

ANNUAL REPORT 2014



CONTENTS

I.	INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS	3
II.	AUTHORISED REPRESENTATIVE	4
III.	DEPOSIT INSURANCE FUND'S ACTIVITIES IN 2014	5
	Macroeconomic Developments in the Global Economy and the Czech Republic in 2014	5
	Deposit Insurance Fund's Activities in 2014	6
	Role of the Deposit Insurance Fund	7
	Act on Banks	7
	Compensation Disbursements	8
	Deposit Insurance Fund's Claims against Insured Institutions	10
	Contributions by Insured Institutions	11
	International Cooperation	13
	Investment Activities	13
IV.	MAIN CASH FLOWS OF THE DEPOSIT INSURANCE FUND – HISTORY	17
V.	AUDITOR'S REPORT ON THE ANNUAL REPORT	18
	INDEPENDENT AUDITOR'S REPORT	20
	Balance Sheet as of 31 December 2014	23
	Profit and Loss Account for the year ended 31 December 2014	25
	1. General Information	27
	2. Accounting Policies	28
	3. Additional Information on Balance Sheet and Profit and Loss Account	32

I. INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



In 2008 we saw significant financial market disturbances, which affected not only financial institutions but also the economy as a whole. It is evident that the impacts as well as the causes of the crisis became a catalyst for fundamental interventions into the functioning of financial markets – interventions that became binding at

European level, as new legislation, on all Member States in 2014. Now it is primarily up to national legislative, supervisory and other involved bodies to cope with the new regulations, including the adoption of necessary modifications to national legislation and implementation measures.

From the perspective of the Czech financial market, which has always been noted for its above-standard robustness and stability, it is easy to endorse a view that such measures are unnecessarily stringent, rash and aggressive. I might even agree with this view in many respects. Yet if I take a closer look at the financial market developments of recent decades, I can see a somewhat different picture. We find – rather we know – that numerous financial institutions broke away from the narrow constraints of national economies long ago. Financial markets have become a source of stability or a cause of instability and risk bearers not only at local or national level but also at continental and consequently global level. Hand in hand with the progress of globalisation, the principles of prudence had been gradually disappearing from key considerations; we became satisfied with our own safety because the markets allowed virtually anything; combined with inadequate financial market regulation and supervision, a crisis had to rear its head sooner or later.

What we are so intensely experiencing today is a process of establishing and implementing new and stricter principles over the whole range of what we call the financial safety net. What is happening is inevitable. Now, in our day-to-day lives, we have to take the best advantage of all we have learnt from the hopelessly waning crisis.

We can point to an apparently simpler aspect of a deposit insurer's life, i.e., ensuring that the public is informed. The Deposit Insurance Fund has been promoting and carrying out its active approach to communication with the public for a long time. Likewise, it promotes the need for

ongoing, timely and active cooperation between all the participants in the financial safety net, no matter who they are; this is a path that has been clearly confirmed as well as defined by new European legislation. This legislation has finally and conclusively confirmed the gradually developing considerations that the problems of the financial sector need to be addressed through intense cooperation between the participants as soon as the initial major signals of a deteriorating situation occur. In other words, the concept of minimum cooperation between the financial safety net members – who do not get involved until a financial institution's collapse is inevitable – has been abandoned. Rather than a technical approach consisting of a sequence of pre-defined and more or less formal steps, ending with the disbursal of compensation for deposits in a failed financial institution, a set of interlinked measures and instruments is being established with the aim of bailout and recovery or at least minimisation of adverse impacts. Naturally, the timely, full and unquestionable disbursement of compensation for covered deposits is also important and indispensable in the financial safety net system that is now being built. Unfortunately, the Deposit Insurance Fund could not avoid this activity in 2014 either, as it was necessary to disburse compensation to the clients of two failed cooperative credit unions. It is regrettable that the cooperative credit union business, the historical role and long-term benefits of which are evident in both German-speaking neighbours of the Czech Republic, has been struggling to find a stable and meaningful place in this country.

Details of the Fund's activities in 2014 are available to everyone on the following pages of this report. I myself would like to add that I appreciate the fact that the Fund, once again, has performed its role absolutely professionally and without even the slightest difficulty. I would like to thank everyone who has contributed to this. As usual, when something works properly, we tend to believe that it is a matter of course. I know that it is not.

The events of early 2015, a year in which the Fund will celebrate its twentieth anniversary and one in which the financial safety net is taking on completely new dimensions, indicate that there is still a lot of work for us to do. We have to distinguish the interconnections in the financial world very carefully, without falling into the false illusion that something is not our business. We have the opportunity to benefit from having a very stable low-risk banking sector with a stable client base, as well as from the fact that we are also part of the European process of constructing bailout schemes and preventive measures.

Josef Tauber
Chairman of the Board of Directors

II. AUTHORISED REPRESENTATIVE

The Deposit Insurance Fund is managed by a five-member Board of Directors. The Chairman, Vice-Chairman and other Members of the Deposit Insurance Fund's Board of Directors are appointed and removed from office by the Minister of Finance. Pursuant to Section 41b (6) of the Act on Banks, at least one Member of the Fund's Board of Directors is appointed from among employees of the Czech National Bank, on a proposal from the Czech National Bank (hereinafter referred to as the "CNB" or the "Czech National Bank"), and at least two Members of the Fund's Board of Directors are appointed from among members of the boards of directors of banks. The term of office of individual Members of the Fund's Board of Directors is five years, with one Member being appointed every year. Members of the Board of Directors do not receive remuneration for performing their duties. The Deposit Insurance Fund's

Board of Directors is the authorised representative of the Deposit Insurance Fund and manages the Fund's activities. The Board of Directors appoints an Executive Director, who is the head of the Deposit Insurance Fund's executive staff.

Michal Franěk and Jiří Votrubec stepped down from their positions as Members of the Board of Directors as of 30 September 2014 and 27 October 2014 respectively. The Minister of Finance appointed Dušan Hradil and Ladislav Šilha as new Members of the Board of Directors as of 1 October 2014 and 28 October 2014 respectively. The term of office of Petr Vojtíšek, Vice-Chairman of the Board of Directors, expired as of 7 December 2014, with the Minister of Finance having appointed Karel Bauer the new Vice-Chairman of the Board of Directors as of the same date.

Membership of the Board of Directors in 2014

Chairman:	Josef Tauber Advisor to the President of the Czech Banking Association
Vice-Chairman:	Petr Vojtíšek Deputy Director of a Czech National Bank Section, until 7 December 2014
	Karel Bauer Director of a Czech National Bank Section, from 7 December 2014
Members:	Daniel Heler Member of the Board of Directors of Česká spořitelna, a. s.
	Michal Franěk Departmental Director at the Ministry of Finance of the Czech Republic, until 30 September 2014
	Dušan Hradil Departmental Director at the Ministry of Finance of the Czech Republic, from 1 October 2014
	Jiří Votrubec Deputy Director and Member of the Board of Directors of Modrá pyramida stavební spořitelna, a. s., until 27 October 2014
	Ladislav Šilha Deputy Director and Member of the Board of Directors of Modrá pyramida stavební spořitelna, a. s., from 28 October 2014
Executive Director:	Renáta Kadlecová

Executive Director:	Renáta Kadlecová Deputy Director and Member of the Board of Directors of Modrá pyramida stavební spořitelna, a. s., from 28 October 2014
	Ladislav Šilha Deputy Director and Member of the Board of Directors of Modrá pyramida stavební spořitelna, a. s., until 27 October 2014
	Jiří Votrubec Deputy Director and Member of the Board of Directors of Modrá pyramida stavební spořitelna, a. s., until 27 October 2014

III. DEPOSIT INSURANCE FUND'S ACTIVITIES IN 2014

Macroeconomic Developments in the Global Economy and the Czech Republic in 2014

The divergent trends in various areas of the global economy persisted in 2014, with the global economy as a whole still failing to demonstrate a convincing ability to recover. On the one hand, certain high-performance economies surpassed their pre-crisis levels of 2008; on the other hand, numerous countries still failed to resume their pre-crisis performance even after adopting monetary measures to stimulate growth.

Contradictory information on developments in the particular areas was also coming from the European Union. Although the notion of a strong Germany and weak Europe was starting to be decreasingly true (with the United Kingdom being an example of another country, in addition to Germany, that performed very well in 2014), significant differences were still evident between individual countries and regions. EU countries as a whole posted annual GDP growth of 1.3%, with the euro area growing at a slower rate of 0.9%. As far as individual countries are concerned, in particular Serbia, Cyprus, Italy and Croatia saw their GDPs fall, while Ireland with its 4.8% growth was the leader of the countries with growing GDP. The German economy accelerated its growth rate from 0.1% in 2013 to 1.6% in 2014.

EU unemployment continued to be fairly high at the end of 2014. The overall harmonised unemployment rate was 9.9%. The euro area's average was even higher, reaching 11.4%. The highest unemployment was reported by Greece (26%) and Spain (23.6%). By contrast, Iceland (4.5%) and Germany (4.9%) had the lowest unemployment.

The structural problems of the European economy made themselves felt in low inflation, the decline of which was boosted by a drop in oil prices and the food surplus on the European market as a result of Russian sanctions. Annual inflation for all EU countries was 0.6%, with the euro area again performing worse, at 0.4%. Hence the ECB proceeded to further moves conducive to easing its monetary policy through a rate cut, targeted longer-term refinancing operations (TLTROs) and a programme of purchasing asset-backed securities.

By contrast, persisting positive indicators confirmed the recovery of the US economy. US GDP grew by 2.2% y/y. The consumer price index rose slightly from 1.5% to 1.6% compared to 2013.

Unemployment fell in all the states, with the overall fall being 1.2% and final unemployment reaching 6.2%. In response to the improving

economic performance, the Fed continued to tighten its monetary policy by reducing the amount of government bond purchases.

Japan's GDP growth rate remained at zero. On the other hand, the annual change in the consumer price index was 2.7%. This value is considered to be a success of the 'abecconomy' promoted by Prime Minister Shinzo Abe. It followed the 'lost decade' of 1991 to 2000, which actually turned into the 'two lost decades' when inflation tended to be negative, albeit not far from zero, even after 2000. Japan's unemployment rate fell by 0.4%, thus hitting a very low 3.6%.

The Czech Republic continued its recovery, which began in 2013, albeit at a lower rate than originally expected. GDP grew by 2%, after the declines of 2012 and 2013. The greatest contributor to this growth was the manufacturing industry with its exports abroad. Construction grew for the first time since 2010, albeit by a negligible 0.1%. The volume of retail sales surpassed the pre-crisis high of 2008 for the first time. The recovery is also evident in the construction sector. The number of dwellings started to grow for the first time after falling for seven years. However, it remained at approximately half the level achieved in 2007. The consumer price index rose by 0.4%, thus remaining below the 2% annual inflation target of the CNB despite the central bank's persisting interventions intended to weaken the exchange rate of the crown to the level of CZK 27 per EUR. The unemployment rate fell to 6.2%. Real wages grew by 2% after falling for two years. The improving labour market situation had an impact on the household consumption growth of 1.7%, the highest figure in the past six years. The state budget deficit of CZK 77.8 billion was lower than in 2013. This positive figure was again highly attributable to the drawing from European funds. With interest rates continuing to be low, the accelerated year-on-year decline in the volume of fixed-term deposits and deposits redeemable at notice was 12.6%. By contrast, sight deposits grew almost to the same extent. Current account balances of businesses rose at a double-digit rate for a third year, climbing to 11.2% in 2014.

Given the prosperity and stability of the banking sector in the Czech Republic even during the economic downturn, it should come as no surprise that the sector maintained its good performance in 2014. Banking entities generated CZK 63.5 billion in total profit after tax, i.e., very close to the record-breaking level of 2012. The cooperative credit union sector also maintained its previous trend – unfortunately the opposite – despite the fact that cooperative credit unions as a whole posted CZK 78.8 million in profit after tax and their member numbers grew. Hence this sector of the financial market is still waiting for its stabilisation.

Deposit Insurance Fund's Activities in 2014

In 2014 the Fund successfully tested the functioning of the compensation disbursement system on two occasions, when in accordance with Decree of the Ministry of Finance No 71/2011, it tested the client data of all banks, building societies, and credit and savings cooperatives participating in the deposit insurance system. The first test took place from April to June 2014 and the second one from October to November 2014. On 27 January 2014, on the basis of the Czech National Bank's announcement of 27 December 2013, the Fund started to disburse compensation for client deposits at *Metropolitní spořitelní družstvo v likvidaci*, which had become unable to meet its commitments to beneficiaries under statutory and contractual conditions. Based on the result of a mini-tendering process held in compliance with the Framework Agreement on Disbursing the Compensation for Deposits dated 18 April 2013, the disbursement took place through the branch network of *Česká spořitelna, a. s.*

On 14 October 2014, on the basis of the Czech National Bank's announcement of 18 September 2014, the Fund started to disburse compensation for client deposits at *WPB Capital, spořitelní družstvo v likvidaci*, which had become unable to meet its commitments to beneficiaries under statutory and contractual conditions. Based on the result of a mini-tendering process held in compliance with the Framework Agreement on Disbursing the Compensation for Deposits dated 18 April 2013, the disbursement took place through the branch network of *Česká spořitelna, a. s.*

In 2014 the Fund also carried on with the previously commenced disbursements of compensation for client deposits at *UNIBON – spořitelní a úvěrní družstvo v likvidaci* and at *Úvěrní družstvo PDW, Praha v likvidaci*. In 2014, with the expiry of the three-year statutory period, the Fund stopped disbursing compensation for client deposits at *Vojenská družstevní záložna v likvidaci*. The total amount of disbursed compensation for 2014 was CZK 14.526 billion.

Numerous significant IT changes took place in 2014. Based on public contracts, agreements with new maintenance companies to manage the IT infrastructure and the *POVYNAL* application were entered into. In addition, based on a public contract a supplier was selected to create the Registry Service application, which was successfully put into operation before the end of the year. The change of supplier provided not only financial savings but also a new view of the Fund's IT equipment as well as numerous optimisations. These included, inter alia, significant optimisation of the server performance, automation of the data interchange process with *Česká spořitelna, a. s.*, as the disbursing bank, including the creation of a secure data transfer channel. In addition, the bank testing environment was optimised and the bank testing process was significantly accelerated. An analysis of a modification of the SW dealing with distraints that might be imposed on the accounts of bank clients receiving disbursements was completed; in addition, the SW in the Fund employee workstations was upgraded to its latest version, including the *Multicash* and *ASPI* applications. Moreover, the Fund entered into a written agreement with the

Czech Banking Association on cooperation in the case of extraordinary events to ensure that operational continuity is maintained.

Towards the end of 2014 the Fund moved to new and larger premises, with its operations only being affected to a negligible extent during the removal process. On this occasion the entire infrastructure was replaced, including equipment near the end of its useful life (data wiring, acquisition of a more modern telephone exchange, servers, firewall, multifunctional devices, optical fibre Internet connection, etc.). As concerns its consolidation and virtualisation, the Fund switched to a *VMWARE* system, which will facilitate and cheapen expansion in connection with the changes anticipated in 2015.

Last but not least, the distribution of physical security roles between development and operation was optimised, new electric security, fire alarm and CCTV systems were installed in the security area, and the physical protection services for the Fund employees were improved. In 2014 the third and final stage of the three-year cycle of regular internal IT audits, conducted by *KPMG Česká republika, s.r.o.*, took place. This stage focused on change management, incident management and on managing access to programs and data. In 2014 the Fund awarded several public contracts in compliance with Act No 137/2006, on Public Procurement, as amended. The contracts included: 1. Above-the-threshold public contract for the Investment Instrument Portfolio Management, Related Custody, Management and Settlement of Securities; 2. Above-the-threshold public contract for entering into a Framework Agreement on Providing Comprehensive Public Relations Services; 3. Under the Framework Agreement on Disbursing the Compensation for Deposits dated 18 April 2013, two sub-contracts regarding *Metropolitní spořitelní družstvo* and *WPB Capital, spořitelní družstvo v likvidaci* were awarded to the disbursing banks; 4. In addition, several small-scale public contracts were awarded as part of tendering procedures, specifically a contract for IT Infrastructure and Application Management, a contract for the *POVYNAL* Application Management, a contract for Conducting an Accounting Audit for the Accounting Periods from 2014 to 2016, a contract for Electronic Registry Service of the Deposit Insurance Fund, and a contract for Conducting an Internal IT Audit.

In 2014 the insured institutions made a total contribution to the Deposit Insurance Fund of CZK 4.3 billion, with the total volume of the Fund's financial reserves amounting to CZK 18.937 billion at the end of 2014. In 2014 the bankruptcy proceedings of *První slezská banka, a. s.* were completed with total revenue of CZK 11.5 million, which was transferred to the Deposit Insurance Fund's account.

Role of the Deposit Insurance Fund

The Deposit Insurance Fund's mission is to help stabilise the Czech banking market. Its main role is to protect the clients of banks and other insured financial institutions from losses they might incur, should such institutions be unable to repay their deposits. In this way the Deposit Insurance Fund reinforces confidence in the banking system, in particular

during periods of economic turbulence, contributing to the general economic and financial balance. Pursuant to current legislation in the Czech Republic, which is fully in accordance with that of the European Union, the deposits of a single depositor at a single bank have been fully covered up to an amount equivalent to EUR 100,000 since 2014. Deposits totalling CZK 2.8 trillion at 33 financial institutions are now insured with the Fund. These institutions in turn contributed CZK 4.3 billion to the Fund in 2014.

Act on Banks

The activities of the Deposit Insurance Fund are governed by Sections 41a to 41o and by the common and transitional provisions of the amendments to Act No 21/1992, on Banks, as amended (hereinafter also referred to as the "Act"). Pursuant to the Act, all banks and building societies are obliged to participate in a deposit insurance system and to contribute to the Fund within the scope stipulated by the Act on Banks. Cooperative credit unions have been obliged to participate in a deposit insurance system and to contribute to this system within the scope stipulated by the Act on Banks since 2006. The above-mentioned participants in the deposit insurance system, i.e., banks, building societies and cooperative credit unions, are hereinafter collectively referred to as the "insured institutions".

Pursuant to Section 41c of the Act, the insurance covers all receivables from deposits denominated in a Czech or foreign currency, including interest, if the requirements for depositor identification pursuant to Section 41c (3) of the Act are met, provided that such deposits are registered as a credit balance in accounts or bankbooks, or certified by a certificate of deposit, deposit note or other similar document.

Individuals are identified by their name, surname, address, and date of birth or birth certificate number, or by an identification number, while legal entities are identified by their business name or the name of the legal entity, its registered office, and domestic legal entities also by their identification number. The insurance does not cover receivables from deposits made by banks, foreign banks, financial institutions, health insurance companies, and state funds. Receivables from deposits that a bank is entitled to include in its capital (subordinated debt) are not covered either. The deposit insurance system does not cover bills of exchange and other securities.

In addition, pursuant to Section 41g (2) of the Act, persons with a special relationship to the bank concerned and persons authorised otherwise, if their deposit was found by a legally binding judgement to have originated from criminal activity, are not entitled to compensation from the Fund for their receivables from deposits.

The compensation for a covered deposit claim is provided from the Fund to the beneficiary after the Fund receives written notification from the Czech National Bank that the bank concerned is not able to meet its commitments to beneficiaries under statutory and contractual conditions. The compensation is granted to individuals as well as legal entities, and

is disbursed in the Czech currency. In 2010 Act No. 156/2010 Coll. came into force, amending Act No. 21/1992 Coll., on Banks, as amended. This Act introduced a number of significant changes into the deposit insurance system. Some of the most substantial provisions are the following: setting the volume of funds in the Deposit Insurance Fund at 1.5% of the total volume of receivables from the deposits insured with the Fund, from which the contribution is reduced significantly; a change in the periodicity of the payment of bank contributions to the Fund, from annual to quarterly, and a 60% increase in the contribution (as a percentage of the average volume of the insured with receivables from deposits pertaining to the relevant calendar quarter, the contribution is now 0.04% for banks and cooperative credit unions and 0.02% for building societies); the possibility for the Fund to apply, if necessary, for a subsidy or repayable financial assistance from the state budget; in the event of the disbursement of deposit compensation, a change in the method of calculating the deposit compensation (a change in the calculation of interest and the abolition of the set-off of payables and due receivables of beneficiaries against the amount of the account balance); the obligation of banks to maintain records of data and, in the event of the disbursement of deposit compensation, to provide such data to the Fund; the obligation of the Fund to check, on a regular basis but at least once a year, the functioning of the deposit compensation disbursement system (i.e., bank data testing). As of 31 December 2010, in accordance with the above-mentioned Act, the limit on the maximum disbursement of compensation to a beneficiary was increased to EUR 100,000 and, at the same time, the commencement of disbursing deposit compensation was brought forward significantly from 3 months to 20 business days from the day when the Czech National Bank declared a bank to be insolvent, i.e., unable to meet its commitments to beneficiaries under statutory and contractual conditions.

On 1 April 2011 Decree of the Czech Ministry of Finance No. 71/2011 Coll., on the form, structure, and the method of maintaining and providing the data that an insured institution and a branch of a foreign insured institution are obliged to maintain and provide to the Deposit Insurance Fund, took effect. An insured institution is obliged to provide the Fund with data in compliance with the Decree in the event of bank data testing as well as in the event of deposit compensation disbursement.

At European level, new Directive 2014/49/EU of the European Parliament and of the Council, on deposit guarantee schemes was issued in 2014 and introduced significant changes into deposit insurance (such as covering temporarily high balances above the standard coverage limit in certain cases, shortening the period for disbursing deposit compensation, defining a different method for calculating the contributions with regard to the risk of insolvency of the individual financial institutions, governing cross-border deposit compensation disbursements, etc.). The process of transposing this Directive into Czech legislation is currently underway.

Moreover, Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of

credit institutions and investment firms, based on which Member States are obliged to set up crisis resolution financing mechanisms, was issued in 2014. The process of transposing this Directive into Czech legislation is currently underway. According to a current draft prepared by the Ministry of Finance, the existing Deposit Insurance Fund is to be transformed into a Financial Market Guarantee System, which will manage both the Deposit Insurance Fund and the Crisis Resolution Fund in order to implement the above-mentioned Directive.

In addition, Act No. 333/2014 Coll., amending Act No. 87/1995 Coll., on savings and credit cooperatives, was adopted in late 2014 and also introduced significant deposit insurance changes. Effective from 1 January 2015, the percentage rate of contributions by cooperative credit unions is raised to double the percentage rate of contributions by banks. Effective from 1 July 2015, the sum total of the deposit balances of a cooperative credit union member associated with interest or similar benefit must not exceed ten times the sum total of basic member's investment and further member's investment paid by the member (a transitional period will apply to deposits and investment contributions made prior to 1 July 2015). As member's investments are not insured under Section 41c (2) of the Act, this will reduce the volume of insured funds of cooperative credit union members invested by them in such an insured institution. Moreover, effective from 1 January 2018, the total assets of a cooperative credit union must not exceed CZK 5 billion, and therefore corresponding changes can be anticipated in this sector.

Compensation Disbursements

Pursuant to Section 41a (5) of the Act, money from the Fund may only be used for deposit compensation to beneficiaries and for repayments of the Fund's debts. Since its establishment, the Fund has disbursed compensation for deposits twenty-one times, having provided compensation to depositors of twelve banks and five cooperative credit unions, through seventeen regular and four additional disbursements totalling CZK 41.9 billion, as of 31 December 2014. In 2014 the Fund started to disburse deposit compensation to the clients of *Metropolitní spořitelní družstvo v likvidaci*, having disbursed compensation totalling CZK 11.9 billion as of 31 December 2014, and to the clients of *WPB Capital, spořitelní družstvo v likvidaci*, having disbursed compensation totalling CZK 2.5 billion as of 31 December 2014.

In 2014 another portion of unduly disbursed additional compensation to depositors of *Moravia banka, a. s.*, of CZK 0.23 million was returned to the Fund's account. The reason for the Fund's undue disbursements was that the Fund had received incorrect data from receivers in bankruptcy proceedings in 565 cases. After discovering this fact, the Fund requested that the clients who had received this undue compensation return it. The current total amount of compensation voluntarily returned by such persons at the Fund's request, under a court decision, judicial settlement, or out-of-court agreement, is CZK 148.7 million¹, i.e., about 82.0% of the total compensation unduly disbursed. Hence the total compensation disbursed by the Fund is reduced by that amount.

¹ In 2004, returned compensation of CZK 18.56 million was debited against disbursed deposit compensation; since 2005 this has been included in the Fund's income (see Table 7 on page 17 – IV. Deposit Insurance Fund's Main Cash Flow – History)

Table 1 | **Compensation Disbursed from the Deposit Insurance Fund to 31 December 2014**
(in CZK mil.)

Insured institution	Deposit compensation 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.**	6,394.69	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, spořitelní a úvěrní družstvo	1,805.86	23/7/2012
Úvěrní družstvo PDW, Praha	15.06	11/3/2013
Metropolitní spořitelní družstvo	11,984.07	27/1/2014
WPB Capital, spořitelní družstvo	2,536.32	14/10/2014
TOTAL	41,870.73	

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

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

Since the establishment of the Fund in 1994, the limit on the covered receivables from deposits has been adjusted several times. These changes are shown in the table below:

Table 2 | **Development of Changes in the Limit on Deposit Insurance and in the Excess Paid by Beneficiaries**

Amendment to the Act on Banks	Effective from	Compensation to deposit ratio	Maximum limit in CZK	Maximum limit in EUR
156/1994 Coll.	29 July 1994	80%	100,000	
16/1998 Coll.	6 February 1998	80%	300,000	
165/1998 Coll.	1 September 1998	90%	400,000	
319/2001 Coll.	7 September 2001	90%		25,000
433/2008 Coll.	15 December 2008	100%		50,000
156/2010 Coll.	31 December 2010	100%		100,000

Note: The limit has been specified in euros since September 2001.

Deposit Insurance Fund's Claims against Insured Institutions

Pursuant to Section 41h (2) of the Act, starting from the disbursement commencement date the Fund 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 Fund. Of the twelve banks and five cooperative credit unions paid out, bankruptcy proceedings have only been completed in five of them, and liquidation has only been completed in one case. Of the total amount of disbursed compensation for deposits, which reached CZK 41.9 billion as of 31 December 2014, CZK 40.1 billion in the Fund's claims has been recognised in bankruptcy proceedings and liquidation processes. Claims arising from additionally disbursed deposit compensation in respect of Pragobanka, a. s., Universal banka, a. s., and Moravia banka, a. s.,

were not recognised because the Fund, when registering them, neither met nor could have met the deadlines for registering the claims laid down by the Bankruptcy and Composition Act in force at that time. In fact, the amendment to the Act on Banks, under which the Deposit Insurance Fund disbursed this additional compensation, was adopted after the expiry of the relevant deadlines. The Fund did not succeed with its request for the recognition of these claims in court proceedings. The table below shows a summary of the Fund's claims against the individual banks as registered as of 31 December 2014, for the bankruptcy proceedings and the liquidation process of the disbursed banks. Of the total of CZK 38.2 billion in registered claims, a preliminary distribution schedule has been drawn up for five banks and a final distribution schedule has been drawn up for one bank (however, the bankruptcy proceedings have not been completed yet), with a total received payment for the Fund of CZK 4.7 billion. The Fund currently has CZK 33.5 billion in claims against banks.

Table 3 | **Overview of Registered Receivables in Bankruptcy and Liquidation Proceedings as of 31 December 2014**
(in CZK mil.)

Insured institution	Type of disbursement	Registration for bankruptcy/liquidation	Returned to the Fund	Claim in bankruptcy/liquidation
Česká banka, a. s.	regular	518.56		
	additional	443.11	20.73	940.94
AB banka, a. s.	regular	0.23	0.02	0.21
Velkomoravská banka, a. s.	regular	1,006.63		1,006.63
Kreditní banka Plzeň, a. s.	regular	580.95	49.38	531.56
Universal banka, a. s.	regular	1,862.64	693.44	1,169.20
Moravia banka, a. s.	regular	4,753.70		4,753.70
Union banka, a. s.	regular	12,416.54	3,724.96	8,691.58
UNIBON, spořitelni a úvěrni družstvo	regular	1,806.58	247.78	1,558.80
Úvěrni družstvo PDW, Praha	regular	20.97		20.97
Metropolitní spořitelni družstvo	regular	12,021.44		12,021.44
WPB Capital, spořitelni družstvo	regular	2,796.60		2,796.60
Total		38,227.95	4,736.32	33,491.63

As concerns bankruptcy proceedings completed by the end of 2014, 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., and composition as part of the completed liquidation of Vojenská družstevní záložna, a. s. The bankruptcy

proceedings of Realitbanka, a. s. were terminated because of lack of assets. Thus the Fund has no more registered claims against these five banks and one cooperative credit union as of 31 December 2014. 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 4 | Summary of the Proceeds of Receivables against the Insured Institutions in Completed Bankruptcy and Liquidation Proceedings as of 31 December 2014

(in CZK mil.)

Insured institution	Type of disbursement	Total amount of claim	Returned to the 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
Total		1,869.33	860.61	46.04

* In addition to this payment, the 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 covered deposits for 2003

Contributions by Insured Institutions

In 2014 insured institutions paid quarterly contributions to the Fund, in accordance with the enacted Act No. 156/2010 Coll. Thus the overall contributions by insured institutions in 2014 included contributions for the

4th quarter of 2013 and contributions for the 1st to 3rd quarter of 2014, totalling CZK 4.3 billion. The table below shows a summary of the contributions received by the Fund since its establishment in 1994.

Table 5 | Contributions by Insured Institutions to the Fund, by Year of Payment

Contribution payment year	Amount in CZK mil.
1995	807.04
1996	1,275.93
1997	1,651.06
1998	1,939.37
1999	3,439.68
2000	3,472.68
2001	3,790.52
2002	3,341.04
2003	1,188.38
2004	3,782.24
2005*	156.32
2006	1,329.59
2007	1,528.63
2008	1,719.18
2009	1,790.58
2010**	3,721.03
2011	3,329.39
2012	3,526.62
2013	3,749.82
2014***	4,260.52
Total	49,799.63

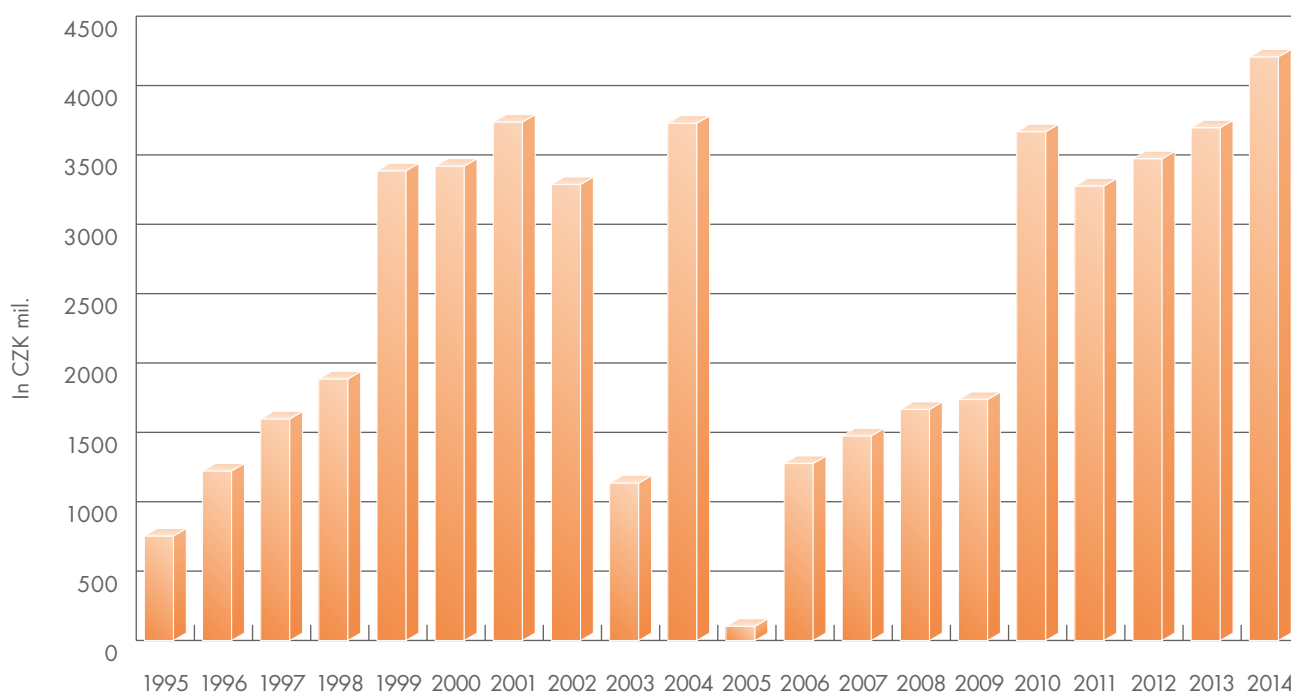
Notes:

* In 2004 an advance payment of a contribution due in 01/2005 was made

** In 2010 the periodicity of contribution payments changed from annual to quarterly from 1 July

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

Graph 1 | Contributions by Insured Institutions to the Fund, by Year of Payment



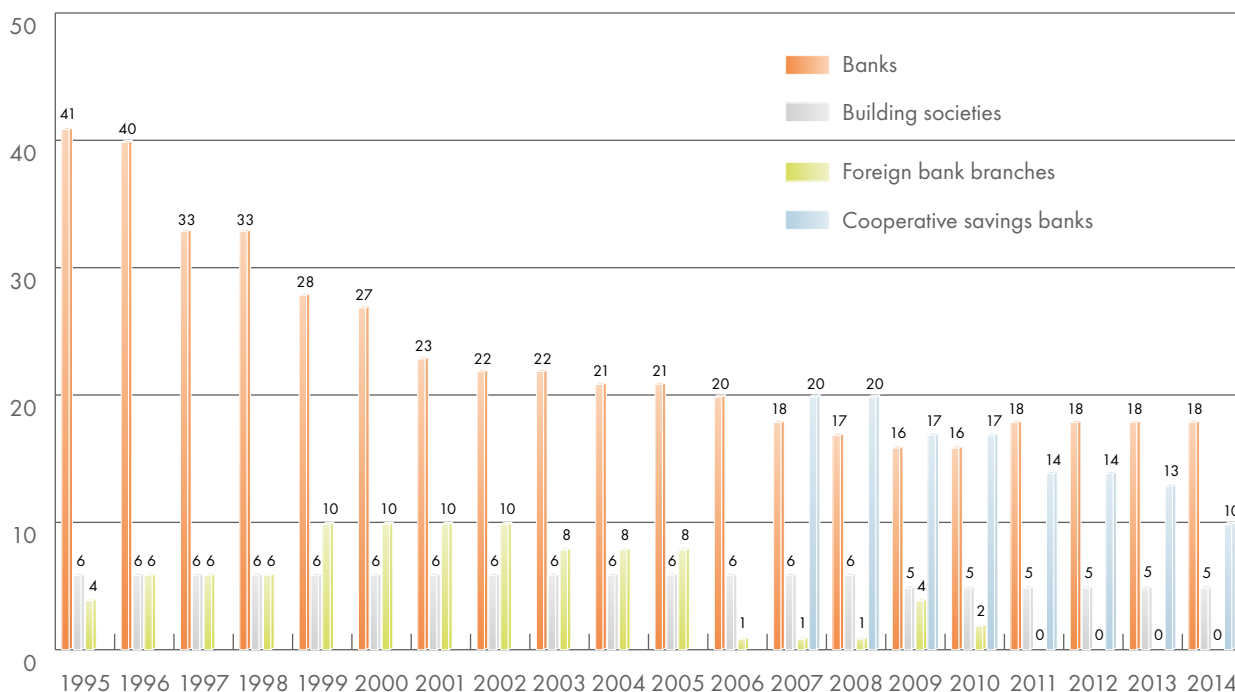
Since 1 July 2010 the contribution amount has been governed by the amended Act on Banks, i.e., by an amendment through Act No. 156/2010 Coll., Section 41c (6) and (7). The contributions to the Fund by banks and cooperative credit unions are 0.04% of the average volume of the insured receivables from deposits pertaining to the relevant calendar quarter. The average volume of the insured receivables from deposits is calculated by the banks and cooperative credit unions according to the amount of the insured receivables from deposits as of the last day of each calendar month in the relevant calendar quarter, including interest to which the depositor became entitled as of the same date. The calculation is made in the Czech currency. For receivables from deposits maintained in foreign currencies, the exchange rate used is the one announced by the Czech National Bank as of the date when the calculation is performed. The contributions to the Fund by building societies are 0.02% of the

average volume of the insured receivables from deposits pertaining to the relevant calendar quarter. The average volume of the insured receivables from deposits is calculated by building societies according to the amount of the insured receivables from deposits as of the last day of each calendar month in the relevant calendar quarter, including interest to which the depositor became entitled as of the same date, excluding advance payments of government support.

Insured institutions are obliged to pay their contributions to the Fund for the relevant calendar quarter at the latest by the end of the calendar month following the end of the calendar quarter. The contribution is paid in the Czech currency.

Due to the harmonisation of the coverage amounts across EU countries, all agreements on additional coverage of receivables from deposits were gradually terminated in 2010. In 2014 no branch of a foreign bank paid contributions to the Fund.

Graph 2 | Number of the Insured Institutions Contributing to the Fund



International Cooperation

The Deposit Insurance Fund 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). Moreover, the Fund bilaterally cooperates with similar organisations, both in the EU and globally.

As part of the European Forum of Deposit Insurers, cooperation in 2014 between deposit insurance systems primarily focused on preparations for the new European regulation, published in May 2014. Numerous task forces were established to deal with cross-border cooperation, the creation of a system of risk-based contributions, stress testing, cooperation between deposit insurance systems and crisis management systems, etc. The annual conference, held in September in Bucharest, focused on the activities of deposit insurance systems in the new regulatory environment.

Fund representatives also participated in the talks by EBA task forces, which are preparing voluntary regulation for the new Directive on deposit guarantee schemes in respect of risk-based contributions and payment commitments.

The International Association of Deposit Insurers primarily focused its 2014 activities on discussions relating to a revision of the Core Principles for Effective Deposit Insurance Systems. The annual conference, held in Port of Spain in October, also focused on the newly revised Core Principles, in particular from the perspective of

their influence on strengthening the arrangement of the financial system. Many more conferences and regional seminars took place during the year, primarily focusing on crisis management, investment policy, methods of financing the deposit insurance systems, or on creating a system of risk-based contributions, etc.

Investment Activities

The investment policy of the Deposit Insurance Fund is based on core principles arising from the role of the Deposit Insurance Fund as defined in the Act on Banks and on the safe investment methods arising therefrom. These principles primarily reflect the role of the Deposit Insurance Fund as a stabilising element in the banking system, with specific requirements for the liquidity and security of the allocated assets.

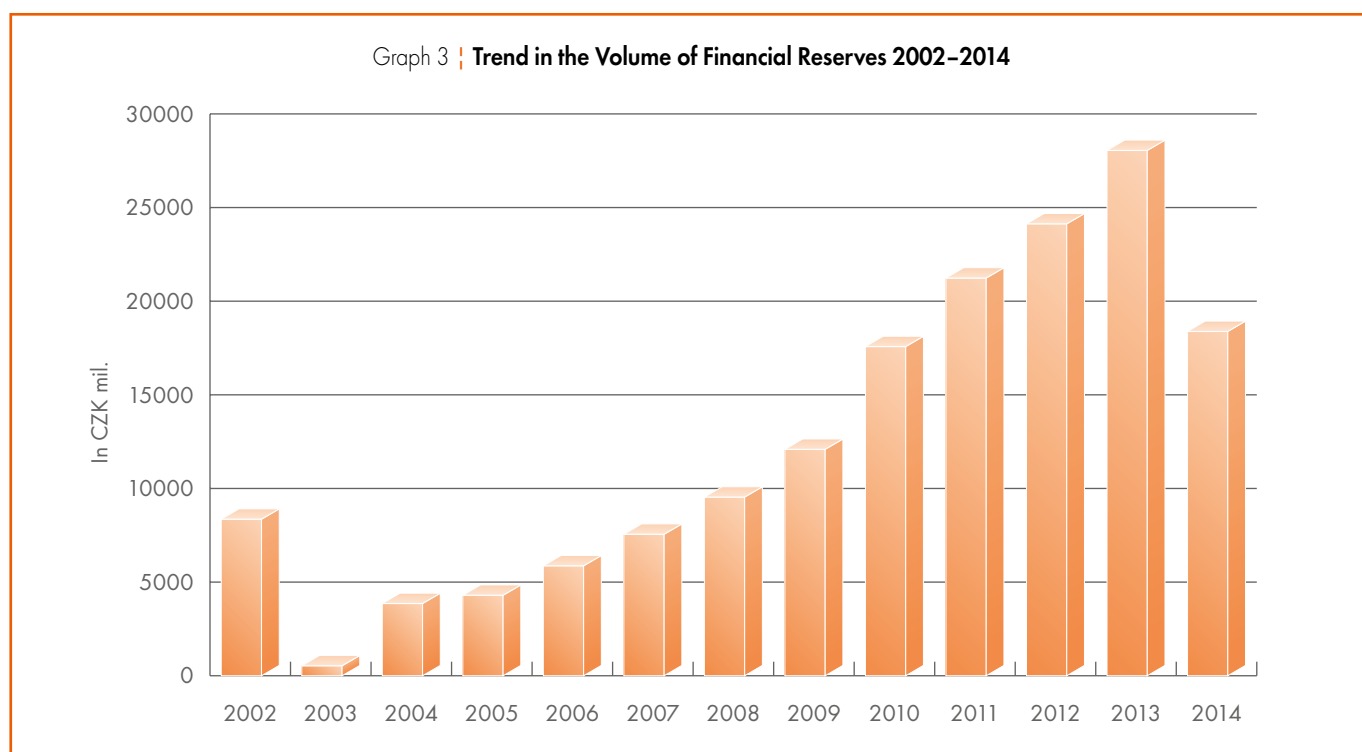
Through strategic (medium-term) and tactical (short-term) allocation of assets, the investment policy determines the manner of investing financial reserves both by investment managers and by the Deposit Insurance Fund itself. The strategic asset allocation defines in particular investment limits for individual asset classes, credit exposure limits, maximum duration and average time to maturity of the portfolio, as well as the manner of interest rate risk hedging. These parameters are adapted on an annual basis according to the current market situation as part of the tactical asset allocation.

The total volume of the Deposit Insurance Fund's financial reserves at the end of 2014 reached CZK 18.9 billion. The financial reserves of the Deposit Insurance Fund are divided into three portfolios: the mark-to-market portfolio (MTM portfolio) managed by three investment managers; the held-to-maturity securities portfolio (HTM portfolio) managed by a single investment manager; and the short-term portfolio managed directly by the Deposit Insurance Fund.

The financial reserves managed in the mark-to-market portfolio were invested in short-, medium-, and long-term government bonds issued by the Czech Ministry of Finance. The duration of the mark-to-market portfolio is targeted at 2-3 years. At the end of 2014, the mark-to-market portfolio made up 45% of the total volume of the Deposit Insurance Fund's financial reserves.

The HTM portfolio was reduced by CZK 170 million over the year, when funds from a bond that had matured were transferred to the short-term portfolio. This portfolio is primarily composed of medium-term and long-term fixed-coupon bonds issued by the Czech Ministry of Finance, with its duration targeted at 4-5 years. At the end of 2014 the HTM portfolio made up 21% of the total volume of the Deposit Insurance Fund's financial reserves.

The financial reserves managed directly by the Deposit Insurance Fund through its short-term portfolio were only invested in treasury bills, buy/sell and repo operations with treasury bills issued by the Czech Ministry of Finance or the Czech National Bank. At the end of 2014 the short-term portfolio made up 34% of the total volume of the Deposit Insurance Fund's financial reserves.



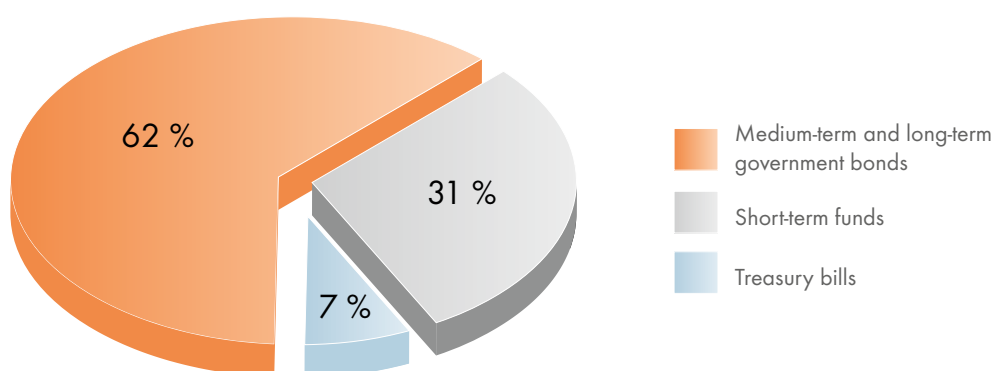
At the end of 2014 the Deposit Insurance Fund's financial reserves were composed of 31% short-term funds (buy/sell and repo operations with treasury bills issued by the Czech Ministry of Finance or the Czech National Bank) and 69% domestic government bonds and treasury bills issued by the Czech Ministry of Finance.

Table 6 | Structure of Financial Reserves by Instrument, as of 31 December 2014

Type of instrument	Market value in CZK mil.
I. Current accounts, term deposits, buy/sell and repo operations, receivables*	5,811.45
II. Bonds:	13,125.63
of which: Treasury bills	1,435.85
Medium-term and long-term government bonds	11,689.78
III. Total	18,937.08

* Receivables arising from investment transactions and unpaid coupons

Graph 4 | Structure of Financial Reserves by Instrument, as of 31 December 2014

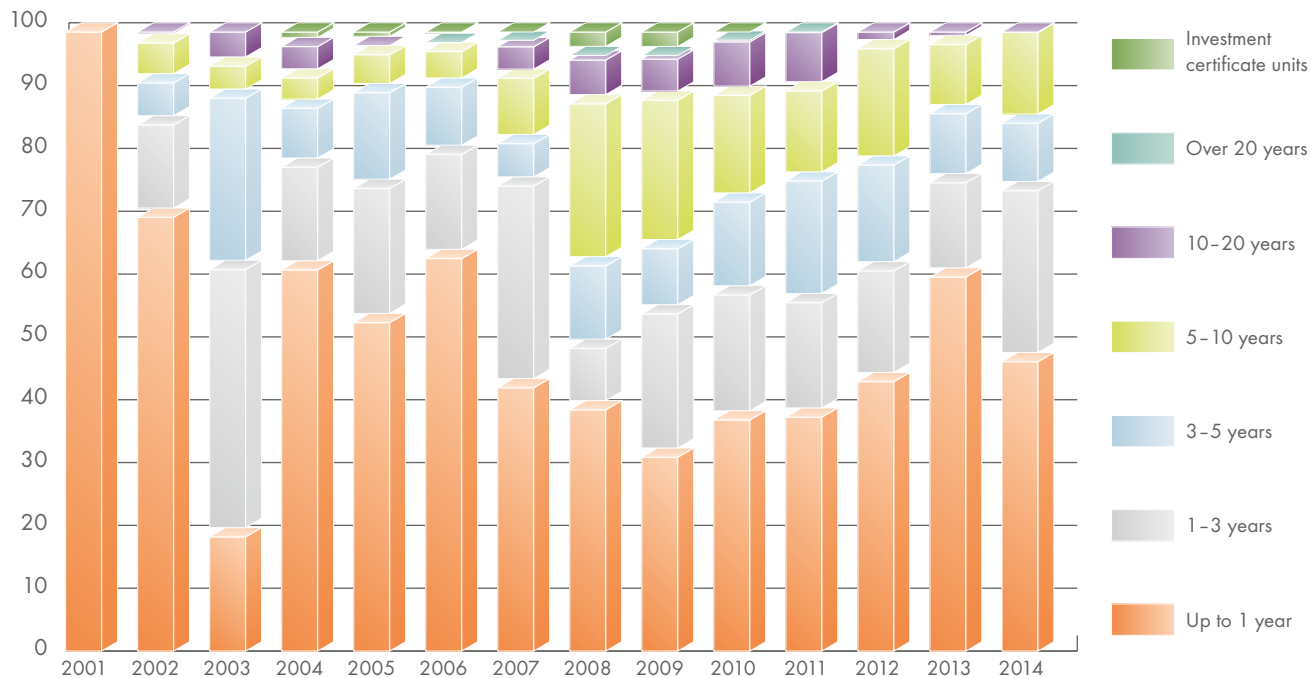


Debt instruments maturing within 1 year made up the largest share (48%) in the total volume of financial reserves, and the remaining portion of the portfolio is divided by maturity among instruments maturing in 1 to 3 years (27%), 3 to 5 years (11%), and 5 to 10 years (14%).

Table 7 | Structure of Financial Reserves by Maturity, as of 31 December 2014

Instrument maturity	Market value in CZK mil.
I. Up to 1 year	8,999.88
II. From 1 to 3 years	5,155.26
III. From 3 to 5 years	2,033.39
IV. From 5 to 10 years	2,736.80
V. From 10 to 20 years	11.75
VI. Total	18,937.08

Graph 5 : Development of the Financial Reserve Structure by Maturity



The total gross appreciation of the Deposit Insurance Fund's financial reserves for 2014 was 1.26% p.a., i.e., approximately CZK 273.3 million.

IV. MAIN CASH FLOWS OF THE DEPOSIT INSURANCE FUND – HISTORY

Table 8 | Summary of the Fund's Income and Expenditure, 1995–2014 (in CZK mil.)

I.	Income	64,525.83
	Contributions from banks, 1995–2014	49,799.79
	Income from judicial composition and bankruptcy proceedings	5,597.94
	Refunds of disbursed compensation	130.14
	Returned advance payments of non-disbursed compensation	60.79
	Interest received and other revenues	5,937.17
	– investment revenue	5,913.78
	– other financial revenue	23.39
	Loans received	3,000.00
II.	Expenditure	45,580.12
	Deposit compensation disbursements, 1995–2014	42,182.83
	Operating costs	276.13
	Interest paid	121.16
	Loan repayments	3,000.00
III.	Difference between income and expenditure	18,945.81

No events took place after the balance sheet date which could have a material impact on the financial statements as of 31 December 2014. The Annual Report was approved by the Board of Directors of the Fund and signed on the basis of its authorisation:

24 June 2015



Ing. Josef Tauber
Chairman of the Board of Directors



Ing. Karel Bauer
Vice-Chairman of the Board of Directors

V. AUDITOR'S REPORT ON THE ANNUAL REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of directors of Fond pojištění vkladů:

- I. We have audited the financial statements of Fond pojištění vkladů (“the Company”) as at 31 December 2014 presented in the annual report of the Company on pages 23-39 and our audit report dated 24 June 2015 stated the following:

“To the Board of directors of Fond pojištění vkladů:

We have audited the accompanying financial statements of Fond pojištění vkladů which, comprise the balance sheet as at 31 December 2014, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Fond pojištění vkladů, see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic and Decree No. 504/2002 Coll. applicable to entities whose principal activity does not involve business, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fond pojištění vkladů as at 31 December 2014, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic and Decree No. 504/2002 Coll. applicable to entities whose principal activity does not involve business.

Emphasis of Matter

We draw attention to the matter described in Note 2 to the financial statements, which states that Fond pojištění vkladů prepares its financial statements and maintains its accounting records in accordance with Decree No. 504/2002 Coll., as amended, applicable to entities whose principal activity does not involve business. Pursuant to the accounting legislation in this Decree, Fond pojištění vkladů recognizes neither impairment allowances nor provisions. For the levels of provisions and allowances that Fond pojištění vkladů would have recognized had it been allowed by the Decree, refer to Notes 3.1.

The company uses all these internal policies in the consistency with the prior years.

Our opinion is not qualified in respect of these matters.

Other Matters

The prior year financial statements were audited by other auditors whose report dated 10 June 2014 expressed an unqualified opinion on those statements.”

- II. We have also audited the consistency of the annual report with the financial statements described above. The management of Fond pojištění vkladů is responsible for the accuracy of the annual report. Our responsibility is to express, based on our audit, an opinion on the consistency of the annual report with the financial statements.

We conducted our audit in accordance with International Standards on Auditing and the related implementation guidance issued by the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the information presented in the annual report that describes the facts reflected in the financial statements is consistent, in all material respects, with the financial statements. We have checked that the accounting information presented in the annual report on pages 23-39 is consistent with that contained in the audited financial statements as at 31 December 2014. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that our audit provides a reasonable basis for our opinion.

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

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

Roman Hauptfleisch, Auditor
License No. 2009

24 June 2015
Prague, Czech Republic

FOND POJIŠTĚNÍ VKLADŮ

Independent Auditor's Report and Financial Statements

For the year ended 31 December 2014

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of directors of Fond pojištění vkladů:

We have audited the accompanying financial statements of Fond pojištění vkladů which, comprise the balance sheet as at 31 December 2014, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of Fond pojištění vkladů, see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic and Decree No. 504/2002 Coll. applicable to entities whose principal activity does not involve business, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fond pojištění vkladů as at 31 December 2014, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic and Decree No. 504/2002 Coll. applicable to entities whose principal activity does not involve business.

Emphasis of Matter

We draw attention to the matter described in Note 2 to the financial statements, which states that Fond pojištění vkladů prepares its financial statements and maintains its accounting records in accordance with Decree No. 504/2002 Coll., as amended, applicable to entities whose principal activity does not involve business. Pursuant to the accounting legislation in this Decree, Fond pojištění vkladů recognizes neither impairment allowances nor provisions. For the levels of provisions and allowances that Fond pojištění vkladů would have recognized had it been allowed by the Decree, refer to Notes 3.1.

The company uses all these internal policies in the consistency with the prior years.

Our opinion is not qualified in respect of these matters.

Other Matters

The prior year financial statements were audited by other auditors whose report dated 10 June 2014 expressed an unqualified opinion on those statements.

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

A handwritten signature in blue ink, appearing to read 'Roman Hauptfleisch'.

Roman Hauptfleisch, Auditor
License No. 2009

24 June 2015
Prague, Czech Republic

DEPOSIT INSURANCE FUND (FPV)	Registered office:	Týn 639/1; Prague 1
	Identification number:	49710362
	Date of financial statements:	31 December 2014
	Date of preparation of financial statements:	20 March 2015

Balance Sheet as of 31 December 2014
(CZK '000)

ASSETS	As of 1 January 2014	As of 31 December 2014
A. Total fixed assets	3,957,655	3,928,852
I. Intangible fixed assets – software	2,553	2,553
II. Tangible fixed assets	1,748	1,844
Works of art, objects and collections	46	46
Buildings	297	0
Machinery and equipment	1,740	1,798
III. Long-term investments – bonds, debentures and similar securities held to maturity	3,956,883	3,928,100
IV. Total accumulated depreciation and amortisation of fixed assets	-3,529	-3,645
Accumulated amortisation of software	-2,553	-2,553
Accumulated depreciation of buildings	-34	0
Accumulated depreciation of machinery and equipment	-942	-1,092
B. Total current assets	44,070,419	48,685,750
II. Total receivables	35,781,143	39,237,102
Operating advances paid	193	165
Other receivables	35,780,950	39,236,937
III. Total current financial assets	8,289,032	9,448,542
Cash in hand	14	52
Stamps and vouchers	33	25
Bank accounts	155,946	255,250
Bonds, debentures and similar securities held for trading	8,133,039	9,193,215
IV. Total other assets	244	106
Prepaid expenses	244	106
Accrued income	0	0
Total assets	48,028,074	52,614,602

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

(CZK '000)

LIABILITIES	As of 1 January 2014	As of 31 December 2014
A. Total equity	48,007,042	52,305,815
I. Equity – funds	45,192,790	49,252,117
II. Total profit/loss	2,814,252	3,053,698
Profit/loss account	165,776	239,446
Retained earnings	2,648,476	2,814,252
B. Total liabilities	21,032	308,787
III. Total current payables	21,032	308,787
Payables to suppliers	974	3,865
Other payables to employees	919	920
Payables to social security and public health insurance institutions	391	321
Other direct tax liabilities	262	247
Payables from fixed-term operations	0	0
Other payables	12,595	300,441
Estimated payables	5,891	2,993
Total equity and liabilities	48,028,074	52,614,602

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

Profit and Loss Account for the year ended 31 December 2014
(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Total consumed purchases	491	0	491
1. Consumption of material	491	0	491
II. Total services	13,437	0	13,437
5. Repairs and maintenance	691	0	691
6. Travel expenses	1,208	0	1,208
7. Representation expenses	156	0	156
8. Other services	11,382	0	11,382
III. Total personnel expenses	9,427	0	9,427
9. Wages and salaries	6,976	0	6,976
10. Statutory social security insurance	2,150	0	2,150
12. Statutory social expenses	239	0	239
13. Other social expenses	62	0	62
IV. Total taxes and fees	23	0	23
14. Road tax	2	0	2
16. Other taxes and fees	21	0	21
V. Total other expenses	72,500	0	72,500
21. Foreign exchange losses	7	0	7
24. Sundry other expenses	72,493	0	72,493
VI. Amortisation/depreciation and assets sold	1,285,229	0	1,285,229
25. Amortisation of intangible and depreciation of tangible fixed assets	156	0	156
27. Securities and interests sold	1,285,073	0	1,285,073
Total expenses	1,381,107	0	1,381,107

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Total other revenues	53,029	0	53,029
13. Contractual penalties and default interest	0	0	0
15. Interest	1,884	0	1,884
16. Foreign exchange gains	0	0	0
18. Sundry other revenues	51,145	0	51,145
V. Revenues from assets sold	1,567,524	0	1,567,524
20. Revenues from securities and interests sold	1,282,571	0	1,282,571
22. Revenues from current financial assets	144,692	0	144,692
24. Revenues from financial fixed assets	140,261	0	140,261
Total revenues	1,620,553	0	1,620,553
C. Profit/loss before tax	239,446	0	239,446
D. Profit/loss after tax	239,446	0	239,446

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

1. General Information

The Deposit Insurance Fund (hereinafter referred to as the "Fund") was registered in the Commercial Register on 29 December 1994 under Act No. 156/1994 Coll., amending Act No. 21/1992 Coll., on Banks, with its registered office being Prague 1, Týn 639/1. The Fund's activity is the provision of compensation to deposit owners, i.e., legal entities and natural persons, under the conditions laid down by law. The Fund does not pursue any economic activity. The identification number of the Fund is 497 10 362. As provided in Act No. 586/1992 Coll., on Income Taxes, as amended, the Fund's income is exempt from income tax.

The members of the Board of Directors as of 31 December 2014 were as follows:

Name	Position
Josef Tauber	Chairman
Karel Bauer	Vice-Chairman
Ladislav Šilha	Member
Daniel Heler	Member
Dušan Hradil	Member

Dušan Hradil	Member
Daniel Heler	Member
Ladislav Šilha	Member
Karel Bauer	Vice-Chairman
Josef Tauber	Chairman

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

2. Accounting Policies

2.1. Basic principles for preparing the financial statements

The financial statements are compiled in accordance with accounting regulations applicable in the Czech Republic and with the Czech Accounting Standards for entities that are not primarily engaged in business activity. The financial statements are compiled at historical cost except for derivatives and securities that are recognised at fair value. The amounts in the financial statements and in the notes thereto are rounded to thousands of Czech crowns unless stated otherwise.

2.2. Fixed tangible assets

Purchased fixed tangible 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 fixed tangible 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.

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

Tangible assets with a useful life of more than one 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 fixed intangible assets was calculated using the straight-line amortisation method over 3 years.

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

2.3. Securities and interests

The Fund classifies securities and interests as securities held for trading and securities held to maturity. Securities held for trading: Securities held for trading are securities held by the Fund for the purpose of transactions aimed at generating profit from price differences in the short term, not exceeding one year.

When purchased, securities and interests are recognised at acquisition cost, including transaction expenses. Securities held for trading are measured at fair value. The Fund 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 Fund management.

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

Interest income from securities held for trading includes accrued coupons, discounts and premiums on debt securities held for trading and is recognised as 'Revenue from current assets'.

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

Securities held to maturity:

Securities held to maturity are non-derivative financial assets with a fixed or predefined yield and fixed maturity, which the Fund intends and is able to hold until their maturity. Should the Fund sell other than an insignificant amount of these assets, this entire category would be moved to the 'Securities held for trading' category.

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 securities held to maturity and is recognised as 'Revenue from fixed assets'.

Repo and buy/sell operations:

Collateralised 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.

2.4. | Financial derivatives

Financial derivatives, including currency transactions, currency and interest rate swaps, are initially recognised in the balance sheet at acquisition cost and subsequently re-valued to their fair values. The fair values are derived from the market prices and from discounted cash flow models.

Derivatives with a positive fair value are recognised as 'Receivables from fixed-term operations'. Derivatives with a negative fair value are recognised as 'Payables from fixed-term operations'.

Changes in the fair value of financial derivatives held for trading are recognised in the profit and loss account, under 'Sundry other revenues' and 'Sundry other expenses'.

2.5. | 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'.

DEPOSIT INSURANCE FUND (FPV)**Financial Statements****Year ended 31 December 2014**

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

2.6. | Contributions received from banks

Contributions received from banks are posted directly to the funds account included in the Fund's equity. These contributions are recognised on the basis of being actually received in the course of the current year. The preceding calendar quarter always constitutes the calculation base for the contribution amount.

2.7. | Adjustments and reserves

The Fund does not create adjustments, nor does it account for them in accordance with Section 37 (1) of Decree of the Ministry of Finance of the Czech Republic No. 504/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on accounting, as amended, for entities that are not primarily engaged in business activity if they use a double-entry accounting system. The Fund neither creates nor accounts for reserves in accordance with Section 40 (1) of the above-mentioned Decree.

2.8. | Payables to bank clients and receivables due from banks that could not meet their commitments to clients

In accordance with a measure of the Czech Ministry of Finance and an internal accounting regulation governing accepted contributions, compensation disbursements and related cases, the Fund, based on the decision of the Czech Ministry of Finance to commence disbursement, recognises payables to clients of the banks for which the compensation is being disbursed against the reduction in the amount of 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.

2.9. | Equity/funds

Based on a decision of the Board of Directors, the result/profit for a current year is transferred to retained earnings or to the fund included in equity. The subsequent transfer of retained earnings to the fund is possible if the Board of Directors so decides.

2.10. | Use of estimates

The preparation of the financial statements requires that the Fund 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 Fund has defined these estimates and assumptions on the basis of all the relevant information available to the Fund. Nevertheless, the inherent nature of estimates means that the actual future values may differ from these estimates.

2.11. | 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 the facts that existed as of the balance sheet date.

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

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

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

3.1. Other receivables

(CZK '000)	As of 31 December 2014	As of 31 December 2013
Receivables from compensation disbursed	33,657,385	19,409,418
Receivables from repo operations	5,543,009	16,337,625
Receivables from duplicate payments	14,672	14,902
Receivables from coupons	17,510	18,924
Other receivables	223	0
Receivables from unpaid contributions	4,138	81
Other receivables – total	39,236,937	35,780,950

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 33,487,496,000 as of 31 December 2014 (2013: CZK 19,409,418,000); in addition, there was a receivable of CZK 169,889,000 based on funds provided to a financial institution in order to disburse compensation that has however not yet been disbursed.

No adjustments were created for these receivables based on a measure of the Czech Ministry of Finance (see note 2.7). If there were an option to create an adjustment, the Fund would create a 75% adjustment for the Receivables from deposit compensation disbursed.

The decline in the receivables from repo operations, through which the Fund deposits short-term financial reserves, was due to the use of these funds for deposit compensation disbursements.

3.2. Debt securities held to maturity

Debt securities held to maturity at amortised costs:

(CZK '000)	As of 31 December 2014	As of 31 December 2013
Debt securities held to maturity	3,928,100	3,956,883

Czech government bonds made up 100.0% of the value of securities held to maturity as of 31 December 2014 and 31 December 2013. The market value of the bonds reached CZK 4,633,522,000 as of 31 December 2014.

The market value of the bonds reached CZK 4,397,879,000 as of 31 December 2013.

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

3.3. | Securities held for trading

Fair value of securities held for trading:

(CZK '000)	As of 31 December 2014	As of 31 December 2013
Debt securities held for trading	9,193,215	8,133,039

As of 31 December 2014, the value of debt securities held for trading was composed of 84% Czech government bonds and 16% treasury bills.

3.4. | Bank accounts

The volume of funds in bank accounts totalled CZK 255,249,400 as of 31 December 2014. This amount is the sum total of the balances of the Fund's current accounts.

3.5. | Statement of changes in the funds account

The 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)	As of 31 December 2014	As of 31 December 2013
Deposit Insurance Fund:		
Opening balance	45,192,790	41,490,594
Contributions received (see note 3.7.)	4,260,523	3,749,817
New receivables due from banks in insolvency and liquidation	14,813,987	20,893
Written-off receivables and payables from compensation disbursements	-205,966	-47,702
Compensation disbursement	-14,813,987	-20,893
Additional payments and refunds from settlement, other receivables due from banks	4,770	81
Closing balance	49,252,117	45,192,790

On 27 January 2014 the Fund started to disburse compensation to clients of Metropolitní spořitelní družstvo. Of the total expected compensation of CZK 12.018 billion, recorded as New receivables due from insolvent banks, compensation totalling CZK 11.99 billion, i.e., 99.8%, was disbursed as of 31 December 2014. In addition, on 14 October 2014 the Fund started to disburse compensation to clients of WPB Capital. Of the total expected compensation of CZK 2.796 billion, recorded as New receivables due from insolvent banks, compensation totalling CZK 2.7 billion, i.e., 96.6%, was disbursed as of 31 December 2014.

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

3.6. Payables

Payables from compensation disbursements as of 31 December 2014 amounted to CZK 300,432,000 (2013: CZK 12,586,000).

Payables from social security and health insurance as of 31 December 2014 amounted to CZK 321,000 (2013: CZK 391,000), of which CZK 150,000 (2013: CZK 216,000) is social security payables and CZK 171,000 (2013: CZK 175,000) is health insurance payables. None of these payables were overdue.

Tax liabilities amounted to CZK 247,000 (2013: CZK 262,000). None of these liabilities were overdue.

3.7. Bank contributions

The contributions are recognised on the basis of being actually received and are not recorded on an accruals basis (see note 2.6.).

(CZK '000)	2014	2013
Contributions received from banks	4,260,523	3,749,817

Bank contributions are recognised on the basis of actual payment, see note 2.6. Contributions that were paid in 2014 and pertained to the volume of insured deposits in 2013 amounted to CZK 979,774,500. Contributions that were paid in 2015 and pertained to the volume of insured deposits in 2014 amounted to CZK 871,139,100.

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

3.8. Summary of revenues and expenses of the current and previous accounting periods

(CZK '000)	As of 31 December 2014	As of 31 December 2013
Revenues:		
Revenues from securities sold	1,282,571	7,974,882
Revenues from current financial assets	144,692	252,697
Revenues from financial fixed assets	140,261	139,458
Other revenues (see note 3.9.)	53,029	49,374
Total	1,620,553	8,416,411
Expenses:		
Securities sold	-1,285,073	-8,087,948
Amortisation of intangible and depreciation of tangible fixed assets	-156	-947
Purchases consumed	-491	-437
Services	-13,437	-13,559
Personnel costs	-9,427	-8,538
Taxes and fees	-23	-574
Other expenses (see note 3.9.)	-72,500	-138,632
Total	-1,381,107	-8,250,635

The higher revenues from the sale of securities in 2013 are related to the sale of a portion of the portfolio of securities held for trading in order to prepare resources for an anticipated disbursement of deposit compensation. The lower volume of securities sold in 2014 was also due to minor changes in the portfolio's duration position and the related activity of portfolio managers in securities trading.

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

3.9. Other revenues and other expenses

(CZK '000)	As of 31 December 2014	As of 31 December 2013
Revenues:		
Interest	1,884	2,904
Foreign exchange gains	0	3
Change in the fair value of derivatives held for trading and foreign exchange gains from securities transactions	0	39,244
Change in fair value of securities held for trading	49,311	3,759
Other	1,834	3,462
Contractual penalties, default interest and fines		2
Total	53,029	49,374
Expenses:		
Foreign exchange losses	-7	-10
Change in the fair value of derivatives held for trading and foreign exchange losses from securities transactions	-6,804	-23,239
Change in the fair value of securities held for trading	-63,397	-113,280
Other	-2,292	-2,103
Total	-72,500	-138,632

Of the total interest income of CZK 1,884,000 (2013: CZK 2,904,000), the revenues from buy/sell operations amounted to CZK 1,769,000 (2013: CZK 2,554,000).

The higher increase in the fair value of securities held for trading and the related lower costs of the change in the fair value of securities held for trading against 2013 are related to improved developments in the market value of the bonds included in the portfolio.

The 2013 profit of CZK 165,776,000 was transferred to retained earnings from previous years, based on a decision by the Board of Directors of 19 June 2014. The 2014 profit of CZK 239,446,000 is proposed for transfer to retained earnings from previous years and is subject to approval by the Board of Directors.

The average number of the Fund's employees is six, one of whom is a manager. Total wage costs in 2014 amounted to CZK 6,976,000 (2013: CZK 6,340,000).

The Fund did not provide any remuneration, advances or loans to members of the Board of Directors in 2014 or 2013. In 2014 and 2013 the Fund did not co-finance the Executive Director's life insurance and did not provide the Executive Director with any compensation in kind either.

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

3.10. Litigations

The following three actions were filed against the Fund in 2010 and 2011:

Claimant TALIAATELLA HOLDINGS LIMITED (previously Conroe Consulting Services Limited)

On 18 December 2010, an action was filed against the Fund by Conroe Consulting Services Limited, with its registered office at 46/2, South Street, Valleta VLT 1101, Malta, **seeking the payment of CZK 1,561,731,947, including accessions. The action was filed with the District Court for Prague 1. The claimant is seeking the awarding of a claim consisting of damages in the above-mentioned amount that allegedly arose from the defendant, i.e., the Fund, failing to disburse**, in accordance with Act No. 443/2006 Coll., as amended until 2 March 2007 (Act on Compensation) **compensation for insured deposits to clients of Kreditní banka Plzeň, a.s. within the statutory period.** At the time, the Fund proceeded in line with the Act on Banks and failed to disburse the compensation because the Czech National Bank - in agreement with the Czech Ministry of Finance - had extended the period for compensation disbursement. The relevant part of the above-mentioned Act on Compensation was subsequently repealed by a ruling of the Constitutional Court of the Czech Republic dated 15 February 2007, effective from 2 March 2007. On 2 May 2012 the District Court for Prague 1 rendered judgment with reference 18 C 364/2010-80 that the application for the payment of CZK 1,561,731,947, including accessions, was rejected and the claimant was obliged to reimburse the defendant for the costs of the proceedings. The claimant appealed against this judgment and subsequently supplemented its appeal. In addition, based on an agreement to assign the receivable, the original claimant, Conroe Consulting Services Limited, was replaced by TALIAATELLA HOLDINGS LIMITED. At the hearing held on 27 January 2014, the court of appeal rejected the claimant's appeal against the first-instance judgment, and awarded the costs of the proceedings in favour of the Fund. **The written version of the judgment was delivered on 25 April 2014. A clause on the legally binding status of the judgment was indicated on it as of 6 February 2015. An application to confirm a European Enforcement Order was filed with the District Court for Prague 1 on 9 February 2015.**

The Fund's opinion is supported by the fact that in several litigations for damages where a depositor with Union banka a.s., and in one case even a depositor with Kreditní banka Plzeň, a.s., was the claimant, the courts deciding the cases confirmed the validity of the extension of the period for commencing the compensation disbursement. The courts always accepted as sufficiently established the fact that the Czech National Bank had extended the compensation disbursement period under the Act by an additional three months. In the court's opinion, the Fund proceeded in accordance with law, and no essential prerequisite for its liability for damage could be found. Furthermore, the claim is statute-barred, according to the court. Once a written copy of the judgment by the court of appeal is delivered, the judgment rejecting the application in full will become legally binding, although we cannot rule out that the claimant may file an extraordinary appeal with the Supreme Court.

Claimant ASSETWISE LIMITED

On 30 August 2011 an action was filed with the Municipal Court in Prague against the Fund by ASSETWISE LIMITED, ID No.: HE 284286, with its registered office at HADJIMATHEOU-YIANNOURI COURT, 2nd floor, Flat/Office 10, post code 6042 Larnaca, the Republic of Cyprus, **seeking the payment of CZK 1,406,963,367, including accessions. The claim is based on the provisions of part two of Article III (4) of Act No. 443/2006 Coll., the Act on Compensation, with the claimant seeking financial compensation.** The High Court in Prague subsequently decided in terms of the material jurisdiction that district courts had jurisdiction to hear and decide the case at the first instance. The proceedings were suspended by court ruling of 9 December 2013 until the appeal proceedings in the case VALSPRING HOLDINGS LIMITED vs. the Fund (see below) were finally concluded. **A ruling by the Municipal Court in Prague, reference 97 Co 254/2014-126, dated 16 July 2014, revoked the ruling that had suspended the proceedings. The court ordered a hearing in respect of the case for 1 June 2015.**

DEPOSIT INSURANCE FUND (FPV)

Financial Statements

Year ended 31 December 2014

In this case we have to state that these proceedings will be based on assessing a legal issue / legal issues relating to the process of extending the period for disbursement commencement defined by the Act on Additional Compensation, and on assessing the claimant's right to bring proceedings. Another assessment criterion is the impact of constitutional law regulations on future legal relations after the above-mentioned law was repealed. The Fund's position is supported by the fact stated above that in several litigations, the courts deciding the cases ruled that the process of extending the period for commencing the disbursement was de iure free of any defects, i.e., that the Fund had never delayed making its compensation disbursements. In addition, the rationale provided by the courts when deciding on other cases can lead to the opinion that the Act on Additional Compensation could never stand in the structure of existing legislation due to its evident legislative defects, which makes the Fund believe that claims for performance cannot be made now on the basis of this repealed Act. The Fund has numerous legal arguments to support the Fund's opinion and consequently the Fund's potential success in this case.

Claimant MERKURIO PANAMA S.A. (previously VALSPRING HOLDINGS LIMITED)

On 30 August 2011 an action was filed with the Municipal Court in Prague against the Fund by VALSPRING HOLDINGS LIMITED, ID No.: HE 235682, with its registered office at HADJIMATHEOU-YIANNOURI COURT, 2nd floor, Flat/Office 10, post code 6042, Larnaca, the Republic of Cyprus, **seeking the payment of CZK 1,621,470,327, including accessions. This claim is based on the provisions of part two of Article III (1) of Act No. 443/2006 Coll., the Act on Compensation, with the claimant seeking an additional compensation payment.** The defendant gave its statement on the application. The claimant only gave its statement on the material jurisdiction of the court. The High Court in Prague subsequently decided in terms of the material jurisdiction that district courts had jurisdiction to hear and decide the case at the first instance. **By its judgment of 29 May 2013, the District Court for Prague 1 rejected the application in full and awarded the costs of the proceedings to the Fund. The claimant appealed this judgment, and the defendant gave its statement on the appeal. The hearing before the court of appeal was adjourned ad infinitum in order to change the entity of the claimant. A ruling by the Municipal Court in Prague, reference 53 Co 420/2013-262, dated 15 January 2015, allowed MERKURIO PANAMA S.A., with its registered office in the Republic of Panama, Panama, 50th Avenue, Global Bank Tower, 18th floor, Office 1801, to join the proceedings in lieu of the previous claimant. A hearing in respect of the case was ordered for 8 June 2015.**

In this dispute the claimant is trying to infer the duplicity of its claim from the perspective of interpreting the legislation that applies to claims to additional compensation disbursements as well as to constitutional law regulations. Although the claim is specified somewhat differently than in the previous case, which applies to claimant ASSETWISE LIMITED, the same comment as in the previous case can be made. In this case, again, the Fund lawyers have enough legal arguments to support the future success of the Fund in this litigation.

All of the three above-mentioned claimants acquired their receivables under agreements to assign a receivable from the assignor Česká pojišťovna, a.s., with its registered office in Prague 1, Spálená 75/16, post code 113 04, ID No.: 452 72 956 which, together with its subsidiary, ALPHA BROKER, a.s., had disbursed compensation to the clients of Kreditní banka Plzeň, a.s. v likvidaci beyond the scope of compensation disbursed by the Fund. The Fund does not account for reserves and does not believe that it is necessary to block funds for the purposes of the above-mentioned litigations.

In conclusion, it must be stated that the court decisions on the cases initiated by claimant **ASSETWISE LIMITED and claimant MERKURIO PANAMA S.A.** cannot be precisely foreseen.

3.11. | Future obligations of the Fund

When this Annual Report was issued, legislative changes that will have a significant impact on the Deposit Insurance Fund's activities were underway, specifically an amendment to Act No. 21/1992 Coll., on Banks, implementing Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes, and a new law on recovery and crisis resolution, implementing Directive 2014/59/EU of the European Parliament and of the Council, establishing a framework for the recovery and resolution of credit institutions and investment firms. The above-mentioned amendment to the Act on Banks will lead to significant changes in the deposit insurance system, e.g., the introduction of risk-based contributions, options to pay contributions by payment commitments, shortening the period for commencing deposit compensation disbursement and introducing increased compensation above the standard insurance limit in certain life situations. Based on the above-mentioned new law on recovery and crisis resolution, the existing Deposit Insurance Fund (pursuant to the current proposal prepared by the Ministry of Finance) should be transformed into the Financial Market Guarantee System, which will manage both the newly established crisis resolution financing mechanism (Crisis Resolution Fund) and the deposit insurance system (Deposit Insurance Fund). These legislative changes should take place in the second half of 2015.

3.12. | Subsequent events


No events took place after the balance sheet date which could have a material impact on the financial statements as of 31 December 2014.

The financial statements were approved by the Board of Directors of the Fund and signed on the basis of its authorisation:

24 June 2015



Josef Tauber
Chairman of the Board of Directors



Karel Bauer
Vice-Chairman of the Board of Directors