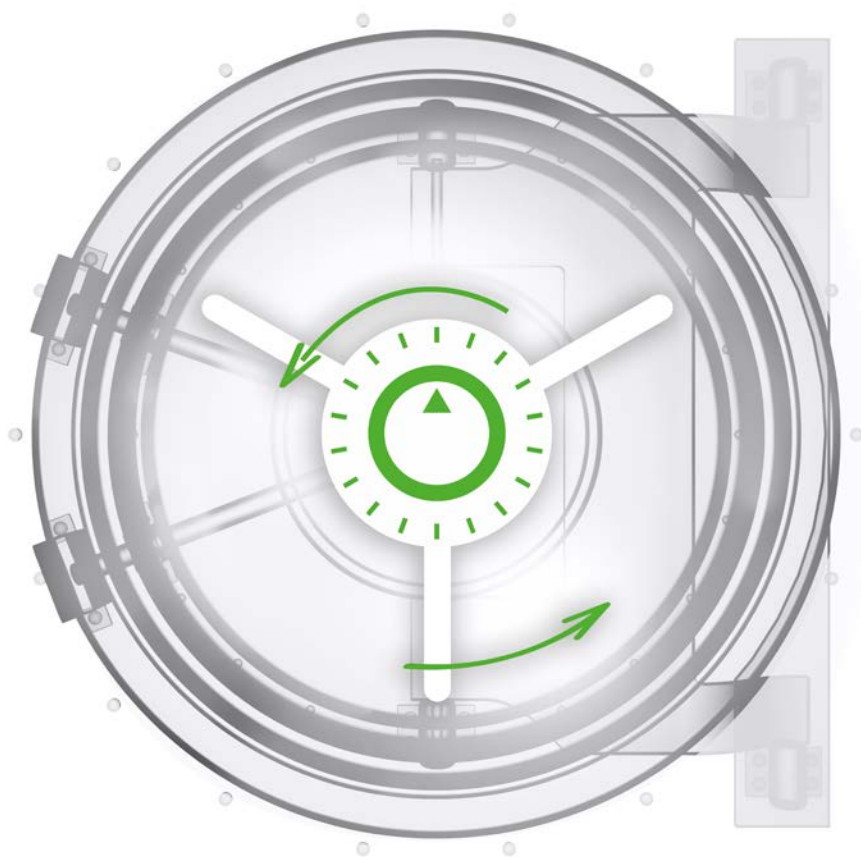


ANNUAL REPORT

for 2020



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I. INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



2020 was one of the most unusual years in modern history. The Covid-19 pandemic, which impacted both the global and Czech economies, necessitated a number of restrictions on people's lives and on the operations of businesses. In terms of financial stability, it turned out to be essential that

the Czech banking sector entered this difficult period very well capitalized and with sufficient liquidity, mainly because of the economic growth registered in the past years and the previous prudent approach taken by banks themselves and the national supervisory authority. Moreover, the measures adopted by the Czech government and regulatory authorities helped reduce the impact of the crisis on the economy and, in particular, the financial industry.

The fact that the Financial Market Guarantee System went through this difficult year without problems and did not have to start making any deposit compensation payouts is good news. On the contrary, the new situation helped us test and revise the configuration of internal processes in practice to ensure the Financial Market Guarantee System can fulfill its obligations under any circumstances and regardless of the current situation in the world.

Modern technologies enabled the Financial Market Guarantee System to continue its operations outside its offices.

Videoconferencing replaced personal meetings for employees, meetings of the Management Board and the Board of Directors of the Financial Market Guarantee System, as well as meetings organized by the European Banking Authority and the international organizations EFDI and IADI. In practical terms, there were no restrictions on the operations of the Financial Market Guarantee System and there was also no stopping or slowing down of ongoing projects.

As in previous years, but this time under strict anti-pandemic measures, a regular test took place in the autumn that the Financial Market Guarantee System uses to verify the ability of

banks, building savings banks and cooperative credit unions to submit data on clients and on their insured deposits in the prescribed format and structure and at the required time. The goal of these tests is to verify that all institutions that accept insured deposits are able, if necessary, to provide the Financial Market Guarantee System with the information necessary for deposit compensation payments and to supply this information by the defined deadline and in the defined form. The test confirmed that the aforementioned institutions do possess this ability.

One of the biggest projects of 2020 was the launch of the Financial Market Guarantee System's new website. The website now meets accessibility requirements as far as current technical possibilities permit. This means that equal access to all information and documents released in electronic form is now also provided to individuals with specific needs, especially those with disabilities. As a matter of course, the new website is secured against potential Internet-based threats.

Educational activities have been moved to the online environment, too. In spring, an online educational campaign took place, targeted mainly at the older generation. Thus, despite all the limitations, the Financial Market Guarantee System has succeeded in maintaining and increasing the knowledge of the deposit insurance system among various population groups.

It can already be said that the digitization of processes may make deposit compensation payouts easier in the future. The increasingly cited concept of digital identity took on a new dimension of practical usability during 2020, as banks prepared and, in early 2021, launched their own bank identity project. The Financial Market Guarantee System welcomes this new option for mass access to electronic services, and immediately started initial talks with the banking sector regarding future alternative options for deposit compensation payouts. The Financial Market Guarantee System will continue to engage in the practical application of the still developing digital identity, which will make it much easier to communicate and handle deposit compensation payouts from the client's viewpoint.

2020 is now behind us, and it is my pleasant duty to thank all the Financial Market Guarantee System employees and collaborators for their hard work and commitment under such unforeseen conditions. My thanks also go out to the members of the Board of Directors for their sterling work addressing their duties and other responsibilities. In particular, I would like to thank Mr Ondřej Landa, who left the Board of Directors in early 2020 after a five-year tenure, for his expert contributions to the work of this body.

To sum up, 2020 was an extraordinary year from the viewpoint of the economy and the society as a whole. In 2020, the Financial Market Guarantee System showed resilience to previously unknown and untested situations, fully adapted itself to new operating conditions, and is ready to continue to be a stable partner in the financial safety net.

Dušan Hradil
Chairman of the Board of Directors
of the Financial Market Guarantee System

II. ABOUT THE FINANCIAL MARKET GUARANTEE SYSTEM

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

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

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

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

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

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

III. BODIES OF THE FINANCIAL MARKET GUARANTEE SYSTEM

Board of Directors

The supreme body of the Financial Market Guarantee System is the Board of Directors. Its members are appointed by the Minister of Finance of the Czech Republic. The Board of Directors has five members and is composed of two employees of the Czech National Bank, two employees of the Ministry of Finance of the Czech Republic, and one member appointed on a proposal from the Czech Banking Association. Its members are appointed for a term of five years. At the beginning of 2020, the term of office expired for Mgr. Ondřej Landa, a member of the Board of Directors. Alex Ivančo, a department head at the Ministry of Finance of the Czech Republic, was appointed as a new member of the Board of Directors for a 5-year term. At the same time, Ing. Karel Bauer was reappointed as Vice-Chairman of the Board of Directors for an additional 5-year term.

Members of the Board of Directors of the Financial Market Guarantee System in 2020

Chairman	Dušan Hradil <i>Term of office: until 2021</i> Departmental Director at the Ministry of Finance of the Czech Republic
Vice-Chairman	Karel Bauer <i>Term of office: until 2025</i> Director of a Czech National Bank section
Member	Radek Urban <i>Term of office: until 2021</i> Director of a Czech National Bank department
	Alex Ivančo (from 6 January 2020, Mgr. Ondřej Landa until 5 January 2020) <i>Term of office: until 2025</i> Departmental Director at the Ministry of Finance of the Czech Republic
	Vladimír Staňura <i>Term of office: until 2024</i> Chief Advisor to the Czech Banking Association

At the beginning of 2021, Ing. Dušan Hradil, Chairman of the Board of Directors, and Ing. Radek Urban, Member of the Board of Directors, were reappointed for further 5-year terms.

Management Board

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

Members of the Management Board of the Financial Market Guarantee System in 2020

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

IV. MACROECONOMIC AND REGULATORY ENVIRONMENT OF THE INSURED INSTITUTIONS IN 2020

2020 was significantly impacted by the Covid-19 pandemic and the economic environment was not very favourable. The annual GDP decline of 5.6% was the worst result in the history of the Czech Republic. The most impacted sectors were trade, services, accommodation, hospitality, transport and construction. The state budget recorded a deficit of CZK 367.4 billion. This was mainly due to a substantial drop in tax revenue and an increase in expenditure to cover losses caused by the pandemic.

In spite of the generally difficult situation, no insured institutions failed last year. The banking sector entered 2020 relatively well prepared: as of 31 December 2019, the average capital ratio of the sector was a robust 21.28% and as of 31 December 2020, it was even higher at 23.45%. An important role was played here by the voluntary surplus of capital above regulatory requirements, which was 8.2 percentage points in the first half of 2020, totalling CZK 200 billion.¹ This surplus was largely generated by profits from the past "generous" years. The sector also maintained its traditionally strong liquidity position. At the end of 2020, the ratio of non-performing receivables to total receivables from the non-financial corporations sector stood at a still "acceptable" 4.63%, a year-on-year increase of "only" 0.47 percentage points. On the other hand, the household sector registered 1.8% of non-performing loans at the end of the year (a year-on-year increase of 7 basis points). Compared to 2019, the total net profit of banks plummeted from CZK 91.1 billion to CZK 47.5 billion, i.e. by 48%. The main reason for this drop was the banks preparing for a "rainy day", i.e. creating adjustments to cover defaulted loans: an increase to CZK 28.5 billion was registered in 2020, compared with the CZK 3.2 billion from 2019. A reduction of the repo rate by 2 percentage points to the final 0.25% also played a role, and this was reflected in lower interest income. Another significant risk registered during 2020 was the "mortgage bubble" created by rapidly rising property prices and high demand for mortgages. In the autumn of 2020, the Czech

National Bank estimated a 17% overvaluation of property prices, adding that in selected areas these prices might be overvalued by up to 25%².

The sector of cooperative credit unions reported a 2020 loss of CZK 113.2 million, a figure that is more than three times higher than in 2019. Besides the creation of adjustments totalling CZK 126.7 million (compared to CZK 25.2 million in 2019), this result was probably also influenced by the decrease in interest rates.

Another reason why institutions survived 2020 relatively unscathed was some measures adopted by the government and by the Czech National Bank. The government measures made it possible to defer the payment of instalments for loans provided to clients by up to 6 months until 30 October 2020³. After this date, many institutions tried to apply an individual approach to clients with the aim of finding the optimal solution for both them and their clients. Thus, the end of the deferral of instalments could not have had much effect on the financial results as of 31 December 2020. As for the measures taken by the Czech National Bank, there were several. One of the most important measures was the lowering of the countercyclical capital buffer to the final 0.5%, which provided institutions with a 1.25 percentage point capital ratio cushion to absorb potential losses. The countercyclical capital buffer (0.5%) and the capital conservation buffer (2%) can be used by institutions, if necessary, to cover losses, and the restoration of these buffers can be gradual. The Czech National Bank also recommended that the supervised institutions defer the payment of dividends for 2019 and so unpaid dividends remained a part of equity in the institutions concerned.

¹ Source: <https://cbaonline.cz/komentar-cba-ke-zprave-o-financni-stabilitecnb-11-2020>

² Press release from the meeting of the Bank Board of the Czech National Bank on 26 October 2020

³ Interest accrues during the deferral period and the deferral will not affect the client's rating, plus there is no accumulated depreciation during the deferral period and the deferral is not recorded in the debtors' register.

2020 also saw the takeover of the building savings bank Wüstenrot – stavební spořitelna, a. s. and the mortgage bank Wüstenrot - hypoteční banka, a.s. by MONETA Money Bank, a.s. The building savings bank was renamed to MONETA

stavební spořitelna, a.s. and the mortgage bank was fully integrated into the structure of MONETA Money Bank, a.s., as of 1 January 2021.

V. ACTIVITY OF THE FINANCIAL MARKET GUARANTEE SYSTEM IN 2020

Measures Taken in Response to the Covid-19 Pandemic

For the Financial Market Guarantee System, 2020 was dominated by adaptation to a completely new situation arising from the outbreak of the Covid-19 pandemic. In response to the newly arisen situation, the Financial Market Guarantee System revised and supplemented its internal regulations applicable to security issues and emergency situations, and started to monitor new risks related to the pandemic. The Financial Market Guarantee System also had to adopt a number of organizational measures relating in particular to ensuring employees could work from outside the office and the related changes in the day-to-day operations of the organization. With these measures in place, it was possible to manage the situation so that there was essentially no restriction on the activity of the Financial Market Guarantee System.

Stress Tests

Every year, the Financial Market Guarantee System performs stress tests, in line with the general guidelines of the European Banking Authority (EBA) on stress tests of deposit insurance schemes according to Directive 2014/49/EU (EBA/GL/2016/04). The tests were scheduled over a five-year period to 2021. Due to the outbreak of the Covid-19 pandemic, the stress test schedule was modified and the test of using a contribution from the Deposit Insurance Fund for crisis resolution, originally scheduled for autumn 2020, was postponed to the beginning of 2021.

Information Technologies and Security

The largest IT project of 2020 was the launch of the new Financial Market Guarantee System website, which now complies with the requirements for accessibility under Act No. 99/2019 Coll., on Accessibility of Websites and Mobile Applications, and under the related European regulations. This occasion was also used to completely revise and update the textual content of the website and to modify its graphic design. The servers running the website and the website application itself were designed according to the IT audit requirements for ensuring website security.

A licensing agreement was signed with the National Library of the Czech Republic, which enables the National Library to ensure permanent archival of the content of the website and the inclusion of the website among select Czech web sources intended for regular and long-term archival with the aim of preserving the website for future historical and research purposes.

International Cooperation

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

2020 was a very unusual year in terms of international cooperation. For most of the year, it was not possible to physically

attend scheduled meetings due to the Covid-19 pandemic and the related measures. Everything had to be moved online and especially at the beginning this disrupted the planned activities and ongoing projects. Some meetings or conferences were postponed indefinitely or completely cancelled.

The European Forum of Deposit Insurers organized several online meetings of its long-standing committees and working groups in which officials of the Financial Market Guarantee System participate (the EU Committee, the Communications and Public Relations Committee, the Banking Union Working Group, the Stress-Test Working Group, etc.). 2020 also saw the emergence of new initiatives, such as the Monthly Coffee Club (a short online morning presentation on some current topics) and the D3 Initiative, intended to assist the preparation of EFDI opinions on various issues where EFDI members will jointly push for legislative amendments as part of the preparation of a new directive on deposit insurance schemes (the 'DGSD3' directive). Ms Renáta Kadlecová, Executive Director of the Financial Market Guarantee System, also elected for a 3-year term as EU Management Executive at the general meeting of the organization in September 2020, headed this initiative together with a colleague from Germany.

The activities of the International Association of Deposit Insurers focused mainly on debate about the future direction of the organization (priority goals) and about modification of the system of differentiated membership fees. Representatives of the Financial Market Guarantee System have long participated in meetings of the European Committee and the Fintech Committee.

In January 2020, as part of bilateral cooperation, the Financial Market Guarantee System signed with its Hungarian counterpart the so-called 'Bilateral Specifications' under the Multilateral Agreement on Cross-Border Cooperation in Deposit Compensation Payouts. These bilateral specifications specify and supplement the terms of cooperation on potential cross-border disbursement in the event of insolvency of a financial institution that is based in Hungary and that operates in the Czech Republic through a branch.

Investment Activities

The Financial Market Guarantee System separately manages the assets of the Deposit Insurance Fund and the Crisis Resolution Fund. The individual funds have different sources of financing and a different method of use determined by the Act on Banks, the Act on Recovery Procedures, and Commission Delegated Regulation (EU) 2015/63 supplementing Directive

2014/59/EU with regard to ex ante contributions to resolution financing arrangements. The Financial Market Guarantee System can only invest resources in managed funds in a safe manner in accordance with statutory requirements, the Statute of the Financial Market Guarantee System, the statutes of the individual managed funds, and other internal rules of the Financial Market Guarantee System.

Through long-term and short-term investment strategies, the investment policy determines the method of investing financial reserves. The long-term investment strategy is a long-term framework for composing and determining the risk positioning of individual portfolios. The short-term investment strategy defines, within the limits of the long-term investment strategy, the risk parameters of the benchmark, the parameters of the investment limits of the portfolio in performing individual transactions, the market risk conditions and other investment limits. Information on the management of the portfolios of the two funds in 2020 is contained in Chapters VI. Activities in Deposit Insurance in 2020 and VII. Activities in Crisis Management in 2020.

Reporting Method

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

VI. ACTIVITIES IN DEPOSIT INSURANCE IN 2020

Testing Banking Data

In line with the provisions of Section 41 n (1) of the Act on Banks, the Financial Market Guarantee System regularly verifies the functionality of the system for disbursing compensation for deposits by testing client data supplied by each insured institution. As opposed to previous years, when testing took place twice a year, only a single test was held in 2020 due to the Covid-19 pandemic, and this took place between September and November 2020. The testing covered the client data of all financial institutions participating in the deposit insurance system. Since the last test in 2019, there were two changes in the summary of tested entities – Wüstenrot stavební spořitelna, a.s. changed its name to MONETA stavební spořitelna, a.s. as a result of a completed acquisition and České spořitelní družstvo was not tested due to the absence of any insured deposits as of the record date. Thus, a total of 32 entities were tested in 2020, namely 20 banks, 5 building savings banks and 7 cooperative credit unions.

Disbursements of Compensation for Deposits

In 2020, the Financial Market Guarantee System made no disbursement of compensation for deposits with any bank. The last disbursement of deposit compensation, which was made to clients of ERB bank, a.s., was completed in 2019.

Since its establishment, the Financial Market Guarantee System (formerly the Deposit Insurance Fund) has disbursed compensation for deposits twenty-two times, providing compensation to clients of thirteen banks and five cooperative credit unions, through eighteen regular and four additional disbursements totalling CZK 45,659.15 million as of 31 December 2020.

Table 1 Compensation Disbursed from the Deposit Insurance Fund to 31 December 2020
(in CZK mil.)

Insured institution	Compensation for deposits disbursed	Date of commencement of compensation disbursement
Česká banka, a. s. *	948.61	11/12/1995
AB banka, a. s.	0.03	31/1/1996
První slezská banka, a. s.	217.48	15/5/1996
Podnikatelská banka, a. s.	1,073.54	17/6/1996
Realitbanka, a. s.	23.97	24/7/1996
Velkomoravská banka, a. s.	1,006.09	29/7/1996
Kreditní banka Plzeň, a. s.	580.30	23/9/1996
Pragobanka, a. s. **	414.13	1/12/1998
Universal banka, a. s. **	2,299.75	17/5/1999
Moravia banka, a. s. **	6,394.40	11/10/1999
Union banka, a. s.	12,366.79	17/5/2003
Plzeňská banka, a. s.	135.70	7/6/2003
Vojenská družstevní záložna	68.34	30/5/2011
UNIBON, spořitelní a úvěrní družstvo	1,805.96	23/7/2012
Úvěrní družstvo PDW, Praha	20.14	11/3/2013
Metropolitní spořitelní družstvo	12,014.98	27/1/2014
WPB Capital, spořitelní družstvo	2,780.45	14/10/2014
ERB bank, a. s.	3,508.49	20/10/2016
Total	45,659.15	

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

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

Receivables Against Insured Institutions

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

Of the total of thirteen banks and five cooperative credit unions paid out, bankruptcy proceedings have been completed in nine cases, and liquidation has been completed in one. Of the total amount of disbursed compensation of deposits, which reached CZK 45,659.15 million as of 31 December 2020, CZK 43,634.76 million of the Financial Market Guarantee System claims have been recognised in bankruptcy proceedings and liquidation processes.

The table below shows a summary of the Financial Market Guarantee System claims against the individual banks and cooperative credit unions as registered as of 31 December 2020 for the purposes of bankruptcy and insolvency proceedings and the liquidation process of the disbursed banks and cooperative credit unions. Of the total of CZK 37,353.54 million in registered claims, a preliminary distribution schedule has been drawn up for four banks and two cooperative credit unions.

As of 31 December 2020, the Financial Market Guarantee System registers CZK 25,847.61 million in receivables due from banks.

Table 2 Overview of Registered Receivables in Bankruptcy and Liquidation Proceedings as of 31 December 2020

(in CZK mil.)

Insured institution	Type of disbursement	Total amount of claim in bankruptcy/ liquidation	Returned to the Deposit Insurance Fund	Claim in bankruptcy/ liquidation
AB banka, a. s.	regular	0.23	0.03	0.20
Moravia banka, a. s.	regular	4,753.70	1,281.40	3,472.30
Union banka, a. s.	regular	12,416.54	4,966.62	7,449.92
UNIBON, spořitelní a úvěrní družstvo	regular	1,806.58	495.54	1,311.04
Úvěrní družstvo PDW, Praha	regular	20.97	0.00	20.97
Metropolitní spořitelní družstvo	regular	12,021.48	4,062.34	7,959.14
WPB Capital, spořitelní družstvo	regular	2,799.88	0.00	2,799.88
ERB bank, a. s.	regular	3,534.16	700.00	2,834.16
Total		37,353.54	11,505.93	25,847.61

As concerns bankruptcy proceedings completed by the end of 2020, judicial composition has already been carried out in the case of Podnikatelská banka, a. s., and composition as part of the closing schedule in the case of Pragobanka, a. s., Plzeňská banka, a. s., První slezská banka, a. s., Kreditní banka Plzeň, a. s., Česká banka, a. s., Velkomoravská banka, a. s., and Universal banka, a. s., and composition as part of the completed liquidation of Vojenská družstevní záložna. The bankruptcy

proceedings of Realitbanka, a. s. were terminated because of lack of assets. Thus, the Financial Market Guarantee System had no more registered claims against these nine banks and one cooperative credit union as of 31 December 2020. A summary of these claims in completed bankruptcy and liquidation proceedings, including revenues received and recovery rates achieved, is shown in the table below.

Table 3 Summary of the Proceeds of Receivables against the Insured Institutions in Completed Bankruptcy and Liquidation Proceedings as of 31 December 2020

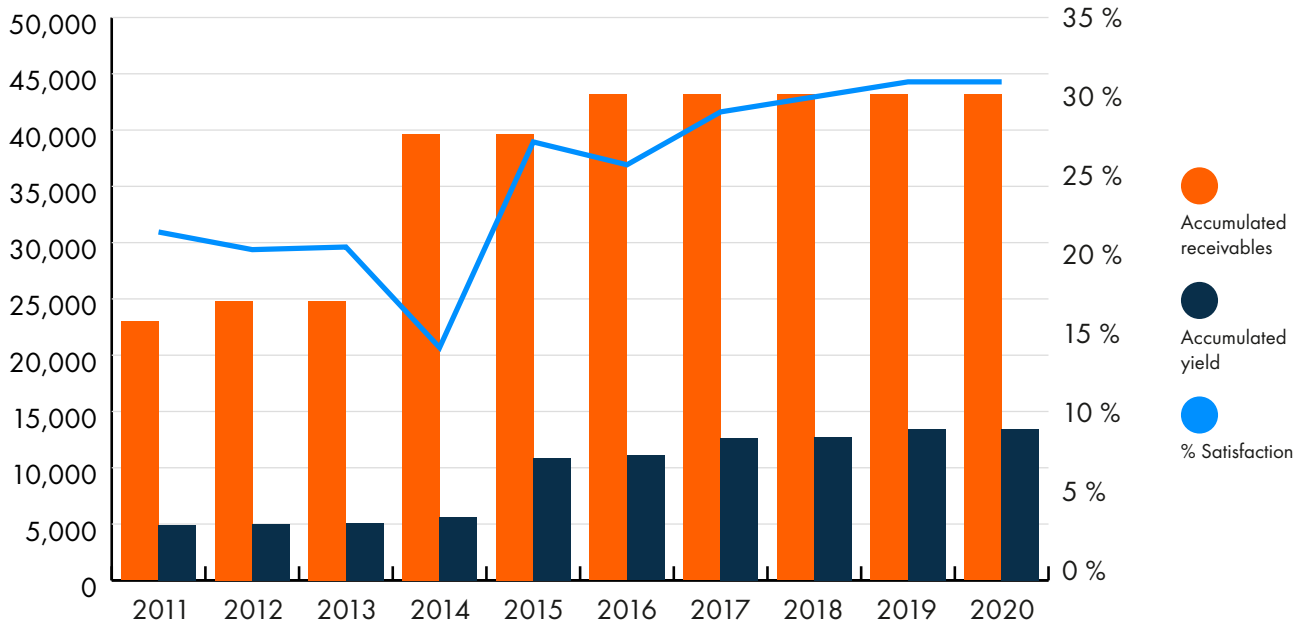
(in CZK mil.)

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

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

Graph 1 Development of the Recovery Ratio of Receivables From Bankrupt Banks and Cooperative Credit Unions

(in CZK mil.)



Contributions by Insured Institutions to the Deposit Insurance Fund

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

For 2020, the insured institutions paid contributions to the Deposit Insurance Fund totalling CZK 1,145.66 million. Due to the achievement of the target volume of resources in the Deposit Insurance Fund (0.8% of covered deposits), according to the legislation effective from 1 January 2016, the annual contribution is only 0.045% of covered deposits. Since its establishment in 1994, the Deposit Insurance Fund has received a total of CZK 59,261.52 million in contributions. The table below shows a summary of the contributions received by the Deposit Insurance Fund over the past 10 years.

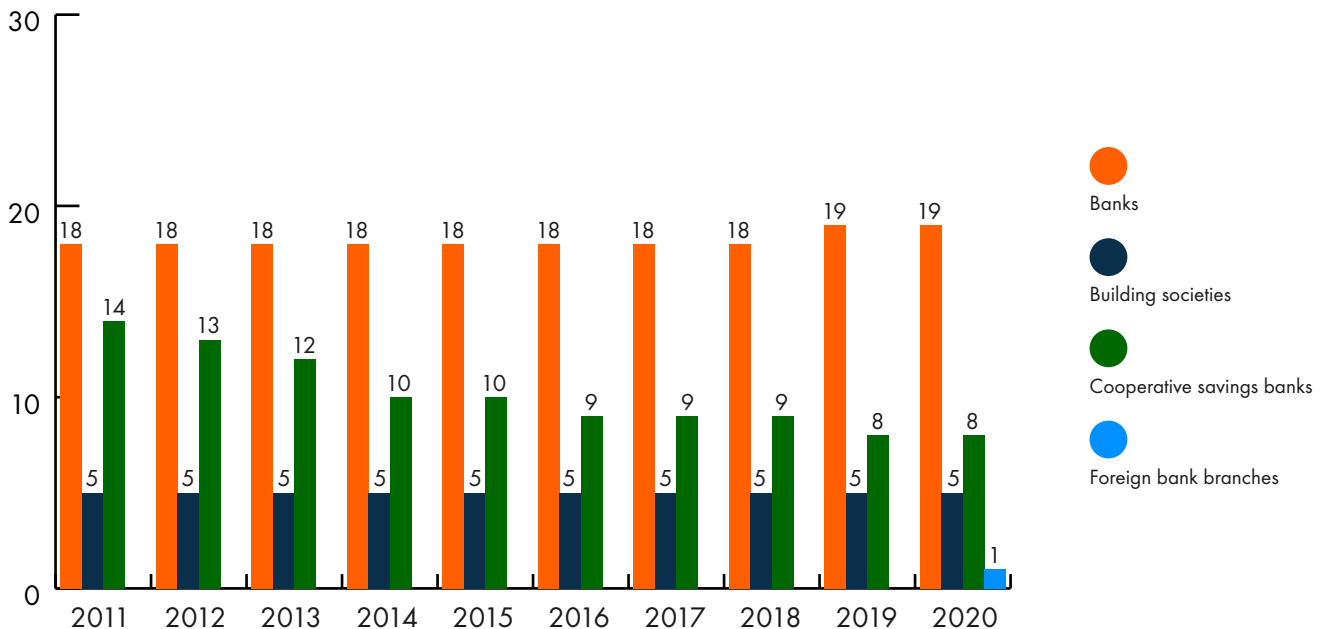
Table 4 **Contributions by Insured Institutions to the Deposit Insurance Fund by year of contribution payment, for the past 10 years**

Contribution payment year	Amount in CZK mil.
2011	3,329.39
2012	3,526.62
2013	3,749.82
2014	4,260.52
2015*	4,417.47
2016**	2,055.54
2017	940.65
2018	1,003.03
2019	1,075.67
2020	1,145.66
Total	25,504.37

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

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

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



Management of the Deposit Insurance Fund Portfolio

The total volume of the financial reserves of the Deposit Insurance Fund at the end of 2020 reached CZK 35,512.01 million. In 2020, the volume of the financial reserves of the Deposit Insurance Fund increased by

CZK 1,446.60 million, with this increase being mainly driven by income from the contributions received from financial institutions, which amounted to CZK 1,145.66 million, and the income from financial reserves, totalling CZK 332.87 million.

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

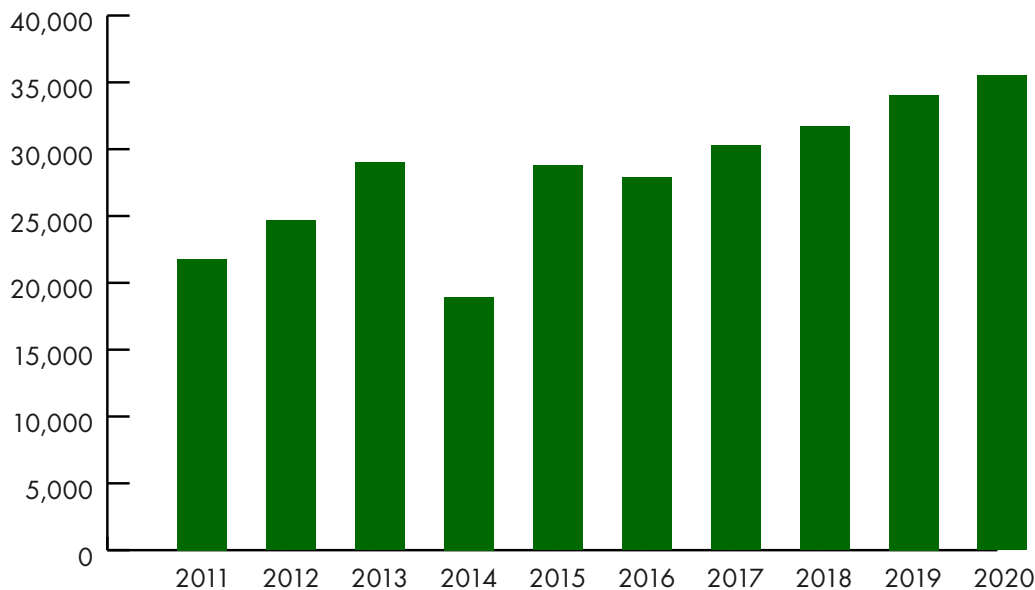
Just as in the previous year, 2020 saw an increase in the volume of the short-term portfolio. This increase totalled CZK 1,223.05 million. The transfer to the short-term portfolio involved new financial resources (received contributions and revenues) in particular. At the end of 2020, the volume of the short-term portfolio stood at CZK 32,080.29 million and thus accounted for 90.3% of the total reserves of the Deposit Insurance Fund. During the year, the financial reserves managed under the short-term portfolio were invested mainly in short-term repo operations with treasury bills issued by the Czech National Bank.

In 2020, the HTM portfolio was maintained by reinvestments made at roughly the same level as in the previous years. In 2020, the volume of the HTM portfolio decreased by maturing bonds with a nominal value of CZK 130 million but, at the same time, new bonds with a nominal value of CZK 320 million were purchased for this portfolio. The total value of the HTM portfolio reached CZK 3,330.72 million by the end of 2020, accounting for 9.4% of the financial reserves of the Deposit Insurance Fund.

Compared to 2019, the nominal value and structure of the AFS portfolio remained unchanged in 2020 and registered no transfers of securities. By the end of 2020, the total volume of the AFS portfolio had reached CZK 101 million, accounting for 0.3% of the financial reserves of the Deposit Insurance Fund.

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

(in CZK mil.)



At the end of 2020, 90.3% of the financial reserves of the Deposit Insurance Fund was made up by short-term funds

(deposits) and 9.7% was comprised of domestic government bonds issued by the Ministry of Finance of the Czech Republic.

Table 5 Structure of Financial Reserves by Instrument, as of 31 December 2020

Type of instrument	Value in CZK mil.
Current accounts, term deposits, buy/sell and repo operations, receivables *	32,080.29
Bonds:	3,431.72
of which: Treasury bills	0.00
Government bonds	3,431.72
Total	35,512.01

*Receivables arising from financial transactions and unpaid coupons

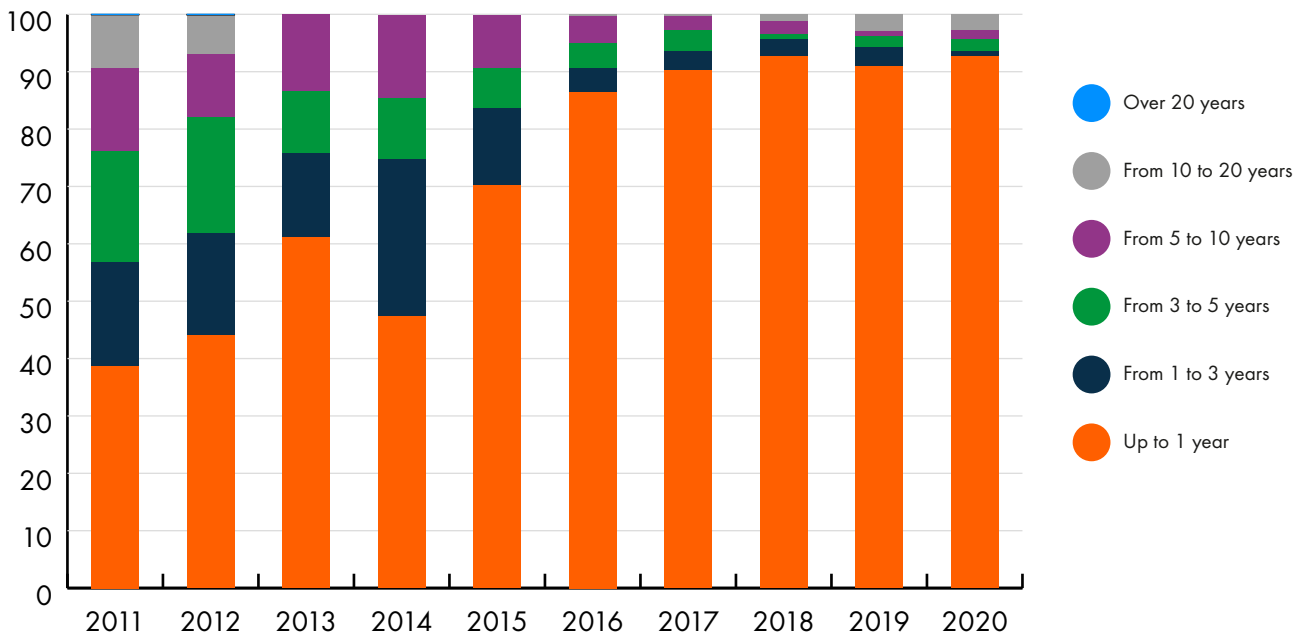
Instruments maturing within 1 year made up the largest share (92.9%) in the total volume of financial reserves, and the remaining portion of the portfolio is divided by maturity among

instruments maturing in 1 to 3 years (0.7%), 3 to 5 years (2.1%), 5 to 10 years (1.6%) and 10 to 20 years (2.7%).

Table 6 Structure of Financial Reserves by Maturity, as of 31 December 2020

Instrument maturity	Value in CZK mil.
Up to 1 year	32,981.53
From 1 to 3 years	263.34
From 3 to 5 years	748.30
From 5 to 10 years	556.66
From 10 to 20 years	962.18
Total	35,512.01

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



The total gross appreciation of Deposit Insurance Fund financial provisions for 2020 was 0.95% p.a., i.e. approximately CZK 332.87 million.

Main Cash Flows of the Deposit Insurance Fund – History

Table 7 **Summary of Income and Expenditure for 1994–2020**

(in CZK mil.)

I.	Income	84,926.28
	Contributions from banks and cooperative credit unions	60,437.81
	Income from judicial composition and bankruptcy proceedings	13,459.79
	Refunds of disbursed compensation	130.51
	Returned advance payments of non-disbursed compensation	89.66
	Interest received and other revenues	7,808.51
	– <i>investment revenue</i>	7,701.76
	– <i>other financial revenue</i>	106.75
	Loans received	3,000.00
II.	Expenditure	49,401.56
	Compensation for deposits disbursements	45,829.47
	Operating costs	450.91
	Operating Costs of the Crisis Resolution Fund ⁴	0.02
	Interest paid	121.16
	Loan repayments	3,000
III.	Difference between income and expenditure	35,524.72

⁴ In 2020, the actual operating costs of the Crisis Resolution Fund were higher by CZK 19,400.98 than the advance payments for operating costs provided from the Operational Fund of the Crisis Resolution Fund. The difference will be settled after approval of the financial statements.

VII. ACTIVITIES IN CRISIS MANAGEMENT IN 2020

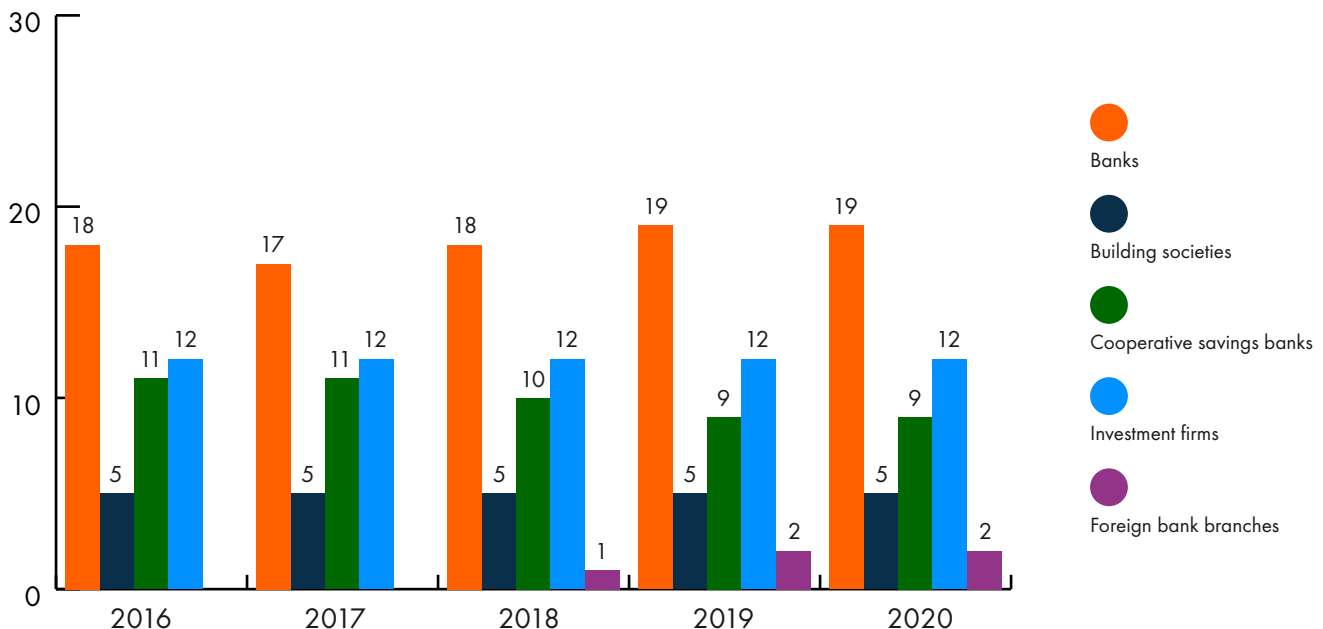
Contributions to the Crisis Resolution Fund

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

receivables by 31 December 2024. The contribution for 2020 was set by the Czech National Bank in the amount of CZK 3,763.18 million. The objective is that the Crisis Resolution Fund will accumulate approximately CZK 35 billion in its Contribution Fund by 31 December 2024.

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

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



Management of the Crisis Resolution Fund Portfolio

The value of financial reserves managed in the Crisis Resolution Fund reached CZK 16,683.07 million at the end of 2020. The total volume of contributions received this year to the Crisis Resolution Fund from financial institutions amounted to CZK 3,763.18 million, thus representing the main source of

income. This amount was then completed with income from financial reserves for 2020, which was CZK 102.90 million.

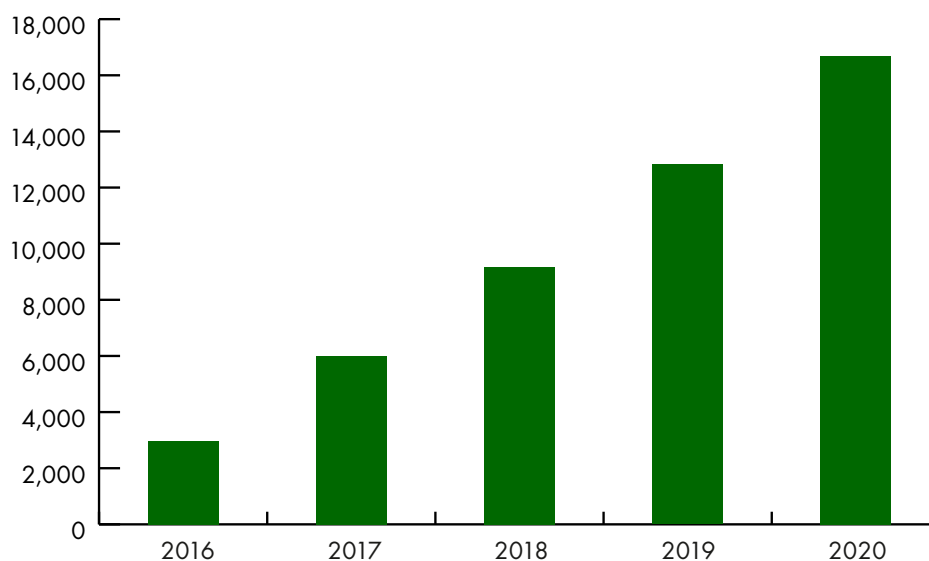
During the year, the financial reserves managed under the short-term portfolio were invested in short-term repo operations with treasury bills issued by the Czech National Bank. Thus, the performance of this portfolio was influenced by the level of the main two-week repo rate, which is reflected in money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

yields. During the first half of 2020, the Czech National Bank gradually lowered this rate by a total of two percentage points to a final value of 0.25%.

The total gross appreciation of Crisis Resolution Fund financial provisions for 2020 was 0.67% p.a., i.e. approximately CZK 102.90 million.

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

(in CZK mil.)



Main Cash Flows of the Crisis Resolution Fund

Table 8 Summary of Income and Expenditure for 2016–2020

(in CZK mil.)

A. Contribution Fund		
I.	Income	16,305.04
	Contributions from financial institutions	16,305.04
II.	Expenditure	0.00
III.	Difference between income and expenditure	16,305.04
B. Operational Fund		
I.	Income	392.28
	Interest received and other revenues	392.28
	– investment revenue	392.26
	– other financial revenue	0.02
II.	Expenditure	14.26
	Operating Costs ¹	14.26
III.	Difference between income and expenditure	378.02

¹ In 2020, the actual operating costs of the Crisis Resolution Fund were higher by CZK 19,400.98 than the advance payments for operating costs provided from the Operational Fund of the Crisis Resolution Fund. The difference will be settled after approval of the financial statements.

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

In accordance with Section 18 (1) (a) of Act No. 106/1999 Coll., on Free Access to Information, as amended, the Financial Market Guarantee System informs that in 2020 no requests for the provision of information were delivered to it.

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

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



Independent auditor's report

to the Board of Directors of Garanční systém finančního trhu

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Garanční systém finančního trhu, with its registered office at Týn 639/1, Praha 1 (the "Company") as at 31 December 2020 and of the Company's financial performance for the year ended 31 December 2020 in accordance with Czech accounting legislation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2020,
- the income statement for the year ended 31 December 2020, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

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

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

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requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

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

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

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

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

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

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

The Board of Directors of the Company is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Body.



- conclude on the appropriateness of the Statutory Body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Body and the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

30 June 2021

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

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

Eva Loulová
Statutory Auditor, Licence No. 1981

This report is addressed to the Board of Directors of Garanční systém finančního trhu

FINANCIAL STATEMENTS

THE FINANCIAL MARKET

GUARANTEE SYSTEM

Registered office: Týn 639/1, 110 00 Prague 1, Staré Město

Identification number: 49710362

Date of financial statements: 31 December 2020

Date of preparation of financial statements: 30 June 2021

Balance Sheet as of 31 December 2020

(CZK '000)

ASSETS	As of 1 January 2020	As of 31 December 2020
A. Total fixed assets	3,079,295	2,531,655
I. Intangible fixed assets – software	2,728	2,728
II. Tangible fixed assets	2,074	2,123
Works of art, objects and collections	320	320
Tangible assets and their sets	1,754	1,803
III. Total long-term investments	3,077,355	2,530,479
Debt securities held to maturity	2,977,675	2,530,479
Miscellaneous long-term financial assets	99,680	0
IV. Total accumulated depreciation and amortisation of fixed assets	-2,862	-3,675
Accumulated amortisation of software	-1,924	-2,382
Accumulated depreciation of machinery and equipment	-938	-1,293
B. Total current assets	69,671,896	75,527,285
II. Total receivables	25,862,221	25,862,163
Operating advances paid	2	15
Receivables from employees	0	2
Other receivables	25,862,219	25,862,146
III. Total current financial assets	43,809,297	49,664,909
Cash in hand	29	41
Stamps and vouchers	231	266
Financial resources on accounts	43,678,228	48,763,361
Other securities	130,809	901,241
IV. Total other assets	378	213
Prepaid expenses	378	213
Total assets	72,751,191	78,058,940

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2020

Balance Sheet as of 31 December 2020

(CZK '000)

LIABILITIES	As of 1 January 2020	As of 31 December 2020
A. Total equity	72,746,565	78,053,883
I. Equity	68,088,631	73,205,277
Funds	68,089,090	73,204,414
Revaluation of assets and liabilities	-459	863
II. Total profit/loss	4,657,934	4,848,606
Profit/loss account	803,141	397,164
Retained earnings	3,854,793	4,451,442
B. Total liabilities	4,626	5,057
III. Total current payables	4,626	5,057
Payables to suppliers	76	953
Employees	1,794	2,040
Other payables to employees	5	5
Payables to social security and public health insurance institutions	775	922
Other direct tax liabilities	503	603
Other payables	9	53
Estimated payables	1,464	481
Total equity and liabilities	72,751,191	78,058,940

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2020

Profit and Loss Account for the year ended 31 December 2020

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	14,162	0	14,162
1. Consumption of material	574	0	574
3. Repairs and maintenance	18	0	18
4. Travel expenses	81	0	81
5. Representation expenses	100	0	100
6. Other services	13,389	0	13,389
III. Personnel costs	18,800	0	18,800
10. Wages and salaries	13,866	0	13,866
11. Statutory social security insurance	4,012	0	4,012
13. Statutory social expenses	688	0	688
14. Other social expenses	234	0	234
IV. Taxes and fees	24	0	24
V. Other expenses	4,928	0	4,928
19. Foreign exchange losses	30	0	30
22. Sundry other expenses	4,898	0	4,898
VI. Depreciation and assets sold, creation and use of provisions and adjustments	812	0	812
23. Amortisation of intangible and depreciation of tangible fixed assets	812	0	812
Total expenses	38,726	0	38,726

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2020

Profit and Loss Account for the year ended 31 December 2020

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Other revenues	435,890	0	435,890
7. Interest revenue	435,769	0	435,769
8. Foreign exchange gains	38		38
10. Sundry other revenues	83	0	83
Total revenues	435,890	0	435,890
C. Profit/loss before tax	397,164	0	397,164
D. Profit/loss after tax	397,164	0	397,164

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

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2020

1 General Information

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

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

Membership of the Board of Directors in 2020 was as follows:

Name	Position
Dušan Hradil	Chairman
Karel Bauer	Vice-Chairman
Alex Ivančo (from 6 January 2020) (until 5 January 2020, Mgr. Ondřej Landa)	Member
Vladimír Staňura	Member
Radek Urban	Member

At the beginning of 2020, the term of office expired for Mgr. Ondřej Landa, a member of the Board of Directors. Alex Ivančo, a department head at the Ministry of Finance of the Czech Republic, was appointed as a new member of the Board of Directors for a 5-year term. At the same time, Ing. Karel Bauer was reappointed as Vice-Chairman of the Board of Directors for an additional 5-year term. At the beginning of 2021, Ing. Dušan Hradil, Chairman of the Board of Directors, and Ing. Radek Urban, Member of the Board of Directors, were reappointed for a further 5-year term.

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

Membership of the Management Board in 2020 was as follows:

Name	Position
Renáta Kadlecová	Chairperson
Tomáš Hejduk	Member
Roman Kahánek	Member

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

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2020

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

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

1.2 Managed Funds (Nonentities)

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

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

1.3 Assets Placed in Funds

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

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

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2020

2 Accounting Policies

2.1 Bookkeeping

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

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

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

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

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

2.2 System of Accounting and Retention of Accounting Documents

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

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

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

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

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2020

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

The accounting units maintain their accounts in the Czech currency.

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

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

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

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

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

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

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

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

The accounting units maintain their accounts in full scope.

The accounting documents are probative accounting records that must include:

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

The accounting units prepare accounting documents without undue delay.

The accounting entries are accounting records in ledgers.

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The accounting units account in the following ledgers:

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

2.4 Plan of Accounts

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

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

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

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

The financial statements are an inseparable whole and comprise:

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

The Financial Market Guarantee System prepares an annual report.

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

2.6 Storage of Accounting Documents

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

2.7 Accounting Methodological Guidelines

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

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

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

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2.8 Assignment Procedures for Accounting Cases

2.8.1 Accounting Cases Directly Assignable to the Funds

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

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

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

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

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

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

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

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

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

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

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

After the end of the accounting period, advances are settled with actual costs.

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

2.10 Basic Principles for Preparing the Financial Statements

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

2.11 Tangible Fixed Assets

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

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

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

Tangible assets with a useful life of more than 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 intangible fixed 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.

2.12 Securities and Shares

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

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Securities Held for Trading

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

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

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

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

Available-for-Sale Securities

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

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

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

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

Securities Held to Maturity

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

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

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

Repo and Buy/Sell Operations

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

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2.13 Foreign Currency Conversions

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

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

2.14 Contributions Received from Banks

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

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

2.15 Adjustments and Provisions

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

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

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

2.17 Equity

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

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2.18 Use of Estimates

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

2.19 Subsequent Events

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

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

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

(CZK '000)	As of 31 December 2020	As of 1 January 2020
Receivables from compensation disbursed	25,844,562	25,844,562
Receivables from duplicate payments	14,306	14,379
Other receivables	234	234
Receivables from unpaid contributions	3,044	3,044
Other receivables – total	25,862,146	25,862,219

Receivables from compensation disbursed include receivables due from banks and cooperative credit unions that failed to meet their commitments to clients; they amounted to CZK 25,844,562,000 as of 31 December 2020 (as of 1 January 2020: CZK 25,844,562,000).

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

3.2 Debt Securities Held to Maturity**Debt securities held to maturity at amortised costs:**

(CZK '000)	As of 31 December 2020	As of 1 January 2020
Debt securities held to maturity	3,330,718	3,108,484

Czech government bonds represented 100% of the value of held-to-maturity securities as of 31 December 2020 (the same as of 1 January 2020). The value of the bonds in market terms reached CZK 3,555,430,000 as of 31 December 2020 (as of 1 January 2020 the value was CZK 3,262,375,000). As of 31 December 2020, the accrued value of securities held to maturity and maturing in more than 1 year stood at CZK 2,530,479,000 (2019: CZK 2,977,675,000) and is shown under assets in Part A.III. Debt securities held to maturity. As of 31 December 2020, the accrued value of securities held to maturity and maturing within 1 year stood at CZK 800,239,000 (2019: CZK 130,809,000) and is shown under assets in Part B.III. Other securities.

3.3 Miscellaneous Long-Term Financial Assets**Market value of securities held within the available-for-sale securities portfolio:**

(CZK '000)	As of 31 December 2020	As of 1 January 2020
Debt securities	101,002	99,680

As of 31 December 2020, the market value of debt securities held by the Financial Market Guarantee System within the available-for-sale securities portfolio was CZK 101,002,000 (2019: 99,680,000). As of 31 December 2020, the nominal value of bonds stood at CZK 100,000,000 (2019: CZK 100,000,000). With regard to the fact that, as of 31 December 2020, the maturity of these bonds is shorter than 1 year, they are shown as assets in Part B.III. Other securities.

Czech government bonds accounted for 100% of the value of these securities as of 31 December 2020.

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3.4 Statement of Changes on the Funds Account

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

Statement of Changes on the Funds Account:

(CZK '000)	2020	2019
Deposit Insurance Fund:		
Opening balance – 1 January	55,473,715	55,446,300
Contributions received (see note 3.6.)	1,145,657	1,075,668
Written-off receivables and payables from compensation disbursements	0	-1,048,253
Closing balance – 31 December	56,619,372	55,473,715

During 2020, the Financial Market Guarantee System did not disburse any deposit compensation.

(CZK '000)	2020	2019
Crisis Resolution Fund:		
Opening balance – 1 January	12,615,375	9,096,014
of which:		
Contribution Fund		
Opening balance – 1 January	12,541,862	9,095,278
Contributions received (see note 3.6.)	3,763,175	3,446,584
Closing balance – 31 December	16,305,037	12,541,862
Operational Fund		
Opening balance – 1 January	73,513	736
Operating revenue	209,931	76,230
Management costs	-3,439	-3,453
Closing balance – 31 December	280,005	73,513
Closing balance – 31 December	16,585,042	12,615,375

3.5 Liabilities

Payables from compensation disbursements as of 31 December 2020 were CZK 0 (1 January 2020: CZK 0). Payables from compensation disbursements are posted in Liabilities in Part B.III. - Other payables.

Payables from social security and health insurance as of 31 December 2020 were CZK 922,000 (1 January 2020: CZK 775,000), of which CZK 532,000 (1 January 2020: CZK 434,000) is social security payables and CZK 390,000 (1 January 2020: CZK 341,000) is health insurance payables.

Tax liabilities amounted to CZK 603,000 (1 January 2019: CZK 503,000).

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None of these payables were overdue.

3.6 Contributions from Banks

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

(CZK '000)	2020	2019
Contributions received from banks	4,908,832	4,522,252

By 31 May 2020, contributions to the Crisis Resolution Fund totalled CZK 3,763,175,000 and by 30 June 2020, contributions to the Deposit Insurance Fund totalled CZK 1,145,657,000. By 31 May 2019, contributions to the Crisis Resolution Fund totalled CZK 3,446,584,000 and by 30 June 2019, contributions to the Deposit Insurance Fund totalled CZK 1,075,668,000.

3.7 Summary of Revenues and Expenses of the Current Accounting Period

(CZK '000)	2020	2019
Revenues:		
Contractual penalties, late payment interest, other fines and penalties	0	40
Interest revenue	435,769	839,415
Foreign exchange gains	38	0
Other revenues (see note 3.8.)	83	590
Total	435,890	840,045
Expenses:		
Amortisation of intangible and depreciation of tangible fixed assets	-812	-638
Purchases consumed	-574	-344
Services	-13,588	-13,324
Personnel costs	-18,800	-18,464
Taxes and fees	-24	-88
Foreign exchange losses	-30	-22
Other expenses (see note 3.8.)	-4,898	-4,024
Total	-38,726	-36,904

The 2020 profit of CZK 397,164,000 is made up of the profit of the Deposit Insurance Fund totalling CZK 299,086,000 and of the profit of the Crisis Resolution Fund amounting to CZK 98,078,000. The profit of the Deposit Insurance Fund is proposed for transfer to retained earnings from prior years, and the profit of the Crisis Resolution Fund is proposed for transfer to the Operational Fund of the Crisis Resolution Fund.

The average number of employees of the Financial Market Guarantee System is ten, of which one is a management employee. Total wage costs in 2020 amounted to CZK 13,866,000 (2019: CZK 13,355,000).

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3.8 Other Revenues and Other Expenses

(CZK '000)	2020	2019
Revenues:		
Other	83	590
Total	83	590
Expenses:		
Other	-4,898	-4,024
Total	-4,898	-4,024

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

In 2020, the auditor PricewaterhouseCoopers Audit, s.r.o. was reimbursed for the statutory audit of the financial statements for 2019. The auditor's fee was CZK 472,000 (2019: CZK 472,000).

In 2020, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 92,000 (2019: CZK 93,000) in connection with liability insurance for the members of the Board of Directors and the members of the Management Board for damage caused when exercising their functions.

3.9 Reimbursement of the Costs of the Financial Market Guarantee System

Pursuant to Section 207 (2) of the AFCPR, the Financial Market Guarantee System has the right to the reimbursement of costs incurred in connection with the management of the Deposit Insurance Fund and the Crisis Resolution Fund, and this from the Deposit Insurance Fund and from the Operational Fund of the Crisis Resolution Fund. In 2020, the Financial Market Guarantee System only incurred costs connected with the management of the two Funds.

The total costs incurred by the Financial Market Guarantee System in connection with the management of the two Funds in 2020 totalled CZK 34,198,000 (2019: CZK 34,219,000), of which CZK 30,639,000 (2019: CZK 31,685,000) was expenses related to the management of the Deposit Insurance Fund and CZK 3,559,000 (2019: CZK 2,534,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Deposit Insurance Fund of CZK 30,639,000 (2019: CZK 31,685,000) were covered from the resources of the Deposit Insurance Fund. The expenditure related to the management of the Crisis Resolution Fund of CZK 3,559,000 (2019: CZK 2,534,000) was covered from the Operational Fund of the Crisis Resolution Fund. The funds provided from the Operational Fund of the Crisis Resolution Fund to cover operating expenses were lower than the actual expenses by CZK 20,000 and the liability thus created will be settled upon approval of the financial statements.

3.10 Litigation

As of 31 December 2020, the Financial Market Guarantee System was not involved as a defendant in any litigation where the subject matter of the dispute was for a principal amount in excess of CZK 5 million.

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The plaintiff ASSETWISE Limited was ordered by courts at various levels of proceedings to pay the following amounts to the Financial Market Guarantee System, being the defendant: CZK 3,691,471.09 as the cost of proceedings before the court of first instance, CZK 1,473,728.51 as the cost of proceedings before the court of appeal and CZK 734,954 as the cost of proceedings before the court of final appeal. Thus, the costs of proceedings awarded by courts of all levels total CZK 5,900,153.60. This is a receivable belonging to the assets in the Deposit Insurance Fund, because the litigation in question involved only the assets of the original Deposit Insurance Fund before its transformation into the Financial Market Guarantee System as of 1 January 2016 (the litigation was initiated in 2012).

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

3.11 Commentary on the Ongoing Pandemic Situation in 2021

2020 was significantly impacted by the Covid-19 pandemic and the economic environment was not very favourable. However, in spite of the generally difficult situation, there was no failure of any of the insured institutions. It can be expected that in 2021 the quality of the loan portfolio of banks and cooperative credit unions will deteriorate substantially due to the pandemic situation, the profitability of institutions will continue to decline and, in some cases, there will be small or large losses. Nevertheless, with regard to the significant uncertainties concerning the future trajectory of the pandemic, it is hard to make any accurate estimates. We can say though that the individual position of every institution will also depend on the resilience of such institution when entering the current crisis situation, on the quality of its internal processes (especially its management of credit risks and other prudential areas) and on the approach of its shareholders. The policy of the Czech National Bank as regulator will also play an important role.

3.12 Subsequent Events

No events took place after the balance sheet date which could have a material impact on the Financial Market Guarantee System financial statements as of 31 December 2020. The events described in note 3.11 do not have any impact on the financial statements of the Financial Market Guarantee System as of 31 December 2020.

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

Prague, 30 June 2021



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Tomáš Hejduk

Member of the Management Board and Chief Legal Manager

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



Independent auditor's report

to the Board of Directors of Garanční systém finančního trhu

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the fund Fond pojištění vkladů, with its registered office at Týn 639/1, Praha 1 (the "Fund") as at 31 December 2020 and of the Fund's financial performance for the year ended 31 December 2020 in accordance with Czech accounting legislation.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2020,
- the income statement for the year ended 31 December 2020, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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

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

The Board of Directors of Garanční systém finančního trhu is responsible for overseeing the Fund's financial reporting system.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the Statutory Body and the Board of Directors of Garanční systém finančního trhu regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

30 June 2021

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

Eva Loulová
Statutory Auditor, Licence No. 1981

This report is addressed to the Board of Directors of Garanční systém finančního trhu

FINANCIAL STATEMENTS

The Deposit Insurance Fund

Date of financial statements: 31 December 2020

Date of preparation of financial statements: 30 June 2021

Balance Sheet as of 31 December 2020

(CZK '000)

ASSETS	As of 1 January 2020	As of 31 December 2020
A. Total fixed assets	3,079,215	2,531,588
I. Intangible fixed assets – software	2,728	2,728
II. Tangible fixed assets	1,990	2,034
Works of art, objects and collections	289	290
Tangible assets and their sets	1,701	1,744
III. Long-term investments – bonds, debentures and similar securities held to maturity	3,077,355	2,530,479
Debt securities held to maturity	2,977,675	2,530,479
Miscellaneous long-term financial assets	99,680	0
IV. Total accumulated depreciation and amortisation of fixed assets	-2,859	-3,653
Accumulated amortisation of software	-1,925	-2,382
Accumulated depreciation of machinery and equipment	-934	-1,271
B. Total current assets	56,850,911	58,844,232
II. Total receivables	25,862,221	25,862,183
Operating advances paid	2	15
Receivables from employees	0	2
Other receivables	25,862,219	25,862,166
III. Total current financial assets	30,988,311	32,981,836
Cash in hand	29	41
Stamps and vouchers	231	266
Financial resources on accounts	30,857,242	32,080,288
Other securities	130,809	901,241
IV. Total other assets	378	213
Prepaid expenses	378	213
Total assets	59,930,126	61,375,820

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

Balance Sheet as of 31 December 2020

(CZK '000)

LIABILITIES	As of 1 January 2020	As of 31 December 2020
A. Total equity	59,924,698	61,370,763
I. Equity – funds	55,473,256	56,620,235
Funds	55,473,715	56,619,372
Revaluation of assets and liabilities	–459	863
II. Total profit/loss	4,451,442	4,750,528
Profit/loss account	596,649	299,086
Retained earnings	3,854,793	4,451,442
B. Total liabilities	5,428	5,057
III. Total current payables	5,428	5,057
Payables to suppliers	76	953
Employees	1,794	2,040
Other payables to employees	5	5
Payables to social security and public health insurance institutions	775	922
Other direct tax liabilities	503	603
Other payables	811	53
Estimated payables	1,464	481
Total equity and liabilities	59,930,126	61,375,820

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

Profit and Loss Account for the year ended 31 December 2020

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	12,962	0	12,962
1. Consumption of material	507	0	507
3. Repairs and maintenance	16	0	16
4. Travel expenses	71	0	71
5. Representation expenses	88	0	88
6. Other services	12,280	0	12,280
III. Personnel costs	16,583	0	16,583
10. Wages and salaries	12,231	0	12,231
11. Statutory social security insurance	3,539	0	3,539
13. Statutory social expenses	607	0	607
14. Other social expenses	206	0	206
IV. Taxes and fees	24	0	24
V. Other expenses	3,539	0	3,539
19. Foreign exchange losses	27	0	27
22. Sundry other expenses	3,512	0	3,512
VI. Depreciation, assets sold, creation and use of provisions and adjustments	794	0	794
23. Amortisation of intangible and depreciation of tangible fixed assets	794	0	794
Total expenses	33,902	0	33,902

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

Profit and Loss Account for the year ended 31 December 2020

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Other revenues	332,988	0	332,988
7. Interest revenue	332,871	0	332,871
8. Foreign exchange gains	34		34
10. Sundry other revenues	83	0	83
Total revenues	332,988	0	332,988
C. Profit/loss before tax	299,086	0	299,086
D. Profit/loss after tax	299,086	0	299,086

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

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

1 General Information

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

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

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

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

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

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

1.2 Managed Funds (Nonentities)

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

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

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Year ended 31 December 2020

1.3 Assets Placed in Funds

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

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

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

2 Accounting Policies

2.1 Bookkeeping

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

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

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

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

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

2.2 System of Accounting and Retention of Accounting Documents

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

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

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

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

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

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Year ended 31 December 2020

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

The bookkeeping is maintained in the Czech currency.

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

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

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

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

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

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

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

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

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

The accounting documents are probative accounting records that must include:

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

The accounting documents are prepared without undue delay.

The accounting entries are accounting records in ledgers.

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They are posted in the following ledgers:

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

2.4 Plan of Accounts

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

2.5 Financial Statements, Accounting Audit

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

The financial statements are an inseparable whole and comprise:

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

2.6 Storage of Accounting Documents

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

2.7 Accounting Methodological Guidelines

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

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

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

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2.8 Assignment Procedures for Accounting Cases

2.8.1 Accounting Cases Directly Assignable to the Funds

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

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

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

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

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

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

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

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

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

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

The Deposit Insurance Fund

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Year ended 31 December 2020

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

After the end of the accounting period, advances are settled with actual costs.

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

2.10 Basic Principles for Preparing the Financial Statements

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

2.11 Tangible Fixed Assets

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

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

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

Tangible assets with a useful life of more than 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 intangible fixed 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.

2.12 Securities and Shares

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

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Securities Held for Trading

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

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

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

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

Available-for-Sale Securities

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

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

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

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

Securities Held to Maturity

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

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

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

Repo and Buy/Sell Operations

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

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2.13 Foreign Currency Conversions

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

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

2.14 Contributions Received from Banks

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

2.15 Adjustments and Provisions

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

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

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

2.17 Equity

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

2.18 Use of Estimates

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

The Deposit Insurance Fund

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

2.19 Subsequent Events

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

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

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

3.1 Other Receivables

(CZK '000)	As of 31 December 2020	As of 1 January 2020
Receivables from compensation disbursed	25,844,562	25,844,562
Receivables from duplicate payments	14,306	14,379
Other receivables	253	234
Receivables from unpaid contributions	3,044	3,044
Other receivables – total	25,862,165	25,862,219

Receivables from compensation disbursed include receivables due from banks and cooperative credit unions that failed to meet their commitments to clients; they amounted to CZK 25,844,562,000 as of 31 December 2020 (as of 1 January 2020: CZK 25,844,562,000).

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

Other receivables include the Deposit Insurance Fund's receivable from the Crisis Resolution Fund concerning the expenses related to the management of the Crisis Resolution Fund in 2020, totalling CZK 19,000 (2019: CZK 0).

3.2 Debt Securities Held to Maturity

(CZK '000)	As of 31 December 2020	As of 1 January 2020
Debt securities held to maturity	3,330,718	3,108,484

Czech government bonds represented 100% of the value of held-to-maturity securities as of 31 December 2020 (the same as of 1 January 2020). The value of the bonds in market terms reached CZK 3,555,430,000 as of 31 December 2020 (as of 1 January 2020 the value was CZK 3,262,375,000). As of 31 December 2020, the accrued value of securities held to maturity and maturing in more than 1 year stood at CZK 2,530,479,000 (2019: CZK 2,977,675,000) and is shown under assets in Part A.III. Debt securities held to maturity. As of 31 December 2020, the accrued value of securities held to maturity and maturing within 1 year stood at CZK 800,239,000 (2019: CZK 130,809,000) and is shown under assets in Part B.III. Other securities.

3.3 Miscellaneous Long-Term Financial Assets

Market value of securities held within the available-for-sale securities portfolio:

(CZK '000)	As of 31 December 2020	As of 1 January 2020
Debt securities	101,002	99,680

As of 31 December 2020, the market value of debt securities held by the Financial Market Guarantee System within the available-for-sale securities portfolio was CZK 101,002,000 (2019: 99,680,000). As of 31 December 2020, the nominal value of bonds stood at CZK 100,000,000 (2019: CZK 100,000,000). With regard to the fact that, as of 31 December 2020, the maturity of these bonds is shorter than 1 year, they are shown as assets in Part B.III. Other securities.

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Czech government bonds accounted for 100% of the value of these securities as of 31 December 2020.

3.4 Statement of Changes on the Funds Account

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

Statement of Changes on the Funds Account:

(CZK '000)	2020	2019
Opening balance – 1 January	55,473,715	55,446,300
Contributions received (see note 3.6.)	1,145,657	1,075,668
Written-off receivables and payables from compensation disbursements	0	-1,048,253
Closing balance – 31 December	56,619,372	55,473,715

During 2020, the Financial Market Guarantee System did not disburse any deposit compensation.

3.5 Liabilities

Payables from compensation disbursements as of 31 December 2020 were CZK 0 (1 January 2020: CZK 0). Payables from compensation disbursements are posted in Liabilities in Part B.III. - Other payables.

Payables from social security and health insurance as of 31 December 2020 were CZK 922,000 (1 January 2020: CZK 775,000), of which CZK 532,000 (1 January 2020: CZK 434,000) is social security payables and CZK 390,000 (1 January 2020: CZK 341,000) is health insurance payables.

Tax liabilities amounted to CZK 603,000 (1 January 2020: CZK 503,000).

None of these payables were overdue.

3.6 Contributions from Banks

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

(CZK '000)	2020	2019
Contributions received from banks	1,145,657	1,075,668

By 30 June 2020, contributions made to the Deposit Insurance Fund for 2020 had totalled CZK 1,145,657,000. In 2019, contributions to the Deposit Insurance Fund amounted to CZK 1,075,668,000.

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

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

(CZK '000)	2020	2019
Revenues:		
Contractual penalties, late payment interest, other fines and penalties	0	40
Interest revenue	332,871	629,484
Foreign exchange gains	34	0
Other revenues (see note 3.8.)	83	590
Total	332,988	630,114
Expenses:		
Amortisation of intangible and depreciation of tangible fixed assets	-794	-634
Purchases consumed	-507	-316
Services	-12,455	-12,461
Personnel costs	-16,583	-16,946
Taxes and fees	-24	-88
Foreign exchange losses	-27	-20
Other expenses (see note 3.8.)	-3,512	-3,000
Total	-33,902	-33,465

The 2020 profit of CZK 299,086,000 (2019: CZK 596,649,000) is proposed for transfer to retained earnings from prior years.

The average number of employees of the Financial Market Guarantee System is ten, of which one is a management employee. Total wage costs in 2020 amounted to CZK 13,866,000 (2019: CZK 13,355,000). The share of wage costs covered by the Deposit Insurance Fund amounts to CZK 12,231,000 (2019: CZK 12,257,000).

3.8 Other Revenues and Other Expenses

(CZK '000)	2020	2019
Revenues:		
Other	83	590
Total	83	590
Expenses:		
Other	-3,512	-3,000
Total	-3,512	-3,000

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

In 2020, the auditor PricewaterhouseCoopers Audit, s.r.o. was reimbursed for the statutory audit of the financial statements for 2019. The auditor's fee was CZK 472,000 (2019: CZK 472,000). The Deposit Insurance Fund's share of these costs is CZK 416,000 (2019: CZK 433,000).

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

In 2020, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 92,000 (2019: CZK 93,000) in connection with liability insurance for the members of the Board of Directors and the members of the Management Board for damage caused when exercising their functions. The Deposit Insurance Fund's share of these costs is CZK 81,000 (2019: CZK 85,000).

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

Pursuant to Section 207 (2) of the AFCPR, the Financial Market Guarantee System has the right to the reimbursement of costs incurred in connection with the management of the Deposit Insurance Fund and the Crisis Resolution Fund, and this from the Deposit Insurance Fund and from the Operational Fund of the Crisis Resolution Fund. In 2020, the Financial Market Guarantee System only incurred costs connected with the management of the two Funds.

The total costs incurred by the Financial Market Guarantee System in connection with the management of the two Funds in 2020 totalled CZK 34,198,000 (2019: CZK 34,219,000), of which CZK 30,639,000 (2019: CZK 31,685,000) was expenses related to the management of the Deposit Insurance Fund and CZK 3,559,000 (2019: CZK 2,534,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Deposit Insurance Fund of CZK 30,639,000 (2019: CZK 31,685,000) were covered from the resources of the Deposit Insurance Fund.

3.10 Litigation

As of 31 December 2020, in connection with the management of the Deposit Insurance Fund, the Financial Market Guarantee System was not involved as a defendant in any litigation where the subject matter of the dispute was for a principal amount in excess of CZK 5 million.

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

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

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2020

3.11 Commentary on the Ongoing Pandemic Situation in 2021

2020 was significantly impacted by the Covid-19 pandemic and the economic environment was not very favourable. However, in spite of the generally difficult situation, there was no failure of any of the insured institutions. It can be expected that in 2021 the quality of the loan portfolio of banks and cooperative credit unions will deteriorate substantially due to the pandemic situation, the profitability of institutions will continue to decline and, in some cases, there will be small or large losses. Nevertheless, with regard to the significant uncertainties concerning the future trajectory of the pandemic, it is hard to make any accurate estimates. We can say though that the individual position of every institution will also depend on the resilience of such institution when entering the current crisis situation, on the quality of its internal processes (especially its management of credit risks and other prudential areas) and on the approach of its shareholders. The policy of the Czech National Bank as regulator will also play an important role.

3.12 Subsequent Events

No events took place after the balance sheet date which could have a material impact on the Deposit Insurance Fund financial statements as of 31 December 2020. The events described in note 3.11 do not have any impact on the financial statements of the Deposit Insurance Fund as of 31 December 2020.

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

Prague, 30 June 2021



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Tomáš Hejduk

Member of the Management Board and Chief Legal Manager

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



Independent auditor's report

to the Board of Directors of Garanční systém finančního trhu

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the fund Fond pro řešení krize, with its registered office at Týn 639/1, Praha 1 (the "Fund") as at 31 December 2020 and of the Fund's financial performance for the year ended 31 December 2020 in accordance with Czech accounting legislation.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2020,
- the income statement for the year ended 31 December 2020, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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

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



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

The Board of Directors of Garanční systém finančního trhu is responsible for overseeing the Fund's financial reporting system.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the Statutory Body and the Board of Directors of Garanční systém finančního trhu regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

30 June 2021

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

Eva Loulová
Statutory Auditor, Licence No. 1981

This report is addressed to the Board of Directors of Garanční systém finančního trhu

FINANCIAL STATEMENTS

The Crisis Resolution Fund

Date of financial statements:	31 December 2020
Date of preparation of financial statements:	30 June 2021

Balance Sheet as of 31 December 2020

(CZK '000)

ASSETS	As of 1 January 2020	As of 31 December 2020
A. Total fixed assets	79	67
II. Tangible fixed assets	84	89
Works of art, objects and collections	31	30
Tangible assets and their sets	53	59
IV. Total accumulated depreciation and amortisation of fixed assets	-4	-22
Accumulated depreciation of machinery and equipment and of vehicles, furniture and fixtures	-4	-22
B. Total current assets	12,821,787	16,683,073
II. Total receivables	802	0
Other receivables	802	0
III. Total current financial assets	12,820,985	16,683,073
Financial resources on accounts	12,820,985	16,683,073
Total assets	12,821,867	16,683,140

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

Balance Sheet as of 31 December 2020

(CZK '000)

LIABILITIES	As of 1 January 2020	As of 31 December 2020
A. Total equity	12,821,867	16,683,120
I. Equity	12,615,375	16,585,042
Funds	12,615,375	16,585,042
Contribution Fund	12,541,862	16,305,037
Operational Fund	73,513	280,005
II. Total profit/loss	206,492	98,078
Profit/loss account		98,078
Retained earnings / Accumulated losses from prior years	206,492	
B. Total liabilities	0	20
III. Total current payables	0	20
Other payables	0	20
Total equity and liabilities	12,821,867	16,683,140

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

Profit and Loss Account for the year ended 31 December 2020

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	1,200	0	1,200
1. Consumption of material	67	0	67
3. Repairs and maintenance	2	0	2
4. Travel expenses	10	0	10
5. Representation expenses	12	0	12
6. Other services	1,109	0	1,109
III. Personnel costs	2,217	0	2,217
10. Wages and salaries	1,635	0	1,635
11. Statutory social security insurance	473	0	473
13. Statutory social expenses	81	0	81
14. Other social expenses	28	0	28
V. Other expenses	1,389	0	1,389
19. Foreign exchange losses	3	0	3
22. Sundry other expenses	1,386	0	1,386
VI. Depreciation, assets sold, creation and use of provisions and adjustments	18	0	18
Depreciation and amortization of fixed assets	18	0	18
Total expenses	4,824	0	4,824

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

Profit and Loss Account for the year ended 31 December 2020

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Other revenues	102,902	0	102,902
7. Interest revenue	102,898	0	102,898
8. Foreign exchange gains	4		4
Total revenues	102,902	0	102,902
C. Profit/loss before tax	98,078	0	98,078
D. Profit/loss after tax	98,078	0	98,078

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

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

1 General Information

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

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

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

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

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

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

1.2 Managed Funds (Nonentities)

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

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

The Crisis Resolution Fund

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Year ended 31 December 2020

1.3 Assets Placed in Funds

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

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

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

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

2 Accounting Policies

2.1 Bookkeeping

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

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

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

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

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

2.2 System of Accounting and Retention of Accounting Documents

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

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

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

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

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

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

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

The bookkeeping is maintained in the Czech currency.

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

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

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

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

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

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

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

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

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

The accounting documents are probative accounting records that must include:

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

The accounting documents are prepared without undue delay.

The accounting entries are accounting records in ledgers.

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

They are posted in the following ledgers:

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

2.4 Plan of Accounts

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

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

2.5 Financial Statements, Accounting Audit

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

The financial statements are an inseparable whole and comprise:

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

2.6 Storage of Accounting Documents

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

2.7 Accounting Methodological Guidelines

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

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

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

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

2.8 Assignment Procedures for Accounting Cases

2.8.1 Accounting Cases Directly Assignable to the Funds

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

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

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

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

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

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

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

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

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

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

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2020

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

After the end of the accounting period, advances are settled with actual costs.

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

2.10 Basic Principles for Preparing the Financial Statements

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

2.11 Tangible Fixed Assets

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

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

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

Tangible assets with a useful life of more than 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 intangible fixed 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.

2.12 Securities and Shares

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

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Securities Held for Trading

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

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

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

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

Available-for-Sale Securities

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

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

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

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

Securities Held to Maturity

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

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

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

Repo and Buy/Sell Operations

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

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2.13 Foreign Currency Conversions

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

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

2.14 Contributions Received from Banks

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

2.15 Adjustments and Provisions

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

2.16 Equity

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

2.17 Use of Estimates

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

2.18 Subsequent Events

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

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

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

3.1 Other Receivables

(CZK '000)	As of 31 December 2020	As of 1 January 2020
Receivable for repayment of a part of the advance payment on expenses for the management of the Crisis Resolution Fund	0	802
Other receivables – total	0	802

The receivable for repayment of a part of the advance payment on expenses for the management of the Crisis Resolution Fund in 2019 has resulted from the fact that the advance payment provided to cover expenses related to the management of the Crisis Resolution Fund was higher than the actual expenses.

3.2 Short-Term Financial Assets

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

3.3 Statement of Changes on the Funds Account

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

Statement of Changes on the Funds Account:

(CZK '000)	2020	2019
Crisis Resolution Fund:		
Opening balance – 1 January	12,615,375	9,096,014
of which:		
Contribution Fund		
Opening balance – 1 January	12,541,862	9,095,278
Contributions received (see note 3.5)	3,763,175	3,446,584
Closing balance – 31 December	16,305,037	12,541,862
Operational Fund		
Opening balance – 1 January	73,513	736
Operating revenue	209,931	76,230
Management costs	-3,439	-3,453
Closing balance – 31 December	280,005	73,513
Closing balance – 31 December	16,585,042	12,615,375

3.4 Liabilities

In 2020, the Crisis Resolution Fund had a liability of CZK 20,000 against the Deposit Insurance Fund for reimbursement of expenses related to the management of the Crisis Resolution Fund. This liability did not exist in 2019 because the advance payment provided for the coverage of expenses related to the management of the Crisis Resolution Fund was higher than the actual expenses.

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3.5 Contributions from Banks

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

(CZK '000)	2020	2019
Contributions received from banks	3,763,175	3,446,584

By 31 May 2020, banks and selected investment firms had made contributions to the Crisis Resolution Fund, as prescribed by the Czech National Bank, totalling CZK 3,763,175,000 (2019: CZK 3,446,584,000).

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

(CZK '000)	2020	2019
Revenues:		
Interest revenue	102,898	209,931
Sundry other revenues	4	0
Total	102,902	209,931
Expenses:		
Purchases consumed	-67	-28
Services	-1,133	-863
Personnel costs	-2,217	-1,518
Foreign exchange losses	-3	-2
Depreciation	-18	-4
Other expenses (see note 3.7)	-1,386	-1,024
Total	-4,824	-3,439

The 2020 financial result will be distributed as follows: the revenues of CZK 102,902,000 will be transferred to the Operational Fund of the Crisis Resolution Fund and the expenses of CZK 4,824,000 will be paid from the Operational Fund of the Crisis Resolution Fund after approval of the financial statements. The funds provided from the Operational Fund of the Crisis Resolution Fund to cover operating expenses were lower than the actual expenses by CZK 19,000 and the liability thus created will be settled upon approval of the financial statements.

The average number of employees of the Financial Market Guarantee System is ten, of which one is a management employee. Total wage costs in 2020 amounted to CZK 13,866,000 (2019: CZK 13,355,000). The share of wage costs covered by the Crisis Resolution Fund amounts to CZK 1,635,000 (2019: CZK 1,098,000).

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3.7 Other Revenues and Other Expenses

(CZK '000)	2020	2019
Revenues:		
Other	4	0
Total	4	0
Expenses:		
Other	-1,386	-1,024
Total	-1,386	-1,024

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

In 2020, the auditor PricewaterhouseCoopers Audit, s.r.o., was reimbursed for the statutory audit of the financial statements for 2019. The auditor's fee was CZK 472,000 (2019: CZK 472,000). The Crisis Resolution Fund's share of these costs is CZK 56,000 (2019: CZK 39,000).

In 2020, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 92,000 (2019: CZK 93,000) in connection with liability insurance for the members of the Board of Directors and the members of the Management Board for damage caused when exercising their functions. The Crisis Resolution Fund's share of these costs is CZK 11,000 (2019: CZK 8,000).

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

Pursuant to Section 207 (2) of the AFCPR, the Financial Market Guarantee System has the right to the reimbursement of costs incurred in connection with the management of the Deposit Insurance Fund and the Crisis Resolution Fund, and this from the Deposit Insurance Fund and from the Operational Fund of the Crisis Resolution Fund. In 2020, the Financial Market Guarantee System only incurred costs connected with the management of the two Funds.

The total costs incurred by the Financial Market Guarantee System in connection with the management of the two Funds in 2020 totalled CZK 34,198,000 (2019: CZK 34,219,000), of which CZK 30,639,000 (2019: CZK 31,685,000) was expenses related to the management of the Deposit Insurance Fund and CZK 3,559,000 (2019: CZK 2,534,000) was expenses related to the management of the Crisis Resolution Fund.

The expenditure related to the management of the Crisis Resolution Fund of CZK 3,559,000 (2019: CZK 2,534,000) was covered from the Operational Fund of the Crisis Resolution Fund. The funds provided from the Operational Fund of the Crisis Resolution Fund to cover operating expenses were lower than the actual expenses by CZK 20,000 and the receivable thus created will be settled upon approval of the financial statements.

3.9 Commentary on the Ongoing Pandemic Situation in 2021

2020 was significantly impacted by the Covid-19 pandemic and the economic environment was not very favourable. However, in spite of the generally difficult situation, there was no failure of any of the insured institutions. It can be expected that in 2021 the

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quality of the loan portfolio of banks and cooperative credit unions will deteriorate substantially due to the pandemic situation, the profitability of institutions will continue to decline and, in some cases, there will be small or large losses. Nevertheless, with regard to the significant uncertainties concerning the future trajectory of the pandemic, it is hard to make any accurate estimates. We can say though that the individual position of every institution will also depend on the resilience of such institution when entering the current crisis situation, on the quality of its internal processes (especially the management of credit risks and other prudential areas) and on the approach of its shareholders. The policy of the Czech National Bank as regulator will also play an important role.

3.10 Subsequent Events

No events took place after the balance sheet date which could have a material impact on the Crisis Resolution Fund financial statements as of 31 December 2020. The events described in note 3.9 do not have any impact on the financial statements of the Crisis Resolution Fund as of 31 December 2020.

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

Prague, 30 June 2021



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Tomáš Hejduk

Member of the Management Board and Chief Legal Manager