



Deposit Insurance Fund

A large, close-up photograph of a dandelion seed head is positioned on the left side of the cover. The seeds are illuminated from below, creating a bright, glowing effect against the dark orange background.

ANNUAL REPORT 2007



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1 INTRODUCTION BY THE PRESIDENT OF THE BOARD OF ADMINISTRATION

Our country's stabilised banking system, owned (and controlled) by strong strategic investors, is the main reason why the Fund could focus last year on system issues of the management of its portfolios, on the successful culmination of a number of legal disputes and the still ongoing bankruptcy proceedings of some banks.

Intensive cooperation with the portfolio manager is bringing results in the good yields of assets while the main emphasis was placed by the Board of Administration on the low risk rate of investments, i.e. on the considerably conservative approaches to investment strategy.

The consistent recovery of the Fund's rights in a number of legal disputes was successfully displayed beyond expectations in specific yields in this particular area which is marked by an array of counterparties on the one side and great differences in the level of claims on the other ranging from just several thousands to millions of crowns.

By their active participation, the Fund's representatives have contributed to the work of both international organisations – the IADI and EFDI. It is worth mentioning that despite the fact that our Fund in the number of its employees and sum total of its powers is one of the smallest deposit insurance funds in the world, it is highly positively regarded and respected globally and by the European movement of deposit insurers. This is the case also because prospective employees of the Fund and certain other members of the Board of Administration have been involved to an ever greater extent in professional seminars and conferences.

I would like to take this opportunity of thanking the employees, executive directors and all the members of the Board of Administration for their successful and dedicated work, and repeatedly very good results, and to the extremely collegial approach to our common mission.



Josef Tauber
President of the Board of Administration

II. STATUTORY BODY

The Deposit Insurance Fund is managed by a five-member Board of Administration. The President, Vice-president and the other members of the Board of Administration (hereinafter referred to as the "Fund") are appointed and removed from office by the Finance Minister. Pursuant to Section 41b (5) of the Act on Banks, at least one member of the Fund's Board of Administration is appointed from among the ranks of the employees of the Czech National Bank at the recommendation of the Czech National Bank, and at least two members of the Fund's Board of Administration are appointed from among the ranks of the members of the boards of directors of banks. The term of office of indi-

vidual members of the Board of Administration is five years, and one new member is appointed each year. There is no remuneration for the tenure of a member of the Board of Administration. The Fund's Board of Administration is the statutory body of the Fund that manages its activities. The Board of Administration appoints an executive director who is the head of the Fund's entire executive staff.

As of 8 December 2007, the Finance Minister re-appointed Klára Cetlová member of the Board of Administration for the next tenure.

Membership of the Board of Administration in 2007

President:	Josef T a u b e r – Director General and President of the Board of Directors of Česká exportní banka, a.s.
Vice-president:	Petr V o j t í š e k – Deputy Director of the Section of the Czech National Bank
Members:	Daniel H e l e r – Deputy Director General and member of the Board of Directors of Česká spořitelna, a.s. Klára C e t l o v á – Department Director of the Ministry of Finance of the Czech Republic Jiří Š p e r l – Deputy Director and member of the Board of Directors of Modrá pyramida stavební spořitelna, a.s.
Executive director:	Renáta K a d l e c o v á

III. ACTIVITIES OF THE DEPOSIT INSURANCE FUND IN 2007

Role of the Deposit Insurance Fund

The main subject matter of the Fund's activities is to compensate eligible persons for their claims from deposits under the terms and conditions set forth in the provisions of Section 41a et seq. of the Act on Banks No. 21/1992 Coll., as amended, (hereinafter referred to as the "Act on Banks").

The Fund's further activities include the following:

1. administration and recovery of claims from banks in accordance with Section 41h of the Act on Banks as part of the pending bankruptcy, liquidation and composition proceedings;
2. securing and managing funds which are contributions from banks, revenues from investment of funds, funds acquired on the financial market, proceeds from terminated bankruptcy, liquidation and composition proceedings, returnable grants-in-aid and possible further income of the Fund;
3. deepening cooperation and integration within the framework of existing or emerging structure of the European Union.

Act on Banks

The activities of the Fund are regulated in Sections 41a through 41m of the Act on Banks and in joint and transitional provisions of amendments to this Act.

Pursuant to the Act on Banks, all banks and branch offices of foreign banks, with the exception set forth in Section 41l of the Act on Banks and with the exception set forth in Section 5a of the Act on Banks, which came into effect as of the date on which the agreement of the Czech Republic's accession to the European Union came into force, shall be obliged to participate in a system of insuring claims from deposits and contribute to the scope set forth in the Act on Banks. Since 2006 they are obliged to participate in the system of insurance of claims from deposits and contribute to this system to the scope determined by the Act on Banks and cooperative savings banks.

Pursuant to Section 41c of the Act on Banks, the insurance applies to all claims from deposits in Czech or foreign currency, including interest when the requirements for identifying depositors are met in accordance with Section 41c (3) of the Act on Banks which are registered as a credit balance on accounts or in savings banks, or which are endorsed

through a deposit certificate, deposit note or other similar document. Natural persons are identified by name, surname, address and date of birth or birth certificate number of the depositor, or an identification number, and in case of legal entities by their business name or name of the legal entity, its registered office, in case of domestic legal entities also by their identification number. Insurance does not apply to claims from bank deposits, financial institutions, health insurance companies and state funds. Claims from deposits that a bank is entitled to and are partially included in its capital (subordinated debt) are not insured either. The system of insuring claims from deposits does not apply to bills of exchange and other securities.

Compensation for an insured claim from a deposit shall be granted to the Fund's eligible person only after the Fund has received notification in writing from the Czech National Bank that a bank is not able to meet its commitments in respect of eligible persons for legal and contractual terms and conditions. Compensation is granted both to natural persons and legal entities up to as much as 90% of all insured deposits made by one depositor with one bank, the maximum amount being, however, an equivalent of 25 000 EUR. Compensation for foreign exchange deposits is disbursed in Czech currency. Pursuant to Section 41g (3) of the Act on Banks, however, those persons who have a special relationship towards the bank concerned and holders of deposits arising in conjunction with the legalisation of proceeds resulting from criminal activities for which they were finally sentenced by a court of law in legal prosecution proceedings, are not entitled to compensation from the Fund's deposits.

The provisions of the Act on Banks concerning the principle of a single licence became effective upon the Czech Republic's accession to the European Union. Hence deposits of clients at branches of foreign banks are insured in the relevant system of the home country, while the terms and conditions of insuring deposits of these countries are based on the law of the European Community. The branch of a foreign bank is obliged to provide depositors with information about the system of insuring deposits, including the level and scope of cover provided by the system of insuring deposits in which the bank and its branches participate.

Pursuant to the Act on Banks, branches of foreign banks operating in the Czech Republic may provide supplementary insurance for claims from deposits based on an agreement with the Fund providing that

the home system of insurance is less favourable than the insurance of claims from deposits pursuant to the Act on Banks. So far HSBC Bank, plc – pobočka Praha has made use of this option and arranged supplementary insurance with the Fund for the deposit of legal entities up to 25 000 EUR. At the end of 2007 the Deposit Insurance Fund concluded a contract supplementary insurance of claims from deposits with BRE Bank, S.A., and with Citibank Europe plc. Both branches of these foreign banks provided supplementary insurance for deposits of natural persons (regardless of the fact whether these natural persons were entrepreneurs or not) of up to 25 000 EUR as of 1.1.2008.

In February 2007 the Constitutional Fund complied with the petition of a group of senators and repealed the temporary provisions of Act No. 443/2006 Coll. by which Act No. 178/2005 Coll. is repealed on the repeal of the National Property Fund of the Czech Republic and on the competence of the Finance Ministry during privatisation of the property of the Czech Republic, and Act No. 319/2001 Coll. which amends Act No. 21/1992 Coll. on Banks, as amended. This Act instructs the Fund to pay out additional compensation for deposits of clients of Union Banka, a.s., Plzeňská banka, a.s.

Disbursement of Compensation

Pursuant to Section 41a (5) of the Act on Banks, the Fund may only withdraw funds from the Fund for the compensation of claims from deposits to eligible persons and for repayment of the Fund's debts. In the course of its existence, the Fund has disbursed compensation for deposits in sixteen cases as at 31 December 2007, granted in the form of twelve regular and four additional payments as compensation to depositors of twelve banks to a total amount of 25.479 billion CZK.

In 2007 with the expiry of the legal five-year time limit, the Fund ended the payment of additional compensation to depositors of Pragobanka, a.s., Universal banka, a.s. and Moravia Banka, a.s. Likewise, the Fund continued with payments of regular compensation to depositors of Union banka, a.s. and Plzeňská banka, a.s. The total amount of paid regular and additional compensation for 2007 amounted to the sum of 9.73 million CZK.

Just as in the previous year there was a fall in disbursed compensation when the total compensation of deposits disbursed at 31 December 2007 fell by 15.62 million CZK in comparison with the same period of 2006. During the course of 2007 a further part of the additional

compensation of deposits was returned to the Fund's account unjustifiably disbursed to depositors of Moravia banka, a.s. of 25.35 million CZK. The reason why the Fund made this unjustifiable disbursement was that the Fund received incorrect data from the trustee (administrator) in bankruptcy for the disbursement of additional compensation from deposits in 565 cases. After discovering this fact, the Fund asked the clients who unjustifiably collected this compensation to return it. The total sum of this returned deposit compensation that these persons returned voluntarily after being summoned to do so by the Fund under a court decision, court settlement or out-of-court agreement is 127.52 million CZK, which is about 71% of the total amount of unjustifiably disbursed compensation. Hence the total amount of compensation disbursed by the Fund is reduced by the above amount.

Disbursement of Compensation from the Deposit Insurance Fund by 31 December 2007

(in CZK millions)

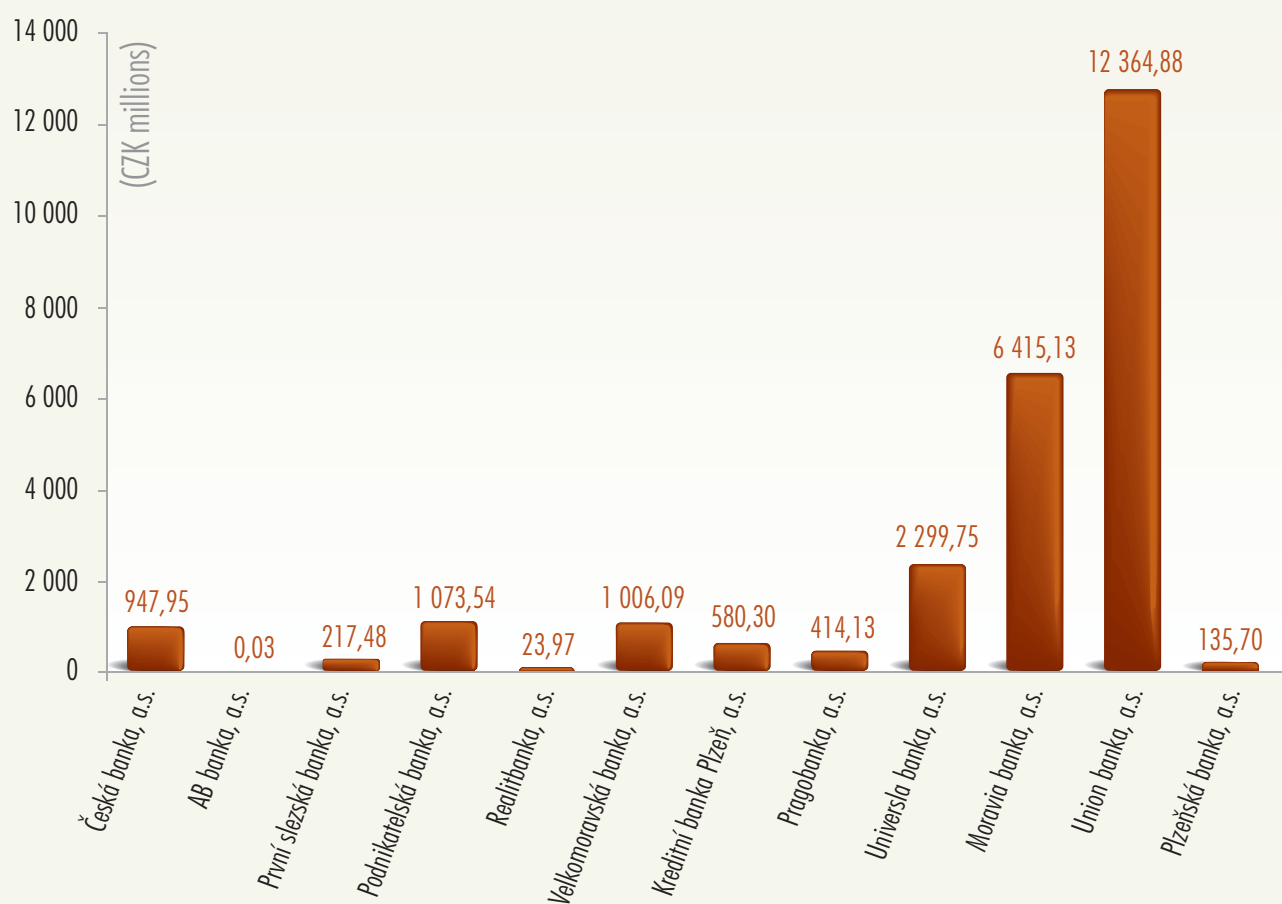
Bank	Date of commencement of Compensation disbursement	Disbursed compensation by 31 December 2007
Česká banka, a.s. ¹	11. 12. 1995	947,95
AB banka, a.s.	31. 1. 1996	0,03
První slezská banka, a.s.	15. 5. 1996	217,48
Podnikatelská banka, a.s.	17. 6. 1996	1 073,54
Realitbanka, a.s.	24. 7. 1996	23,97
Velkomoravská banka, a.s.	29. 7. 1996	1 006,09
Kreditní banka Plzeň, a.s.	23. 9. 1996	580,30
Pragobanka, a.s. ²	1. 12. 1998	414,13
Universal banka, a.s. ²	17. 5. 1999	2 299,75
Moravia banka, a.s. ²	11. 10. 1999	6 415,13
Union banka, a.s.	17. 5. 2003	12 364,88
Plzeňská banka, a.s.	7. 6. 2003	135,70
TOTAL		25 478,95

¹ disbursement of additional compensation commenced on 8 June 1998

² disbursement of additional compensation commenced on 4 January 2002

³ in 2004 compensation was returned of 18.56 million CZK debited to the disbursed deposit compensation, as of 2005 it is part of the Fund's income (see table on page 15.- IV.Fund's Total Income)

Disbursement of Compensation from the Deposit Insurance Fund by 31 December 2007



Claims of the Fund from Banks

Pursuant to Section 41h (2) of the Act on Banks, the Fund will become the creditor as of the disbursement commencement date, of a bank which has failed to meet its commitments under the legal and contractual terms and conditions to the scope of the rights of the bank's eligible persons to be paid by the Fund. Of the twelve disbursed banks, bankruptcy proceedings have been completed only in three cases. Of the total amount of disbursed compensation for deposits which reached 25.5 billion CZK as of 31 December 2007, the Fund was recognised 23.4 billion CZK of claims in bankruptcy proceedings. The claims from additionally disbursed deposits at Pragobanka, Universal banka and Moravia banka were not recognised because the Fund, when reporting them, did not meet, and could not meet, the time limits for

reporting the claims laid down by the Bankruptcy and Composition Act. The Amendment to the Act on Banks under which the Fund disbursed this additional compensation, was not adopted until after the expiry of the relevant time limits. The recognition of these claims is the subject of litigation.

The following table shows a summary of claims of the Fund for individual banks registered as of 31 December 2007 for bankruptcy proceedings of disbursed banks. A preliminary schedule has been drawn up in five banks with a total received advance for the Fund of 2 822,27 million CZK of the total amount of 21 824.06 million CZK registered claims. The Fund now has 19 billion CZK of claims registered from banks.

Přehled přihlášených a dosud evidovaných pohledávek za bankami

as of 31 December 2007

(in millions CZK)

Bank	Type of disbursements	Registration for Bankruptcy	Returned to the Fund	Receivables in Bankruptcy
Česká banka, a.s.	regular	518,56		
	additional	443,11		961,67
AB banka, a.s.	regular	0,23	0,01	0,22
První slezská banka, a.s.	regular	217,50	7,61	209,89
Realitbanka, a.s.	regular	24,20		24,20
Velkomoravská banka, a.s.	regular	1 006,63		1 006,63
Kreditní banka Plzeň, a.s.	regular	580,95	29,05	551,91
Universal banka, a.s.	regular	1 862,64	302,29	1 560,35
Moravia banka, a.s.	regular	4 753,70		4 753,70
Union banka, a.s.	regular	12 416,54	2 483,31	9 933,23
TOTAL		21 824,06	2 822,27	19 001,80

As regards terminated bankruptcy proceedings to the end of 2007, judicial composition has already been carried out in the case of Podnikatelská banka, a.s. and composition as part of the closing schedule as part of the closing schedule in the case of

Pragobanka, a.s. and Plzeňská banka, a.s. The Fund therefore no longer has any claims from these three banks as of 31 December 2007. The summary of these satisfied claims for the banks including received revenues and proceeds is shown in the following table.

Summary of Proceeds of Claims from Banks at the End of Bankruptcy Proceedings

as of 31 December 2007

(In CZK millions)

Bank	Type of disbursements	Total claims	Returned to the Fund	Proceeds (%)
Podnikatelská banka, a.s.	regular	1 075,53	548,52	51,00
Pragobanka, a.s.	regular	348,20	184,33	52,94
Plzeňská banka, a.s.	regular	134,85	70,67 ⁴	52,41
TOTAL		1 552,58	803,52	51,75

⁴ besides this consideration the Fund in 2004 received bankruptcy assets from Plzeňská banka, a.s. to the amount of 1.025 million CZK as additional payment of the contribution for insured deposits for 2003

Contributions from Banks

In 2007 insured institutions, i.e. banks and building societies and as of 1 April 2006 also cooperative savings banks paid as of 1 528.63 million CZK of contributions into the Fund for the calculation base of 2006. A summary of contributions is shown in the following table which the Fund received since its establishment in 1994.

Contributions from Banks to the Fund by Year

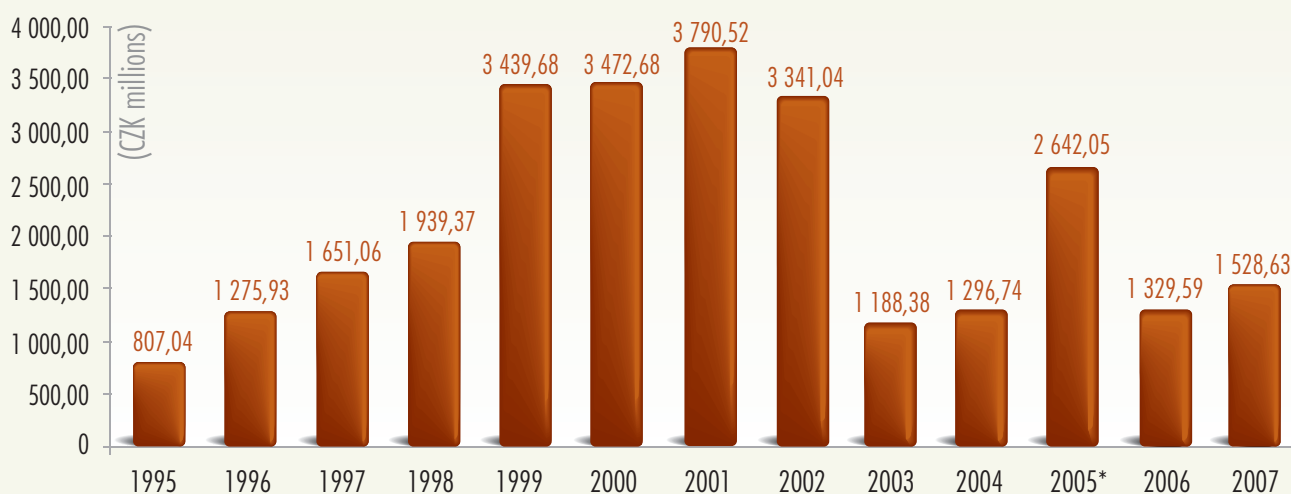
as of 31 December 2007

(in CZK millions)

Basis of calculation (Year)	Year of contribution disbursement	Amount
1994	1995	807,04
1995	1996	1 275,93
1996	1997	1 651,06
1997	1998	1 939,37
1998	1999	3 439,68
1999	2000	3 472,68
2000	2001	3 790,52
2001	2002	3 341,04
2002	2003	1 188,38
2003	2004	1 296,74
2004	2005*	2 642,05
2005	2006	1 329,59
2006	2007	1 528,63
TOTAL		27 702,71

* Including advances in December 2004

Contributions of Banks to the Deposit Insurance Fund



The amount of contribution is governed by an amendment to the Act on Banks by Act No. 126/2002 Coll., Section 41c (6) and (7). The annual contribution of a bank to the Fund has been reduced by the aforesaid amendment to 0.1 % of the average volume of the insured claims from deposits in the previous year, including interest. The average amount of insured claims from deposits is calculated by the bank according to the status of insured claims from deposits as of the last day of each calendar month in the previous year, including interest accrued in favour of the depositor as of that day. Cooperative building societies have been paying a contribution to the Fund since 2006 of 0.1% of the average amount of insured claims from deposits for the previous year, including interest. The annual contribution of a building society to the Fund has been reduced by the aforesaid amendment to 0.05 % of the average volume of insured claims from deposits for the previous year, including interest accrued in favour of the participant in building society savings in the previous year. The average volume of insured claims from deposits is calculated by

the building society according to the quarterly status of insured claims from deposits in the previous year without setting off prepaid state grant-in-aid. Banks, building societies and cooperative savings banks are obliged to pay their contribution to the Fund for the previous calendar year no later than by 31 January of the current year. The contribution is paid in Czech crowns.

Of the branches of the foreign banks in the Czech Republic, the branch of HSBC Bank, plc - pobočka Praha contributed to the Fund. Another two branches of foreign banks, i.e. BRE Bank, S.A. and Citibank Europe plc. will not make a contribution each to the Fund until 2009.

Number of Institutions contributing to the Fund

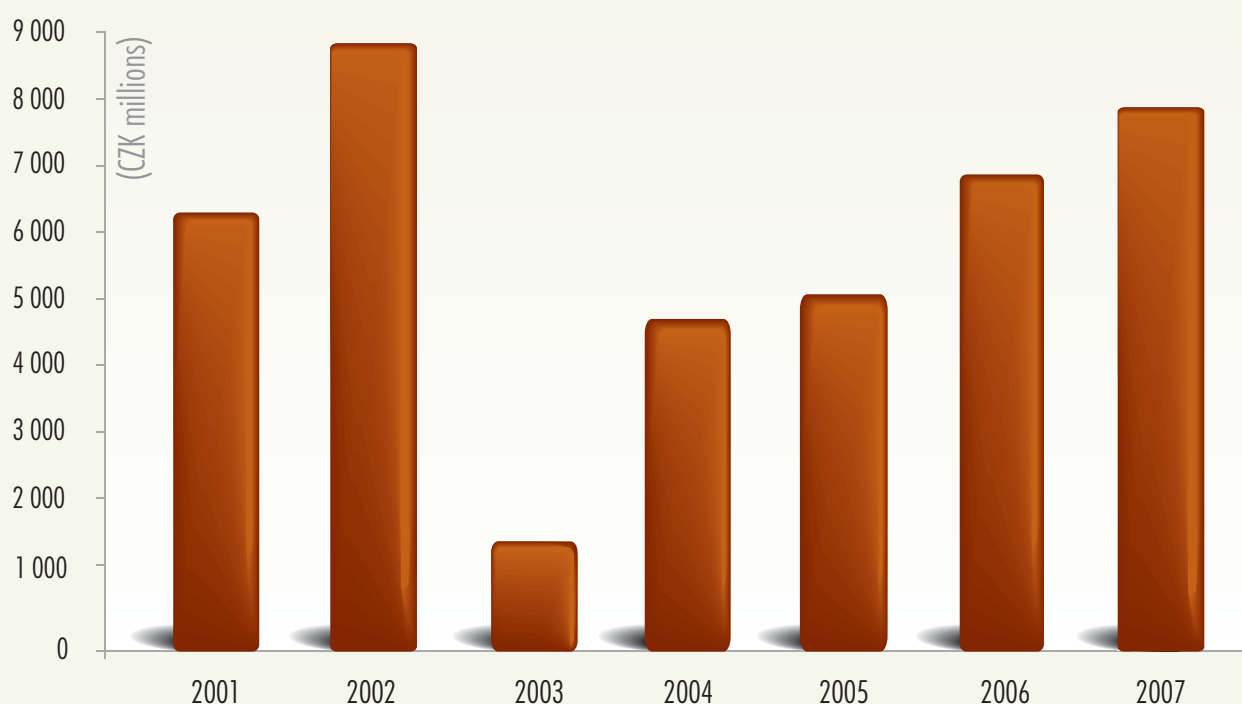


* 7 foreign bank branches paid contributions only for the period of January-April 2004

Investment Activities

The volume of the Fund's financial reserves at the end of 2007 reached the sum of 8.1 billion CZK. One half of the Fund's reserves at the beginning of the year were administered by two investment managers and the second half of the reserves was administered directly by the Fund. This method of administration arose from the Fund's needs to maintain the highest volume of liquid funds possible in view of the uncertain legislative situation regarding disbursement of additional deposit compensation. After a decision made by the Constitutional Fund on the repeal of the law by which additional deposit compensation was to be disbursed, 80% of the portfolio was divided among two present and one new investment manager. The remaining part of the portfolio remained in the direct management of the Fund.

Trend in the Volume of the Fund's Financial reserves 2001 - 2007



While administering its financial reserves in 2007 the Fund continued in the investment policy it began in 2002. The financial reserves administered by the investment managers were invested in medium and long-term government bonds, bonds issued by banks, cities and corporations in Czech crowns, and partly also in bonds issued in selected foreign currencies while maintaining a minimum limit of S&P A- rating of the issuers of bonds. The financial reserves administered directly by the Fund were invested only in short-term state bonds or bonds issued by the Czech National Bank for the purpose of maintaining the Fund's liquidity. The higher share of the portfolio administered in 2007 by the investment managers was also projected in the portfolio's structure. At the end of the year the highest share in the portfolio was represented by medium and long-term government bonds (36.5 %), publicly tradable bonds of banks and corporations (28.6%) and short-term government bonds (25.8 %).

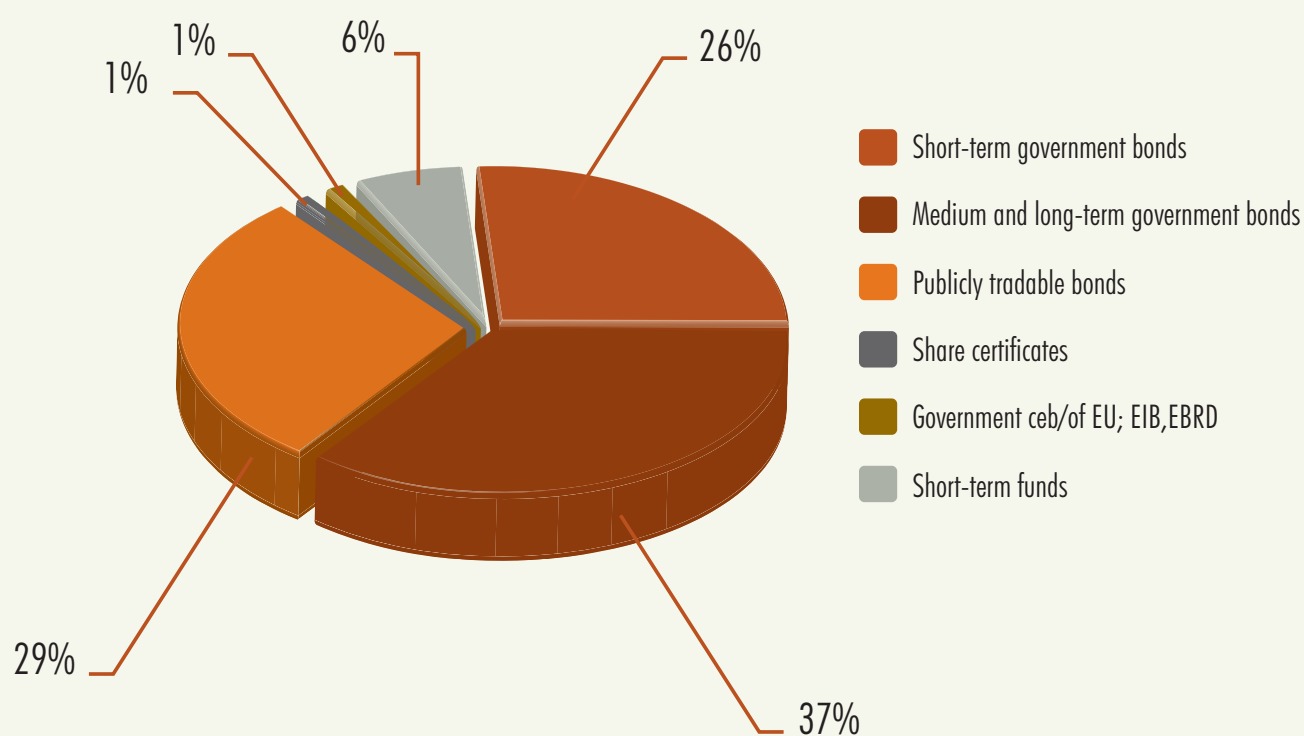
Structure of the Portfolio by Instrument as of 31 December 2007

(in CZK millions)

	Type of instrument	Market value*
I.	Current accounts and term deposits	494,93
II.	Bonds:	7 495,89
	<i>Of these: T-bills and CNB bills</i>	<i>2 094,25</i>
	<i>Medium and long-term government bonds</i>	<i>2 960,60</i>
	<i>Bank and corporate bonds</i>	<i>2 318,29</i>
	<i>IBRD, EIB and EU member country government bonds</i>	<i>122,75</i>
III.	Share certificates	107,84
IV.	Swaps	8,87
TOTAL		8 107,53

* does not contain account balances at GE Money bank, a.s. for disbursement of deposit compensation

Structure of the Portfolio of 31 December 2007



Structure of the portfolio by maturity at 31.12.2007

(in CZK millions)

	Instrument maturity	Market value *
I.	Up to 1 year	3 516,26
II.	From 1 to 3 years	2 603,62
III.	From 3 to 5 years	547,41
IV.	From 5 to 10 years	842,79
V.	From 10 to 20 years	406,98
VI.	Over 20 years	82,61
VII.	Share certificates	107,84
TOTAL		8 107,53

* does not contain balance on accounts at GE Money bank, a.s. for disbursement of deposit compensation

The main part of the portfolio consisted of bonds and share certificates issued in CZK (94.4%). Bonds were also represented in the portfolio issued in EUR (2.6%), PLN (1.5%), USD (0.6%), SKK (0.5%) and RON (+0.3%). The highest volume of funds administered by investment managers was also projected in the duration of the portfolio which at the end of 2007 reached 1.97 years which was 0.7 year more than at the end of 2006. The duration of the portfolio administered by investment managers throughout the year did not exceed the benchmark duration (by 3 years).

The Fund's financial reserves for 2007 were valued at a total of at 1.53% p.a. Valuation of reserves in the administration of the investment managers was 1.02% p.a., while all the investment managers surpassed the benchmark valuation benchmark (Index GPRI3m), which increased in 2007 by a mere 0.52% p.a. The gross yield from investment reached 129.7 million CZK.

International Cooperation

In 2007 the Fund continued to develop contacts with similar institutions abroad particularly as part of its membership of the International Association of Deposit Insurers - IADI and the European Forum of Deposit Insurers - EFDI).

The International Association of Deposit Insurers organised the sixth Annual General Meeting in Kuala Lumpur (Malaysia) at the end of October and start of November 2007 followed by an international conference dealing with the topic of "Deposit Insurance and Consumer Protection". The "Deposit Insurer of the Year" prize for contribution to financial stability and development of cooperation was awarded for the third and this time to the Brazilian deposit insurance system (Fundo Garantidor de Créditos). The conference was also accompanied by the third international deposit insurance exposition in which member deposit insurance systems participated and included the Fund.

This conference was preceded by the 20th meeting of the IADI Executive Council during which the meetings of standing and regional IADI committees were also held.

The next working meetings of the IADI Executive Committee were held in February in Washington, US and in May and September in Basel, Switzerland. The sixth meeting of the European Committee was held in Prague in January presided over since September 2005 by the President of the Fund's Board of Administration.

The Fund's representatives also attended the conference on the subject of "Role of Deposit Insurance Systems in the Support of Financial Stability in Various Countries", which was held in June in Istanbul, Turkey. The President of the Fund's Board of Administration presented a paper on the "Moral Hazard in the Insurance Deposit System".

The foundation of the European Forum of Deposit Insurers on 22 June 2007 in Brussels as an international non-profit association under Belgian law culminated in the efforts of its transformation from an informal association established in 2002. The Fund is included among the 44 founding members from the ranks of deposit insurance systems.

Currently among the most important EFDI projects is the system analysis of six areas in the function of deposit insurance systems and creation of recommendations according to which the European Commission could proceed as part of the revision of Directive 94/19/EC on Deposit Insurance Systems. A meeting of working groups of EU member countries engaged in these analyses was held in March in Berlin, Germany and in September in Budapest, Hungary.

The Fund's representatives attended the conference organised by the EFDI in October in Rome, Italy on the subject of "Bank Stability and Savings Protection" and the annual conference which was held in November in Istanbul, Turkey engaged in current problems concerning deposit insurance systems.

IV. THE FUND'S MAIN CASH FLOW - HISTORY

Overview of the Total Income and Expenditure of the Fund in Years 1995 – 2007

(in CZK millions)

INCOME	
Contributions from banks	27 702,63
Income from judicial composition and bankruptcy	3 626,81
Return of disbursed compensation	109,03
Returned non-disbursed compensation advances	60,08
Interest and other revenue received	2 476,61
– <i>interest from investment</i>	2 462,23
– <i>interest and other financial revenue</i>	14,38
Loans received	3 000,00
INCOME TOTAL	36 975,16

(v mil. Kč)

EXPENDITURE	
Disbursement of deposit compensation	25 600,60
Operation expenses	138,30
Interest paid	121,16
Loan repayment	3 000,00
EXPENDITURE TOTAL	28 860,06

(in CZK millions)

DIFFERENCE BETWEEN INCOME AND EXPENDITURE	
	8 115,10

V. PROFIT AND LOSS ACCOUNT AS AT 31. 12. 2007

(CZK thousands)

	Částka
Interest	2 474,90
Foreign exchange gains	1,28
Other revenues	43 263,82
Revenues from sale of securities and investments	46 622 012,45
Revenues from short-term financial assets	156 807,06
Total account class 6	46 824 559,51
Material consumption	749,71
Energy consumption	13,35
Repairs and maintenance	116,76
Travel expenses	591,23
Entertainment expenses	104,73
Other services	4 669,01
Wage and salary costs	3 240,53
Statutory social security	1 130,69
Statutory social security expenses	49,65
Other social security expenses	66,51
Road tax	2,30
Other taxes and fees	45,60
Interest	0,12
Other fines and penalties	0,00
Foreign exchange losses	10,85
Other expenses	49 721,45
Depreciation of long-term intangible and tangible assets	263,68
Securities and investments sold	46 631 576,50
Total account class 5	46 692 352,65
PROFIT/LOSS AFTER TAX	132 206,85

Tato stránka nebyla uvedena ve Wordovém dokumentu. Máme stránku odstranit nebo zachovat a doplnit aktuální údaje?

VI. BALANCE SHEET AS AT 31. 12. 2007

(CZK thousands)

ASSETS	
1. Fixed assets	653,85
<i>Of which:</i>	
1.1. intangible fixed assets	65,43
1.2. land	0,00
1.3. real estate	0,00
1.4. movables	1 665,55
1.5. accumulated depreciation	-1 077,14
1.6. financial investments	0,00
2. Current assets	25 519 497,49
<i>Of which:</i>	
2.1. inventory	0,00
2.2. receivables – advance payments for operating inventory	157,89
2.3. receivables – employees	0,07
2.4. other receivables	19 081 402,50
2.5. receivables from state budget, taxes	0,00
2.6. bank accounts, stamps, cash	181 580,69
2.7. shares	106 203,56
2.8. debt securities	6 147 063,68
2.9. temporary accounts of assets	3 089,10
TOTAL ASSETS	25 520 151,34

(CZK thousands)

LIABILITIES	
1. Equity financing	25 400 458,75
<i>Of which:</i>	
1.1. funds	20 859 367,82
1.2. gains and losses from revaluation of assets	0,00
1.3. retained earnings from previous years	4 408 884,08
1.4. profit/loss 2006	132 206,85
2. External financing	119 692,59
<i>Of which:</i>	
2.1. legal reserves (provisions)	0,00
2.2. long-term liabilities	0,00
2.3. short-term liabilities	119 692,59
2.5. estimated accrued expenses	0,00
TOTAL LIABILITIES	25 520 151,34

VII. AUDITOR'S OPINION

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF ADMINISTRATION OF THE DEPOSIT INSURANCE FUND

We audited the enclosed financial statements of the Deposit Insurance Fund (hereinafter referred to as the "Fund") i.e. the balance sheet at 31 December 2007, the profit and loss account for 2007 and the notes, including a description of the fundamental accounting rules (hereinafter referred to as the "Financial Statements"). The data on the Fund are set forth in item 1 of the notes to these financial statements.

Responsibility of the Fund's Board of Administration for the Financial Statements

The Fund's Board of Administration is responsible for the preparation and true picture of the financial statements in accordance with the Czech accounting regulations. Part of this responsibility is to propose, introduce and ensure the internal audit over the preparation and true picture of the financial statements so they do not contain major inaccuracies caused by fraud or error, select and enforce appropriate accounting rules and draw up reasonable accounting estimates.

Role of the Auditors

Our role is to issue an opinion of these financial statements based on the conducted audit. We conducted the audit in accordance with the Act on Auditors in force in the Czech Republic, the International Audit Standards and the related application clauses of the Chamber of Auditors of the Czech Republic. We are obliged to observe the ethical requirements in accordance with these regulations, and plan and conduct the audit so we can be reasonably certain that the financial statements do not contain major inaccuracies.

The audit includes auditing procedures the purpose of which is to gain corroborative information about the amounts and information set forth in the financial statements. The choice of the auditing procedures depends on the auditor's judgement, including the assessment of the risks of major inaccuracies in the data in the financial statements caused by fraud or error. When assessing these risks the auditor takes into account the internal audit relevant for preparing and presenting a true picture of the financial statements. The purpose of this assessment is to propose appropriate auditing procedures and not express an opinion of the efficiency of the internal audit. The audit also includes an assessment of the adequacy of the accounting rules applied, the reasonableness of the accounting estimates conducted by the management and assessment of the overall presentation of the financial statements.

We believe that the acquired corroborative information provides an adequate and appropriate basis for an expression of our opinion.

Opinion

In our opinion the financial statements provide a true and faithful picture of the Fund's financial position at 31 December 2007 and its economic efficiency for 2007 in accordance with Czech accounting regulations for non-profit organisations

26 June 2008



PricewaterhouseCoopers Audit, s.r.o.
Represented by partner



Petr Kříž
auditor, certificate no. 1140

APPENDIX TO THE FINANCIAL STATEMENTS FOR 2007

BALANCE SHEET AS OF 31 DECEMBER 2007

(CZK thousands)

ASSETS	Status at 1 January 2007	Status at 31 December 2007
A. Total long-term assets	654	495
I. Long-term intangible assets - software	65	65
II. Long-term tangible assets – machinery, equipment	1 666	1 427
IV. Total accumulated depreciation of long-term assets:	- 1 077	- 997
2. Accumulated depreciation of software	- 4	- 25
7. Accumulated depreciation of machinery and equipment	- 1 073	- 972
B. Total short-term assets	25 519 497	27 154 525
II. Total claims	19 081 560	19 054 094
4. Advance operating payments given	158	289
6. Claims from employees	0	24
15. Claims from fixed term operations	9 593	10 483
17. Other claims	19 071 809	19 043 298
III. Total short-term financial assets	6 434 848	8 100 380
1. Cash	17	2
3. Bank accounts	181 563	496 648
4. Tradable property securities	106 204	107 844
5. Tradable bonds, debentures and similar securities	6 147 064	7 495 886
IV. Total other assets	3 089	51
1. Deferred expenses	3 089	51
TOTAL ASSETS	25 520 151	27 155 020

(CZK thousands)

LIABILITIES	Balance as at 1 January 2007	Balance as at 31 December 2007
A. Total equity financing	25 400 459	27 086 240
I. Equity – funds	20 859 368	26 389 947
II. Total profit/loss	4 541 091	696 293
1. Profit/loss account	132 207	102 344
2. Income/profit in approval proceedings	x	x
3. Retained earnings from previous years	4 408 884	593 949
B. Total external financing	119 693	68 780
III. Total short-term payables	119 693	68 780
1. Suppliers	2 978	7 351
5. Employees	159	0
6. Other payables to employees	5	0
7. Payables to social security and public health insurance	113	0
9. Other direct taxes	47	0
15. Payables from fixed term operations	1 611	0
17. Payables from fixed term operations	113 791	58 398
22. Estimated accrued expenses	988	3 031
TOTAL LIABILITIES	25 520 151	27 155 020

PROFIT AND LOSS FOR YEAR ENDING 31 DECEMBER 2007

(CZK thousands)

Činnosti:	Main	Profit/loss	Total
A. Expenses			
I. Total consumed purchases	410		410
1. Material consumption	410		410
II. Total services	5 159		5 159
5. Repairs and maintenance	52		52
6. Travel expenses	532		532
7. Entertainment expenses	69		69
8. Other services	4 506		4 506
III. Total personnel expenses	4 733		4 733
9. Wage and salary expenses	3 371		3 371
10. Statutory social security	1 180		1 180
11. Statutory social expenses	96		96
13. Other social expenses	86		86
IV. Total taxes and fees	3		3
14. Road tax	3		3
V. Total other expenses	138 977		138 977
20. Interest	1		1
21. Foreign exchange losses	6 949		6 949
24. Other expenses	132 027		132 027
VI. Depreciation and sold assets	52 614 416		52 614 416
25. Depreciation of long-term intangible and tangible assets	214		214
27. Securities and investments sold	52 614 247		52 614 247
Total expenses	52 763 743		52 763 743
B. Revenues			
IV. Total other revenues	48 418		48 418
12. Contractual fine and default interest	24		24
15. Interest	9 798		9 798
16. Foreign exchange gains	7 800		7 800
18. Other revenues	30 796		30 796
V. Revenues from sale of assets	52 817 669		52 817 669
20. Revenues from sale of securities and investments	52 510 999		52 510 999
22. Revenues from short-term financial assets	306 670		306 670
Total revenues	52 866 087		52 866 087
C. Pre-tax profit/loss	102 344		102 344
D. Profit/loss after tax	102 344		102 344

1 GENERAL INFORMATION

The Deposit Insurance Fund (hereinafter referred to as the "Fund") was incorporated in the Commercial Register on 29 December 1994 under Act No. 156/94 Coll. which amends Act No. 21/1992 Coll. on Banks, and its registered office is in Prague 1, Růžová 15. The subject matter of the Fund is providing compensation to owners of deposits that are legal entities and natural persons under the terms and conditions specified by the law. Pursuant to the provisions of Act No. 586/1992 Coll. on Income Tax, as amended, the Fund's income is exempted from income tax.

The members of the board of administration at 31 December 2007 were as follows:

	Positions
Josef Tauber	president
Petr Vojtíšek	vice-president
Daniel Heler	member
Jiří Šperl	member
Klára Cetlová	member

Klára Cetlová asked to be released from the office of member of the Board of Administration at 8 April 2008. On 1 May 2008 Michal Franěk was appointed to the office of member of the Board of Administration.

2 ACCOUNTING PROCEDURES

(a) Basic principles of preparing financial statements

The financial statements are compiled in accordance with the accounting regulations valid in the Czech Republic and the Czech accounting standards for non-profit organisations. The financial statements are compiled in historic prices apart from derivatives and securities which are reported in their real value. The amounts in the financial statements are rounded up to thousands of Czech crowns unless stated otherwise.

(b) Long-term tangible assets

Purchased long-term tangible assets are reported in acquisition prices which include the price for which the assets were acquired and

the expenses related to their acquisition.

Depreciation of long-term tangible assets was calculated by the method of equal depreciation based on their estimated service life and stemming from tax rates.

Expenses of the repair and maintenance of long-term tangible assets are accounted directly to expenses.

Tangible assets with a service life of more than 1 year and an acquisition price exceeding 40 000 CZK per item are posted directly to expenses the moment their service life begins.

(c) Securities and investments

The Fund classifies securities and investments as tradable securities.

Tradable securities are securities which the Fund holds for the purpose of performing a transaction to achieve profit from price differences in the short term of no more than a year.

Securities and investments are reported during their purchase in their acquisition price including the transaction expenses. Tradable securities are valued by their real value. The Fund applies the market value of securities as of the balance date to calculate their real value. The valuation of securities not tradable on public markets is carried out based on an expert opinion or based on a qualified estimate made by the Fund management.

The collateralised claims as part of repo and buy-sell transactions are reported under tradable bonds, debentures and similar securities including the interest accrued. Interest from these transactions is accrued for the duration of such a transaction.

Profit and loss arising from changes in real value of tradable securities is reported in the profit and loss account in the period in which they arise.

(d) Financial derivatives

The financial derivatives, including current transactions, currency and interest swaps, are firstly entered in the balance sheet in their acquisition price and subsequently re-valued to their real value. The real values are derived from the market prices and from discount cash flow models. All derivatives are reported in the item of claims

from fixed term operations if they have a positive real value, or in the item payables from fixed term operations if their real value for the Fund is negative.

Changes in real value of tradable financial derivatives are reported in the profit and loss account.

(e) Foreign currency conversions

Transactions made in foreign currencies are converted and posted by the exchange rate valid on the transaction date. All monetary assets and liabilities in foreign currencies were converted by the exchange rate published by the Czech National Bank on the balance date. All exchange gains and losses from the conversion of claims and payables are entered in the profit and loss account.

The foreign exchange gains and losses of securities valued by their real value and managed in foreign currencies are considered part of the valuation of real value.

(f) Contributions received from banks

Contributions received from banks are posted directly to the account of funds include in the Fund's equity financing. These contributions are posted based on their real acceptance at the start of the current year, are not accrued because this concerns a contribution for the current year. The previous calendar year is the base for calculating the amount of the contribution.

(g) Adjustments

The Fund does not create adjustments to claims nor does it account them in accordance with Section 37 (1) of Decree No. 504/2002 Coll. of the Finance Ministry of the Czech Republic by which some provisions are implemented of Act No. 563/1991 Coll. on Accounting.

(h) Payables to bank clients and claims from banks which could not meet their commitments to clients

In accordance with the measure of the Finance Ministry of the Czech Republic and internal accounting regulation to the accounting of accepted contributions, disbursement of compensation and

related cases are accounted by the Fund based on the decision of the Finance Ministry of the Czech Republic on commencement of disbursement, commitment to the bank clients for which compensation is disbursed against the reduction of the amount of the managed account of funds included in equity financing. The claim is posted at the same amount for the banks which cannot meet their commitments to their clients against the funds in equity financing.

(i) Subsequent events

The impact of events that occurred between the balance date and the date of the drawing up of the financial statements is entered in the accounting statements in the event that these events provided additional information about the facts which existed as of the balance date.

In the event that between the balance date and the date of drawing up the financial statements important events occurred taking into account facts which arose after the balance date, the consequences of these events are described in the notes to the financial statements, but are not posted to the financial statements.

(j) Changes to accounting procedures

In 2007 there were no changes in the Fund's accounting procedures.

3 ADDITIONAL INFORMATION TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

- (a) Claims to banks which did not meet their commitments to their clients at 31 December 2007 amounted to 19 001 791 thousand CZK (at 1 January 2006: 19 001 791 thousands CZK).

Adjustments were not created to these claims based on the measure of the Finance Ministry of the Czech Republic (see item 2 (g)).

(b) Real value of securities held for trading:

(CZK thousands)

	31 December 2007	1 January 2007
Tradable bonds, debentures and similar securities	7 495 886	6 147 064
Tradable shares and similar securities	107 844	106 204
TOTAL	7 603 730	6 253 268

These securities can be divided according to their tradability as follows:

(CZK thousands)

	Tradability	31 December 2007	1 January 2007
Shares and similar securities – investment certificates	Foreign stock markets	107 844	106 204
Bonds, debentures and similar securities:			
- treasury bills	Short-term bond market	2 013 685	2 778 796
- CNB bills	Short-term bond market	80 567	799 633
- other bills	Foreign stock markets	108 834	64 932
- government bonds	BCPP Main Market	2 960 596	1 234 169
	Foreign stock markets	107 886	179 716
- other listed bonds	BCPP Main Market	217 280	0
	BCPP Secondary Market	70 868	81 970
	BCPP Official Open Market	324 210	92 603
	Foreign stock markets	1 611 960	915 245
CELKEM		7 603 730	6 253 268

(c) The Fund has no registered capital. The account of funds included in equity financing was covered using the following method:

(CZK thousands)

	31 December 2007	1 January 2007
Claims for insolvent banks	9 645 691	9 645 691
Contributions from banks received (see item 2(f))	15 120 751	13 592 177
Depreciated claims and payables	- 2 681 626	- 2 678 672
Compensation disbursement	269 382	271 643
Transfer of profit/loss from previous years	3 947 142	0
Surplus from settlement of compensation disbursement for insured	88 607	28 529
CELKEM	26 389 947	20 859 368

Přehled o změnách na účtu fondů:

(CZK thousands)

	Claims for insolvent banks	Contributions from banks received	Depreciated claims and payables	Compensation disbursement	Surplus from settled compensation disbursement for insured deposits	Profit/loss transfer	Total
Balance at 1 January 2006	9 645 691	12 262 589	- 2 613 782	182 100	13 493	0	19 490 091
Contributions and advances received from banks (see item 2(e))	0	1 329 588	0	0	0	0	1 329 588
Specification of compensation disbursement	0	0	0	89 543	0	0	89 543
Surplus from settlement of compensation disbursement	0	0	0	0	15 036	0	15 036
Depreciation of claims	0	0	- 64 890	0	0	0	- 64 890
Balance at 31 December 2006	9 645 691	13 592 177	- 2 678 672	271 643	28 529		20 859 368
Contributions and advances received from banks (see item 2(e))	0	1 528 574	0	0	0	0	1 528 574
Specification of compensation disbursement	0	0	0	- 2 261	0	0	- 2 261
Surplus from settlement of compensation disbursement	0	0	0	0	60 078	0	60 078
Transfer of profit/loss from previous years	0	0	0	0	0	3 947 142	3 947 142
Depreciation of claims	0	0	- 2 954	0	0	0	- 2 954
Balance at 31 December 2007	9 645 691	15 120 751	- 2 681 626	269 382	88 607	3 947 142	26 389 947

The claims for insolvent banks and contributions received from banks represent changes in claims and received contributions since 2001 when there was a change to the accounting methodology.

(d) Payables from compensation disbursement were 56 788 thousand CZK (at 1 January 2007: 115 399 thousand CZK and are included in other payables.

The Fund has no payables after maturity to the state.

(e) Contributions are accounted on the basis of their real acceptance and are not accrued (see item 2(f)).

(CZK thousands)

	2007	2006
Contributions received from banks for the previous year	1 528 574	1 329 588
TOTAL	1 528 574	1 329 588

(f) Summary of income and expenditure, revenues and expenses of the current and previous accounting period:

(CZK thousands)

REVENUES	2007	2006
Earnings from the sale of securities	52 510 999	46 622 012
Revenues from short-term financial assets	306 670	156 807
Other revenues (see item 3 (g))	48 418	45 740
TOTAL	52 866 087	46 824 559

(CZK thousands)

EXPENSES	2007	2006
Securities sold	- 52 614 247	- 46 631 576
Depreciation of long-term intangible and tangible assets	- 214	- 264
Consumed purchases	- 410	- 763
Services	- 5 159	- 5 482
Personnel expenses	- 4 733	- 4 487
Taxes and fees	- 3	- 48
Other expenses (see item 3 (g))	- 138 977	- 49 732
TOTAL	- 52 763 743	- 46 692 352

(g) Other revenues and expenses are structured as follows:

(CZK thousands)

REVENUES	2007	2006
Interest	9 798	2 475
Foreign exchange gains	7 800	1
Other revenues – change in the real value of tradable derivatives	27 887	33 355
Other revenues – change in the real value of tradable securities	2 250	9 625
Other	683	284
TOTAL OTHER REVENUES	48 418	45 740

(CZK thousands)

EXPENSES	2007	2006
Foreign exchange losses	- 6 949	- 11
Other expenses – change in the real value of tradable derivatives	- 29 596	- 17 269
Other expenses – change in the real value of tradable securities	- 97 142	- 26 752
Other	- 5 290	- 5 700
TOTAL OTHER EXPENSES	- 138 977	- 49 732

(h) Profit for 2006 at 132 207 thousand CZK and profit for 2007 at 102 344 thousand CZK are proposed for the transfer to the Retained Earnings from previous years account.

(i) The average number of Fund employees is five of which one is the managing employee. Total wage expenses were 4 733 thousand CZK (2006: 4 487 thousand CZK). In 2007 and 2006 no remuneration, advances or loans were provided to members of the Board of Administration. In 2007 and 2006 the Fund did not contribute to the life insurance of the executive director and did not provide him with any non-monetary consideration.

(j) No events took place after the balance date which could have had a significant impact on the financial statements as at 31 December 2007.

The financial statements approved by the Fund's Board of Administration and were signed with its authorisation:

26 June 2008



Address:

Deposit Insurance Fund
Růžová 15, 110 00 Prague 1

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