

ANNUAL REPORT

for 2022



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I. INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



In my foreword to the previous annual report, I anticipated that the role of the Financial Market Guarantee System, as one of the actors charged with raising awareness of the stability and safeguards of the banking system, would gain momentum. I can now say that this was really the case in 2022.

The Czech Republic faced a number of challenges last year. The energy crisis, high inflation and continued bottlenecks in global supply chains had negative impacts on the Czech economy and thus on the mood in society and its confidence in the robustness of the financial system. Most of these negative trends were triggered by the Russian invasion of Ukraine.

The significant outflow of client deposits in response to the events in Ukraine was the reason for the issuance of a Notice of Inability of Sberbank CZ, a.s. to meet its obligations, which the Czech National Bank adopted on 28 February 2022. The Financial Market Guarantee System commenced the payout of compensation for deposits to its clients on 9 March 2022. The total compensation to be paid by the Guarantee System to this bank's clients is the highest in the history of the Czech deposit insurance scheme and amounts to CZK 25.88 billion. More than 121,000 clients of the bank are entitled to receive compensation.

The payout to Sberbank CZ, a.s. clients resulted in a number of firsts due to the size and complexity of this financial institution. The Financial Market Guarantee System faced the challenge of procedures not yet tested in practice, such as deposit compensation payments for accounts in the debt relief regime. The Guarantee System consulted the handling of some specific situations with the Ministry of Finance and the Ministry of Justice and, based on new experience, prepared a document with suggestions that could be used for amendment of the Act on Banks.

Sberbank CZ, a.s. was a textbook example of a bank run. Clients showed their lack of confidence in the bank by withdrawing their deposits en masse, resulting in a liquidity crisis at the bank. The Guarantee System was also sensitive to the changing moods and concerns spreading among the population that the rapid fall of this financial institution had brought to the Czech banking system and, besides the work related to the payout of deposit compensation, it had to make public assurances, together with the Czech National Bank and the Czech Banking Association, about the stability and safety of banks operating in the Czech market. The joint media communication by the above institutions was timely and successful, helping prevent problems at banks and any erosion of the overall credibility of the banking system.

The disbursement of deposit compensation drew nearly CZK 26 billion from the Deposit Insurance Fund. Thanks to insolvency proceedings that have the potential to be the most successful ever, we expect the full amount of the disbursements made to be returned to the Deposit Insurance Fund in 2023. The priority satisfaction of the claims of the Financial Market Guarantee System in insolvency proceedings, as stipulated in the European directive on financial market recovery and resolution procedures, helps maintain high confidence in the safety of deposits in Czech financial institutions. Creditors in the second creditor group will also enjoy full satisfaction of their claims, while creditors in the third creditor group will receive more than 90% of the value of theirs. This is a remarkable success because, in the past, creditors in insolvency proceedings for financial institutions recovered, on average, 38% of the value of their claims. The Financial Market Guarantee System, as the chair of the creditors' committee, made a significant contribution to the exceptionally high rate of claim recovery for all creditor groups.

It is maintaining high confidence in the stability and resilience of the banking system, something crucial to keep the Czech economy healthy. I therefore see it as good news that a quantitative survey commissioned by the Guarantee System in 2022 only a few months after the fall of Sberbank CZ, a.s. has shown that the general population's confidence in the stability of the banking system is at a record high (the system is trusted by 73% of those surveyed). I attribute this to the excellently

administered disbursement of compensation for deposits to clients of Sberbank CZ, a.s. There is still plenty of work ahead of us – it is crucial that we maintain this confidence in today's turbulent times full of misinformation and economic challenges.

In 2022, the Financial Market Guarantee System maintained its long-term education strategy regarding the operation of hedging mechanisms. Developments in 2022 highlighted the importance of this aspect of activities pursued by the Financial Market Guarantee System, especially in preventing the risk of escalation and spread of mistrust among financial institutions in the event of financial market turbulence. The Guarantee System communicated through traditional media and online social media, through educational content and through direct interviews with the Executive Director of the Financial Market Guarantee System on topical issues.

Last year was very demanding and full of complicated tasks that would have been impossible to cope with without an expert team of employees and associates. I would therefore like to thank them for their high level of commitment and effort during that extraordinary year, as they helped ensure the smooth functioning of the financial safety net and enhanced its credibility. Thanks are also due to the members of the Board of Directors who, in addition to their duties and responsibilities at the Ministry of Finance of the Czech Republic, the Czech National Bank or the Czech Banking Association, dedicate their time to the agenda of the Financial Market Guarantee System.

To ensure that the Financial Market Guarantee System remains operational and ready to perform its role as a strong pillar of financial market stability, this year the institution will undergo stress testing of its financial readiness according to European Banking Association guidelines. The Czech National Bank will also be involved in this testing, taking part in a test call for extraordinary contributions. For the first time, the financial readiness test will also include a test issue of Financial Market Guarantee System bonds and a test auction. The Financial Market Guarantee System will also test the transfer of data and other procedural requirements related to cross-border payouts of deposit compensation, and will perform a test of the use of funds of the Crisis Resolution Fund.

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

Tomáš Müller

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

II. ABOUT THE FINANCIAL MARKET GUARANTEE SYSTEM

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

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

The role of the Financial Market Guarantee System in crisis resolution is mainly defined in Act No. 374/2015 Coll., on Financial Crisis Prevention and Resolution, as amended (the "Act on Recovery Procedures"). The purpose of the **Crisis**

Resolution Fund is to have available resources that can be used in the event of a threat to the stability of a financial institution so that it is not necessary to terminate its existence and initiate the disbursement of compensation for deposits to its clients. The Czech National Bank, as the resolution authority, decides on the use of these resources. This measure can only be applied if the institution is failing or if its failure can reasonably be anticipated, there are no other supervisory or private sector measures that would prevent the institution's failure in the short term, and if the resolution of the crisis is in the public interest. The objective is to strengthen the stability of the financial sector, minimize costs and damage and, if possible, eliminate the use of public funds. Contributions to the Crisis Resolution Fund are made by institutions already participating in the deposit insurance system, and by some investment firms, also on a regular annual basis.

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

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

III. BODIES OF THE FINANCIAL MARKET GUARANTEE SYSTEM

Board of Directors

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

Members of the Board of Directors of the Financial Market Guarantee System in 2022

Chairman	Tomáš Müller <i>Term of office: until 2026</i> Employee of the Ministry of Finance of the Czech Republic
Vice-Chairman	Karel Bauer <i>Term of office: until 2025</i> Director of a Czech National Bank section
Member	Radek Urban <i>Term of office: until 2026</i> Director of a Czech National Bank department
	Alex Ivančo <i>Term of office: until 2025</i> Departmental Director at the Ministry of Finance of the Czech Republic
	Monika Zahálková <i>Term of office: until 2024</i> Executive Director of the Czech Banking Association

Management Board

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

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

Members of the Management Board of the Financial Market Guarantee System in 2022

Chairperson	Renáta Kadlecová Executive Director
Member	Martin Hlavnička Risk Manager (from 1 May 2022. The position was held by Tomáš Hejduk until 30 April 2022)
	Roman Kahánek Finance Manager

IV. MACROECONOMIC AND REGULATORY ENVIRONMENT OF THE INSURED INSTITUTIONS IN 2022

The 2021 GDP growth of 3.3% was followed by growth of 2.4% in 2022, a decline of 0.9 percentage points. This growth was mainly driven by expenditure on gross capital formation and external demand, while being negatively affected by expenditure on final household consumption. The state budget posted a deficit of CZK 360.4 billion, CZK 59.3 billion better than in 2021. However, last year's deficit was the third-highest ever. The government had originally planned a deficit of CZK 280 billion, but the state budget was amended in the autumn due to unexpected expenses, especially relating to the extraordinary indexation of pensions (CZK 27 billion), a cost-saving energy tariff for households (CZK 17.4 billion) and increased social benefits (CZK 10.9 billion). One major problem was the structural deficit resulting from a systematic mismatch between revenues and expenditure, present regardless of whether the economy is doing well or not. By the end of the year, state debt had increased to CZK 2,895 billion and to almost 43% of GDP.

Last year saw the unexpected failure of Sberbank CZ, a.s., primarily caused by a run on the bank triggered by the events surrounding the Russian invasion of Ukraine (given the bank's ownership links to the Russian government). According to the information in the Czech National Bank's decision, between 21 and 25 February 2022, the volume of deposits paid out by Sberbank CZ, a.s. to its clients was nearly CZK 20 billion, or 27% of total deposits (approx. CZK 72 billion). The bank was not able to make additional payments of CZK 6.1 billion because it had run out of liquid cash. With total disbursements of CZK 25.5 billion, this was the highest-ever deposit compensation payout made by the Czech deposit insurance scheme. The fall of Sberbank CZ, a.s. has had no significant impact on Czech banks.

The banking sector in the Czech Republic remains highly resilient to unfavourable shocks. The capital base is very robust, partly thanks to capital reserves and a capital surplus above the regulatory requirements. As of 31 December 2022, the average

sector capital ratio was 20.77%. The voluntary capital surplus above regulatory requirements, standing at 6.6 percentage points in the first half of 2022, continued to play an important role here. This surplus was largely made up of earnings from previous years. The sector also maintained its traditionally strong liquid position. In mid-2022, the aggregate value of the liquidity coverage ratio (LCR) was 185% for the banking sector as a whole and, in June, the average value of the net stable funding ratio (NSFR) for individual banks stood at 219% (the regulatory minimum for both ratios is 100%).

The total share of non-performing loans ("NPL") reached a historic low of 2% in August 2022, while the share for households (1.3%) was significantly lower than that for non-financial corporations (3.3%) - mainly due to the low NPL ratio for housing loans. Compared to the previous year, in 2022, the total net profit of banks was up CZK 31.3 billion to reach a record of CZK 102.6 billion. This increase was mainly driven by growth of profits from operating and financial activities (especially interest income) by CZK 49 billion. According to the Czech National Bank, the key remaining risk is the further development of the quality of the loan portfolio, where signs of deterioration could be observed. These signs, however, have not yet significantly translated into elevated loan-loss expectations. This is another reason why the Czech National Bank places great emphasis on banks' prudential approach to credit risk. Other potential risks to the banking sector include the extent and duration of the unfavourable economic consequences of the war in Ukraine and the situation in the energy market.

The cooperative credit union sector posted a profit of CZK 93 million in 2022, a year-on-year increase of CZK 55 million. The increase in interest income probably contributed to this result.

In 2021, the "mortgage bubble" - a continued rapid rise in property prices and high demand for mortgages - was perceived as a significant risk, while in 2022, the situation in the

mortgage market had calmed down, mainly due to an interest rate hike and regulation by the Czech National Bank. The volume of mortgages provided by banks and building savings banks in 2022 was CZK 197 billion, of which brand new loans without refinancing amounted to CZK 162 billion. This constitutes a year-on-year drop of 63.6% for all mortgages and 57% for actual new lending.

By mid-2022, the Czech National Bank had adopted another interest rate hike: from February 2022, the two-week repo rate had been gradually increased from 3.75% to as high as 7% as

of 22 June 2022. The Czech National Bank has not made any additional rate hikes since the changes in the composition of its Bank Board. This significant rate hike may have bolstered the profit and loss accounts of institutions that invest a substantial portion of their assets in reverse repo operations with the Czech National Bank, or may have increased interest income in general.

In 2022, Banka Creditas took over Expobank a.s. (now Max banka a.s.), becoming its sole shareholder.

V. ACTIVITIES OF THE FINANCIAL MARKET GUARANTEE SYSTEM IN 2022

Stress Tests

Every year, the Financial Market Guarantee System performs stress tests in line with the general guidelines of the European Banking Authority (the "EBA Guidelines") on stress tests of deposit insurance schemes according to Directive 2014/49/EU (EBA/GL/2016/04). In September 2021, the relevant EBA Guidelines were revised and, in line with these revised guidelines, plans were made to perform additional stress tests by June 2024, the first of which, "Comprehensive Test of Operating Capabilities and Financial Readiness", was to be performed in 2022. However, this test was postponed to 2023 due to the disbursement of compensation for deposits in Sberbank CZ, a.s. The part concerning operating capabilities has been removed from the test – the aforementioned disbursement of compensation for deposits in Sberbank CZ, a.s. is considered a full-fledged test, and the findings will be evaluated according to the EBA criteria and incorporated in the relevant reporting.

Information Technologies and Security

Changes were implemented in IT to improve the cyber security of the Financial Market Guarantee System systems.

IT systems and applications handled the workload for the disbursement of deposit compensation to the clients of Sberbank CZ, a.s. without any issues. The payout of deposit compensation was successfully completed in cooperation with Komerční banka, a.s., which has served as the payout bank since 2021.

International Cooperation

The Financial Market Guarantee System is a member of two international associations of similar organizations in Europe and globally, 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.

In 2022, as the COVID-19 pandemic subsided, meetings of these organizations would gradually return from the online space back to meeting rooms.

The European Forum of Deposit Insurers organized several 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 Risk Management Working Group, the FinTech Working Group etc.). The main topic discussed by the EU Committee was the legislative package prepared by the European Commission. This package includes amendments to both the Deposit Guarantee Scheme Directive and the Bank Recovery and Resolution Directive, i.e. the Crisis Management and Deposit Insurance (CMDI) Framework. The first attendance meeting of the Communications and Public Relations Committee was hosted by the Financial Market Guarantee System in Prague in September 2022. The annual general meeting together with the annual conference was held in Rhodes, Greece in May 2022. This annual general meeting elected a new Chairman of the organization, Stefan Tacke, from Austria's deposit insurance scheme (ESA).

One of the main topics of 2022 for the **International Association of Deposit Insurers**, which will continue in the coming years, was a new revision of the basic principles of deposit insurance, referred to as the 'Core Principles'. These were introduced in 2009 and have already been revised once - in 2014. The individual principles have now been split among six working groups, all working intensively on the revision. The progress of the revision of the Core Principles has also been a main theme at the meetings of the European Regional Committee, in which officials of the Financial Market Guarantee System participate. Besides this committee, the Financial Market Guarantee System also takes part in the FinTech Committee. The general meeting and the annual conference of this organization took place in Buenos Aires, Argentina, in October 2022 where, inter alia, a new Chairman of the organization, Alejandro Lopez from Argentina's deposit insurance scheme (Sedesa), was elected.

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 2022 is contained in Chapters VI. Activities in Deposit Insurance in 2022 and VII. Activities in Crisis Management in 2022.

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 2022

Disbursements of Compensation for Deposits

Disbursement of compensation for deposits to the clients of Sberbank CZ, a.s., in liquidation

As a result of insufficient liquidity caused by a large and very rapid outflow of clients and mass withdrawals of deposits following the Russian army's invasion of Ukraine, the Financial Market Guarantee System received, on 28 February 2022,

a notice from the Czech National Bank, in accordance with Section 41d (1) (a) of the Act on Banks, regarding the inability of Sberbank CZ, a.s. ("Sberbank") to meet its obligations to beneficiaries under legal and contractual conditions. This marked the beginning of the largest-ever disbursement of deposit compensation (in terms of the volume of compensation paid out) in the history of the Financial Market Guarantee System (or the Deposit Insurance Fund).

The Financial Market Guarantee System then sent a Request for Performance to Komerční banka, a.s., as the payout institution, in accordance with Article 3 of the Framework Agreement on Performing the Payout of Deposit Compensation, and invited the Board of Directors of Sberbank to supply customer data in accordance with Section 41d (4) of the Act on Banks for the disbursement of basic compensation and customer data in accordance with Section 41d (5) of the Act on Banks for the disbursement of institutional compensation.

The disbursement of basic deposit compensation was subsequently commenced on 9 March 2022. The start date for the payout of institutional deposit compensation had been originally set at 21 March 2022. However, due to the late transfer of data from Sberbank, this payout was commenced a month later.

In the case of Sberbank, the maximum limit for the payout of compensation per beneficiary was CZK 2,499,500 (equivalent to the limit of EUR 100,000 using the exchange rate of CZK 24.995/EUR announced by the Czech National Bank on the record date of 28 February 2022).

The Financial Market Guarantee System also accepted requests from clients of Sberbank for the disbursement of increased deposit compensation in accordance with Section 41ea of the

Act on Banks until 28 April 2022. By this statutory deadline, the Financial Market Guarantee System had received a total of 309 requests, of which 124 were assessed as justified. The disbursement of increased deposit compensation was commenced on 28 June 2022.

The Financial Market Guarantee System received data from Sberbank for the disbursement of basic compensation to 121,000 beneficiaries, totalling CZK 25,503.83 million, and data for the disbursement of institutional compensation to 18 court bailiffs, totalling CZK 196.60 million. In addition, the Guarantee System approved 124 requests for increased compensation of CZK 184.52 million. By 31 December 2022, the Guarantee System had disbursed compensation to approx. 87,000 beneficiaries, totalling CZK 25,296.48 billion.

Disbursement of compensation for deposits to the clients of Československé úvěrní družstvo in liquidation

The Financial Market Guarantee System continued the disbursement of compensation for deposits at Československé úvěrní družstvo in liquidation, which was commenced on 11 August 2021. The payout of this compensation concerned 541 clients, whose total deposits in the aforementioned cooperative credit union amounted to CZK 52.35 million. The payout of compensation will be terminated on 12 August 2024.

Since its establishment, the Financial Market Guarantee System (formerly the Deposit Insurance Fund) has disbursed compensation for deposits twenty-four times, providing compensation to clients of fourteen banks and six cooperative credit unions, through twenty regular and four additional disbursements totalling CZK 70,984.82 million as of 31 December 2022.

Table 1 Compensation Disbursed from the Deposit Insurance Fund to 31 December 2022

(in CZK mil.)

Insured institution	Compensation for deposits disbursed	Date of commencement of compensation disbursement
Česká banka, a. s.*	948.61	11/12/1995
AB banka, a. s.	0.03	31/1/1996
První slezská banka, a. s.	217.48	15/5/1996
Podnikatelská banka, a. s.	1,073.54	17/6/1996
Realitbanka, a. s.	23.97	24/7/1996
Velkomoravská banka, a. s.	1,006.09	29/7/1996
Kreditní banka Plzeň, a. s.	580.30	23/9/1996
Pragobanka, a. s.**	414.13	1/12/1998
Universal banka, a. s.**	2,299.75	17/5/1999
Moravia banka, a. s.**	6,394.40	11/10/1999
Union banka, a. s.	12,366.79	17/5/2003
Plzeňská banka, a. s.	135.70	7/6/2003
Vojenská družstevní záložna	68.34	30/5/2011
UNIBON, spořitelni a úvěrní družstvo	1,805.96	23/7/2012
Úvěrní družstvo PDW, Praha	20.14	11/3/2013
Metropolitní spořitelni družstvo	12,014.98	27/1/2014
WPB Capital, spořitelni družstvo	2,780.45	14/10/2014
ERB bank, a. s.	3,508.49	20/10/2016
Československé úvěrní družstvo	51.24	11/8/2021
Sberbank CZ, a.s.	25,296.48	9/3/2022
Total	71,006.87	

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

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

Testing Banking Data

In 2022, the Financial Market Guarantee System performed one complete round of testing the client data of banks, building savings banks and cooperative credit unions to verify the functionality of the system for disbursing compensation for deposits, as required by Section 41n (1) of the Act on Banks.

In accordance with Decree No. 71/2011 Coll., on the form, structure and method of keeping and providing data that a bank and a branch of a bank from a non-EU Member State must keep, and which must be provided to the Financial Market Guarantee System, as amended, the Guarantee System, in the period of September to November 2022, successfully tested the data of 27 entities participating in the deposit insurance system. Compared to the most recent complete test, performed in autumn 2021, this testing no longer included data from

Sberbank CZ, a.s., for which the disbursement of deposit compensation had begun in March 2022, and the testing also did not cover data from the cooperative credit union Družstevní záložna Kredit, which had terminated its activities. The testing also did not apply to data from Raiffeisen stavební spořitelna, a.s., which had failed to supply data for the testing in spite of repeated calls from the Guarantee System.

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 14 banks and six cooperative credit unions paid out, bankruptcy proceedings have been completed in nine cases, and liquidation in one. Of the total amount of disbursed compensation of deposits, which reached CZK 70,984.82 million as of 31 December 2022, CZK 70,979.25 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 2022 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 64,698.04 million in registered claims, a final distribution schedule has been already drawn up for one bank and a preliminary distribution schedule prepared for three banks and two cooperative credit unions.

As of 31 December 2022, the Financial Market Guarantee System registers CZK 52,521.93 million in receivables due from banks.

Table 2 Overview of Registered Receivables in Insolvency, Bankruptcy and Liquidation Proceedings as of 31 December 2022

(in CZK mil.)

Insured institution	Type of disbursement	Total amount of claim in insolvency/ bankruptcy/ liquidation	Returned to the Deposit Insurance Fund	Claim in insolvency/ 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	5,386.79	7,029.75
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	950.00	2,584.16
Československé úvěrní družstvo	regular	52.35	0.00	52.35
Sberbank CZ, a.s.	regular	27,292.15	0.00	27,292.15
Total		64,698.04	12,176.10	52,521.94

As concerns bankruptcy proceedings completed by the end of 2022, 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 2022. A summary of these claims in completed bankruptcy and liquidation proceedings, including revenues received and recovery rates achieved, is shown in the table below.

Table 3 Summary of the Proceeds of Receivables against Insured Institutions in Completed Bankruptcy and Liquidation Proceedings as of 31 December 2022

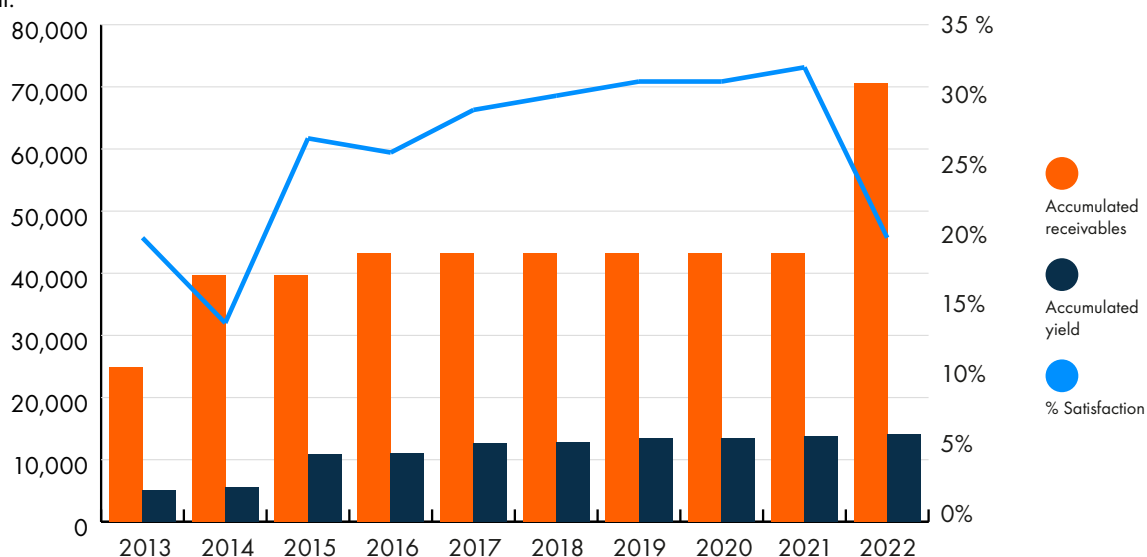
(in CZK mil.)

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

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

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

In CZK mil.



Contributions by Insured Institutions to the Deposit Insurance Fund

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

contributions to the Deposit Insurance Fund by 30 June of the relevant calendar year.

For 2022, the insured institutions paid contributions to the Deposit Insurance Fund totalling CZK 1,385.05 million, while since its formation in 1994, the Deposit Insurance Fund has received total contributions of CZK 63,106.95 million. The table below shows a summary of the contributions received by the Deposit Insurance Fund over the past 10 years.

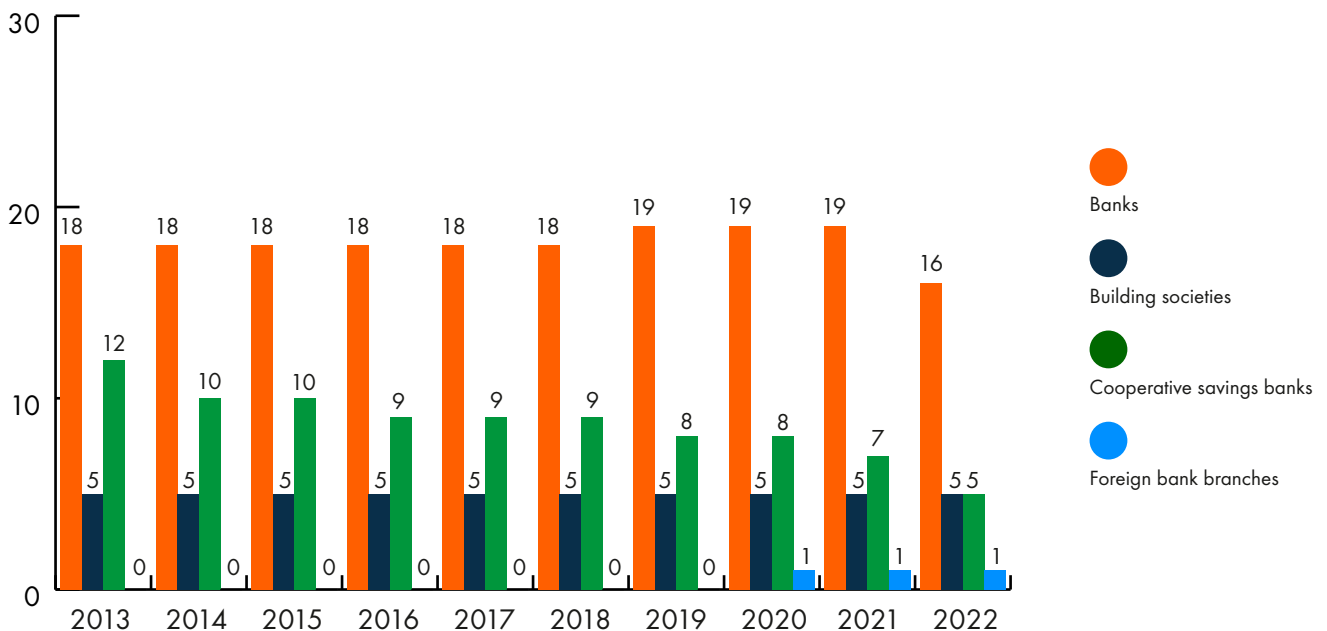
Table 4 **Contributions by Insured Institutions to the Deposit Insurance Fund by year of contribution payment, over the last 10 years**

Contribution payment year	Amount in CZK mil.
2013	3,749.82
2014	4,260.52
2015*	4,417.47
2016**	2,055.54
2017	940.65
2018	1,003.03
2019	1,075.67
2020	1,145.66
2021	1,284.09
2022	1,385.05
Total	21,317.50

* 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 2022 reached CZK 14,207.81 million. In 2022, the financial reserves of the Deposit Insurance Fund decreased by CZK 23,071.83 million

as a consequence of deposit compensation payout made to the clients of Sberbank CZ, a.s. The funds sent throughout the year for deposit compensation payments totalled CZK 25,652.06 million. On the revenue side, contributions received from financial institutions totalled CZK 1,385.05 million, revenues from financial reserves totalled

CZK 835.97 million, and revenues from bankruptcies and liquidations totalled CZK 420.18 million.

The financial reserves of the Deposit Insurance Fund have been divided into two portfolios: the short-term portfolio and the portfolio of securities held to maturity (the HTM portfolio). Both portfolios are managed by the Financial Market Guarantee System.

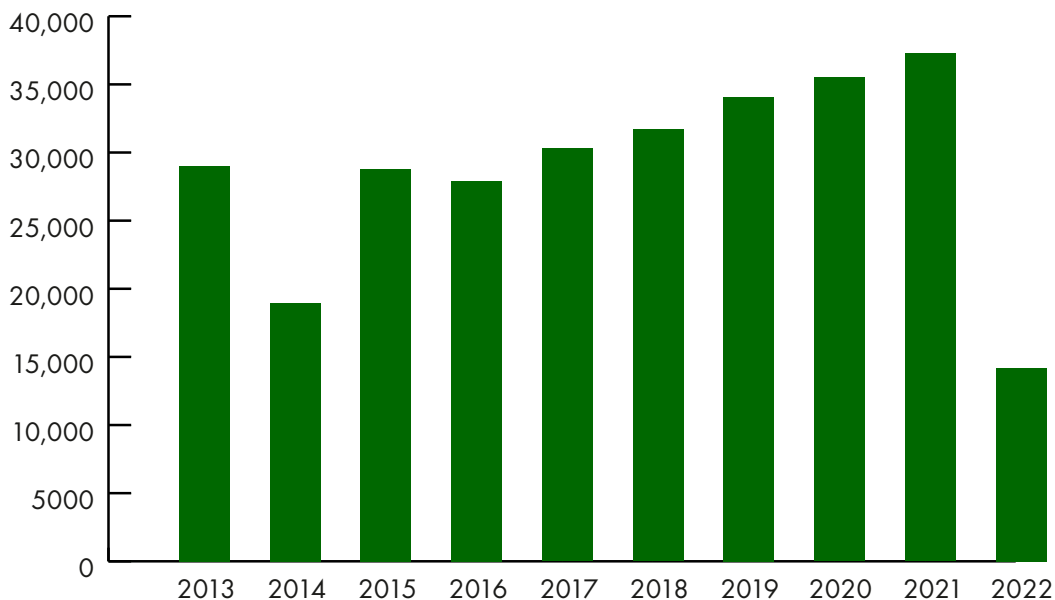
2022 saw a significant decrease in the short-term portfolio of CZK 23,436.76 million. It is the short-term portfolio in which all the payouts of deposit compensation to the clients of Sberbank CZ, a.s. were reflected, as this portfolio is made up of cash invested in short-term investment products. Transfers to the short-term portfolio were made mainly from new funding in the form of received contributions and revenues. At the end of 2022, the short-term portfolio stood at CZK 10,851.88 million, and its share in the total reserves of the Deposit Insurance Fund

decreased to 76% as a result of the payouts made. 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 line with the long-term objective, the HTM portfolio was bolstered slightly in 2022. In 2022, the volume of the HTM portfolio decreased by maturing bonds with a nominal value of CZK 257 million but, at the same time, new bonds with a nominal value of CZK 800 million were purchased for this portfolio. The total value of the HTM portfolio stood at CZK 3,355.93 million at the end of 2022, and there was no impact on the portfolio whatsoever from the deposit compensation payouts from the Deposit Insurance Fund in 2022. At the end of the year, government bonds held in the HTM portfolio accounted for nearly 24% of the total financial reserves of the Deposit Insurance Fund.

Graph 3 Development in the volume of financial reserves in the Deposit Insurance Fund, over the last 10 years

In CZK mil.



At the end of 2022, 76% of the financial reserves of the Deposit Insurance Fund was made up by short-term funds (deposits) and 24% 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 2022**

Type of instrument	Value in CZK mil.
Current accounts, term deposits, buy/sell and repo operations, receivables *	10,851.88
Bonds:	3,355.93
of which: Government bonds	3,355.93
Total	14,207.81

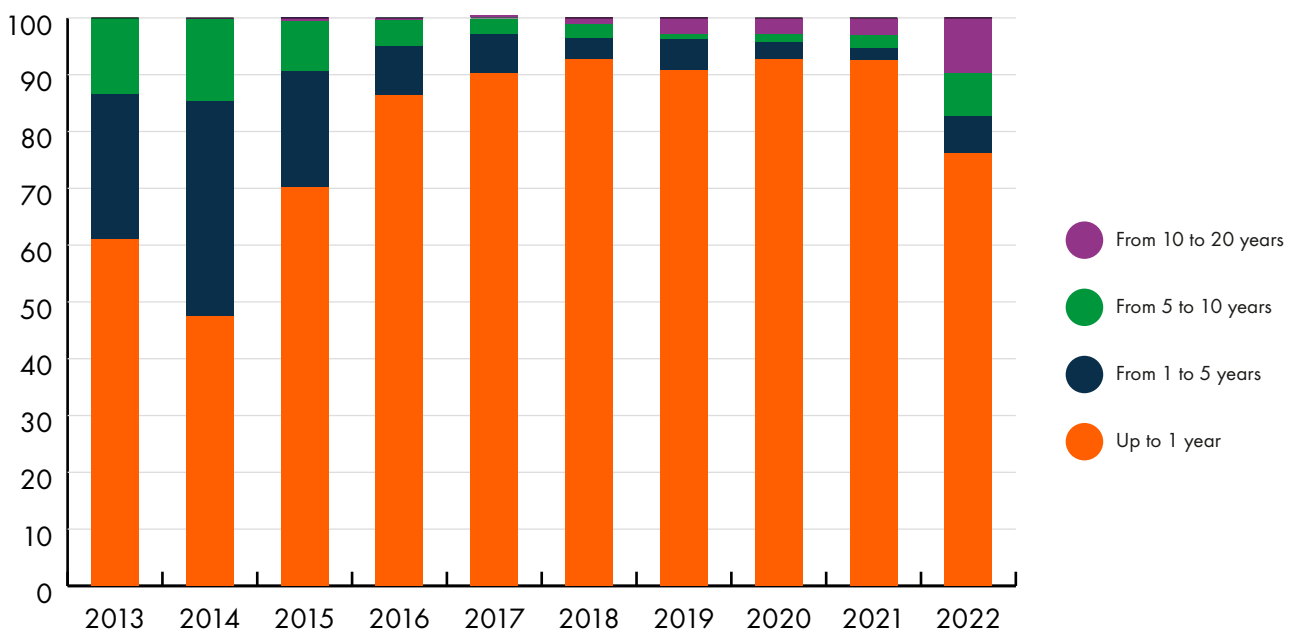
*Receivables arising from financial transactions and unpaid coupons

Instruments maturing within 1 year made up the largest share (76.4%) in the total volume of financial reserves, and the remaining portion of the portfolio is divided by maturity among

instruments maturing in 1 to 5 years (6.5%), 5 to 10 years (7.4%) and 10 to 20 years (9.7%).

Table 6 **Structure of Financial Reserves by Maturity, as of 31 December 2022**

Instrument maturity	Value in CZK mil.
Up to 1 year	10,851.88
From 1 to 5 years	926.04
From 5 to 10 years	1,051.90
From 10 to 20 years	1,377.99
Total	14,207.81

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

The total gross appreciation of Deposit Insurance Fund financial provisions for 2022 was 4.52% p.a., i.e. CZK 835.97 million.

Main Cash Flows of the Deposit Insurance Fund – History

Table 7 **Summary of Income and Expenditure for 1994–2022**

(in CZK mil.)

I.	Income	89,417.73
	Contributions from banks and cooperative credit unions	63,106.95
	Income from judicial composition and bankruptcy proceedings	14,129.97
	Refunds of disbursed compensation	130.53
	Returned advance payments of non-disbursed compensation	89.66
	Interest received and other revenues	8,959.93
	– <i>investment revenue</i>	8,852.50
	– <i>other financial revenue</i>	107.43
	Loans received	3,000.00
	Funding provided for operating costs of the Crisis Resolution Fund	0.69
II.	Expenditure	75,198.76
	Compensation for deposits disbursements	71,533.87
	Operating costs	543.73
	Operating costs of the Crisis Resolution Fund ¹	0.00
	Interest paid	121.16
	Loan repayments	3,000.00
III	Difference between income and expenditure	14,218.97

¹ In 2022, the Crisis Resolution Fund provided funding from the Operational Fund to cover operating costs, which exceeded the actual costs by CZK 686,866.51. The resulting receivable will be settled after approval of the financial statements.

VII. ACTIVITIES IN CRISIS MANAGEMENT IN 2022

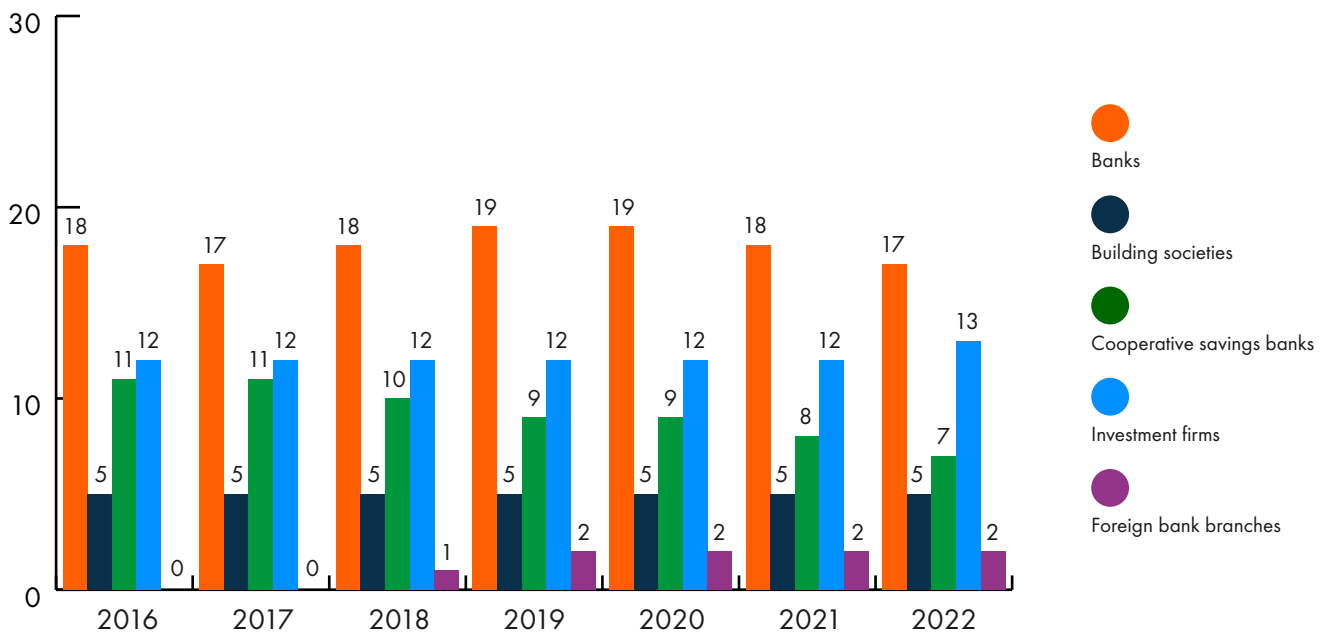
Contributions to the Crisis Resolution Fund

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. Contributions made in 2022 by financial institutions to the Crisis Resolution Fund amounted to CZK 4,947.06 mil. The objective is that the Crisis Resolution Fund will accumulate approximately CZK 36.5 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 27,543.45 million at the end of 2022. The total volume of contributions received this year to the Crisis Resolution Fund from financial institutions amounted to CZK 4,947.06 million, thus representing the main source of

income. This amount was then completed with income from financial reserves for 2022, which was CZK 1,451.82 million.

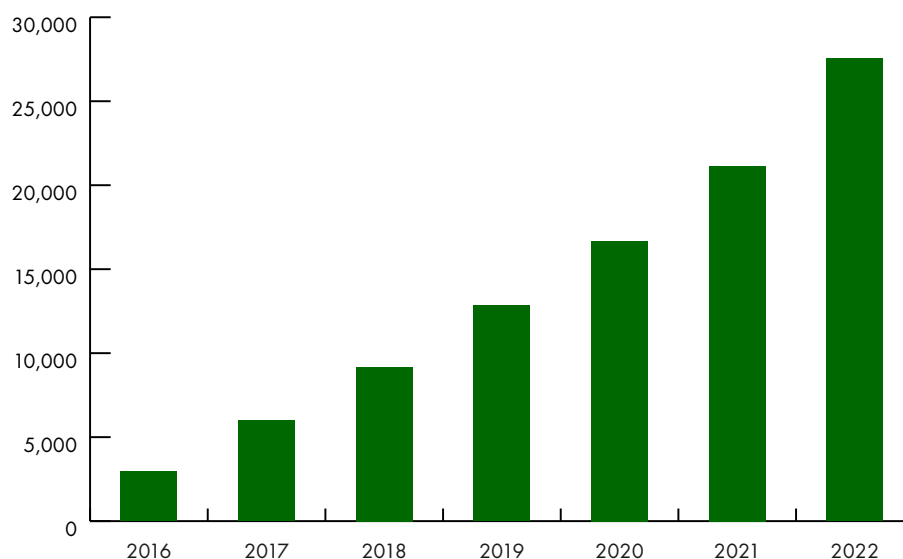
The financial reserves of the Crisis Resolution Fund have been divided into two portfolios: the short-term portfolio and the portfolio of securities held to maturity (the HTM portfolio). Both portfolios are managed by the Financial Market Guarantee System.

During the year, the decisive part of all financial reserves managed under the short-term portfolio was 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. Transfers to the short-term portfolio were made from new funding in the form of received contributions and revenues. At the end of 2022, the short-term portfolio stood at CZK 26,898.53 million and thus accounted for 98% of the total reserves of the Crisis Resolution Fund.

In 2022, in accordance with the plan, the creation of the HTM portfolio of the Crisis Resolution Fund was started and bonds with a nominal value of CZK 800 million were purchased for this portfolio. At the end of 2022, the total value of the HTM portfolio reached CZK 644.92 million and the entire portfolio comprised only Czech government bonds issued by the Ministry of Finance of the Czech Republic. This bond portfolio made up 2% of the total financial reserves of the Crisis Resolution Fund at the year's end.

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

In CZK mil.



At the end of 2022, the structure of the financial reserves of the Crisis Resolution Fund was as follows: short-term funds (deposits) accounted for 98% and Czech government bonds issued by the

Ministry of Finance of the Czech Republic made up 2% of the reserves.

Table 8 Structure of Financial Reserves by Instrument, as of 31 December 2022

Type of instrument	Value in CZK mil.
Current accounts, term deposits, buy/sell and repo operations, receivables *	26,898.53
Bonds:	644.92
of which: Government bonds	644.92
Total	27,543.45

*Receivables arising from financial transactions and unpaid coupons

Table 9 **Structure of Financial Reserves by Maturity, as of 31 December 2022**

Instrument maturity	Value in CZK mil.
Up to 1 year	26,898.53
From 1 to 5 years	86.45
From 5 to 10 years	163.29
From 10 to 20 years	395.18
Total	27,543.45

The total gross appreciation of Crisis Resolution Fund financial provisions for 2022 was 5.75% p.a., i.e. CZK 1,451.82 million.

Main Cash Flows of the Crisis Resolution Fund

Table 10 **Summary of Income and Expenditure for 2016–2022**

(in CZK mil.)

A.	Contribution Fund	
I.	Income	25,584.78
	Contributions from financial institutions	25,584.78
II.	Expenditure	0.00
III	Difference between income and expenditure	25,584.78
B.	Operational Fund	
I.	Income	1,980.92
	Interest received and other revenues	1,980.92
	– investment revenue	1,980.85
	– other financial revenue	0.07
II.	Expenditure	22.25
	Operating costs ²	21.56
	Funding provided for operating costs	0.69
III	Difference between income and expenditure	1,958.67

² In 2022, the Crisis Resolution Fund provided funding from the Operational Fund to cover operating costs, which exceeded the actual costs by CZK 686,866.51. The resulting receivable 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 2022 it was delivered two requests for the provision of information, which the Financial Market Guarantee System granted (to the extent available to the Financial Market Guarantee System). The information provided is available on the website of the Financial Market Guarantee System (<https://www.garancnisystem.cz/informace-poskytnute-na-zadost>).

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

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



Independent Auditor's Report

To the Supervisory Board 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 2022 and of the Company's financial performance for the year ended 31 December 2022 in accordance with Czech accounting legislation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2022,
- the income statement for the year ended 31 December 2022, 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 the Act on Auditors.

Other information

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

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

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

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

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

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

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

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

In preparing the financial statements, the Statutory Body 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 Supervisory Board 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 control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 disclosures, 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 Supervisory Board 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.

28 June 2023

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

A handwritten signature in blue ink, appearing to read 'Eva Loulová', is written over a light blue horizontal line.

Eva Loulová
Statutory Auditor, Licence No. 1981

FINANCIAL STATEMENTS

THE FINANCIAL MARKET GUARANTEE SYSTEM

Registered office:	Týn 639/1, 110 00 Prague 1, Staré Město
Identification number:	49710362
Date of financial statements:	31 December 2022
Date of preparation of financial statements	28 June 2023

Balance Sheet as of 31 December 2022

(CZK '000)

ASSETS	As of 1 January 2022	As of 31 December 2022
A. Total fixed assets	2,729,948	4,001,206
I. Intangible fixed assets – software	2,728	2,728
II. Tangible fixed assets	2,123	2,123
Works of art, objects and collections	320	320
Tangible assets and their sets	1,803	1,803
III Total long-term investments	2,729,254	4,000,851
Debt securities held to maturity	2,729,254	4,000,851
IV. Total accumulated depreciation and amortisation of fixed assets	-4,157	-4,496
Accumulated amortisation of software	-2,571	-2,728
Accumulated depreciation of machinery and equipment	-1,586	-1,768
B. Total current assets	81,366,450	90,377,806
II. Total receivables	25,665,094	52,626,714
Operating advances paid	2	5
Other receivables	25,665,092	52,626,709
III Total current financial assets	55,701,165	37,750,851
Cash in hand	22	47
Stamps and vouchers	318	399
Financial resources on accounts	55,439,074	37,750,405
Other securities	261,751	0
IV. Total other assets	191	241
Prepaid expenses	191	241
Total assets	84,096,398	94,379,012

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2022

Balance Sheet as of 31 December 2022

(CZK '000)

LIABILITIES	As of 1 January 2022	As of 31 December 2022
A. Total equity	84,089,786	94,138,491
I. Equity	78,919,268	85,473,909
Funds	78,919,268	85,473,909
II. Total profit/loss	5,170,518	8,664,582
Profit/loss account	0	3,628,679
Result of management in approval procedure	419,990	0
Retained earnings	4,750,528	5,035,903
B. Total liabilities	6,612	240,521
III Total current payables	6,612	240,521
Payables to suppliers	784	1,275
Employees	2,198	2,260
Other payables to employees	5	6
Payables to social security and public health insurance institutions	968	1,057
Other direct tax liabilities	541	534
Other payables	22	232,943
Estimated payables	2,094	2,446
Total equity and liabilities	84,096,398	94,379,012

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2022

Profit and Loss Account for the year ended 31 December 2022

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	41,967	0	41,967
1. Consumption of material	533	0	533
3. Repairs and maintenance	19	0	19
4. Travel expenses	543	0	543
5. Representation expenses	202	0	202
6. Other services	40,670	0	40,670
III Personnel costs	21,976	0	21,976
10. Wages and salaries	15,865	0	15,865
11. Statutory social security insurance	5,077	0	5,077
13. Statutory social expenses	699	0	699
14. Other social expenses	335	0	335
IV. Taxes and fees	32	0	32
V. Other expenses	4,429	0	4,429
19. Foreign exchange losses	25	0	25
22. Sundry other expenses	4,404	0	4,404
VI. Depreciation and assets sold, creation and use of provisions and adjustments	339	0	339
23. Amortisation of intangible and depreciation of tangible fixed assets	339	0	339
Total expenses	68,743	0	68,743

THE FINANCIAL MARKET GUARANTEE SYSTEM

Financial Statements

Year ended 31 December 2022

Profit and Loss Account for the year ended 31 December 2022

(CZK '000)

	Main	Activity Economic	Total
B. Revenues			
IV. Other revenues	3,697,422	0	3,697,422
5. Contractual penalties and late payment interest, other fines and penalties	1,409,626	0	1,409,626
7. Interest revenue	2,287,796	0	2,287,796
Total revenues	3,697,422	0	3,697,422
C. Profit/loss before tax	3,628,679	0	3,628,679
D. Profit/loss after tax	3,628,679	0	3,628,679

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 2022

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 2022 was as follows:

Name	Position
Tomáš Müller	Chairman
Karel Bauer	Vice-Chairman
Alex Ivančo	Member
Monika Zahálková	Member
Radek Urban	Member

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 2022 was as follows:

Name	Position
Renáta Kadlecová	Chairperson
Tomáš Hejduk (until 30 April 2022)	Member
Martin Hlavnička (from 1 May 2022)	Member
Roman Kahánek	Member

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

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.

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

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

1.2 Managed Funds (Nonentities)

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

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

1.3 Assets Placed in Funds

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

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

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2 Accounting Policies

2.1 Bookkeeping

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

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

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

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

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

2.2 System of Accounting and Retention of Accounting Documents

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

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

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

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

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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. An accounting unit may supplement the plan of accounts during the accounting period.

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

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

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

The financial statements are an inseparable whole and comprise:

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

The Financial Market Guarantee System prepares an annual report.

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

2.6 Storage of Accounting Documents

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

2.7 Accounting Methodological Guidelines

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

The accounting methodological guidelines are approved by the Board of Directors of the Financial Market Guarantee System or by the Management Board on the basis of 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, for legal services an annex with a breakdown of the purpose of legal representation by Fund). The Financial Market Guarantee System attributes and charges to the relevant Fund accounts according to the supporting criteria established from the accounting case.

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

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

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

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

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

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.

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

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

2.10 Basic Principles for Preparing the Financial Statements

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

2.11 Tangible Fixed Assets

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

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

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

Tangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 80,000 per item are charged directly to expenses once they are put into use.

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

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

2.12 Securities and Shares

The 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 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 2022	As of 1 January 2022
Receivables from compensation disbursed	52,518,884	25,646,908
Receivables from duplicate payments	14,280	14,306
Other receivables	234	834
Receivables from unpaid contributions	93,311	3,044
Other receivables – total	52,626,709	25,665,092

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 52,518,884,000 as of 31 December 2022 (as of 1 January 2021: CZK 25,646,908,000). The increase in receivables is a consequence of the commencement of disbursement of compensation to the clients of Sberbank CZ, a.s. in 2022. The receivable from Sberbank CZ, a.s. includes a receivable of CZK 25,884,949,000 resulting from the disbursement of deposit compensation, a receivable of CZK 87,915,000 resulting from unpaid contributions to the Crisis Resolution Fund, and default interest of CZK 1,409,553,000. Of the total receivable resulting from the disbursement of deposit compensation as of 31 December 2022, CZK 355,573,000 represented funds provided to the financial institution to carry out the disbursement of compensation but which have not yet been disbursed.

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 43% 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 2022	As of 1 January 2022
Debt securities held to maturity	4,000,851	2,991,005

Czech government bonds represented 100% of the value of held-to-maturity securities as of 31 December 2022 (the same as of 1 January 2022). The value of the bonds in market terms reached CZK 3,482,561,000 as of 31 December 2022 (as of 1 January 2022: CZK 2,839,512,000). As of 31 December 2022, the accrued value of securities held to maturity and maturing in more than 1 year stood at CZK 4,000,851,000 (as of 1 January 2022: CZK 2,729,000) and is shown under assets in Part A.III. Debt securities held to maturity. As of 31 December 2022, the accrued value of securities held to maturity and maturing within 1 year stood at CZK 0 (as of 1 January 2022: CZK 261,751,000) and is shown under assets in Part B.III. Other securities.

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3.3 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)	2022	2021
Deposit Insurance Fund:		
Opening balance – 1 January	57,903,464	56,619,372
Contributions received (see note 3.5)	1,385,051	1,284,093
New receivables due from banks in insolvency and liquidation	25,884,949	52,347
Written-off receivables and payables from compensation disbursements	–420,176	0
Compensation disbursement	–25,884,949	–52,347
Closing balance – 31 December	59,288,514	57,903,464

In 2022, the Financial Market Guarantee System commenced the disbursement of deposit compensation to clients of Sberbank CZ, a.s. and continued the payout of deposit compensation to clients of Československé úvěrní družstvo.

(CZK '000)	2022	2021
Crisis Resolution Fund:		
Opening balance – 1 January	21,015,804	16,585,042
of which:		
Contribution Fund		
Opening balance – 1 January	20,637,721	16,305,037
Contributions received (see note 3.5)	4,947,059	4,332,684
New receivables due from banks in insolvency and liquidation	87,916	0
Closing balance – 31 December	25,672,696	20,637,721
Operational Fund		
Opening balance – 1 January	378,083	280,005
Operating revenue	137,866	101,669
Management costs	–3,250	–3,591
Closing balance – 31 December	512,699	378,083
Closing balance – 31 December	26,185,395	21,015,804

3.4 Liabilities

Estimated payables amounted to CZK 2,446,000 (1 January 2022: CZK 2,094,000), with the largest item being the fixed annual fee for the maintenance of the payout system, which is paid after the end of the relevant calendar year (CZK 1,718,000).

Payables from social security and health insurance as of 31 December 2022 were CZK 1,057,000 (as of 1 January 2022: CZK 968,000), of which CZK 640,000 (1 January 2022: CZK 561,000) was social security payables and CZK 417,000 (1 January 2022: CZK 407,000) was health insurance payables.

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Tax liabilities amounted to CZK 534,000 (1 January 2022: CZK 541,000).

None of these payables were overdue.

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 2.14.).

(CZK '000)	2022	2021
Contributions received from banks	6,332,110	5,616,777

By 31 May 2022, contributions to the Crisis Resolution Fund totalled CZK 4,947,059,000 and by 30 June 2022, contributions to the Deposit Insurance Fund totalled CZK 1,385,051,000. By 31 May 2021, contributions to the Crisis Resolution Fund totalled CZK 4,332,684,000. Contributions to the Deposit Insurance Fund totalled CZK 1,284,093,000.

3.6 Summary of Revenues and Expenses of the Current Accounting Period

(CZK '000)	2022	2021
Revenues:		
Contractual penalties, late payment interest, other fines and penalties	1,409,626	51
Interest revenue	2,287,796	458,881
Other revenues (see note 3.7.)	0	600
Total	3,697,422	459,532
Expenses:		
Amortisation of intangible and depreciation of tangible fixed assets	-339	-482
Purchases consumed	-533	-522
Services	-41,434	-13,975
Personnel costs	-21,976	-19,176
Taxes and fees	-32	-235
Foreign exchange losses	-25	-12
Other expenses (see note 3.7)	-4,404	-5,140
Total	-68,743	-39,542

The 2022 profit of CZK 3,628,679,000 is made up of the profit of the Deposit Insurance Fund totalling CZK 2,179,641,000 and of the profit of the Crisis Resolution Fund amounting to CZK 1,449,038,000. 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 2022 amounted to CZK 15,865,000 (2021: CZK 13,876,000). Higher costs compared to 2021 were incurred as a result of additional staff in the form of an agreement to complete a job or an agreement to perform an activity in connection with the disbursement of deposit compensation to the clients of Sberbank CZ, a.s.

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3.7 Other Revenues and Other Expenses

(CZK '000)	2022	2021
Revenues:		
Other	0	600
Total	0	600
Expenses:		
Other	-4,404	-5,140
Total	-4,404	-5,140

The item 'Other revenues' for 2021 includes the fee for the performance of duties as a member of the creditors' committee for the cooperative credit union UNIBON. The item 'Other expenses' primarily includes bank fees, fees associated with the management of financial reserves, insurance premiums including statutory employee insurance, and membership fees to international organizations.

In 2022, the auditor PricewaterhouseCoopers Audit, s.r.o. was reimbursed for the statutory audit of the financial statements for 2021. The auditor's fee was CZK 472,000 (2021: CZK 442,000).

In 2022, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 101,000 (2021: CZK 106,000) 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.

3.8 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 2022, 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 2022 totalled CZK 65,141,000 (2021: CZK 34,971,000), of which CZK 61,907,000 (2021: CZK 30,921,000) was expenses related to the management of the Deposit Insurance Fund and CZK 3,234,000 (2021: CZK 4,050,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Deposit Insurance Fund of CZK 61,907,000 (2021: CZK 30,921,000) were covered from the resources of the Deposit Insurance Fund. The expenses related to the management of the Crisis Resolution Fund of CZK 3,234,000 (2021: CZK 4,050,000) were covered from the Operational Fund of the Crisis Resolution Fund.

3.9 Litigation

As of 31 December 2022, the Financial Market Guarantee System was involved as a defendant in two litigations where the subject matter of the dispute was for a principal amount in excess of CZK 5 million.

In the first litigation, the plaintiffs M.K, I.K and L.K filed with the District Court for Prague 1 a claim for damages of CZK 9,317,300 (plus interest, fees and other charges or penalties) against the defendants, i.e. the Financial Market Guarantee System and Česká

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spořitelna, a.s. The damage allegedly caused by the defendants to the plaintiffs results from the fact that an employee of Česká spořitelna, a.s. provided the plaintiffs with incorrect information by telling them that it was not necessary to collect compensation for deposits at ERB bank, a.s., in liquidation, and that, as a result of this information, the plaintiffs failed to collect their deposit compensation within the three-year limitation period. The plaintiffs had previously applied to the Financial Market Guarantee System for payment of this time-barred deposit compensation. The Financial Market Guarantee System carefully considered the application, had a legal opinion prepared and concluded that the law did not allow it to pay the time-barred compensation. By an order of 10 November 2022, the District Court for Prague 1 invited the Financial Market Guarantee System to comment on the action. The Financial Market Guarantee System commented on the action on 25 November 2022. In its statement, the Financial Market Guarantee System summed up the previous course of communication with the plaintiffs, reiterated the limitation objection out of caution and concluded that it had considered the whole issue carefully and understood the difficult situation of the plaintiffs, but that the legislation did not allow the Financial Market Guarantee System to pay out deposit compensation after the expiry of the three-year limitation period. In its final submission, the Financial Market Guarantee System proposed that the court dismiss the action in its entirety and award the Financial Market Guarantee System the costs of the proceedings. By a submission of 25 January 2023, the plaintiffs informed the District Court for Prague 1 about their position on the defendants' submissions, in which they repeated the same facts as in their statement of claim. The District Court for Prague 1 has scheduled the first court hearing in this case for 19 July 2023 at 10 a.m.

In the second litigation, the plaintiff Y.G. sought in an administrative action before the Municipal Court in Prague that the court annul the decision of the Financial Market Guarantee System No. 2730/2022/GSFT of 20 June 2022 insofar as it concerns the amount of compensation and the decision of the Financial Market Guarantee System No. 3369/2022/GSFT of 21 September 2022 in its entirety and refer the case back to the Financial Market Guarantee System for further proceedings. By an order of 28 December 2022, the Municipal Court in Prague invited the Financial Market Guarantee System to submit the relevant file documentation, to send the court a statement of defence and to indicate whether the Financial Market Guarantee System requested a hearing in the case. By a submission of 30 January 2023, the Financial Market Guarantee System furnished the Municipal Court in Prague with complete file documentation and also commented on the filed action by initially raising the objection of lack of jurisdiction of the court in administrative cases, since the Financial Market Guarantee System is not an administrative authority, as it is meant by the legislative abbreviation in Section 4 (1) (a) of the Code of Administrative Procedure. The assessment of the extent of the plaintiff's entitlement to payment of increased compensation falls within the jurisdiction of the civil courts, as evidenced by the long-term judicial practice for disputes over the payment of deposit compensation, which have always been decided by the civil courts. The Financial Market Guarantee System was set up (under its original name 'Deposit Insurance Fund') in accordance with the Act on Banks as a legal person. It is not a state fund and is not a part of the state administration. As a procedural precaution, the Financial Market Guarantee System further stated on the merits that in response to the plaintiff's complaint of 6 September 2022 the Financial Market Guarantee System advised the plaintiff on 21 September 2022 that as of 28 February 2022, according to the documents transferred from Sberbank CZ, a.s., the plaintiff had a savings account and a checking account with Sberbank CZ, a.s. with balances of CZK 8,758,547.88 and CZK 120,039.97 respectively. The submitted documentation showed that the purchase price for the residential property of CZK 10,480,000 had been credited to the checking account. With regard to the above balances, the Financial Market Guarantee System concluded that this purchase price had been largely transferred to the plaintiff's savings account at Sberbank CZ, a.s. Considering that the amount representing the payment of the purchase price for the residential property first came into the plaintiff's possession upon its crediting to the checking account, the provisions of Section 41 ea (1) of the Act on Banks stipulate that the increased compensation can be paid only to the extent of the balance in that account, i.e. CZK 120,039.97. In determining this amount, the Financial Market Guarantee System followed the provisions of the Act on Banks, as it is required to do. The Financial Market Guarantee System is not responsible for the transposition of European regulations into Czech law and, therefore, made no comments on the alleged incorrect transposition of the provision concerned. At the end of the complaint procedure, the Financial Market Guarantee System informed the plaintiff that the plaintiff's claim in excess of the disbursed compensation should be pursued in insolvency proceedings. The Financial Market Guarantee System further stated that it would agree to hear the case on the merits without a hearing only on condition

THE FINANCIAL MARKET GUARANTEE SYSTEM

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Year ended 31 December 2022

that the court therein considered, without a hearing, only the objection raised by the Financial Market Guarantee System about the lack of jurisdiction of the court in administrative cases. In the event that the court will also consider the question of the extent of the plaintiff's entitlement to the payment of increased compensation, the Financial Market Guarantee System insists on ordering an oral hearing in the case, i.e. it does not agree to hear the case on the merits without a hearing. In the conclusion of its statement of defence, the Financial Market Guarantee System proposed that the court dismiss the present action in accordance with Section 46 (2) of the Code of Civil Procedure and order the plaintiff to pay the defendant's costs of proceedings or, in the alternative, dismiss the present action in accordance with Section 78 (7) of the Code of Civil Procedure and order the plaintiff to pay the defendant's costs of proceedings. By order No. 9Af 22/2022-49 of 28 February 2023, the Municipal Court in Prague dismissed the action.

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 has not accounted for this claim. In early 2023, another probe into the debtor's assets was performed and with regard to the fact that, once again, no assets could be identified from public sources, the Board of Directors of the Financial Market Guarantee System decided at its meeting of 24 March 2023 that no further expenses would be incurred in connection with the recovery of the claim against the debtor for the payment of the costs of proceedings and that the recovery of that claim would be terminated for uncollectibility.

3.10 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 2022.

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

Prague, 28 June 2023



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Roman Kahánek

Member of the Management Board and Financial Manager

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



Independent Auditor's Report

To the Supervisory Board 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 2022 and of the Fund's financial performance for the year ended 31 December 2022 in accordance with Czech accounting legislation.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2022,
- the income statement for the year ended 31 December 2022, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Fund and the 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 the Act on Auditors.

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

The Statutory Body of the company Garanční systém finančního trhu is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal control as the Statutory Body of the company 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.

In preparing the financial statements, the Statutory Body of the company 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 of the company Garanční systém finančního trhu either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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The Supervisory Board of the of the company Garanční systém finančního trhu is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

28 June 2023

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

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

Eva Loulová
Statutory Auditor, Licence No. 1981

FINANCIAL STATEMENTS

The Deposit Insurance Fund

Date of financial statements: 31 December 2022

Date of preparation of financial statements: 28 June 2023

Balance Sheet as of 31 December 2022

(CZK '000)

ASSETS	As of 1 January 2022	As of 31 December 2022
A. Total fixed assets	2,729,901	3,356,251
I. Intangible fixed assets – software	2,728	2,728
II. Tangible fixed assets	2,034	2,034
Works of art, objects and collections	290	290
Tangible assets and their sets	1,744	1,744
III Long-term investments – bonds, debentures and similar securities held to maturity	2,729,254	3,355,928
Debt securities held to maturity	2,729,254	3,355,928
IV. Total accumulated depreciation and amortisation of fixed assets	-4,115	-4,439
Accumulated amortisation of software	-2,571	-2,728
Accumulated depreciation of machinery and equipment	-1,544	-1,711
B. Total current assets	60,216,078	63,389,015
II. Total receivables	25,665,157	52,536,447
Operating advances paid	2	5
Other receivables	25,665,155	52,536,442
III Total current financial assets	34,550,730	10,852,327
Cash in hand	22	47
Stamps and vouchers	318	399
Financial resources on accounts	34,288,639	10,851,881
Other securities	261,751	0
IV. Total other assets	191	241
Prepaid expenses	191	241
Total assets	62,945,979	66,745,266

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2022

Balance Sheet as of 31 December 2022

(CZK '000)

LIABILITIES	As of 1 January 2022	As of 31 December 2022
A. Total equity	62,939,367	66,504,058
I. Equity – funds	57,903,464	59,288,514
Funds	57,903,464	59,288,514
II. Total profit/loss	5,035,903	7,215,544
Profit/loss account	0	2,179,641
Result of management in approval procedure	285 375	0
Retained earnings	4,750,528	5,035,903
B. Total liabilities	6,612	241,208
III Total current payables	6,612	241,208
Payables to suppliers	784	1,275
Employees	2,198	2,260
Other payables to employees	5	6
Payables to social security and public health insurance institutions	968	1,057
Other direct tax liabilities	541	534
Other payables	22	233,630
Estimated payables	2,094	2,446
Total equity and liabilities	62,945,979	66,745,266

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2022

Profit and Loss Account for the year ended 31 December 2022

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	40,702	0	40,702
1. Consumption of material	488	0	488
3. Repairs and maintenance	17	0	17
4. Travel expenses	497	0	497
5. Representation expenses	185	0	185
6. Other services	39,515	0	39,515
III Personnel costs	20,122	0	20,122
10. Wages and salaries	14,526	0	14,526
11. Statutory social security insurance	4,649	0	4,649
13. Statutory social expenses	640	0	640
14. Other social expenses	307	0	307
IV. Taxes and fees	17	0	17
V. Other expenses	2,400	0	2,400
19. Foreign exchange losses	23	0	23
22. Sundry other expenses	2,377	0	2,377
VI. Depreciation, assets sold, creation and use of provisions and adjustments	323	0	323
23. Amortisation of intangible and depreciation of tangible fixed assets	323	0	323
Total expenses	63,564	0	63,564

The Deposit Insurance Fund

Financial Statements

Year ended 31 December 2022

Profit and Loss Account for the year ended 31 December 2022

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Other revenues	2,243,205	0	2,243,205
5. Contractual penalties and late payment interest, other fines and penalties	1,407,230	0	1,407,230
7. Interest revenue	835,975	0	835,975
Total revenues	2,243,205	0	2,243,205
C. Profit/loss before tax	2,179,641	0	2,179,641
D. Profit/loss after tax	2,179,641	0	2,179,641

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 2022

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 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.

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

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

1.2 Managed Funds (Nonentities)

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

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

The Deposit Insurance Fund

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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

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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 by the Financial Market Guarantee System.

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

2.2 System of Accounting and Retention of Accounting Documents

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

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

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

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

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

The Deposit Insurance Fund

Financial Statements

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

The bookkeeping is maintained in the Czech currency.

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

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

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

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

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

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

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

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

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

The accounting documents are probative accounting records that must include:

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

The accounting documents are prepared without undue delay.

The accounting entries are accounting records in ledgers.

The Deposit Insurance Fund

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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. The plan of accounts may be supplemented during the accounting period. The amounts in the analytical accounts books must correspond to the relevant aggregate cash amounts of the turnover or balance of the synthetic accounts to which these accounts are connected.

2.5 Financial Statements, Accounting Audit

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

The financial statements are an inseparable whole and comprise:

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

2.6 Storage of Accounting Documents

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

2.7 Accounting Methodological Guidelines

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

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

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

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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, for legal services an annex with a breakdown of the purpose of legal representation by Fund). The Financial Market Guarantee System attributes and charges to the relevant Fund accounts according to the supporting criteria established from the accounting case.

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

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

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

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

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

2.10 Basic Principles for Preparing the Financial Statements

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

2.11 Tangible Fixed Assets

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

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

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

Tangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 80,000 per item are charged directly to expenses once they are put into use.

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

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

2.12 Securities and Shares

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

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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 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 2022	As of 1 January 2022
Receivables from compensation disbursed	52,518,884	25,646,908
Receivables from duplicate payments	14,280	14,306
Other receivables	234	897
Receivables from unpaid contributions	3,044	3,044
Other receivables – total	52,536,442	25,665,155

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 52,518,884,000 as of 31 December 2022 (as of 1 January 2022: CZK 25,646,908,000). The increase in receivables is a consequence of the commencement of disbursement of compensation to the clients of Sberbank CZ, a.s. in 2022. The receivable from Sberbank CZ, a.s. includes a receivable of CZK 25,884,949,000 resulting from the disbursement of deposit compensation and default interest of CZK 1,407,202,000. Of the total receivable resulting from the disbursement of deposit compensation as of 31 December 2022, CZK 355,573,000 represented funds provided to the financial institution to carry out the disbursement of compensation but which have not yet been disbursed.

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 43% adjustment for the Receivables from compensation for deposits disbursed.

3.2 Debt Securities Held to Maturity

(CZK '000)	As of 31 December 2022	As of 1 January 2022
Debt securities held to maturity	3,355,928	2,991,005

Czech government bonds represented 100% of the value of held-to-maturity securities as of 31 December 2022 (the same as of 1 January 2022). The value of the bonds in market terms reached CZK 2,876,137,000 as of 31 December 2022 (as of 1 January 2022: CZK 2,839,512,000). As of 31 December 2022, the accrued value of securities held to maturity and maturing in more than 1 year stood at CZK 3,355,928,000 (as of 1 January 2022: CZK 2,729,254) and is shown under assets in Part A.III. Debt securities held to maturity. As of 31 December 2022, the accrued value of securities held to maturity and maturing within 1 year stood at CZK 0 (as of 1 January 2022: CZK 261,751,000) and is shown under assets in Part B.III. Other securities.

3.3 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).

The Deposit Insurance Fund

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Year ended 31 December 2022

Statement of Changes on the Funds Account:

(CZK '000)	2022	2021
Opening balance – 1 January	57,903,464	56,619,372
Contributions received (see note 3.5)	1,385,051	1,284,093
New receivables due from banks in insolvency and liquidation	25,884,949	52,347
Written-off receivables and payables from compensation disbursements	0	0
Compensation disbursement	-25,884,949	-52,347
Closing balance – 31 December	59,288,514	57,903,464

In 2022, the Financial Market Guarantee System commenced the disbursement of deposit compensation to clients of Sberbank CZ, a.s. and continued the payout of deposit compensation to clients of Československé úvěrní družstvo.

3.4 Liabilities

Estimated payables amounted to CZK 2,446,000 (1 January 2022: CZK 2,094,000), with the largest item being the fixed annual fee for the maintenance of the payout system, which is paid after the end of the relevant calendar year (CZK 1,718,000).

Payables from social security and health insurance as of 31 December 2022 were CZK 1,057,000 (as of 1 January 2022: CZK 968,000), of which CZK 640,000 (1 January 2022: CZK 561,000) was social security payables and CZK 417,000 (1 January 2022: CZK 407,000) was health insurance payables.

Tax liabilities amounted to CZK 534,000 (1 January 2022: CZK 541,000).

None of these payables were overdue.

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)	2022	2021
Contributions received from banks	1,385,051	1,284,093

By 30 June 2022, contributions made to the Deposit Insurance Fund for 2022 totalled CZK 1,385,051,000. Contributions to the Deposit Insurance Fund for 2021 totalled CZK 1,284,093,000.

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Year ended 31 December 2022

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

(CZK '000)	2022	2021
Revenues:		
Contractual penalties, late payment interest, other fines and penalties	1,407,230	51
Interest revenue	835,975	318,694
Foreign exchange gains	0	0
Other revenues (see note 3.8.)	0	600
Total	2,243,205	319,345
Expenses:		
Amortisation of intangible and depreciation of tangible fixed assets	-323	-462
Purchases consumed	-488	-459
Services	-40,214	-12,534
Personnel costs	-20,122	-16,867
Taxes and fees	-17	-125
Foreign exchange losses	-23	-11
Other expenses (see note 3.8.)	-2,377	-3,512
Total	-63,564	-33,970

The 2022 profit of CZK 2,179,641,000 (2021: CZK 285,375,000) 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 2022 amounted to CZK 15,865,000 (2021: CZK 13,876,000). The share of wage costs covered by the Deposit Insurance Fund was CZK 14,526,000 (2021: CZK 12,205,000). Higher costs compared to 2021 were incurred as a result of additional staff in the form of an agreement to complete a job or an agreement to perform an activity in connection with the disbursement of deposit compensation to the clients of Sberbank CZ, a.s.

3.7 Other Revenues and Other Expenses

(CZK '000)	2022	2021
Revenues:		
Other	0	600
Total	0	600
Expenses:		
Other	-2,377	-3,512
Total	-2,377	-3,512

In 2021, the item 'Other revenues' includes the fee for the performance of the duties as a member of the creditors' committee in the cooperative credit union UNIBON. The item 'Other expenses' primarily includes bank fees, fees associated with the management of financial reserves, insurance premiums including statutory employee insurance, and membership fees to international organizations.

The Deposit Insurance Fund

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In 2022, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 101,000 (2021: CZK 106,000) in connection with liability insurance for the members of the Board of Directors and the members of the Management Board for damage caused when exercising their functions. The Deposit Insurance Fund's share of these costs was CZK 92,000 (2021: CZK 93,000).

3.8 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 2022, 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 2022 totalled CZK 65,141,000 (2021: CZK 34,971,000), of which CZK 61,907,000 (2021: CZK 30,921,000) was expenses related to the management of the Deposit Insurance Fund and CZK 3,234,000 (2021: CZK 4,050,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Deposit Insurance Fund of CZK 61,907,000 (2021: CZK 30,921,000) were covered from the resources of the Deposit Insurance Fund.

3.9 Litigation

As of 31 December 2022, the Financial Market Guarantee System was involved as a defendant in two litigations where the subject matter of the dispute was for a principal amount in excess of CZK 5 million.

In the first litigation, the plaintiffs M.K, I.K and L.K filed with the District Court for Prague 1 a claim for damages of CZK 9,317,300 (plus interest, fees and other charges or penalties) against the defendants, i.e. the Financial Market Guarantee System and Česká spořitelna, a.s. The damage allegedly caused by the defendants to the plaintiffs results from the fact that an employee of Česká spořitelna, a.s. provided the plaintiffs with incorrect information by telling them that it was not necessary to collect compensation for deposits at ERB bank, a.s., in liquidation, and that, as a result of this information, the plaintiffs failed to collect their deposit compensation within the three-year limitation period. The plaintiffs had previously applied to the Financial Market Guarantee System for payment of this time-barred deposit compensation. The Financial Market Guarantee System carefully considered the application, had a legal opinion prepared and concluded that the law did not allow it to pay the time-barred compensation. By an order of 10 November 2022, the District Court for Prague 1 invited the Financial Market Guarantee System to comment on the action. The Financial Market Guarantee System commented on the action on 25 November 2022. In its statement, the Financial Market Guarantee System summed up the previous course of communication with the plaintiffs, reiterated the limitation objection out of caution and concluded that it had considered the whole issue carefully and understood the difficult situation of the plaintiffs, but that the legislation did not allow the Financial Market Guarantee System to pay out deposit compensation after the expiry of the three-year limitation period. In its final submission, the Financial Market Guarantee System proposed that the court dismiss the action in its entirety and award the Financial Market Guarantee System the costs of the proceedings. By a submission of 25 January 2023, the plaintiffs informed the District Court for Prague 1 about their position on the defendants' submissions, in which they repeated the same facts as in their statement of claim. The District Court for Prague 1 has scheduled the first court hearing in this case for 19 July 2023 at 10 a.m.

The Deposit Insurance Fund

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In the second litigation, the plaintiff Y.G. sought in an administrative action before the Municipal Court in Prague that the court annul the decision of the Financial Market Guarantee System No. 2730/2022/GSFT of 20 June 2022 insofar as it concerns the amount of compensation and the decision of the Financial Market Guarantee System No. 3369/2022/GSFT of 21 September 2022 in its entirety and refer the case back to the Financial Market Guarantee System for further proceedings. By an order of 28 December 2022, the Municipal Court in Prague invited the Financial Market Guarantee System to submit the relevant file documentation, to send the court a statement of defence and to indicate whether the Financial Market Guarantee System requested a hearing in the case. By a submission of 30 January 2023, the Financial Market Guarantee System furnished the Municipal Court in Prague with complete file documentation and also commented on the filed action by initially raising the objection of lack of jurisdiction of the court in administrative cases, since the Financial Market Guarantee System is not an administrative authority, as it is meant by the legislative abbreviation in Section 4 (1) (a) of the Code of Administrative Procedure. The assessment of the extent of the plaintiff's entitlement to payment of increased compensation falls within the jurisdiction of the civil courts, as evidenced by the long-term judicial practice for disputes over the payment of deposit compensation, which have always been decided by the civil courts. The Financial Market Guarantee System was set up (under its original name 'Deposit Insurance Fund') in accordance with the Act on Banks as a legal person. It is not a state fund and is not a part of the state administration. As a procedural precaution, the Financial Market Guarantee System further stated on the merits that in response to the plaintiff's complaint of 6 September 2022 the Financial Market Guarantee System advised the plaintiff on 21 September 2022 that as of 28 February 2022, according to the documents transferred from Sberbank CZ, a.s., the plaintiff had a savings account and a checking account with Sberbank CZ, a.s. with balances of CZK 8,758,547.88 and CZK 120,039.97 respectively. The submitted documentation showed that the purchase price for the residential property of CZK 10,480,000 had been credited to the checking account. With regard to the above balances, the Financial Market Guarantee System concluded that this purchase price had been largely transferred to the plaintiff's savings account at Sberbank CZ, a.s. Considering that the amount representing the payment of the purchase price for the residential property first came into the plaintiff's possession upon its crediting to the checking account, the provisions of Section 41ea (1) of the Act on Banks stipulate that the increased compensation can be paid only to the extent of the balance in that account, i.e. CZK 120,039.97. In determining this amount, the Financial Market Guarantee System followed the provisions of the Act on Banks, as it is required to do. The Financial Market Guarantee System is not responsible for the transposition of European regulations into Czech law and, therefore, made no comments on the alleged incorrect transposition of the provision concerned. At the end of the complaint procedure, the Financial Market Guarantee System informed the plaintiff that the plaintiff's claim in excess of the disbursed compensation should be pursued in insolvency proceedings. The Financial Market Guarantee System further stated that it would agree to hear the case on the merits without a hearing only on condition that the court therein considered, without a hearing, only the objection raised by the Financial Market Guarantee System about the lack of jurisdiction of the court in administrative cases. In the event that the court will also consider the question of the extent of the plaintiff's entitlement to the payment of increased compensation, the Financial Market Guarantee System insists on ordering an oral hearing in the case, i.e. it does not agree to hear the case on the merits without a hearing. In the conclusion of its statement of defence, the Financial Market Guarantee System proposed that the court dismiss the present action in accordance with Section 46 (2) of the Code of Civil Procedure and order the plaintiff to pay the defendant's costs of proceedings or, in the alternative, dismiss the present action in accordance with Section 78 (7) of the Code of Civil Procedure and order the plaintiff to pay the defendant's costs of proceedings. By order No. 9Af 22/2022-49 of 28 February 2023, the Municipal Court in Prague dismissed the action.

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 Deposit Insurance Fund

Financial Statements

Year ended 31 December 2022

(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 has not accounted for this claim. In early 2023, another probe into the debtor's assets was performed and with regard to the fact that, once again, no assets could be identified from public sources, the Board of Directors of the Financial Market Guarantee System decided at its meeting of 24 March 2023 that no further expenses would be incurred in connection with the recovery of the claim against the debtor for the payment of the costs of proceedings and that the recovery of that claim would be terminated for uncollectibility.

3.10 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 2022.

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

Prague, 28 June 2023



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Roman Kahánek

Member of the Management Board and Financial Manager

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



Independent Auditor's Report

To the Supervisory Board 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 2022 and of the Fund's financial performance for the year ended 31 December 2022 in accordance with Czech accounting legislation.

What we have audited

The Fund's financial statements comprise:

- the balance sheet as at 31 December 2022,
- the income statement for the year ended 31 December 2022, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Fund and the 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 the Act on Auditors.

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

The Statutory Body of the company Garanční systém finančního trhu is responsible for the preparation of the financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal control as the Statutory body of the company 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.

In preparing the financial statements, the Statutory Body of the company 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

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of the company Garanční systém finančního trhu either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of the of the company Garanční systém finančního trhu is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

28 June 2023

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

Eva Loulová
Statutory Auditor, Licence No. 1981

FINANCIAL STATEMENTS

The Crisis Resolution Fund

Date of financial statements:	31 December 2022
Date of preparation of financial statements:	28 June 2023

Balance Sheet as of 31 December 2022

(CZK '000)

ASSETS	As of 1 January 2022	As of 31 December 2022
A. Total fixed assets	47	644,955
II. Tangible fixed assets	89	89
Works of art, objects and collections	30	30
Tangible assets and their sets	59	59
III Total long-term investments	0	644,923
Debt securities held to maturity	0	644,923
IV. Total accumulated depreciation and amortisation of fixed assets	-42	-57
Accumulated depreciation of machinery and equipment and of vehicles, furniture and fixtures	-42	-57
B. Total current assets	21,150,435	26,989,478
II. Total receivables	0	90,954
Other receivables	0	90,954
III Total current financial assets	21,150,435	26,898,524
Financial resources on accounts	21,150,435	26,898,524
Total assets	21,150,482	27,634,433

The Crisis Resolution Fund

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Balance Sheet as of 31 December 2022

(CZK '000)

LIABILITIES	As of 1 January 2022	As of 31 December 2022
A. Total equity	21,150,419	27,634,433
I. Equity	21,015,804	26,185,395
Funds	21,015,804	26,185,395
Contribution Fund	20,637,721	25,672,696
Operational Fund	378,083	512,699
II. Total profit/loss	134,615	1,449,038
Profit/loss account	0	1,449,038
Result of management in approval procedure	134,615	0
B. Total liabilities	63	0
III Total current payables	63	0
Other payables	63	0
Total equity and liabilities	21,150,482	27,634,433

The Crisis Resolution Fund

Financial Statements

Year ended 31 December 2022

Profit and Loss Account for the year ended 31 December 2022

(CZK '000)

	Activity		
	Main	Economic	Total
A. Expenses			
I. Consumed purchases and purchased services	1,265	0	1,265
1. Consumption of material	45	0	45
3. Repairs and maintenance	2	0	2
4. Travel expenses	46	0	46
5. Representation expenses	17	0	17
6. Other services	1,155	0	1,155
III Personnel costs	1,854	0	1,854
10. Wages and salaries	1,339	0	1,339
11. Statutory social security insurance	428	0	428
13. Statutory social expenses	59	0	59
14. Other social expenses	28	0	28
IV. Taxes and fees	15	0	15
15. Taxes and fees	15	0	15
V. Other expenses	2,029	0	2,029
19. Foreign exchange losses	2	0	2
22. Sundry other expenses	2,027	0	2,027
VI. Depreciation, assets sold, creation and use of provisions and adjustments	16	0	16
23. Depreciation and amortization of fixed assets	16	0	16
Total expenses	5,179	0	5,179

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Profit and Loss Account for the year ended 31 December 2022

(CZK '000)

	Activity		
	Main	Economic	Total
B. Revenues			
IV. Other revenues	1,454,217	0	1,454,217
5. Contractual penalties and late payment interest, other fines and penalties	2,396	0	2,396
7. Interest revenue	1,451,821	0	1,451,821
Total revenues	1,454,217	0	1,454,217
C. Profit/loss before tax	1,449,038	0	1,449,038
D. Profit/loss after tax	1,449,038	0	1,449,038

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. 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) in this area either.

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1 General Information

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

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

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

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

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

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

1.2 Managed Funds (Nonentities)

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

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

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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.

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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 by 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

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

The bookkeeping is maintained in the Czech currency.

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

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

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

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

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

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

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

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

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

The accounting documents are probative accounting records that must include:

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

The accounting documents are prepared without undue delay.

The accounting entries are accounting records in ledgers.

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

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

2.5 Financial Statements, Accounting Audit

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

The financial statements are an inseparable whole and comprise:

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

2.6 Storage of Accounting Documents

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

2.7 Accounting Methodological Guidelines

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

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

The accounting methodological guidelines will be updated 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, for legal services an annex with a breakdown of the purpose of legal representation by Fund). The Financial Market Guarantee System attributes and charges to the relevant Fund accounts according to the supporting criteria established from the accounting case.

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

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

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

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

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

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

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

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

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

2.10 Basic Principles for Preparing the Financial Statements

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

2.11 Tangible Fixed Assets

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

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

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

Tangible assets with a useful life of more than 1 year and acquisition cost not exceeding CZK 80,000 per item are charged directly to expenses once they are put into use.

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

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

2.12 Securities and Shares

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

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Securities Held for Trading

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

When purchased, securities and 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 Short-Term Financial Assets

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

3.2 Other Receivables

(CZK '000)	As of 31 December 2022	As of 1 January 2022
Receivables from unpaid contributions	90,267	0
Other receivables	687	0
Other receivables – total	90,954	0

Receivables include the Crisis Resolution Fund's receivable against Sberbank CZ, a.s. for unpaid contributions to the Crisis Resolution Fund receivable including ancillaries of CZK 90,267,000. Other receivables include the Crisis Resolution Fund's receivable against the Deposit Insurance Fund as a result of higher advance payments made to cover the expenses related to the management of the Crisis Resolution Fund in 2022, totalling CZK 687,000 (as of 1 January 2022: CZK 0).

3.3 Debt Securities Held to Maturity

(CZK '000)	As of 31 December 2022	As of 1 January 2022
Debt securities held to maturity	644,923	0

Czech government bonds represented 100% of the value of held-to-maturity securities as of 31 December 2022. The value of the bonds in market terms reached CZK 606,422,000 as of 31 December 2022 (as of 1 January 2022: CZK 0). As of 31 December 2022, the accrued value of securities held to maturity and maturing in more than 1 year stood at CZK 644,923,000 (as of 1 January 2022: CZK 0) and is shown under assets in Part A.III. Debt securities held to maturity. As of 31 December 2022, there were no bonds held to maturity and maturing within 1 year (the same as of 1 January 2022).

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3.4 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)	2022	2021
Crisis Resolution Fund:		
Opening balance – 1 January	21,015,804	16,585,042
of which:		
Contribution Fund		
Opening balance – 1 January	20,637,721	16,305,037
Contributions received (see note 3.5)	4,947,059	4,332,684
New receivables due from banks in insolvency and liquidation	87,916	0
Closing balance – 31 December	25,672,696	20,637,721
Operational Fund		
Opening balance – 1 January	378,083	280,005
Operating revenue	137,866	102,902
Management costs	-3,250	-4,824
Closing balance – 31 December	512,699	378,083
Closing balance – 31 December	26,185,395	21,015,804

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)	2022	2021
Contributions received from banks	4,947,059	4,332,684

By 31 May 2022, banks and selected investment firms had made contributions to the Crisis Resolution Fund, as prescribed by the Czech National Bank, totalling CZK 4,947,059,000 (2021: CZK 4,332,684,000).

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

(CZK '000)	2022	2021
Revenues:		
Contractual penalties, late payment interest, other fines and penalties	2,396	0
Interest revenue	1,451,821	140,187
Total	1,454,217	140,187
Expenses:		
Purchases consumed	-45	-63
Services	-1,210	-1,441
Personnel costs	-1,854	-2,309
Foreign exchange losses	-2	-1
Taxes and fees	-15	-110
Depreciation	-16	-20
Other expenses (see note 3.7)	-2,027	-1,628
Total	-5,179	-5,572

The 2022 financial result will be distributed as follows: the revenues of CZK 1,449,038,000 will be transferred to the Operational Fund of the Crisis Resolution Fund and the expenses of CZK 5,162,000 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 higher than the actual expenses by CZK 687,000 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 2022 amounted to CZK 15,865,000 (2021: CZK 13,876,000). The share of wage costs covered by the Crisis Resolution Fund was CZK 1,339,000 (2021: CZK 1,671,000).

3.7 Other Revenues and Other Expenses

(CZK '000)	2022	2021
Revenues:		
Other	0	0
Total	0	0
Expenses:		
Other	-2,027	-1,628
Total	-2,027	-1,628

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 2022, members of the Board of Directors and Management Board of the Financial Market Guarantee System were provided with non-cash performances totalling CZK 101,000 (2021: CZK 106,000) in connection with liability insurance for the members of

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the Board of Directors and the members of the Management Board for damage caused when exercising their functions. The Crisis Resolution Fund's share of these costs was CZK 9,000 (2021: CZK 13,000).

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 2022, 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 2022 totalled CZK 65,141,000 (2021: CZK 34,971,000), of which CZK 61,907,000 (2021: CZK 30,921,000) was expenses related to the management of the Deposit Insurance Fund and CZK 3,234,000 (2021: CZK 4,050,000) was expenses related to the management of the Crisis Resolution Fund.

The expenses related to the management of the Crisis Resolution Fund of CZK 3,234,000 (2021: CZK 4,050,000) were covered from the Operational Fund of the Crisis Resolution Fund.

3.9 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 2022.

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

Prague, 28 June 2023



Renáta Kadlecová

Chairperson of the Management Board and Executive Director



Roman Kahánek

Member of the Management Board and Financial Manager