 1 May each year.

Graph 5 **Number of Institutions Contributing to the Crisis Resolution Fund Since Its Establishment in 2016**



Management of the Crisis Resolution Fund Portfolio

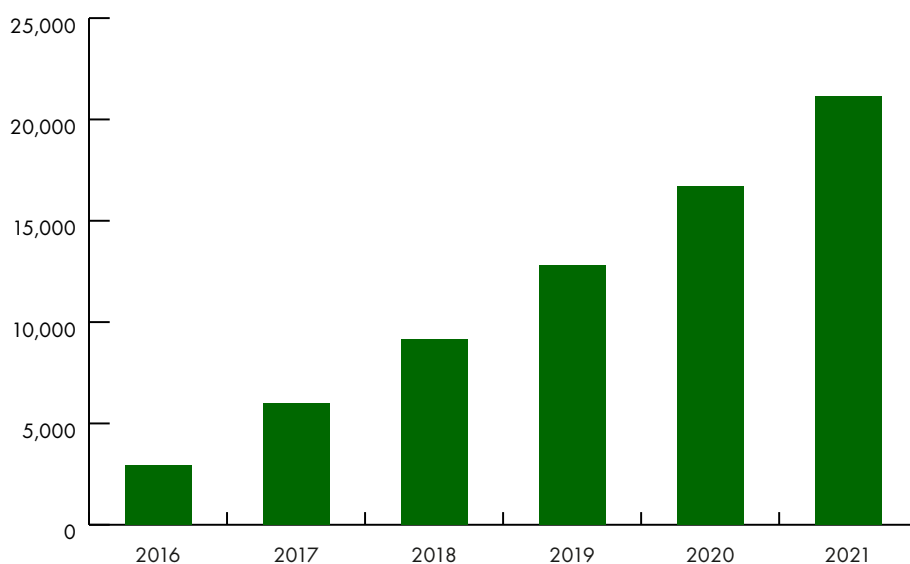
The value of financial reserves managed in the Crisis Resolution Fund reached CZK 21,150.44 million at the end of 2021. The total volume of contributions received this year to the Crisis Resolution Fund from financial institutions amounted to CZK 4,332.68 million, thus representing the main source of income. This amount was then completed with income from financial reserves for 2021, which was CZK 140.19 million.

During the year, the financial reserves managed under the short-term portfolio were invested in short-term repo operations with bills issued by the Czech National Bank. Thus, the performance of this portfolio was influenced by the level of the main two-week repo rate, which is reflected in money market yields.

The total gross appreciation of Crisis Resolution Fund financial reserves for 2021 was 0.71% p.a., i.e. approximately CZK 140.19 million.

Graph 6 Development in the Volume of Financial Reserves in the Crisis Resolution Fund Since Its Establishment in 2016

In CZK mil.



Main Cash Flows of the Crisis Resolution Fund

Table 8 Summary of Income and Expenditure for 2016–2021

(in CZK mil.)

A.	Contribution Fund	
I.	Income	20,637.72
	Contributions from financial institutions	20,637.72
II.	Expenditure	0.00
III.	Difference between income and expenditure	20,637.72
B.	Operational Fund	
I.	Income	530.98
	Interest received and other revenues	530.98
	– investment revenue	530.96
	– other financial revenue	0.02
II.	Expenditure	18.33
	Operating costs ¹	18.33
III.	Difference between income and expenditure	512.65

¹ In 2021, the actual operating costs of the Crisis Resolution Fund were higher by CZK 63,430.53 than the advance payments for operating costs provided from the Operational Fund of the Crisis Resolution Fund. The difference will be settled after approval of the financial statements.

VIII. PROVISION OF INFORMATION PURSUANT TO ACT NO. 106/1999 COLL., ON FREE ACCESS TO INFORMATION

In accordance with Section 18 (1) (a) of Act No. 106/1999 Coll., on Free Access to Information, as amended, the Financial Market Guarantee System informs that in 2021 it was delivered one request for the provision of information. The request was largely granted, while a part of the request was rejected. The information provided is available on the website of the Financial Market Guarantee System (<https://www.garancnisystem.cz/informace-poskytnute-na-zadost>).

In accordance with Section 18 (1) (b) to (f) of Act No. 106/1999 Coll., on Free Access to Information, as amended, the Financial Market Guarantee System also states that there are no other circumstances relating to the application of this Act which it is obliged to disclose in accordance with Section 18 of this Act.

IX. THE FINANCIAL MARKET GUARANTEE SYSTEM – INDEPENDENT AUDITOR’S REPORT



Independent auditor's report

to the Board of Directors of Garanční systém finančního trhu

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Garanční systém finančního trhu, with its registered office at Týn 639/1, Praha 1 (the "Company") as at 31 December 2021 and of the Company's financial performance for the year ended 31 December 2021 in accordance with Czech accounting legislation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2021,
- the income statement for the year ended 31 December 2021, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Other information

The Statutory Body is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the annual report but does not include the financial statements, financial statements of Fond pojištění vkladů and Fond pro řešení krize and auditor's reports thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed

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whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- 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 has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

Responsibilities of the Statutory Body and the Board of Directors of the Company for the financial statements

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

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

The Board of Directors of the Company is responsible for overseeing the 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 the Audit regulations 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 Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Body.
- conclude on the appropriateness of the Statutory Body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Body and the Board of Directors of the Company 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.

6 June 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

A handwritten signature in blue ink, appearing to read 'Eva Loulová', is written above the printed name.

Eva Loulová
Statutory Auditor, Licence No. 1981

FINANCIAL STATEMENTS

THE FINANCIAL MARKET

GUARANTEE SYSTEM	Registered office:	Týn 639/1, 110 00 Prague 1, Staré Město
	Identification number:	49710362
	Date of financial statements:	31 December 2021
	Date of preparation of financial statements	6 June 2022

Balance Sheet as of 31 December 2021

(CZK '000)

ASSETS	As of 1 January 2021	As of 31 December 2021
A. Total fixed assets	2,531,655	2,729,948
I. Intangible fixed assets – software	2,728	2,728
II. Tangible fixed assets	2,123	2,123
Works of art, objects and collections	320	320
Tangible assets and their sets	1,803	1,803
III. Total long-term investments	2,530,479	2,729,254
Debt securities held to maturity	2,530,479	2,729,254
IV. Total accumulated depreciation and amortisation of fixed assets	-3,675	-4,157
Accumulated amortisation of software	-2,382	-2,571
Accumulated depreciation of machinery and equipment	-1,293	-1,586
B. Total current assets	75,527,285	81,366,450
II. Total receivables	25,862,163	25,665,094
Operating advances paid	15	2
Receivables from employees	2	0
Other receivables	25,862,146	25,665,092
III. Total current financial assets	49,664,909	55,701,165
Cash in hand	41	22
Stamps and vouchers	266	318
Financial resources on accounts	48,763,361	55,439,074
Other securities	901,241	261,751
IV. Total other assets	213	191
Prepaid expenses	213	191
Total assets	78,058,940	84,096,398

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2021

Balance Sheet as of 31 December 2021

(CZK '000)

LIABILITIES	As of 1 January 2021	As of 31 December 2021
A. Total equity	78,053,883	84,089,786
I. Equity	73,205,277	78,919,268
Funds	73,204,414	78,919,268
Revaluation of assets and liabilities	863	0
II. Total profit/loss	4,848,606	5,170,518
Profit/loss account	397,164	419,990
Retained earnings	4,451,442	4,750,528
B. Total liabilities	5,057	6,612
III. Total current payables	5,057	6,612
Payables to suppliers	953	784
Employees	2,040	2,198
Other payables to employees	5	5
Payables to social security and public health insurance institutions	922	968
Other direct tax liabilities	603	541
Other payables	53	22
Estimated payables	481	2,094
Total equity and liabilities	78,058,940	84,096,398

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2021

Profit and Loss Account for the year ended 31 December 2021

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	14,497	0	14,497
1. Consumption of material	522	0	522
3. Repairs and maintenance	28	0	28
4. Travel expenses	61	0	61
5. Representation expenses	110	0	110
6. Other services	13,776	0	13,776
III. Personnel costs	19,176	0	19,176
10. Wages and salaries	13,876	0	13,876
11. Statutory social security insurance	4,377	0	4,377
13. Statutory social expenses	663	0	663
14. Other social expenses	260	0	260
IV. Taxes and fees	235	0	235
V. Other expenses	5,152	0	5,152
19. Foreign exchange losses	12	0	12
22. Sundry other expenses	5,140	0	5,140
VI. Depreciation and assets sold, creation and use of provisions and adjustments	482	0	482
23. Amortisation of intangible and depreciation of tangible fixed assets	482	0	482
Total expenses	39,542	0	39,542

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2021

Profit and Loss Account for the year ended 31 December 2021

(CZK '000)

	Main	Activity Economic	Total
B. Revenues			
IV. Other revenues	459,532	0	459,532
5. Contractual penalties and late payment interest, other fines and penalties	51	0	51
7. Interest revenue	458,881	0	458,881
10. Sundry other revenues	600	0	600
Total revenues	459,532	0	459,532
C. Profit/loss before tax	419,990	0	419,990
D. Profit/loss after tax	419,990	0	419,990

Within the meaning of Section 5a (1) of Decree No. 504/2002 Coll., as amended, the Financial Market Guarantee System performed only the main activities for which it was established, i.e. activities in deposit insurance (including the management of the Deposit Insurance Fund) and in the management of the Crisis Resolution Fund. The Financial Market Guarantee System did not perform any economic activity within the meaning of Section 5a (2) of the Decree (additional, secondary, business or other activity outside the main activity).

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2021

1 General Information

The Financial Market Guarantee System is a legal person governed by public law, which was originally called the Deposit Insurance Fund, established by Act No. 156/1994 Coll., amending Act No. 21/1992 Coll., on Banks, in its then valid version. With effect from 1 January 2016, based on Act No. 374/2015 Coll., on Financial Crisis Prevention and Resolution (the "AFCPR"), the Deposit Insurance Fund was transformed into the Financial Market Guarantee System.

The identification number of the Financial Market Guarantee System is 497 10 362. Based on Act No. 586/1992 Coll., on Income Taxes, as amended, the income of the Financial Market Guarantee System is exempt from income tax. The registered office of the Financial Market Guarantee System is Prague 1, Týn 639/1.

Membership of the Board of Directors in 2021 was as follows:

Name	Position
Dušan Hradil (until 31 July 2021)	Chairman
Tomáš Müller (from 1 September 2021)	
Karel Bauer	Vice-Chairman
Alex Ivančo	Member
Vladimír Staňura (until 31 July 2021)	Member
Monika Zahálková (from 1 August 2021)	
Radek Urban	Member

At the beginning of 2021, Dušan Hradil, Chairman of the Board of Directors, and Radek Urban, Member of the Board of Directors, were reappointed for further five-year terms. Ing. Vladimír Staňura stepped down as a member of the Board of Directors on 31 July 2021. The Minister of Finance appointed Ing. Monika Zahálková as a new member of the Board of Directors. The Chairman of the Board of Directors Ing. Dušan Hradil resigned from his office on 31 July 2021. The Minister of Finance appointed Mgr. Ing. Tomáš Müller as the new Chairman of the Board of Directors with effect from 1 September 2021.

Under legislation effective from 1 January 2016, the Management Board of the Financial Market Guarantee System is its statutory body. The Board of Directors remains the supreme body of the Financial Market Guarantee System with the powers listed in Section 201 of the AFCPR.

Membership of the Management Board in 2021 was as follows:

Name	Position
Renáta Kadlecová	Chairperson
Tomáš Hejduk	Member
Roman Kahánek	Member

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2021

As of 30 April 2022, JUDr. Tomáš Hejduk, resigned as a member of the Management Board. With effect from 1 May 2022, the Board of Directors of the Financial Market Guarantee System appointed Ing. Martin Hlavnička, who also serves as Risk Manager, as a new member of the Management Board.

The role of the Financial Market Guarantee System is the operation of a deposit insurance scheme in the Czech Republic, including the management of the Deposit Insurance Fund (Section 41a et seq. of Act No. 21/1992 Coll., on Banks, as amended) and the management of the Crisis Resolution Fund (Section 209 et seq. of the AFCPR). By performing these activities, the Financial Market Guarantee System contributes to the stability of the financial market.

1.1 Transformation of the Deposit Insurance Fund into the Financial Market Guarantee System

With effect from 1 January 2016, based on the AFCPR, the Deposit Insurance Fund was transformed into the Financial Market Guarantee System. This was not a “transformation” of a legal person within the meaning of Section 174 et seq. of Act No. 89/2012 Coll., the Civil Code (i.e. in the sense of a merger, division or change of legal form), but only a “change” consisting in particular of: a) a name change (Section 252 of the AFCPR), b) a change to the organisational structure (Section 199 et seq. of the AFCPR - a change to the statutory body, a listing of the powers of the Board of Directors, etc.) and c) an extension of the scope of activity (Section 198 of the AFCPR, on the management of assets in the Crisis Resolution Fund). We thus cannot speak of legal succession because there has been no transition of rights and obligations, and the legal person (holder of rights and obligations) has been retained (the same identification number).

1.2 Managed Funds (Nonentities)

In view of the retention of continuity of legal personality (the original Deposit Insurance Fund has changed into the Financial Market Guarantee System), while the funds managed by the Financial Market Guarantee System (the Deposit Insurance Fund and the Crisis Resolution Fund) have no legal personality (Section 198 (4) of the AFCPR), it is necessary to differentiate the Deposit Insurance Fund until 31 December 2015 (legal personality, change into the Financial Market Guarantee System) and the Deposit Insurance Fund from 1 January 2016 (nonentity made up of part of the assets of the Financial Market Guarantee System).

While the new nonentity called the Deposit Insurance Fund was de facto established by law on 1 January 2016 (see Section 254 of the AFCPR on allocation of assets and debts to the Deposit Insurance Fund), the Crisis Resolution Fund was established on the basis of Section 209 (1) of the AFCPR through the Statute of the Financial Market Guarantee System on 12 January 2016 (Article 5 of the Financial Market Guarantee System Statute).

1.3 Assets Placed in Funds

Section 198 (2) of the AFCPR states that the Financial Market Guarantee System manages assets created by the Deposit Insurance Fund, the Crisis Resolution Fund and other assets of the Financial Market Guarantee System. From the legal point of view, therefore, they are always assets of the Financial Market Guarantee System, located a) in the Deposit Insurance Fund, b) in the Crisis Resolution Fund, c) outside of both Funds (i.e. not a model of an investment company - mutual fund, when the assets in the mutual fund are not the assets of the investment company).

From the accounting point of view, the Financial Market Guarantee System, the Deposit Insurance Fund and the Crisis Resolution Fund are three separate accounting units, while the assets constituted by the Deposit Insurance Fund, the assets constituted by the Crisis Resolution Fund and other assets of the Financial Market Guarantee System are kept separately in asset and accounting terms

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2021

(Section 205 and Article 198 (2) of the AFCPR). Each of the accounting units has its own financial statements and their preparation is ensured by the Financial Market Guarantee System.

2 Accounting Policies

2.1 Bookkeeping

The Financial Market Guarantee System provides accounting for its own management and the management of the Deposit Insurance Fund and the Crisis Resolution Fund (the Fund for Deposit Insurance and the Crisis Resolution Fund collectively the "Funds") pursuant to Act No. 563/1991 Coll., on Accounting, as amended (the "Act on Accounting"), Implementing Decree No. 504/2002 Coll., implementing some provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units whose main business activity is not commercial business, if they use double-entry bookkeeping, as amended (the "Decree") and other legislation governing bookkeeping, and in accordance with the accounting methods specified therein.

The Financial Market Guarantee System and the Funds managed by it are separate accounting units ("accounting units"). The Financial Market Guarantee System records the status and movement of assets and liabilities, costs and revenues, and profit or loss separately from the subject matter of its and other Funds' accounts. The bookkeeping for the subject of accounting is performed in ledgers kept separately for each accounting unit in a way that allows for the preparation of financial statements for each accounting unit.

The Financial Market Guarantee System provides for the verification of the Financial Market Guarantee System annual report (which describes the facts that are also reflected in the financial statements of the Financial Market Guarantee System and the individual managed Funds, and which is in all material respects consistent with the relevant financial statements of the Financial Market Guarantee System and the individual managed Funds) and the preparation of an auditor's report on the verification of the Financial Market Guarantee System annual report.

The Statute of the Financial Market Guarantee System states that the Financial Market Guarantee System performs the management of the Funds and that the Financial Market Guarantee System is entitled and bound by the legal relationships. From the point of view of the accounting, all the accounting documents (as well as the electronic registry service) will be recorded by the Financial Market Guarantee System.

The Financial Market Guarantee System Statute states that the Financial Market Guarantee System manages the Funds and that all activity is tied to the management of the Funds. In terms of the bookkeeping, all expenses, revenues, costs, income, receivables and payables are items for the individual Funds. The Financial Market Guarantee System, as a legal person, maintains all these accounting cases in its accounts and materially assigns them to the individual Funds.

2.2 System of Accounting and Retention of Accounting Documents

The accounting units that maintain full accounts use double-entry accounting for the status and movement of property and other assets, liabilities, including debts and other liabilities, costs and revenues, and profit or loss.

The accounting units use double-entry accounts for facts that are subject to accounting and these are recognized in the period to which they relate in time and in fact.

The Financial Market Guarantee System accounting period is the calendar year.

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The accounting units keep one set of accounts per accounting unit as a whole.

The accounting units maintain accounts as a set of accounting records using technical means, data carriers and software. An accounting record is data that are a record of all the facts relating to the maintenance of the accounts. The accounting units must record every fact relating to the maintenance of accounts exclusively through accounting records. Individual accounting records may be grouped into aggregate accounting records; such accounting records are in particular accounting documents, accounting entries, ledgers, the depreciation plan, inventory listings, accounting plans, financial statements and the annual report.

The accounting units maintain their accounts in the Czech currency.

The accounting units maintain their accounts in the Czech language. Accounting documents may be drawn up in a foreign language only if the condition of comprehensibility is fulfilled.

The accounting units capture the facts that are the subject of the accounts (“accounting cases”) through accounting documents.

The accounting units record accounting cases in ledgers (“accounting entries”) only on the basis of probative accounting records.

The accounting units keep accounts in such a way that the financial statements prepared on their basis are comprehensible and provide a true and fair view of the accounting unit’s accounts and financial situation.

The accounting units keep accounts in a correct, complete, probative, comprehensible and clear manner that ensures the continuity of the accounting records.

The accounting units keep their accounts in a way that ensures the continuity of the accounting records so that the accounting unit complies with its obligations relating to their retention under the Act on Accounting.

The Financial Market Guarantee System assigns another person to process the accounts of the accounting units on the basis of a contractual relationship in accordance with Section 5 of the Act on Accounting.

2.3 Scope of Bookkeeping, Accounting Documents, Accounting Records and Ledgers

The accounting units maintain their accounts in full scope.

The accounting documents are probative accounting records that must include:

- identification of the accounting document,
- the content of the accounting case and its participants,
- the monetary amount or information on the price per unit of measurement and an indication of the quantity,
- the moment of preparation of the accounting document,
- the moment of performance of the accounting case, if not identical to the moment of the preparation of the accounting document,
- the signature record of the person responsible for the accounting case and the signature record of the person responsible for its posting.

The accounting units prepare accounting documents without undue delay.

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The accounting entries are accounting records in ledgers.

The accounting units account in the following ledgers:

- in the journal(s) in which the accounting entries are organized in terms of time (chronologically) and which show the accounting of all the accounting cases in the accounting period,
- in the main ledger in which the accounting entries are organized on a factual (systematic) basis,
- in the books of analytical accounts detailing the accounting records of the main ledger.

2.4 Plan of Accounts

The accounting units prepare a plan of accounts for each accounting period within the meaning of the guideline chart of accounts, accounting methods, organization and marking of the items of financial statements, and the content definition of those items determined in the Decree. An accounting unit may supplement the plan of accounts during the accounting period.

The amounts in the analytical accounts books must correspond to the relevant aggregate cash amounts of the turnover or balance of the synthetic accounts to which these accounts are connected.

2.5 Financial Statements, Accounting Audit, Annual Report, Reporting Method

The accounting unit performs an inventory before the preparation of the financial statements.

The financial statements are an inseparable whole and comprise:

- balance sheet,
- profit and loss account,
- annex.

The Financial Market Guarantee System prepares an annual report.

The Financial Market Guarantee System publishes the annual report on its website after it is audited, and archives the original in paper form in accordance with the Filing and Shredding Rules.

2.6 Storage of Accounting Documents

The Executive Director of the Financial Market Guarantee System is responsible for organizing the storage of accounting documents, and may designate the person responsible for the storage of the accounting documents. The archiving of accounting documents is performed according to the Filing and Shredding Rules.

2.7 Accounting Methodological Guidelines

The accounting units prepare accounting methodological guidelines to comply with Directive No. 22 - Bookkeeping, in accordance with the Accounting Act and other statutory regulations.

The accounting methodological guidelines are approved by the Board of Directors of the Financial Market Guarantee System or by the Management Board on the basis of authorization granted by the Board of Directors.

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The accounting methodological guidelines will be updated by the accounting units if there is a change in legislation.

2.8 Assignment Procedures for Accounting Cases

2.8.1 Accounting Cases Directly Assignable to the Funds

2.8.1.1 These cases are charged by the Financial Market Guarantee System and directly assigned - posted - to the relevant Fund accounts.

2.8.1.2 These cases include, in particular, received contributions to the Funds and the investment of the financial reserves. Individual bank accounts are set up for the allocation of the contributions to the individual Funds. These accounts may also be used for investing assets in the individual Funds, unless separate bank accounts are established for this purpose. Accounting cases directly assignable to the Funds also include other accounting cases on these bank accounts, such as interest accrued or fees related to the management of these accounts.

2.8.2 Other Accounting Cases (for example, received invoices for rent, legal services, accounting, wages, depreciation, etc.)

2.8.2.1 Directly assignable accounting documents for individual funds that arise from invoicing (e.g. portfolio management fees), or where there is another possibility of direct assignment (for example, for legal services an annex with a breakdown of the purpose of legal representation by Fund). The Financial Market Guarantee System attributes and charges to the relevant Fund accounts according to the supporting criteria established from the accounting case.

2.8.2.2 In the event common accounting cases cannot be assigned to individual Funds under paragraph 2.8.2.1, this assignment will be made at a ratio determined as follows:

- a) To calculate the ratio of costs for managing the individual Funds, the cost-to-work ratio method is used for each Fund in the staff statements of work. Staff at the Financial Market Guarantee System prepare statements of work on a monthly basis.
- b) The ratio of the activities performed for each Fund will be calculated as of 31 December.
- c) The annual ratio calculated under point 2.8.2.2 (b) will be used to account for the advance ratio and will be balanced according to the actual status as of 31 December of the current year.
- d) The annual ratio calculated under point 2.8.2.2 (b) will be used to determine the advance ratio for the following accounting period.

2.8.3 The Financial Market Guarantee System proceeds with the assignment of expenses similarly as in paragraphs 2.8.1 and 2.8.2, for example, when paying for the purchase of technical equipment, when paying an advance for a future performance, when calculating anticipated costs or income, when paying a deposit or similar performances.

2.9 Providing Advances from the Deposit Insurance Fund and the Crisis Resolution Fund for the Operating Costs of the Financial Market Guarantee System

The Financial Market Guarantee System incurs expenditure connected with the management of the Deposit Insurance Fund and the Crisis Resolution Fund. Expenditure related to the management of the Crisis Resolution Fund is covered from the Operational Fund of the Crisis Resolution Fund.

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Expenditure related to the management of the Deposit Insurance Fund is covered from operating income, primarily from the investment income of the Deposit Insurance Fund.

The Financial Market Guarantee System establishes the budget of all accounting units prior to the start of the current year, and at the same time determines the amount of advances to be provided from the Deposit Insurance Fund and the Crisis Resolution Fund to cover operating costs. Advances can be provided in instalments.

Advances are settled with actual costs after the end of the accounting period.

Receivables and payables between the Deposit Insurance Fund and the Crisis Resolution Fund relating to the payment of operating costs are subject to an inventory during the preparation of the financial statements.

2.10 Basic Principles for Preparing the Financial Statements

The financial statements are compiled in accordance with accounting regulations applicable in the Czech Republic and with Czech Accounting Standards for units that are not primarily engaged in business activity. The financial statements are compiled at historical cost except for securities held for trading and available-for-sale securities, which are recognised at fair value, and securities held to maturity, which are valued at amortised costs. The financial statements are compiled on the assumption that the unit is able to continue as a going concern. The amounts in the financial statements and in the notes thereto are rounded to thousands of Czech korunas unless stated otherwise. When valuating assets and liabilities, the management considered the effects of the pandemic of the novel coronavirus that causes the COVID-19 disease.

2.11 Tangible Fixed Assets

Purchased tangible fixed assets are recognised at acquisition cost, which includes the price for which the assets were acquired and the expenses relating to the acquisition.

The depreciation of tangible fixed assets was calculated using the straight-line depreciation method, based on the estimated useful life of the assets. The depreciation period for personal computers, servers, printers etc. is 3 years. The depreciation period for passenger cars is 5 years. The depreciation period for strongboxes is 10 years. Works of art are not subject to depreciation.

Repair and maintenance expenses on tangible fixed assets are charged directly to expenses.

Tangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 40,000 per item are charged directly to expenses once they are put into use.

The amortisation of intangible fixed assets was calculated using the straight-line amortisation method over 3 years.

Intangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 60,000 per item are charged directly to expenses once they are put into use.

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2.12 Securities and Shares

The Financial Market Guarantee System classifies securities and shares as securities held for trading, available-for-sale securities and securities held to maturity.

Securities Held for Trading

Securities held for trading are securities held by the Financial Market Guarantee System for the purpose of transactions aimed at generating profit from price differences in the short term.

When purchased, securities and shares are recognised at acquisition cost, including transaction expenses. Securities held for trading are measured at fair value. The Financial Market Guarantee System uses the market value of securities as of the balance sheet date to calculate the fair value. The valuation of securities not traded on public markets is based on an expert opinion or a qualified estimate made by the Financial Market Guarantee System.

Interest income from securities held for trading is recognized as 'Interest revenue'.

Profit and loss arising from changes in the fair value of securities held for trading are recognised in the profit and loss account in the period in which they arise.

Available-for-Sale Securities

Available-for-sale securities are securities that are not intended for trading in the short term. These securities are classified as long-term investments.

When purchased, available-for-sale securities are recognised at acquisition cost, including transaction expenses, and subsequently measured at fair value at the balance sheet date.

Interest income from available-for-sale securities is recognized as 'Interest revenue'.

Changes in the fair value of available-for-sale securities are recognized in the balance sheet as 'Valuation differences from revaluation of assets and liabilities'.

Securities Held to Maturity

Securities held to maturity are financial assets with a fixed or predefined yield and fixed maturity, which the Financial Market Guarantee System intends and is able to hold until their maturity.

When purchased, securities held to maturity are recognised at acquisition cost, including transaction expenses, and subsequently valued at amortised costs.

Interest income from securities held to maturity includes accrued coupons, discounts and premiums on debt securities and is recognised as 'Interest revenue'.

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Repo and Buy/Sell Operations

Collateralized receivables as part of repo and buy-sell transactions are reported under 'Other receivables', including accrued interest. Interest from these transactions is recorded on an accruals basis for the duration of such a transaction and recognised as interest revenue.

2.13 Foreign Currency Conversions

Transactions carried out in foreign currencies are converted and posted at the exchange rate valid on the transaction date. All monetary assets and liabilities maintained in foreign currencies were converted at the exchange rate published by the Czech National Bank as of the balance sheet date. All foreign exchange gains and losses arising from the conversion of receivables and payables are recognised in the profit and loss account and are reported under 'Foreign exchange gains' and 'Foreign exchange losses'.

Exchange differences on securities that are measured at fair value and maintained in foreign currencies are considered to be part of their fair value measurement.

2.14 Contributions Received from Banks

Contributions to the Deposit Insurance Fund are posted directly to the account of the Funds included in the Deposit Insurance Fund's equity. The amount of contributions is set by the Czech National Bank by 31 May of the year in respect of which contributions are paid, while they are due by 30 June of the given year.

Contributions to the Crisis Resolution Fund are posted to the contributions fund of the Crisis Resolution Fund. The amount of contributions is determined by the Czech National Bank by 1 May of the respective year for which the contributions are paid, while they are due within the deadline set by the Czech National Bank.

2.15 Adjustments and Provisions

The Financial Market Guarantee System neither creates nor accounts for adjustments in accordance with Section 37 (1) of the Decree. The Financial Market Guarantee System neither creates nor accounts for provisions in accordance with Section 40 (1) of the Decree.

2.16 Payables to Bank Clients and Receivables Due from Banks that Could Not Meet their Commitments to Clients

In accordance with a decree of the Ministry of Finance of the Czech Republic and an internal accounting regulation governing accepted contributions, compensation disbursements and related cases, the commencement of disbursement, payables to clients of the banks for which the compensation is being disbursed, are posted by the Financial Market Guarantee System against the reduction in the above-mentioned account of the Funds included in equity. A receivable due from banks that could not meet their commitments to clients is posted in the same amount against the funds account in equity.

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2.17 Equity

Based on a decision of the Board of Directors of the Financial Market Guarantee System, the financial result (profit or loss from the current year) is transferred to Retained earnings / Retained losses from prior years or to Funds within the framework of the own resources of the Financial Market Guarantee System. The subsequent transfer of retained earnings from prior years from Retained earnings / Retained losses from prior years to Funds is possible if the Board of Directors of the Financial Market Guarantee System so decides.

2.18 Use of Estimates

The preparation of the financial statements requires that the Financial Market Guarantee System uses estimates and assumptions that influence the recognised values of assets and liabilities as of the date of the financial statements, and the recognised amounts of revenues and expenses for the reporting period. The Financial Market Guarantee System has defined these estimates and assumptions on the basis of all the relevant information available to the Deposit Insurance Fund. Nevertheless, the inherent nature of estimates means that the actual future values may differ from these estimates.

2.19 Subsequent Events

The impact of events that occurred between the balance sheet date and the date of preparation of the financial statements is reported in the accounting reports if such events provide additional information about facts that existed as of the balance sheet date.

In the event that between the balance sheet date and the date of preparation of the financial statements material events occurred reflecting facts that took place after the balance sheet date, the consequences of these events are described in the notes to the financial statements but are not posted to the financial statements.

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3 Additional Information on the Balance Sheet and Profit and Loss Account**3.1 Other Receivables**

(CZK '000)	As of 31 December 2021	As of 1 January 2021
Receivables from compensation disbursed	25,646,908	25,844,562
Receivables from duplicate payments	14,306	14,306
Other receivables	834	234
Receivables from unpaid contributions	3,044	3,044
Other receivables – total	25,665,092	25,862,146

Receivables from compensation disbursed include receivables due from banks and cooperative credit unions that failed to meet their commitments to clients; they amounted to CZK 25,646,908,000 as of 31 December 2021 (as of 1 January 2021: CZK 25,844,562,000).

Based on a measure of the Ministry of Finance of the Czech Republic, no adjustments were created for these receivables (see note 2.15). If there were an option to create an adjustment, the Financial Market Guarantee System would create a 90% adjustment for the Receivables from compensation for deposits disbursed.

3.2 Debt Securities Held to Maturity**Debt Securities Held to Maturity at Amortised Costs:**

(CZK '000)	As of 31 December 2021	As of 1 January 2021
Debt securities held to maturity	2,991,005	3,330,718

Czech government bonds represented 100% of the value of held-to-maturity securities as of 31 December 2021 (the same as of 1 January 2021). The value of the bonds in market terms reached CZK 2,839,512,000 as of 31 December 2021 (as of 1 January 2021: CZK 3,555,430,000). As of 31 December 2021, the accrued value of securities held to maturity and maturing in more than 1 year stood at CZK 2,729,254,000 (as of 1 January 2021: CZK 2,530,479,000) and is shown under assets in Part A.III. Debt securities held to maturity. As of 31 December 2021, the accrued value of securities held to maturity and maturing within 1 year stood at CZK 261,751,000 (as of 1 January 2021: CZK 800,239,000) and is shown under assets in Part B.III. Other securities.

3.3 Miscellaneous Long-Term Financial Assets**Market Value of Securities Held Within the Available-for-Sale Securities Portfolio:**

(CZK '000)	As of 31 December 2021	As of 1 January 2021
Debt securities	0	101,002

As of 31 December 2021, the Financial Market Guarantee System held no debt securities within the available-for-sale securities portfolio (as of 1 January 2021: CZK 101,002,000). As of 31 December 2021, the nominal value of bonds stood at CZK 0 (as of 1 January 2021: CZK 100,000,000). With regard to the fact that, as of 1 January 2021, the maturity of these bonds was shorter than 1 year, they were shown as assets in Part B.III. Other securities.

Czech government bonds accounted for 100% of the value of these securities as of 1 January 2021.

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3.4 Statement of Changes on the Funds Account

The Financial Market Guarantee System has no registered capital. Its equity consists of the Funds account, valuation differences from revaluation of assets and liabilities and the financial result (i.e. profit/loss).

Statement of Changes on the Funds Account:

(CZK '000)	2021	2020
Deposit Insurance Fund:		
Opening balance – 1 January	56,619,372	55,473,715
Contributions received (see note 3.6.)	1,284,093	1,145,657
New receivables due from banks in insolvency and liquidation	52,347	0
Compensation disbursement	–52,347	0
Closing balance – 31 December	57,903,464	56,619,372

In 2021, the Financial Market Guarantee System commenced the disbursement of deposit compensation to the clients of Československé úvěrní družstvo.

(CZK '000)	2021	2020
Crisis Resolution Fund:		
Opening balance – 1 January	16,585,042	12,615,375
of which:		
Contribution Fund		
Opening balance – 1 January	16,305,037	12,541,862
Contributions received (see note 3.6.)	4,332,684	3,763,175
Closing balance – 31 December	20,637,721	16,305,037
Operational Fund		
Opening balance – 1 January	280,005	73,513
Operating revenue	101,669	209,931
Management costs	–3,591	–3,439
Closing balance – 31 December	378,083	280,005
Closing balance – 31 December	21,015,804	16,585,042

3.5 Liabilities

Estimated payables amounted to CZK 2,094,000 (1 January 2021: CZK 481,000). The increase represents the fixed annual fee for the maintenance of the payout system, which is paid after the end of the relevant calendar year.

Payables from social security and health insurance as of 31 December 2021 were CZK 968,000 (1 January 2021: CZK 922,000), of which CZK 561,000 (1 January 2021: CZK 532,000) is social security payables and CZK 407,000 (1 January 2021: CZK 390,000) is health insurance payables.

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Tax liabilities amounted to CZK 541,000 (1 January 2020: CZK 603,000).

None of these payables were overdue.

3.6 Contributions from Banks

The contributions are recognised on the basis of being actually received and are not recorded on an accruals basis (see note 2.14.).

(CZK '000)	2021	2020
Contributions received from banks	5,616,777	4,908,832

By 31 May 2021, contributions to the Crisis Resolution Fund totalled CZK 4,332,684,000 and by 30 June 2021, contributions to the Deposit Insurance Fund totalled CZK 1,277,021,000. At the same time, the Financial Market Guarantee System received CZK 7,072,000 from the Austrian deposit insurance scheme S-Haftungs GmbH, as a share of the contribution paid in the last 12 months for deposits transferred to Česká spořitelna, a.s. in connection with the sale of branches of the Austrian bank Waldviertler Sparkasse Bank AG operating in the Czech Republic. By 31 May 2020, contributions to the Crisis Resolution Fund totalled CZK 3,763,175,000 and by 30 June 2020, contributions to the Deposit Insurance Fund totalled CZK 1,145,657,000.

3.7 Summary of Revenues and Expenses of the Current Accounting Period

(CZK '000)	2021	2020
Revenues:		
Contractual penalties, late payment interest, other fines and penalties	51	0
Interest revenue	458,881	435,769
Foreign exchange gains	0	38
Other revenues (see note 3.8.)	600	83
Total	459,532	435,890
Expenses:		
Amortisation of intangible and depreciation of tangible fixed assets	-482	-812
Purchases consumed	-522	-574
Services	-13,975	-13,588
Personnel costs	-19,176	-18,800
Taxes and fees	-235	-24
Foreign exchange losses	-12	-30
Other expenses (see note 3.8.)	-5,140	-4,898
Total	-39,542	-38,726

The 2021 profit of CZK 419,990,000 is made up of the profit of the Deposit Insurance Fund totalling CZK 285,375,000 and of the profit of the Crisis Resolution Fund amounting to CZK 134,615,000. The profit of the Deposit Insurance Fund is proposed for transfer to retained earnings from prior years, and the profit of the Crisis Resolution Fund is proposed for transfer to the Operational Fund of the Crisis Resolution Fund.

The average number of employees of the Financial Market Guarantee System is ten, of which one is a management employee. Total wage costs in 2021 amounted to CZK 13,876,000 (2020: CZK 13,866,000).

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3.8 Other Revenues and Other Expenses

(CZK '000)	2021	2020
Revenues:		
Other	600	83
Total	600	83
Expenses:		
Other	-5,140	-4,898
Total	-5,140	-4,898

The item 'Other revenues' includes the fee for the performance of duties as a member of the creditors' committee in the cooperative credit union UNIBON. The item 'Other expenses' primarily includes bank fees, fees associated with the management of financial reserves, insurance premiums including statutory employee insurance, and membership fees to international organizations.

In 2021, the auditor PricewaterhouseCoopers Audit, s.r.o. was reimbursed for the statutory audit of the financial statements for 2020. The auditor's fee was CZK 442,000 (2020: CZK 472,000).

In 2021, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 106,000 (2020: CZK 92,000) in connection with liability insurance for the members of the Board of Directors and the members of the Management Board for damage caused when exercising their functions.

3.9 Reimbursement of the Costs of the Financial Market Guarantee System

Pursuant to Section 207 (2) of the AFCPR, the Financial Market Guarantee System has the right to the reimbursement of costs incurred in connection with the management of the Deposit Insurance Fund and the Crisis Resolution Fund, and this from the Deposit Insurance Fund and from the Operational Fund of the Crisis Resolution Fund. In 2021, the Financial Market Guarantee System only incurred costs connected with the management of the two Funds.

The total costs incurred by the Financial Market Guarantee System in connection with the management of the two Funds in 2021 totalled CZK 34,971,000 (2020: CZK 34,198,000), of which CZK 30,921,000 (2020: CZK 30,639,000) was expenses related to the management of the Deposit Insurance Fund and CZK 4,050,000 (2020: CZK 3,559,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Deposit Insurance Fund of CZK 30,921,000 (2020: CZK 30,639,000) are covered from the resources of the Deposit Insurance Fund. The expenses related to the management of the Crisis Resolution Fund of CZK 4,050,000 (2020: CZK 3,559,000) were covered from the Operational Fund of the Crisis Resolution Fund.

3.10 Litigation

As of 31 December 2021, the Financial Market Guarantee System was not involved as a defendant in any litigation where the subject matter of the dispute was for a principal amount in excess of CZK 5 million.

The plaintiff ASSETWISE Limited was ordered by courts at various levels of proceedings to pay the following amounts to the Financial Market Guarantee System, being the defendant: CZK 3,691,471.09 as the cost of proceedings before the court of first

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instance, CZK 1,473,728.51 as the cost of proceedings before the court of appeal and CZK 734,954 as the cost of proceedings before the court of final appeal. Thus, the costs of proceedings awarded by courts of all levels total CZK 5,900,153.60. This is a receivable belonging to the assets in the Deposit Insurance Fund, because the litigation in question involved only the assets of the original Deposit Insurance Fund before its transformation into the Financial Market Guarantee System as of 1 January 2016 (the litigation was initiated in 2012).

In connection with the recovery of costs of proceedings against this company, the legal counsel of the Financial Market Guarantee System contacted a Cypriot law firm, which stated in its memorandum of 20 June 2019 that (a) no real estate of the debtor had been identified in the Republic of Cyprus and (b) the debtor had no bank accounts in the Republic of Cyprus. The summary of findings further states that the debtor has never registered for social insurance, has not reported any accounts to the tax authority during the last two years and has never registered for value added tax. Considering the foregoing, the Financial Market Guarantee System does not account for this claim. The final decision on further course of action in respect of this claim will be made before expiration of the period for enforceability of the court decision in the Republic of Cyprus, i.e. before 13 January 2024 or before 21 December 2024, in the case of a decision of the court of final appeal.

3.11 Subsequent Events

No events took place after the balance sheet date which could have a material impact on the Financial Market Guarantee System financial statements as of 31 December 2021.

In late February 2022, one consequence of the war in Ukraine was a run on Sberbank CZ, a.s., which is indirectly owned by the Russian government. With regard to the fact that the bank was not able to pay out deposits to its clients, on 28 February 2022 the Czech National Bank released a Notice on Inability of Sberbank CZ, a.s. to Honour Its Obligations to Clients. Based on this notice, on 9 March 2022 the Financial Market Guarantee System commenced the disbursement of deposit compensation to the clients of this bank. The expected deposit compensation will total about CZK 26 billion and will thus have a significant impact on the financial results of the Financial Market Guarantee System or the Deposit Insurance Fund in 2022.

The financial statements were approved by the Board of Directors of the Financial Market Guarantee System.

Prague, 6 June 2022



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Roman Kahánek

Member of the Management Board and Financial Manager

X. THE DEPOSIT INSURANCE FUND – INDEPENDENT AUDITOR'S REPORT



Independent auditor's report

to the Board of Directors of Garanční systém finančního trhu

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the fund Fond pojištění vkladů, with its registered office at Tyn 639/1, Praha 1 (the "Fund") as at 31 December 2021 and of the Fund's financial performance for the year ended 31 December 2021 in accordance with Czech accounting legislation.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2021,
- the income statement for the year ended 31 December 2021, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Fund and the company Garanční systém finančního trhu (Fund manager) in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Responsibilities of the Statutory Body and the Board of Directors of the company Garanční systém finančního trhu for the financial statements of the Fund

The Statutory Body of Garanční systém finančního trhu is responsible for the preparation of the financial statements of the Fund that give true and fair view in accordance with Czech accounting legislation and for such internal control as the Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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The Board of Directors of Garanční systém finančního trhu is responsible for overseeing the 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 the Audit regulations 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 Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the Statutory Body and the Board of Directors of Garanční systém finančního trhu 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.

6 June 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

A handwritten signature in blue ink, appearing to read 'Eva Loulová'.

Eva Loulová
Statutory Auditor, Licence No. 1981

FINANCIAL STATEMENTS

The Deposit Insurance Fund

Date of financial statements: 31 December 2021

Date of preparation of financial statements: 6 June 2022

Balance Sheet as of 31 December 2021

(CZK '000)

ASSETS	As of 1 January 2021	As of 31 December 2021
A. Total fixed assets	2,531,588	2,729,901
I. Intangible fixed assets – software	2,728	2,728
II. Tangible fixed assets	2,034	2,034
Works of art, objects and collections	290	290
Tangible assets and their sets	1,744	1,744
III. Long-term investments – bonds, debentures and similar securities held to maturity	2,530,479	2,729,254
Debt securities held to maturity	2,530,479	2,729,254
IV. Total accumulated depreciation and amortisation of fixed assets	-3,653	-4,115
Accumulated amortisation of software	-2,382	-2,571
Accumulated depreciation of machinery and equipment	-1,271	-1,544
B. Total current assets	58,844,232	60,216,078
II. Total receivables	25,862,183	25,665,157
Operating advances paid	15	2
Receivables from employees	2	0
Other receivables	25,862,166	25,665,155
III. Total current financial assets	32,981,836	34,550,730
Cash in hand	41	22
Stamps and vouchers	266	318
Financial resources on accounts	32,080,288	34,288,639
Other securities	901,241	261,751
IV. Total other assets	213	191
Prepaid expenses	213	191
Total assets	61,375,820	62,945,979

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

Balance Sheet as of 31 December 2021

(CZK '000)

LIABILITIES	As of 1 January 2021	As of 31 December 2021
A. Total equity	61,370,763	62,939,367
I. Equity – funds	56,620,235	57,903,464
Funds	56,619,372	57,903,464
Revaluation of assets and liabilities	863	0
II. Total profit/loss	4,750,528	5,035,903
Profit/loss account	299,086	285,375
Retained earnings	4,451,442	4,750,528
B. Total liabilities	5,057	6,612
III. Total current payables	5,057	6,612
Payables to suppliers	953	784
Employees	2,040	2,198
Other payables to employees	5	5
Payables to social security and public health insurance institutions	922	968
Other direct tax liabilities	603	541
Other payables	53	22
Estimated payables	481	2,094
Total equity and liabilities	61,375,820	62,945,979

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

Profit and Loss Account for the year ended 31 December 2021

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	12,993	0	12,993
1. Consumption of material	459	0	459
3. Repairs and maintenance	25	0	25
4. Travel expenses	53	0	53
5. Representation expenses	97	0	97
6. Other services	12,359	0	12,359
III. Personnel costs	16,867	0	16,867
10. Wages and salaries	12,205	0	12,205
11. Statutory social security insurance	3,850	0	3,850
13. Statutory social expenses	583	0	583
14. Other social expenses	229	0	229
IV. Taxes and fees	125	0	125
V. Other expenses	3,523	0	3,523
19. Foreign exchange losses	11	0	11
22. Sundry other expenses	3,512	0	3,512
VI. Depreciation, assets sold, creation and use of provisions and adjustments	462	0	462
23. Amortisation of intangible and depreciation of tangible fixed assets	462	0	462
Total expenses	33,970	0	33,970

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

Profit and Loss Account for the year ended 31 December 2021

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Other revenues	319,345	0	319,345
5. Contractual penalties and late payment interest, other fines and penalties	51	0	51
7. Interest revenue	318,694	0	318,694
10. Sundry other revenues	600	0	600
Total revenues	319,345	0	319,345
C. Profit/loss before tax	285,375	0	285,375
D. Profit/loss after tax	285,375	0	285,375

Within the meaning of Section 5a (1) of Decree No. 504/2002 Coll., as amended, the Financial Market Guarantee System performed only the main activities for which it was established in terms of the management of the Deposit Insurance Fund. Nor did the Financial Market Guarantee System perform any economic activity within the meaning of Section 5a (2) of the Decree (additional, secondary, business or other activity outside the main activity).

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

1 General Information

The Deposit Insurance Fund is an accounting unit managed by the Financial Market Guarantee System, a legal person governed by public law, which was established under its original name the Deposit Insurance Fund by Act No. 156/1994 Coll., amending Act No. 21/1992 Coll., on Banks, in its then valid version. With effect from 1 January 2016, based on Act No. 374/2015 Coll., on Financial Crisis Prevention and Resolution (the "AFCPR"), the Deposit Insurance Fund was transformed into the Financial Market Guarantee System.

The identification number of the Financial Market Guarantee System is 497 10 362. Based on Act No. 586/1992 Coll., on Income Taxes, as amended, the income of the Financial Market Guarantee System is exempt from income tax. The registered office of the Financial Market Guarantee System is Prague 1, Týn 639/1.

Under legislation effective from 1 January 2016, the Management Board of the Financial Market Guarantee System is its statutory body. The Board of Directors remains the supreme body of the Financial Market Guarantee System with the powers listed in Section 201 of the AFCPR.

The role of the Financial Market Guarantee System is the operation of a deposit insurance scheme in the Czech Republic, including the management of the Deposit Insurance Fund (Section 41 et seq. of Act No. 21/1992 Coll., on Banks, as amended) and the management of the Crisis Resolution Fund (Section 209 et seq. of the AFCPR). By performing these activities, the Financial Market Guarantee System contributes to the stability of the financial market.

1.1 Transformation of the Deposit Insurance Fund into the Financial Market Guarantee System

With effect from 1 January 2016, based on the AFCPR, the Deposit Insurance Fund was transformed into the Financial Market Guarantee System. This was not a "transformation" of a legal person within the meaning of Section 174 et seq. of Act No. 89/2012 Coll., the Civil Code (i.e. in the sense of a merger, division or change of legal form), but only a "change" consisting in particular of: a) a name change (Section 252 of the AFCPR), b) a change to the organisational structure (Section 199 et seq. of the AFCPR - a change to the statutory body, a listing of the powers of the Board of Directors, etc.) and c) an extension of the scope of activity (Section 198 of the AFCPR, on the management of assets in the Crisis Resolution Fund). We thus cannot speak of legal succession because there has been no transition of rights and obligations, and the legal person (holder of rights and obligations) has been retained (the same identification number).

1.2 Managed Funds (Nonentities)

In view of the retention of continuity of legal personality (the original Deposit Insurance Fund has changed into the Financial Market Guarantee System), while the funds managed by the Financial Market Guarantee System (the Deposit Insurance Fund and the Crisis Resolution Fund) have no legal personality (Section 198 (4) of the AFCPR), it is necessary to differentiate the Deposit Insurance Fund until 31 December 2015 (legal personality, change into the Financial Market Guarantee System) and the Deposit Insurance Fund from 1 January 2016 (nonentity made up of part of the assets of the Financial Market Guarantee System).

While the new nonentity the Deposit Insurance Fund was de facto established by law on 1 January 2016 (see Section 254 of the AFCPR on allocation of assets and debts to the Deposit Insurance Fund), the Crisis Resolution Fund was established on the basis of Section 209 (1) of the AFCPR through the Statute of the Financial Market Guarantee System on 12 January 2016 (Article 5 of the Financial Market Guarantee System Statute).

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

1.3 Assets Placed in Funds

Section 198 (2) of the AFCPR states that the Financial Market Guarantee System manages assets created by the Deposit Insurance Fund, the Crisis Resolution Fund and other assets of the Financial Market Guarantee System. From the legal point of view, therefore, they are always assets of the Financial Market Guarantee System, located a) in the Deposit Insurance Fund, b) in the Crisis Resolution Fund, c) outside of both Funds (i.e. not a model of an investment company - mutual fund, when the assets in the mutual fund are not the assets of the investment company).

From the accounting point of view, the Financial Market Guarantee System, the Deposit Insurance Fund and the Crisis Resolution Fund are three separate accounting units, while the assets constituted by the Deposit Insurance Fund, the assets constituted by the Crisis Resolution Fund and other assets of the Financial Market Guarantee System are kept separately in asset and accounting terms (Section 205 and Article 198 (2) of the AFCPR). Each of the accounting units has its own financial statements and their preparation is ensured by the Financial Market Guarantee System.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

2 Accounting Policies

2.1 Bookkeeping

The Financial Market Guarantee System provides accounting for the management of the Deposit Insurance Fund pursuant to Act No. 563/1991 Coll., on Accounting, as amended (the "Act on Accounting"), Implementing Decree No. 504/2002 Coll., implementing some provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units whose main business activity is not commercial business, if they use double-entry bookkeeping, as amended (the "Decree") and other legislation governing bookkeeping, and in accordance with the accounting methods specified therein.

The Deposit Insurance Fund is a separate accounting unit ("accounting unit").

The Financial Market Guarantee System records the status and movement of assets and liabilities, costs and revenues, and profit or loss of the Deposit Insurance Fund. The accounting for the subject of accounting is performed in ledgers kept separately for the Deposit Insurance Fund in a way that allows for the preparation of financial statements for the Deposit Insurance Fund.

The Statute of the Financial Market Guarantee System states that the Financial Market Guarantee System performs the management of the Deposit Insurance Fund and that the Financial Market Guarantee System is entitled and bound by the legal relationships. From the point of view of the accounting, all the accounting documents (as well as the electronic registry service) will be recorded in the Financial Market Guarantee System.

The Financial Market Guarantee System Statute states that the Financial Market Guarantee System manages the Deposit Insurance Fund and the Crisis Resolution Fund (the "Funds") and that all activity is tied to the management of the Funds. In terms of the bookkeeping, all expenses, revenues, costs, income, receivables and payables are items for the individual Funds. The Financial Market Guarantee System, as a legal person, maintains all these accounting cases in its accounts and materially assigns them to the individual Funds.

2.2 System of Accounting and Retention of Accounting Documents

The Financial Market Guarantee System maintains full accounts for the Deposit Insurance Fund and uses double-entry accounting for the status and movement of property and other assets, payables, including debts and other liabilities, costs and revenues, and profit or loss.

Double-entry records are kept of all facts that are subject to accounting and these are recognized in the period to which they relate in time and in fact.

The accounting period for the Deposit Insurance Fund is the calendar year.

The Financial Market Guarantee System maintains a single bookkeeping for the Deposit Insurance Fund for the accounting unit as a whole.

The bookkeeping is maintained as a set of accounting records using technical means, data carriers and software. An accounting record is data that are a record of all the facts relating to the maintenance of the accounts. The accounting units must record every fact relating to the maintenance of accounts exclusively through accounting records. Individual accounting records may be grouped

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

into aggregate accounting records; such accounting records are in particular accounting documents, accounting entries, ledgers, the depreciation plan, inventory listings, accounting plans, financial statements and the annual report.

The bookkeeping is maintained in the Czech currency.

The bookkeeping is maintained in the Czech language. Accounting documents may be drawn up in a foreign language only if the condition of comprehensibility is fulfilled.

Facts that are the subject of the accounts ("accounting cases") are captured through accounting documents.

Accounting cases are recorded in ledgers ("accounting entries") only on the basis of probative accounting records.

The bookkeeping is kept in such a way that the financial statements prepared on its basis are comprehensible and provide a true and fair view of the accounting unit's accounts and financial situation.

The bookkeeping is kept in a correct, complete, probative, comprehensible, clear manner that ensures the continuity of the accounting records.

The bookkeeping is kept in a way that ensures the continuity of the accounting records so that the accounting unit complies with its obligations relating to their retention under the Act on Accounting.

The Financial Market Guarantee System assigns another person to process the accounts of the accounting unit on the basis of a contractual relationship in accordance with Section 5 of the Act on Accounting.

2.3 Scope of Bookkeeping, Accounting Documents, Accounting Records and Ledgers

The Financial Market Guarantee System maintains separate and full bookkeeping for the Deposit Insurance Fund.

The accounting documents are probative accounting records that must include:

- identification of the accounting document,
- the content of the accounting case and its participants,
- the monetary amount or information on the price per unit of measurement and an indication of the quantity,
- the moment of preparation of the accounting document,
- the moment of performance of the accounting case, if not identical to the moment of the preparation of the accounting document,
- the signature record of the person responsible for the accounting case and the signature record of the person responsible for its posting.

The accounting documents are prepared without undue delay.

The accounting entries are accounting records in ledgers.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

They are posted in the following ledgers:

- in the journal(s) in which the accounting entries are organized in terms of time (chronologically) and which show the accounting of all the accounting cases in the accounting period,
- in the main ledger in which the accounting entries are organized on a factual (systematic) basis,
- in the books of analytical accounts detailing the accounting records of the main ledger.

2.4 Plan of Accounts

The accounting unit prepares a plan of accounts for each accounting period within the meaning of the guideline chart of accounts, accounting methods, organization and marking of the items of financial statements, and the content definition of those items determined in the Decree. The plan of accounts may be supplemented during the accounting period. The amounts in the analytical accounts books must correspond to the relevant aggregate cash amounts of the turnover or balance of the synthetic accounts to which these accounts are connected.

2.5 Financial Statements, Accounting Audit

An inventory is performed before the preparation of the financial statements.

The financial statements are an inseparable whole and comprise:

- balance sheet,
- profit and loss account,
- annex.

2.6 Storage of Accounting Documents

The Executive Director of the Financial Market Guarantee System is responsible for organizing the storage of accounting documents, and may designate the person responsible for the storage of the accounting documents. The archiving of accounting documents is performed according to the Filing and Shredding Rules.

2.7 Accounting Methodological Guidelines

Accounting methodological guidelines are prepared to comply with Directive No. 22 - Bookkeeping, in accordance with the Accounting Act and other statutory regulations.

The accounting methodological guidelines are approved by the Board of Directors of the Financial Market Guarantee System or by the Management Board on the basis of an authorization granted by the Board of Directors.

The accounting methodological guidelines will be updated by the accounting unit if there is a change in legislation.

The Deposit Insurance Fund

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Year ended 31 December 2021

2.8 Assignment Procedures for Accounting Cases

2.8.1 Accounting Cases Directly Assignable to the Funds

2.8.1.1 These cases are charged by the Financial Market Guarantee System and directly assigned - posted - to the relevant Fund accounts.

2.8.1.2 These cases include, in particular, received contributions to the Funds and the investment of the financial reserves. Individual bank accounts are set up for the allocation of the contributions to the individual Funds. These accounts may also be used for investing assets in the individual Funds, unless separate bank accounts are established for this purpose. Accounting cases directly assignable to the Funds also include other accounting cases on these bank accounts, such as interest accrued or fees related to the management of these accounts.

2.8.2 Other Accounting Cases (for example, received invoices for rent, legal services, accounting, wages, depreciation, etc.)

2.8.2.1 Directly assignable accounting documents for individual funds that arise from invoicing (e.g. portfolio management fees), or where there is another possibility of direct assignment (for example, an annex with a breakdown of the purpose of legal representation by Fund for legal services). The Financial Market Guarantee System attributes and charges to the relevant Fund accounts according to the supporting criteria established from the accounting case.

2.8.2.2 In the event common accounting cases cannot be assigned to individual Funds under paragraph 2.8.2.1, this assignment will be made at a ratio determined as follows:

- To calculate the ratio of costs for managing the individual Funds, the cost-to-work ratio method is used for each Fund in the staff statements of work. Staff at the Financial Market Guarantee System prepare statements of work on a monthly basis.
- The ratio of the activities performed for each Fund will be calculated as of 31 December.
- The annual ratio calculated under point 2.8.2.2 (b) will be used to account for the advance ratio and will be balanced according to the actual status as of 31 December of the current year.
- The annual ratio calculated under point 2.8.2.2 (b) will be used to determine the advance ratio for the following accounting period.

2.8.3 The Financial Market Guarantee System proceeds with the assignment of expenses similarly to in paragraphs 2.8.1 and 2.8.2, for example, when paying for the purchase of technical equipment, when paying an advance for a future performance, when calculating anticipated costs or income, when paying a deposit or similar performances.

2.9 Providing Advances from the Deposit Insurance Fund for the Operating Costs of the Financial Market Guarantee System

The Financial Market Guarantee System incurs costs connected with the management of the Deposit Insurance Fund.

Expenditure related to the management of the Deposit Insurance Fund is covered from operating income, primarily from the investment income of the Deposit Insurance Fund.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

The Financial Market Guarantee System establishes the budget of all accounting units prior to the start of the current year, and at the same time determines the amount of advances to be provided from the Deposit Insurance Fund to cover operating costs. Advances can be provided in instalments.

Advances are settled with actual costs after the end of the accounting period.

Receivables and payables between the managed accounting units from the title of the payment of operating costs are subject to an inventory during the preparation of the financial statements.

2.10 Basic Principles for Preparing the Financial Statements

The financial statements are compiled in accordance with accounting regulations applicable in the Czech Republic and with Czech Accounting Standards for units that are not primarily engaged in business activity. The financial statements are compiled at historical cost except for securities held for trading and available-for-sale securities, which are recognised at fair value, and securities held to maturity, which are valued at amortised costs. The financial statements are compiled on the assumption that the unit is able to continue as a going concern. The amounts in the financial statements and in the notes thereto are rounded to thousands of Czech korunas unless stated otherwise. When valuating assets and liabilities, the management considered the effects of the pandemic of the novel coronavirus that causes the COVID-19 disease.

2.11 Tangible Fixed Assets

Purchased tangible fixed assets are recognised at acquisition cost, which includes the price for which the assets were acquired and the expenses relating to the acquisition.

The depreciation of tangible fixed assets was calculated using the straight-line depreciation method, based on the estimated useful life of the assets. The depreciation period for personal computers, servers, printers etc. is 3 years. The depreciation period for passenger cars is 5 years. The depreciation period for strongboxes is 10 years. Works of art are not subject to depreciation.

Repair and maintenance expenses on tangible fixed assets are charged directly to expenses.

Tangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 40,000 per item are charged directly to expenses once they are put into use.

The amortisation of intangible fixed assets was calculated using the straight-line amortisation method over 3 years.

Intangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 60,000 per item are charged directly to expenses once they are put into use.

2.12 Securities and Shares

The Deposit Insurance Fund classifies securities and shares as securities held for trading, available-for-sale securities and securities held to maturity.

The Deposit Insurance Fund

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Year ended 31 December 2021

Securities Held for Trading

Securities held for trading are securities held by the Financial Market Guarantee System for the Deposit Insurance Fund for the purpose of transactions aimed at generating profit from price differences in the short term.

When purchased, securities and interests are recognised at acquisition cost, including transaction expenses. Securities held for trading are measured at fair value. The market value of securities as of the balance sheet date is used to calculate the fair value. The valuation of securities not traded on public markets is based on an expert opinion or a qualified estimate made by the Financial Market Guarantee System.

Interest income from securities held for trading is recognized as 'Interest revenue'.

Profit and loss arising from changes in the fair value of securities held for trading are recognised in the profit and loss account in the period in which they arise.

Available-for-Sale Securities

Available-for-sale securities are securities that are not intended for trading in the short term. These securities are classified as long-term investments.

When purchased, available-for-sale securities are recognised at acquisition cost, including transaction expenses, and subsequently measured at fair value at the balance sheet date.

Interest income from available-for-sale securities is recognized as 'Interest revenue'.

Changes in the fair value of available-for-sale securities are recognized in the balance sheet as 'Valuation differences from revaluation of assets and liabilities'.

Securities Held to Maturity

Securities held to maturity are financial assets with a fixed or predefined yield and fixed maturity, where there is the intention and ability to hold until their maturity.

When purchased, securities held to maturity are recognised at acquisition cost, including transaction expenses, and subsequently valued at amortised costs.

Interest income from securities held to maturity includes accrued coupons, discounts and premiums on debt securities and is recognised as 'Interest revenue'.

Repo and Buy/Sell Operations

Collateralized receivables as part of repo and buy-sell transactions are reported under 'Other receivables', including accrued interest. Interest from these transactions is recorded on an accruals basis for the duration of such a transaction and recognised as interest revenue.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

2.13 Foreign Currency Conversions

Transactions carried out in foreign currencies are converted and posted at the exchange rate valid on the transaction date. All monetary assets and liabilities maintained in foreign currencies were converted at the exchange rate published by the Czech National Bank as of the balance sheet date. All foreign exchange gains and losses arising from the conversion of receivables and payables are recognised in the profit and loss account and are reported under 'Foreign exchange gains' and 'Foreign exchange losses'.

Exchange differences on securities that are measured at fair value and maintained in foreign currencies are considered to be part of their fair value measurement.

2.14 Contributions Received from Banks

Contributions to the Deposit Insurance Fund are posted directly to the account of the Funds included in the Deposit Insurance Fund's equity. The amount of contributions is set by the Czech National Bank by 31 May of the year in respect of which contributions are paid, while they are due by 30 June of the given year.

2.15 Adjustments and Provisions

The Deposit Insurance Fund neither creates nor accounts for adjustments in accordance with Section 37 (1) of the Decree. The Deposit Insurance Fund neither creates nor accounts for provisions in accordance with Section 40 (1) of the Decree.

2.16 Payables to Bank Clients and Receivables Due from Banks that Could Not Meet their Commitments to Clients

In accordance with the Decree and an internal accounting regulation governing accepted contributions, compensation disbursements and related cases, upon commencement of disbursement, a payable to clients of the banks for which the compensation is being disbursed is posted against a reduction in the above-mentioned Funds account included in equity. A receivable due from banks that could not meet their commitments to clients is posted in the same amount against the Funds account in equity.

2.17 Equity

Based on a decision of the Board of Directors of the Financial Market Guarantee System, the financial result (profit or loss from the current year) is transferred to Retained earnings / Retained losses from prior years or to Funds within the framework of the own resources of the Deposit Insurance Fund. The subsequent transfer of retained earnings from prior years from Retained earnings / Retained losses from prior years to Funds is possible again if the Board of Directors of the Financial Market Guarantee System so decides.

2.18 Use of Estimates

The preparation of the financial statements requires the use of estimates and assumptions that influence the recognised values of assets and liabilities as of the date of the financial statements, and the recognised amounts of revenues and expenses for the reporting period. The Deposit Insurance Fund has defined these estimates and assumptions on the basis of all the relevant

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

information available to the Deposit Insurance Fund. Nevertheless, the inherent nature of estimates means that the actual future values may differ from these estimates.

2.19 Subsequent Events

The impact of events that occurred between the balance sheet date and the date of preparation of the financial statements is reported in the accounting reports if such events provide additional information about facts that existed as of the balance sheet date.

In the event that between the balance sheet date and the date of preparation of the financial statements material events occurred reflecting facts that took place after the balance sheet date, the consequences of these events are described in the notes to the financial statements but are not posted to the financial statements.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

3 Additional Information on the Balance Sheet and Profit and Loss Account

3.1 Other Receivables

(CZK '000)	As of 31 December 2021	As of 1 January 2021
Receivables from compensation disbursed	25,646,908	25,844,562
Receivables from duplicate payments	14,306	14,306
Other receivables	897	253
Receivables from unpaid contributions	3,044	3,044
Other receivables – total	25,665,155	25,862,165

Receivables from compensation disbursed include receivables due from banks and cooperative credit unions that failed to meet their commitments to clients; they amounted to CZK 25,646,908,000 as of 31 December 2021 (as of 1 January 2021: CZK 25,844,562,000).

No adjustments were created for these receivables based on a measure of the Ministry of Finance of the Czech Republic (see note 2.15). If there were an option to create an adjustment, the Financial Market Guarantee System would create a 90% adjustment for the Receivables from compensation for deposits disbursed.

Other receivables include the Deposit Insurance Fund's receivable from the Crisis Resolution Fund concerning the expenses related to the management of the Crisis Resolution Fund in 2021, totalling CZK 63,000 (2020: CZK 19,000).

3.2 Debt Securities Held to Maturity

(CZK '000)	As of 31 December 2021	As of 1 January 2021
Debt securities held to maturity	2,991,005	3,330,718

Czech government bonds represented 100% of the value of held-to-maturity securities as of 31 December 2021 (the same as of 1 January 2021). The value of the bonds in market terms reached CZK 2,839,512,000 as of 31 December 2021 (as of 1 January 2021: CZK 3,555,430,000). As of 31 December 2021, the accrued value of securities held to maturity and maturing in more than 1 year stood at CZK 2,729,254,000 (as of 1 January 2021: CZK 2,530,479,000) and is shown under assets in Part A.III. Debt securities held to maturity. As of 31 December 2021, the accrued value of securities held to maturity and maturing within 1 year stood at CZK 261,751,000 (as of 1 January 2021: CZK 800,239,000) and is shown under assets in Part B.III. Other securities.

3.3 Miscellaneous Long-Term Financial Assets

Market Value of Securities Held Within the Available-for-Sale Securities Portfolio:

(CZK '000)	As of 31 December 2021	As of 1 January 2021
Debt securities	0	101,002

As of 31 December 2021, the Financial Market Guarantee System held no debt securities within the available-for-sale securities portfolio (as of 1 January 2021: CZK 101,002,000). As of 31 December 2021, the nominal value of bonds stood at CZK 0 (as of 1 January 2021: CZK 100,000,000). With regard to the fact that, as of 1 January 2021, the maturity of these bonds was shorter than 1 year, they were shown as assets in Part B.III. Other securities.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

Czech government bonds accounted for 100% of the value of these securities as of 1 January 2021.

3.4 Statement of Changes on the Funds Account

The Deposit Insurance Fund has no registered capital. Its equity consists of the Funds account, valuation differences from revaluation of assets and liabilities and the financial result (i.e. profit/loss).

Statement of Changes on the Funds Account:

(CZK '000)	2021	2020
Opening balance – 1 January	56,619,372	55,473,715
Contributions received (see note 3.6.)	1,284,093	1,145,657
New receivables due from banks in insolvency and liquidation	52,347	0
Compensation disbursement	-52,347	0
Closing balance – 31 December	57,903,464	56,619,372

In 2021, the Financial Market Guarantee System commenced the disbursement of deposit compensation to the clients of Československé úvěrní družstvo.

3.5 Liabilities

Estimated payables amounted to CZK 2,094,000 (1 January 2021: CZK 481,000). The increase represents the fixed annual fee for the maintenance of the payout system, which is paid after the end of the relevant calendar year.

Payables from social security and health insurance as of 31 December 2021 were CZK 968,000 (1 January 2021: CZK 922,000), of which CZK 561,000 (1 January 2021: CZK 532,000) was social security payables and CZK 407,000 (1 January 2021: CZK 390,000) was health insurance payables.

Tax liabilities amounted to CZK 541,000 (1 January 2021: CZK 603,000).

None of these payables were overdue.

3.6 Contributions from Banks

The contributions are recognised on the basis of being actually received and are not recorded on an accruals basis (see note 2.15.).

(CZK '000)	2021	2020
Contributions received from banks	1,284,093	1,145,657

Contributions to the Deposit Insurance Fund for 2021 totalled CZK 1,277,021,000 by 30 June 2021. At the same time, the Financial Market Guarantee System received CZK 7,072,172.53 from the Austrian deposit insurance scheme S-Haftungs GmbH, as a share of the contribution paid in the last 12 months for deposits transferred to Česká spořitelna, a.s. in connection with the sale of branches of the Austrian bank Waldviertler Sparkasse Bank AG operating in the Czech Republic. In 2020, contributions to the Deposit Insurance Fund amounted to CZK 1,145,657,000.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

3.7 Summary of Revenues and Expenses of the Current and Previous Accounting Periods

(CZK '000)	2021	2020
Revenues:		
Contractual penalties, late payment interest, other fines and penalties	51	0
Interest revenue	318,694	332,871
Foreign exchange gains	0	34
Other revenues (see note 3.8.)	600	83
Total	319,345	332,988
Expenses:		
Amortisation of intangible and depreciation of tangible fixed assets	-462	-794
Purchases consumed	-459	-507
Services	-12,534	-12,455
Personnel costs	-16,867	-16,583
Taxes and fees	-125	-24
Foreign exchange losses	-11	-27
Other expenses (see note 3.8.)	-3,512	-3,512
Total	-33,970	-33,902

The 2021 profit of CZK 285,375,000 (2020: CZK 299,086,000) is proposed for transfer to retained earnings from prior years.

The average number of employees of the Financial Market Guarantee System is ten, of which one is a management employee. Total wage costs in 2021 amounted to CZK 13,876,000 (2020: CZK 13,866,000). The share of wage costs covered by the Deposit Insurance Fund was CZK 12,205,000 (2020: CZK 12,231,000).

3.8 Other Revenues and Other Expenses

(CZK '000)	2021	2020
Revenues:		
Other	600	83
Total	600	83
Expenses:		
Other	-3,512	-3,512
Total	-3,512	-3,512

The item 'Other revenues' includes the fee for the performance of the duties as a member of the creditors' committee in the cooperative credit union UNIBON. The item 'Other expenses' primarily includes bank fees, fees associated with the management of financial reserves, insurance premiums including statutory employee insurance, and membership fees to international organizations.

In 2021, the auditor PricewaterhouseCoopers Audit, s.r.o. was reimbursed for the statutory audit of the financial statements for 2020. The auditor's fee was CZK 442,000 (2020: CZK 472,000). The Deposit Insurance Fund's share of these costs is CZK 389,000 (2020: CZK 416,000).

The Deposit Insurance Fund

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Year ended 31 December 2021

In 2021, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 106,000 (2020: CZK 92,000) in connection with liability insurance for the members of the Board of Directors and the members of the Management Board for damage caused when exercising their functions. The Deposit Insurance Fund's share of these costs was CZK 93,000 (2020: CZK 81,000).

3.9 Reimbursement of Costs Related to the Management of the Deposit Insurance Fund to the Financial Market Guarantee System

Pursuant to Section 207 (2) of the AFCPR, the Financial Market Guarantee System has the right to the reimbursement of costs incurred in connection with the management of the Deposit Insurance Fund and the Crisis Resolution Fund, and this from the Deposit Insurance Fund and from the Operational Fund of the Crisis Resolution Fund. In 2021, the Financial Market Guarantee System only incurred costs connected with the management of the two Funds.

The total costs incurred by the Financial Market Guarantee System in connection with the management of the two Funds in 2021 totalled CZK 34,971,000 (2020: CZK 34,198,000), of which CZK 30,921,000 (2020: CZK 30,639,000) was expenses related to the management of the Deposit Insurance Fund and CZK 4,050,000 (2020: CZK 3,559,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Deposit Insurance Fund of CZK 30,921,000 (2020: CZK 30,639,000) were covered from the resources of the Deposit Insurance Fund.

3.10 Litigation

As of 31 December 2021, in connection with the management of the Deposit Insurance Fund, the Financial Market Guarantee System was not involved as a defendant in any litigation where the subject matter of the dispute was for a principal amount in excess of CZK 5 million.

The plaintiff ASSETWISE Limited was ordered by courts at various levels of proceedings to pay the following amounts to the Financial Market Guarantee System, being the defendant: CZK 3,691,471.09 as the cost of proceedings before the court of first instance, CZK 1,473,728.51 as the cost of proceedings before the court of appeal and CZK 734,954 as the cost of proceedings before the court of final appeal. Thus, the costs of proceedings awarded by courts of all levels total CZK 5,900,153.60.

In connection with the recovery of costs of proceedings against this company, the legal counsel of the Financial Market Guarantee System contacted a Cypriot law firm, which stated in its memorandum of 20 June 2019 that (a) no real estate of the debtor had been identified in the Republic of Cyprus and (b) the debtor had no bank accounts in the Republic of Cyprus. The summary of findings further states that the debtor has never registered for social insurance, has not reported any accounts to the tax authority during the last two years and has never registered for value added tax. Considering the foregoing, the Financial Market Guarantee System does not account for this claim. The final decision on further course of action in respect of this claim will be made before expiration of the period for enforceability of the court decision in the Republic of Cyprus, i.e. before 13 January 2024 or before 21 December 2024, in the case of a decision of the court of final appeal.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2021

3.11 Subsequent Events

No events took place after the balance sheet date which could have a material impact on the Deposit Insurance Fund financial statements as of 31 December 2021.

In late February 2022, one consequence of the war in Ukraine was a run on Sberbank CZ, a.s., which was indirectly owned by the Russian government. With regard to the fact that the bank was not able to pay out deposits to its clients, on 28 February 2022 the Czech National Bank released a Notice on Inability of Sberbank CZ, a.s. to Honour Its Obligations to Clients. Based on this notice, on 9 March 2022 the Financial Market Guarantee System commenced the disbursement of deposit compensation to the clients of this bank. The expected deposit compensation will total about CZK 26 billion and will thus have a significant impact on the financial results of the Financial Market Guarantee System or the Deposit Insurance Fund in 2022.

The financial statements of the Deposit Insurance Fund were approved by the Board of Directors of the Financial Market Guarantee System:

Prague, 6 June 2022



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Roman Kahánek

Member of the Management Board and Financial Manager

XI. THE CRISIS RESOLUTION FUND – INDEPENDENT AUDITOR’S REPORT



Independent auditor's report

to the Board of Directors of Garanční systém finančního trhu

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the fund Fond pro řešení krize, with its registered office at Týn 639/1, Praha 1 (the "Fund") as at 31 December 2021 and of the Fund's financial performance for the year ended 31 December 2021 in accordance with Czech accounting legislation.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2021,
- the income statement for the year ended 31 December 2021, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Fund and the company Garanční systém finančního trhu (Fund manager) in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

Responsibilities of the Statutory Body and the Board of Directors of the company Garanční systém finančního trhu for the financial statements of the Fund

The Statutory Body of Garanční systém finančního trhu is responsible for the preparation of the financial statements of the Fund that give true and fair view in accordance with Czech accounting legislation and for such internal control as the Statutory Body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



The Board of Directors of Garanční systém finančního trhu is responsible for overseeing the 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 the Audit regulations 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 Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the Statutory Body and the Board of Directors of Garanční systém finančního trhu 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.

6 June 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner

A handwritten signature in blue ink, appearing to read 'Eva Loulová'.

Eva Loulová
Statutory Auditor, Licence No. 1981

FINANCIAL STATEMENTS

The Crisis Resolution Fund

Date of financial statements: 31 December 2021

Date of preparation of financial statements: 6 June 2022

Balance Sheet as of 31 December 2021

(CZK '000)

ASSETS	As of 1 January 2021	As of 31 December 2021
A. Total fixed assets	67	47
II. Tangible fixed assets	89	89
Works of art, objects and collections	30	30
Tangible assets and their sets	59	59
IV. Total accumulated depreciation and amortisation of fixed assets	-22	-42
Accumulated depreciation of machinery and equipment and of vehicles, furniture and fixtures	-22	-42
B. Total current assets	16,683,073	21,150,435
III. Total current financial assets	16,683,073	21,150,435
Financial resources on accounts	16,683,073	21,150,435
Total assets	16,683,140	21,150,482

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

Balance Sheet as of 31 December 2021

(CZK '000)

LIABILITIES	As of 1 January 2021	As of 31 December 2021
A. Total equity	16,683,120	21,150,419
I. Equity	16,585,042	21,015,804
Funds	16,585,042	21,015,804
Contribution Fund	16,305,037	20,637,721
Operational Fund	280,005	378,083
II. Total profit/loss	98,078	134,615
Profit/loss account	98,078	134,615
Retained earnings / Accumulated losses from prior years	0	0
B. Total liabilities	20	63
III. Total current payables	20	63
Other payables	20	63
Total equity and liabilities	16,683,140	21,150,482

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

Profit and Loss Account for the year ended 31 December 2021

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	1,504	0	1,504
1. Consumption of material	63	0	63
3. Repairs and maintenance	3	0	3
4. Travel expenses	8	0	8
5. Representation expenses	13	0	13
6. Other services	1,417	0	1,417
III. Personnel costs	2,309	0	2,309
10. Wages and salaries	1,671	0	1,671
11. Statutory social security insurance	527	0	527
13. Statutory social expenses	80	0	80
14. Other social expenses	31	0	31
IV. Taxes and fees	110	0	110
15. Taxes and fees	110	0	110
V. Other expenses	1,629	0	1,629
19. Foreign exchange losses	1	0	1
22. Sundry other expenses	1,628	0	1,628
VI. Depreciation, assets sold, creation and use of provisions and adjustments	20	0	20
Depreciation and amortization of fixed assets	20	0	20
Total expenses	5,572	0	5,572

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

Profit and Loss Account for the year ended 31 December 2021

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Other revenues	140,187	0	140,187
7. Interest revenue	140,187	0	140,187
Total revenues	140,187	0	140,187
C. Profit/loss before tax	134,615	0	134,615
D. Profit/loss after tax	134,615	0	134,615

Within the meaning of Section 5a (1) of Decree No. 504/2002 Coll., as amended, the Financial Market Guarantee System performed only the main activities for which it was established in terms of the management of the Crisis Resolution Fund. Nor did the Financial Market Guarantee System perform any economic activity within the meaning of Section 5a (2) of the Decree (additional, secondary, business or other activity outside the main activity).

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

1 General Information

The Crisis Resolution Fund is an accounting unit managed by the Financial Market Guarantee System, a legal person governed by public law, which was established under its original name the Deposit Insurance Fund by Act No. 156/1994 Coll., amending Act No. 21/1992 Coll., on Banks, in its then valid version. With effect from 1 January 2016, based on Act No. 374/2015 Coll., on Financial Crisis Prevention and Resolution (the "AFCPR"), the Deposit Insurance Fund was transformed into the Financial Market Guarantee System.

The identification number of the Financial Market Guarantee System is 497 10 362. Based on Act No. 586/1992 Coll., on Income Taxes, as amended, the income of the Financial Market Guarantee System is exempt from income tax. The registered office of the Financial Market Guarantee System is Prague 1, Týn 639/1.

Under legislation effective from 1 January 2016, the Management Board of the Financial Market Guarantee System is its statutory body. The Board of Directors remains the supreme body of the Financial Market Guarantee System with the powers listed in Section 201 of the AFCPR.

The role of the Financial Market Guarantee System is the operation of a deposit insurance scheme in the Czech Republic, including the management of the Deposit Insurance Fund (Section 41 et seq. of Act No. 21/1992 Coll., on Banks, as amended) and the management of the Crisis Resolution Fund (Section 209 et seq. of the AFCPR). By performing these activities, the Financial Market Guarantee System contributes to the stability of the financial market.

1.1 Transformation of the Deposit Insurance Fund into the Financial Market Guarantee System

With effect from 1 January 2016, based on the AFCPR, the Deposit Insurance Fund was transformed into the Financial Market Guarantee System. This was not a "transformation" of a legal person within the meaning of Section 174 et seq. of Act No. 89/2012 Coll., the Civil Code (i.e. in the sense of a merger, division or change of legal form), but only a "change" consisting in particular of: a) a name change (Section 252 of the AFCPR), b) a change to the organisational structure (Section 199 et seq. of the AFCPR - a change to the statutory body, a listing of the powers of the Board of Directors, etc.) and c) an extension of the scope of activity (Section 198 of the AFCPR, on the management of assets in the Crisis Resolution Fund). We thus cannot speak of legal succession because there has been no transition of rights and obligations, and the legal person (holder of rights and obligations) has been retained (the same identification number).

1.2 Managed Funds (Nonentities)

In view of the retention of continuity of legal personality (the original Deposit Insurance Fund has changed into the Financial Market Guarantee System), while the funds managed by the Financial Market Guarantee System (the Deposit Insurance Fund and the Crisis Resolution Fund) have no legal personality (Section 198 (4) of the AFCPR), it is necessary to differentiate the Deposit Insurance Fund until 31 December 2015 (legal personality, change into the Financial Market Guarantee System) and the Deposit Insurance Fund from 1 January 2016 (nonentity made up of part of the assets of the Financial Market Guarantee System).

While the new nonentity the Deposit Insurance Fund was de facto established by law on 1 January 2016 (see Section 254 of the AFCPR on allocation of assets and debts to the Deposit Insurance Fund), the Crisis Resolution Fund was established on the basis of Section 209 (1) of the AFCPR through the Statute of the Financial Market Guarantee System on 12 January 2016 (Article 5 of the Financial Market Guarantee System Statute).

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

1.3 Assets Placed in Funds

Section 198 (2) of the AFCPR states that the Financial Market Guarantee System manages assets created by the Deposit Insurance Fund, the Crisis Resolution Fund and other assets of the Financial Market Guarantee System. From the legal point of view, therefore, they are always assets of the Financial Market Guarantee System, located a) in the Deposit Insurance Fund, b) in the Crisis Resolution Fund, c) outside of both Funds (i.e. not a model of an investment company - mutual fund, when the assets in the mutual fund are not the assets of the investment company).

From the accounting point of view, the Financial Market Guarantee System, the Deposit Insurance Fund and the Crisis Resolution Fund are three separate accounting units, while the assets constituted by the Deposit Insurance Fund, the assets constituted by the Crisis Resolution Fund and other assets of the Financial Market Guarantee System are kept separately in asset and accounting terms (Section 205 and Article 198 (2) of the AFCPR). Each of the accounting units has its own financial statements and their preparation is ensured by the Financial Market Guarantee System.

The Crisis Resolution Fund had no assets at the time of its establishment.

The Crisis Resolution Fund

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Year ended 31 December 2021

2 Accounting Policies

2.1 Bookkeeping

The Financial Market Guarantee System provides accounting for the management of the Crisis Resolution Fund pursuant to Act No. 563/1991 Coll., on Accounting, as amended (the "Act on Accounting"), Implementing Decree No. 504/2002 Coll., implementing some provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units whose main business activity is not commercial business, if they use double-entry bookkeeping, as amended (the "Decree") and other legislation governing bookkeeping, and in accordance with the accounting methods specified therein.

The Crisis Resolution Fund is a separate accounting unit ("accounting unit").

The Financial Market Guarantee System records the status and movement of assets and liabilities, costs and revenues, and profit or loss of the Crisis Resolution Fund. The accounting for the subject of accounting is performed in ledgers kept separately for the Crisis Resolution Fund in a way that allows for the preparation of financial statements for the Crisis Resolution Fund.

The Statute of the Financial Market Guarantee System states that the Financial Market Guarantee System performs the management of the Crisis Resolution Fund and that the Financial Market Guarantee System is entitled and bound by the legal relationships. From the point of view of the accounting, all the accounting documents (as well as the electronic registry service) will be recorded in the Financial Market Guarantee System.

The Financial Market Guarantee System Statute states that the Financial Market Guarantee System manages the Deposit Insurance Fund and the Crisis Resolution Fund (the "Funds") and that all activity is tied to the management of the Funds. In terms of the bookkeeping, all expenses, revenues, costs, income, receivables and payables are items for the individual Funds. The Financial Market Guarantee System, as a legal person, maintains all these accounting cases in its accounts and materially assigns them to the individual Funds.

2.2 System of Accounting and Retention of Accounting Documents

The Financial Market Guarantee System maintains full accounts for the Crisis Resolution Fund and uses double-entry accounting for the status and movement of property and other assets, payables, including debts and other liabilities, costs and revenues, and profit or loss.

Double-entry records are kept of all facts that are subject to accounting and these are recognized in the period to which they relate in time and in fact.

The accounting period for the Crisis Resolution Fund is the calendar year.

The Financial Market Guarantee System maintains a single bookkeeping for the Crisis Resolution Fund for the accounting unit as a whole.

The bookkeeping is maintained as a set of accounting records using technical means, data carriers and software. An accounting record is data that are a record of all the facts relating to the maintenance of the accounts. The accounting units must record every fact relating to the maintenance of accounts exclusively through accounting records. Individual accounting records may be grouped

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

into aggregate accounting records; such accounting records are in particular accounting documents, accounting entries, ledgers, the depreciation plan, inventory listings, accounting plans, financial statements and the annual report.

The bookkeeping is maintained in the Czech currency.

The bookkeeping is maintained in the Czech language. Accounting documents may be drawn up in a foreign language only if the condition of comprehensibility is fulfilled.

Facts that are the subject of the accounts (“accounting cases”) are captured through accounting documents.

Accounting cases are recorded in ledgers (“accounting entries”) only on the basis of probative accounting records.

The bookkeeping is kept in such a way that the financial statements prepared on its basis are comprehensible and provide a true and fair view of the accounting unit’s accounts and financial situation.

The bookkeeping is kept in a correct, complete, probative, comprehensible, clear manner that ensures the continuity of the accounting records.

The bookkeeping is kept in a way that ensures the continuity of the accounting records so that the accounting unit complies with its obligations relating to their retention under the Act on Accounting.

The Financial Market Guarantee System assigns another person to process the accounts of the accounting unit on the basis of a contractual relationship in accordance with Section 5 of the Act on Accounting.

2.3 Scope of Bookkeeping, Accounting Documents, Accounting Records and Ledgers

The Financial Market Guarantee System maintains separate bookkeeping for the Crisis Resolution Fund in full scope.

The accounting documents are probative accounting records that must include:

- identification of the accounting document,
- the content of the accounting case and its participants,
- the monetary amount or information on the price per unit of measurement and an indication of the quantity,
- the moment of preparation of the accounting document,
- the moment of performance of the accounting case, if not identical to the moment of the preparation of the accounting document,
- the signature record of the person responsible for the accounting case and the signature record of the person responsible for its posting.

The accounting documents are prepared without undue delay.

The accounting entries are accounting records in ledgers.

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

They are posted in the following ledgers:

- in the journal(s) in which the accounting entries are organized in terms of time (chronologically) and which show the accounting of all the accounting cases in the accounting period,
- in the main ledger in which the accounting entries are organized on a factual (systematic) basis,
- in the books of analytical accounts detailing the accounting records of the main ledger.

2.4 Plan of Accounts

The plan of accounts is prepared for each accounting period within the meaning of the guideline chart of accounts, accounting methods, organization and marking of the items of financial statements, and the content definition of those items determined in the Decree. An accounting unit may supplement the plan of accounts during the accounting period.

The amounts in the analytical accounts books must correspond to the relevant aggregate cash amounts of the turnover or balance of the synthetic accounts to which these accounts are connected.

2.5 Financial Statements, Accounting Audit

An inventory is performed before the preparation of the financial statements.

The financial statements are an inseparable whole and comprise:

- balance sheet,
- profit and loss account,
- annex.

2.6 Storage of Accounting Documents

The Executive Director of the Financial Market Guarantee System is responsible for the organization of the storage of accounting documents, and may designate the person responsible for the execution of the storage of the accounting documents. The archiving of accounting documents is performed according to the Filing and Shredding Rules.

2.7 Accounting Methodological Guidelines

Accounting methodological guidelines are prepared to comply with Directive No. 22 - Bookkeeping, in accordance with the Accounting Act and other statutory regulations.

The accounting methodological guidelines are approved by the Board of Directors of the Financial Market Guarantee System or by the Management Board on the basis of an authorization granted by the Board of Directors.

The accounting methodological guidelines will be updated if there is a change in legislation.

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2021

2.8 Assignment Procedures for Accounting Cases

2.8.1 Accounting Cases Directly Assignable to the Funds

2.8.1.1 These cases are charged by the Financial Market Guarantee System and directly assigned - posted - to the relevant Fund accounts.

2.8.1.2 These cases include, in particular, received contributions to the Funds and the investment of the financial reserves. Individual bank accounts are set up for the allocation of the contributions to the individual Funds. These accounts may also be used for investing assets in the individual Funds, unless separate bank accounts are established for this purpose. Accounting cases directly assignable to the Funds also include other accounting cases on these bank accounts, such as interest accrued or fees related to the management of these accounts.

2.8.2 Other Accounting Cases (for example, received invoices for rent, legal services, accounting, wages, depreciation, etc.)

2.8.2.1 Directly assignable accounting documents for individual funds that arise from invoicing (e.g. portfolio management fees), or where there is another possibility of direct assignment (for example, an annex with a breakdown of the purpose of legal representation by Fund for legal services). The Financial Market Guarantee System attributes and charges to the relevant Fund accounts according to the supporting criteria established from the accounting case.

2.8.2.2 In the event common accounting cases cannot be assigned to individual Funds under paragraph 2.8.2.1, this assignment will be made at a ratio determined as follows:

- To calculate the ratio of costs for managing the individual Funds, the cost-to-work ratio method is used for each Fund in the staff statements of work. Staff at the Financial Market Guarantee System prepare statements of work on a monthly basis.
- The ratio of the activities performed for each Fund will be calculated as of 31 December.
- The annual ratio calculated under point 2.8.2.2 (b) will be used to account for the advance ratio and will be balanced according to the actual status as of 31 December of the current year.
- The annual ratio calculated under point 2.8.2.2 (b) will be used to determine the advance ratio for the following accounting period.

2.8.3 The Financial Market Guarantee System proceeds with the assignment of expenses similarly to in paragraphs 2.8.1 and 2.8.2, for example, when paying for the purchase of technical equipment, when paying an advance for a future performance, when calculating anticipated costs or income, when paying a deposit or similar performances.

2.9 Providing Advances from the Crisis Resolution Fund for the Operating Costs of the Financial Market Guarantee System

The Financial Market Guarantee System incurs costs connected with the management of the Crisis Resolution Fund.

Expenditure related to the management of the Crisis Resolution Fund is covered from the Operational Fund of the Crisis Resolution Fund.

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The Financial Market Guarantee System establishes the budget of all accounting units prior to the start of the current year, and at the same time determines the amount of advances to be provided from the Crisis Resolution Fund to cover operating costs. Advances can be provided in instalments.

Advances are settled with actual costs after the end of the accounting period.

Receivables and payables between the managed accounting units from the title of the payment of operating costs are subject to an inventory during the preparation of the financial statements.

2.10 Basic Principles for Preparing the Financial Statements

The financial statements are compiled in accordance with accounting regulations applicable in the Czech Republic and with Czech Accounting Standards for units that are not primarily engaged in business activity. The financial statements are compiled at historical cost except for securities held for trading and available-for-sale securities, which are recognised at fair value, and securities held to maturity, which are valued at amortised costs. The financial statements are compiled on the assumption that the unit is able to continue as a going concern. The amounts in the financial statements and in the notes thereto are rounded to thousands of Czech korunas unless stated otherwise. When valuating assets and liabilities, the management considered the effects of the pandemic of the novel coronavirus that causes the COVID-19 disease.

2.11 Tangible Fixed Assets

Purchased tangible fixed assets are recognised at acquisition cost, which includes the price for which the assets were acquired and the expenses relating to the acquisition.

The depreciation of tangible fixed assets was calculated using the straight-line depreciation method, based on the estimated useful life of the assets. The depreciation period for personal computers, servers, printers etc. is 3 years. The depreciation period for passenger cars is 5 years. The depreciation period for strongboxes is 10 years. Works of art are not subject to depreciation.

Repair and maintenance expenses on tangible fixed assets are charged directly to expenses.

Tangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 40,000 per item are charged directly to expenses once they are put into use.

The amortisation of intangible fixed assets was calculated using the straight-line amortisation method over 3 years.

Intangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 60,000 per item are charged directly to expenses once they are put into use.

2.12 Securities and Shares

The Crisis Resolution Fund classifies securities and shares as securities held for trading, available-for-sale securities and securities held to maturity.

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Securities Held for Trading

Securities held for trading are securities held by the Financial Market Guarantee System for the Crisis Resolution Fund for the purpose of transactions aimed at generating profit from price differences in the short term.

When purchased, securities and interests are recognised at acquisition cost, including transaction expenses. Securities held for trading are measured at fair value. The market value of securities as of the balance sheet date is used to calculate the fair value. The valuation of securities not traded on public markets is based on an expert opinion or a qualified estimate made by the Financial Market Guarantee System.

Interest income from securities held for trading is recognized as 'Interest revenue'.

Profit and loss arising from changes in the fair value of securities held for trading are recognised in the profit and loss account in the period in which they arise.

Available-for-Sale Securities

Available-for-sale securities are securities that are not intended for trading in the short term. These securities are classified as long-term investments.

When purchased, available-for-sale securities are recognised at acquisition cost, including transaction expenses, and subsequently measured at fair value at the balance sheet date.

Interest income from available-for-sale securities is recognized as 'Interest revenue'.

Changes in the fair value of available-for-sale securities are recognized in the balance sheet as 'Valuation differences from revaluation of assets and liabilities'.

Securities Held to Maturity

Securities held to maturity are financial assets with a fixed or predefined yield and fixed maturity, where there is the intention and ability to hold until their maturity.

When purchased, securities held to maturity are recognised at acquisition cost, including transaction expenses, and subsequently valued at amortised costs.

Interest income from securities held to maturity includes accrued coupons, discounts and premiums on debt securities and is recognised as 'Interest revenue'.

Repo and Buy/Sell Operations

Collateralized receivables as part of repo and buy-sell transactions are reported under 'Other receivables', including accrued interest. Interest from these transactions is recorded on an accruals basis for the duration of such a transaction and recognised as interest revenue.

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2.13 Foreign Currency Conversions

Transactions carried out in foreign currencies are converted and posted at the exchange rate valid on the transaction date. All monetary assets and liabilities maintained in foreign currencies were converted at the exchange rate published by the Czech National Bank as of the balance sheet date. All foreign exchange gains and losses arising from the conversion of receivables and payables are recognised in the profit and loss account and are reported under 'Foreign exchange gains' and 'Foreign exchange losses'.

Exchange differences on securities that are measured at fair value and maintained in foreign currencies are considered to be part of their fair value measurement.

2.14 Contributions Received from Banks

Contributions to the Crisis Resolution Fund are posted to the contributions fund of the Crisis Resolution Fund. The amount of contributions is determined by the Czech National Bank by 1 May of the respective year for which the contributions are paid, while they are due within the deadline set by the Czech National Bank.

2.15 Adjustments and Provisions

The Crisis Resolution Fund neither creates nor accounts for adjustments in accordance with Section 37 (1) of the Decree. The Crisis Resolution Fund neither creates nor accounts for provisions in accordance with Section 40 (1) of the Decree.

2.16 Equity

Based on a decision of the Board of Directors, the financial result (profit or loss from the current year) is transferred to the Operational Fund of the Crisis Resolution Fund within the framework of the own resources of the Crisis Resolution Fund. The subsequent transfer from the Operational Fund of the Crisis Resolution Fund to the Contribution Fund of the Crisis Resolution Fund is possible again if the Board of Directors so decides.

2.17 Use of Estimates

The preparation of the financial statements requires the use of estimates and assumptions that influence the recognised values of assets and liabilities as of the date of the financial statements, and the recognised amounts of revenues and expenses for the reporting period. The Crisis Resolution Fund has defined these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, the inherent nature of estimates means that the actual future values may differ from these estimates.

2.18 Subsequent Events

The impact of events that occurred between the balance sheet date and the date of preparation of the financial statements is reported in the accounting reports if such events provide additional information about facts that existed as of the balance sheet date.

In the event that between the balance sheet date and the date of preparation of the financial statements material events occurred reflecting facts that took place after the balance sheet date, the consequences of these events are described in the notes to the financial statements but are not posted to the financial statements.

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3 Additional Information on the Balance Sheet and Profit and Loss Account

3.1 Short-Term Financial Assets

Resources in the assets of the Crisis Resolution Fund were deposited on a current account with the Czech National Bank.

3.2 Statement of Changes on the Funds Account

The Crisis Resolution Fund has no registered capital. Its equity consists of a Funds account and its profit/loss.

Statement of Changes on the Funds Account:

(CZK '000)	2021	2020
Crisis Resolution Fund:		
Opening balance – 1 January	16,585,042	12,615,375
of which:		
Contribution Fund		
Opening balance – 1 January	16,305,037	12,541,862
Contributions received (see note 3.5)	4,332,684	3,763,175
Closing balance – 31 December	20,637,721	16,305,037
Operational Fund		
Opening balance – 1 January	280,005	73,513
Operating revenue	102,902	209,931
Management costs	-4,824	-3,439
Closing balance – 31 December	378,083	280,005
Closing balance – 31 December	21,015,804	16,585,042

3.3 Liabilities

In 2021, the Crisis Resolution Fund had a liability of CZK 63,000 against the Deposit Insurance Fund for reimbursement of expenses related to the management of the Crisis Resolution Fund (2020: CZK 20,000).

3.4 Contributions from Banks

The contributions are recognised on the basis of being actually received and are not recorded on an accruals basis (see note 2.15.).

(CZK '000)	2021	2020
Contributions received from banks	4,332,684	3,763,175

By 31 May 2021, banks and selected investment firms had made contributions to the Crisis Resolution Fund, as prescribed by the Czech National Bank, totalling CZK 4,332,684,000 (2020: CZK 3,763,175,000).

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3.5 Summary of Revenues and Expenses of the Current and Previous Accounting Periods

(CZK '000)	2021	2020
Revenues:		
Interest revenue	140,187	102,898
Sundry other revenues	0	4
Total	140,187	102,902
Expenses:		
Purchases consumed	-63	-67
Services	-1,441	-1,133
Personnel costs	-2,309	-2,217
Foreign exchange losses	-1	-3
Taxes and fees	-110	0
Depreciation	-20	-18
Other expenses (see note 3.7)	-1,628	-1,386
Total	5,572	-4,824

The 2021 financial result will be distributed as follows: the revenues of CZK 140,187,000 will be transferred to the Operational Fund of the Crisis Resolution Fund and the expenses of CZK 5,572,000 will be paid from the Operational Fund of the Crisis Resolution Fund after approval of the financial statements. The funds provided from the Operational Fund of the Crisis Resolution Fund to cover operating expenses were lower than the actual expenses by CZK 63,000 and the liability thus created will be settled upon approval of the financial statements.

The average number of employees of the Financial Market Guarantee System is ten, of which one is a management employee. Total wage costs in 2021 amounted to CZK 13,876,000 (2020: CZK 13,866,000). The share of wage costs covered by the Crisis Resolution Fund was CZK 1,671,000 (2020: CZK 1,635,000).

3.6 Other Revenues and Other Expenses

(CZK '000)	2021	2020
Revenues:		
Other	0	4
Total	0	4
Expenses:		
Other	-1,628	-1,386
Total	-1,628	-1,386

The item 'Other expenses' primarily includes bank fees, fees associated with the management of financial reserves, insurance premiums including statutory employee insurance, and membership fees to international organizations.

In 2021, the auditor PricewaterhouseCoopers Audit, s.r.o. was reimbursed for the statutory audit of the financial statements for 2020. The auditor's fee was CZK 442,000 (2020: CZK 472,000). The Crisis Resolution Fund's share of these costs was CZK 54,000 (2020: CZK 56,000).

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In 2021, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 106,000 (2020: CZK 92,000) in connection with liability insurance for the members of the Board of Directors and the members of the Management Board for damage caused when exercising their functions. The Crisis Resolution Fund's share of these costs was CZK 13,000 (2020: CZK 11,000).

3.7 Reimbursement of Costs Related to the Management of the Crisis Resolution Fund of the Financial Market Guarantee System

Pursuant to Section 207 (2) of the AFCPR, the Financial Market Guarantee System has the right to the reimbursement of costs incurred in connection with the management of the Deposit Insurance Fund and the Crisis Resolution Fund, and this from the Deposit Insurance Fund and from the Operational Fund of the Crisis Resolution Fund. In 2021, the Financial Market Guarantee System only incurred costs connected with the management of the two Funds.

The total costs incurred by the Financial Market Guarantee System in connection with the management of the two Funds in 2021 totalled CZK 34,971,000 (2020: CZK 34,198,000), of which CZK 30,921,000 (2020: CZK 30,639,000) was expenses related to the management of the Deposit Insurance Fund and CZK 4,050,000 (2020: CZK 3,559,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Crisis Resolution Fund of CZK 4,050,000 (2020: CZK 3,559,000) are covered from the Operational Fund of the Crisis Resolution Fund. The funds provided from the Operational Fund of the Crisis Resolution Fund to cover operating expenses were lower than the actual expenses by CZK 63,000 and the liability thus created will be settled upon approval of the financial statements.

3.8 Subsequent Events

No events took place after the balance sheet date which could have a material impact on the Crisis Resolution Fund financial statements as of 31 December 2021.

The financial statements of the Crisis Resolution Fund were approved by the Board of Directors of the Financial Market Guarantee System.

Prague, 6 June 2022



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Roman Kahánek

Member of the Management Board and Financial Manager