

ANNUAL REPORT 2010

FPV_{CZ}
FOND POJIŠTĚNÍ VKLADŮ



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I. Introduction by the Chairman of the Board of Directors

The European Commission has completely taken hold of the reins of further development. The financial crisis in a number of European countries, which was in certain cases dramatic and resulted in what could nearly be described as a run on banks, has caused such strong political reactions that today we are struggling to cope with a trend in the opposite direction, which is both quantitatively and qualitatively unprecedented, and not only in the hitherto relatively calm waters of deposit insurance, but also elsewhere. Let us admit that we very quickly became accustomed to the frequently hard-to-manage inflow of initiatives, ideas, and discussions that have come from centres such as Brussels, Strasbourg, and London.

I think that the threats that accompanied the now hopefully waning crisis assumed such forms, at a certain stage of development, that a political intervention was often necessary, whether verbal, aimed at calming the masses (unlimited guarantees, etc.), or in the form of releasing huge volumes of money, aimed at mitigating the worst impacts of the crisis, or a combination of both.

We know that one of the strongest impulses for politically motivated interventions, often accompanied by strong statements, were cases such as Northern Rock, Eurohypo, and some others. The difficulty lies in that strong statements are difficult, if not impossible, to take back, and they must be transformed into specific measures. I mainly mention this discrepancy, because rescue interventions, whatever their nature, were far from being required in all European countries. In spite of that, we have a very robust harmonisation of depositor protection. Over the course of a very short time, harmonisation was achieved, which during “normal” times, not determined by a crisis, would have taken years to come about, if it would indeed ever have arrived at its present form. Everything indicates that the pressure for even greater depositor protection will continue, at least that is how the new proposals coming from the European Commission environment, which are being advanced almost with impatience, must be understood.

What does that mean for our Fund? This is not the forum in which I could launch into a detailed list of the steps that have been taken and planned, or a criticism thereof. And yet, the change in form and contents over time is profound. Within the foreseeable future, the “paybox” form will be transformed into a “higher” form. The Fund will gradually expand its focus to include new and professionally demanding disciplines, such as risk management (in connection with the introduction of risk-based contributions), new control and testing activities, and entirely new forms of communication with the public and with other participants in the so-called financial safety net. The first steps were taken in recent months and they were not trivial. The Fund has made a complete transition to a technically demanding and sophisticated approach to managing its own activity – the disbursement of deposits to bank clients – with the simultaneously broad and technologically innovative involvement of the entire domestic banking community.

The development and introduction of new processes entirely based on IT technologies accounted for the brunt of the work of the management and employees of the Deposit Insurance Fund in 2010 and in the months that followed. Thanks to the fact that Czech banks demonstrated exceptional stability during the crisis, the Fund was able to devote itself fully to working on its systems, such as to comply with the harmonisation requirements. I would like to express my appreciation for the work of the Deposit Insurance Fund’s Managing Director and her team, and sincerely congratulate them on their achievements. It was not easy for the Board of Directors to cope with the burden of its tasks, not only in terms of systems, but also in other processes, such as asset management, protection of the Fund’s legal status, and international activities. I thank all my colleagues on the Board for their highly professional contribution, initiative, and committed work.



Josef Tauber
Chairman of the Board of Directors

II. Authorised Representative

The Deposit Insurance Fund is managed by a five-member Board of Directors. The Chairman, Vice-chairman and other members of the Board of Directors of the Deposit Insurance Fund (hereinafter also referred to as “the Fund”) are appointed and removed from office by the Finance Minister. Pursuant to Section 41b (6) of the Act on Banks, at least one member of the Deposit Insurance Fund’s Board of Directors is appointed from among Czech National Bank employees at the recommendation of the Czech National Bank, and at least two members of the Board of Directors are appointed from among members of the boards of directors of banks. The term of office of individual Board of Directors members is five years, and one new member

is appointed every year. Board of Directors members do not receive remuneration for carrying out their duties. The Deposit Insurance Fund’s Board of Directors is the authorised representative of the Deposit Insurance Fund and manages the Fund’s activities. The Board of Directors appoints an executive director, who is the head of the Deposit Insurance Fund’s executive staff.

In 2010 there was a change in the composition of the Board of Directors. On 31 December 2010 Ing. Libor Löfler resigned as a member of the Board of Directors and on 1 January 2011 the Finance Minister subsequently appointed Ing. Jiří Votrubeč a new member of the Board of Directors.

MEMBERSHIP OF THE BOARD OF DIRECTORS IN 2010

Chairman:

Josef T a u b e r
Executive Director of the Czech Banking Association

Vice-chairman:

Petr V o j t í š e k
Deputy Director of the Czech National Bank Section

Members:

Daniel H e l e r
Deputy CEO and Member of the Board of Directors of Česká spořitelna, a. s.

Michal F r a n ě k
Department Director of the Ministry of Finance of the Czech Republic

Libor L ö f l e r
Deputy Director and Vice-chairman of the Board of Directors of Modrá pyramida stavební spořitelna, a. s., until 31 December 2010

Jiří V o t r u b e č
Deputy CEO and Member of the Management Board of Modrá pyramida stavební spořitelna, a. s., from 1 January 2011

Executive Director:

Renáta K a d l e c o v á

III. Activities of the Deposit Insurance Fund in 2010

■ Macroeconomic Developments in the EU and the Czech Republic in 2010

The surprisingly significant recovery of the global economy in 2010 had a positive impact on the dynamics of the growth of the Czech economy. From the point of view of the export-oriented Czech economy, the recovery of neighbouring markets, particularly in Germany, played a key role. As a result, the Czech economy quickly became one of the fastest-growing economies among the EU 27 countries last year.

The average GDP growth in the EU 27 countries amounted to 1.8% in 2010, whereas the real Czech domestic product grew by 2.3% in the same period. Compared to the 4-percent drop the previous year, these figures signal a significant improvement of the Czech economy performance.

Contrary to some expectations, the growth of the economy in 2010 had nearly no impact on the labour market. In a year-on-year comparison, the unemployment rate did drop from the January figure of 9.8% to 8.5% in October 2010, but by the end of the year, the number of unemployed returned to 9.6%, due to a certain measure of seasonality.

Whereas the numbers and volumes of industrial orders keep growing, new jobs are not being created. A positive result is indeed increasing labour productivity, but what lagged in 2010, and continues to lag this year, is the purchasing power of the population. Under the pressure of uncertainty as to future developments, people are postponing in their consumption and any surplus of family budgets is put away. In spite of the drop in interest rates on term deposits and savings accounts, the volume of household deposits was up by nearly 4.9% in 2010. The financial markets remain volatile. Problems with a high level of indebtedness faces a number of countries in the Eurozone, and some of them have even found themselves on the verge of bankruptcy, which put pressure on financial markets. Nevertheless, the domestic banking sector is only influenced by the news from the South of Europe indirectly, via parent companies that, unlike the conservatively managed domestic banks, are far more engaged in the region. The financial stability of domestic banks and cooperative savings banks remains excellent, in spite of the number of delinquent accounts not declining.

The recovery of the global economy, however, remains burdened by many uncertainties arising above all from the unsatisfactory condition of public budgets in many countries and the persisting problems in the financial sector. For the Czech economy, a hindrance to further growth in 2011 comes in particular in the planned restrictions on government spending and the potential increase in the VAT rate, which will have an adverse impact on household consumption.

■ Activities of the Deposit Insurance Fund in 2010

In 2010, the Deposit Insurance Fund celebrated its 15th anniversary since its founding, and although the Fund's employees did not have to deal with problems arising from an unsatisfactory financial situation with some of the insured institutions last year, they definitely could not complain of not having had enough work.

For the Deposit Insurance Fund, the major event of 2010 was the approval of an amendment to the Act on Banks, which, pursuant to the EU Directive, fundamentally changed the system for disbursing compensation for insured deposits and increased the insurance limit to EUR 100,000.

With a view to the significant shortening of the period for the launch of the disbursement of deposit compensation, the Deposit Insurance Fund started to prepare a new information system in 2009, thanks to which compensation disbursement could be effected within the legally required period of 20 business days. Whereas in 2009, the work was more of a preparatory nature, the task for 2010 was to put together a complete assignment, choose a supplier, launch the new system, and, above all, successfully test its full functionality. This goal was successfully met, thanks to the enormous commitment of all of the institutions involved.

Aside from the above-mentioned fundamental tasks, the Deposit Insurance Fund also worked on regular administrative matters in 2010, related to ensuring the timely payment of the insured institutions' regular contributions to the Deposit Insurance Fund and the management of the funds entrusted.

The increasing volume of deposits and the changed level of the contributions by the insured institutions have resulted in an increase in the volume of the contributions regularly submitted by the insured institutions, so that, at the end of 2010, the Deposit Insurance Fund had CZK 18.1 bn under administration.

As in previous years, the Deposit Insurance Fund actively participated in various proceedings in order to collect its receivables from bankrupt banks to whose clients the Fund had disbursed compensation in the past. The greatest achievement of 2010 is the realisation of a partial distribution of funds from the bankrupt Union banka, from which the Deposit Insurance Fund obtained performance amounting to CZK 1.2 bn.

■ No End of Changes in European Legislation

Topic number one for 2011 is the proposal being discussed on the European level, for a further deepening of the protection of the clients of financial institutions, and the related increasing of demands as to the response speed by European deposit insurance schemes. As in previous years, representatives of the Deposit Insurance Fund will play an active role in those discussions. The Deposit Insurance Fund considers that it would be premature to further increase limits, or shorten the periods for the disbursement of contributions, without changes in the powers of the national deposit insurers, and without analyses that would assess whether those changes would be beneficial, with a view to the funds expended.

■ Role of the Deposit Insurance Fund

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

Pursuant to the valid legislation of the Czech Republic, which is fully in accordance with European Union directives, in 2010 the deposits of a single depositor at a single bank were insured in full up to an amount equivalent to EUR 50,000.

Since its establishment, the Deposit Insurance Fund has disbursed compensation for insured deposits of over CZK 25 billion. Payments have been made to approximately 300,000

clients of 12 banks that went bankrupt between 1995 and 2003. At the current time deposits totalling CZK 2.1 trillion at 36 financial institutions are insured through the Deposit Insurance Fund. These in turn contributed almost CZK 3,7 billion to the Fund in 2010.

■ Act on Banks

The activities of the Deposit Insurance Fund are regulated in Section 41a through Section 41o of the Act on Banks and in the joint and transitional provisions of amendments to this Act.

Pursuant to the Act on Banks, all banks and branches of foreign banks, with the exception set forth in Section 41l of the Act on Banks and with the exception set forth in Section 5a of the Act on Banks, which came into effect as of the date on which the agreement of the Czech Republic's accession to the European Union came into force, are obliged to participate in the deposit insurance system and contribute to the Deposit Insurance Fund to the scope set forth in the Act on Banks. Cooperative savings banks have been obligated to participate in the deposit insurance system and to contribute to this system in the scope determined by the Act on Banks, since 2006.

Pursuant to Section 41c of the Act on Banks, the insurance applies to all claims from deposits in Czech or foreign currency, including interest, when the requirements for identifying depositors are met in accordance with Section 41c (3) of the Act on Banks, if such deposits are registered as a credit balance on accounts or in deposit books, or which are endorsed through a deposit certificate, deposit note or other similar document. Individuals are identified by their name, surname, address and date of birth or birth certificate number of the depositor, or an identification number, legal entities by their business name or the name of the legal entity, its registered office and, in the case of domestic legal entities, by their identification number. The insurance does not apply to claims from deposits of banks, financial institutions, health insurance companies and state funds. Claims from deposits that a bank is entitled to include in its capital (subordinated debt) are not insured either. The deposit insurance system does not apply to bills of exchange and other securities. In addition, pursuant to Section 41g (3) of the Act on Banks, those persons who have a special relationship to a bank and the holders of deposits arising in conjunction with the legalisation of proceeds resulting from criminal activities, for which they were sentenced by a court in criminal proceedings, are not entitled to compensation from the Deposit Insurance Fund.

Compensation for an insured claim from a deposit is granted to an entitled person only after the Deposit Insurance Fund has received notification in writing from the Czech National Bank that a bank is not able to meet its commitments to eligible persons under the legal and contractual terms and conditions. Compensation is granted both to individuals and legal entities, and is disbursed in Czech currency.

In mid 2010, Act No. 156/2010 Coll., took effect, amending Act No. 21/1992 Coll., on Banks, as amended. This Act brought about a number of significant changes to the deposit insurance scheme. Among the most fundamental are the following provisions: the setting of the maximum volume of the funds of the Deposit Insurance Fund, at 1.5% of the aggregate volume of receivables from the deposits insured with the Deposit Insurance Fund; a change in the periodicity of the payment of bank contributions to the Deposit Insurance Fund, from annual to quarterly, and a 60% increase of the contribution (the contribution newly amounts to 0.04% for banks and 0.02% for building societies, of the average volume of the receivables from deposits in the given calendar quarter); the possibility for the Deposit Insurance Fund to apply, if necessary, for a subsidy or refundable financial assistance from the government budget; in the event of the disbursement of deposit compensation, a change in the method of calculating deposit compensation (a change in the calculation of interest and the cancellation of the set-off of due receivables against the liabilities of eligible persons, up to the amount of the account balance); the obligation of banks to maintain a record of information and, in the event of a disbursement of compensation, to provide that information to the Deposit Insurance Fund (an MoF regulation prescribes the form, structure, and method of maintaining and providing information to the Fund); the obligation of the Deposit Insurance Fund to verify, on a regular basis, at least once a year, the functioning of the deposit compensation disbursement system (i.e., bank data testing).

In line with the above-mentioned Act, the level of coverage for an eligible person was increased to EUR 100,000 as at 31 December 2010, and at the same time, the period for the commencement of the disbursement of deposit compensation was shortened significantly, from 3 months to 20 business days, from the day on which the Czech National Bank declares a bank to be insolvent, i.e., unable to meet its commitments to eligible persons under the legal and contractual conditions.

Throughout 2010, the Fund cooperated closely with the Ministry of Finance of the Czech Republic in drafting the said Regulation, defining the form, structure, and manner of maintaining and

providing the information that a bank is obliged to provide to the Deposit Insurance Fund. The Regulation took effect on 1 April 2011.

During 2010 the scope and level of deposit insurance coverage was harmonised throughout the European Union. That resulted in a gradual winding-up of all topping-up agreements signed between the Fund and the branches of foreign banks. At the end of 2010, the Fund had no such agreement.

In 2010, the Fund announced a tender for the supplier of the software with which the Fund would be able to disburse deposit compensation to depositors within the 20 business days from the date of notification by the CNB, as prescribed by law, and to regularly verify the functioning of the deposit insurance scheme (testing bank data in connection with the MoF Regulation). The development and implementation of the application took place in cooperation between the Deposit Insurance Fund and its supplier throughout 2010. The official version of the application, called POVYNAL, was received by the Deposit Insurance Fund in September 2010, but soon thereafter, work on the necessary upgrade of the version commenced, such as to bring the application in line with the developing text of the MoF Regulation.

In order to ensure sufficient security for the data transmitted from banks to the Fund for the purpose of bank data testing, and also for data transmitted from the Deposit Insurance Fund to banks in the event of an actual deposit compensation disbursement (data subsequently processed by the POVYNAL program), work took place in the Fund in the second half of 2010, in cooperation with the selected supplier, on the development and implementation of software for data compression and encoding. The successful implementation of the IT application, called APLKRYPT, by the Deposit Insurance Fund took place in October 2010.

In addition to intensive work on the development and implementation of the two above-mentioned IT applications, the Deposit Insurance Fund also put significant effort in 2010 into preparations for a security audit of its IT systems, to demonstrate its high level of trustworthiness to all of the bank entities that will be obliged to provide data to the Deposit Insurance Fund, for testing. To that end, the Fund not only worked all year on adapting the security of its IT systems and network, but also on changing the infrastructure of the Deposit Insurance Fund (introduction of camera, security, and fire-protection systems; the separation of the server room for bank data testing and the server room for actual disbursement of

deposit compensation; the installation of electronic access devices the selected premises of the Deposit Insurance Fund, etc.); and the drafting and subsequent implementation of all the requisite internal standards of the Deposit Insurance Fund (security statements and methodological guidelines). The IT security audit was commenced in December 2010 and it is expected to be concluded by the end of the 1st half of 2011.

■ Disbursement of Compensation

Pursuant to Section 41a (5) of the Act on Banks, financial funds may only be withdrawn from the Deposit Insurance Fund for the compensation of claims from deposits to entitled persons and for repayment of the Deposit Insurance Fund's debts. During its existence, the Deposit Insurance Fund has disbursed compensation for deposits in 16 cases, granted in the form of 12 regular and four additional payments as compensation to depositors of twelve banks totalling

CZK 25.5 billion as at 31 December 2010. In 2010 the Deposit Insurance Fund did not disburse any compensation.

During 2010 another part of unjustifiably disbursed additional compensation to depositors of Moravia banka, a. s., of CZK 6,4 million was returned to the Deposit Insurance Fund's account. The reason why the Deposit Insurance Fund made this disbursement was because it had received incorrect data in 565 cases from the bankruptcy trustee (administrator). After discovering this fact, the Deposit Insurance Fund asked clients who had received this compensation without authorisation to return it. The current total amount of compensation returned voluntarily by such persons after being summoned to do so by the Deposit Insurance Fund under a court decision, judicial settlement or out-of-court agreement, is CZK 141,6 million³, which is about 79% of the total unjustifiably disbursed compensation. Hence the total compensation disbursed by the Deposit Insurance Fund is reduced by the above amount.

DISBURSEMENT OF COMPENSATION FROM THE DEPOSIT INSURANCE FUND TO 31/12/2010

Bank	CZK millions to 31/12/2010	Date of commencement of compensation disbursement
Česká banka, a. s. ¹	948.57	12/11/95
AB banka, a. s.	0.03	1/31/96
První slezská banka, a. s.	217.48	5/15/96
Podnikatelská banka, a. s.	1,073.54	6/17/96
Realitbanka, a. s.	23.97	7/24/96
Velkomoravská banka, a. s.	1,006.09	7/29/96
Kreditní banka Plzeň, a. s.	580.30	9/23/96
Pragobanka, a. s. ²	414.13	12/1/98
Universal banka, a. s. ²	2,299.75	5/17/99
Moravia banka, a. s. ²	6,401.00	10/11/99
Union banka, a. s.	12,367.01	5/17/03
Plzeňská banka, a. s.	135.70	6/7/03
Total	25,467.57	

¹ Disbursement of additional compensation commenced on 8/6/1998

² Disbursement of additional compensation commenced on 4/1/2002

³ In 2004 compensation of CZK 18.56 million was returned that had been debited to disbursed deposit compensation; since 2005 this has formed part of the Deposit Insurance Fund's income (see Table IV on page 16 – The Deposit Insurance Fund's Main Cash Flow – History).

■ Receivables of the Deposit Insurance Fund from Banks

Pursuant to Section 41h (2) of the Act on Banks, starting with the disbursement commencement date, the Deposit Insurance Fund will become the creditor of a bank that has failed to meet its commitments under the legal and contractual terms and conditions within the scope of the rights of the entitled persons of the bank to be paid by the Deposit Insurance Fund. Of the 12 paid banks, bankruptcy proceedings have been completed in only three cases. Of the amount of disbursed compensation for deposits, which had reached CZK 25.5 billion as at 31 December 2010, CZK 23.4 billion of receivables were recognised in bankruptcy proceedings. The receivables from additionally disbursed deposit compensation at Pragobanka, a. s., Universal banka, a. s., and Moravia banka, a. s., were not recognised because the Deposit Insurance Fund, when reporting them, did not meet, nor could it have met, the time limits for reporting the claims laid down by the Bankruptcy and Composition Act valid at the time. In fact the amendment to the Act on

Banks, under which the Deposit Insurance Fund disbursed this additional compensation, was adopted after the expiry of the relevant time limits. The recognition of these claims is the subject of legal proceedings.

The table below shows a summary of the Deposit Insurance Fund's receivables from the individual banks, registered as at 31 December 2010, for the bankruptcy proceedings of disbursed banks. Of the total registered receivables of CZK 21,824.1 million, where the bankruptcy proceedings have not been brought to a conclusion yet, a preliminary distribution schedule has been drawn up for five banks, with a total received advance payment for the Fund of CZK 4,084.3 million. In 2010, the Deposit Insurance Fund received an advance as a part of the partial distribution in the case of Union banka, a. s., amounting to CZK 1,241.7 mil., and in the case of Kreditní banka Plzeň, a. s., of CZK 20.3 mil. The Deposit Insurance Fund currently has CZK 17,739.8 million of receivables registered against banks.

SUMMARY OF RECEIVABLES REGISTERED FOR BANKRUPTCY PROCEEDINGS AS AT 31/12/2010 IN CZK MILLIONS

Bank	Type of disbursement	Registration for bankruptcy	Returned to the Fund	Receivable in bankruptcy
Česká banka, a. s.	regular	518.56		
	additional	443.11		961.67
AB banka, a. s.	regular	0.23	0.02	0.21
První slezská banka, a. s.	regular	217.50	7.61	209.89
Realitbanka, a. s.	regular	24.20		24.20
Velkomoravská banka, a. s.	regular	1,006.63		1,006.63
Kreditní banka Plzeň, a. s.	regular	580.95	49.38	531.56
Universal banka, a. s.	regular	1,862.64	302.29	1,560.35
Moravia banka, a. s.	regular	4,753.70		4,753.70
Union banka, a. s.	regular	12,416.54	3,724.96	8,691.58
Total		21,824.06	4,084.26	17,739.80

As for bankruptcy proceedings terminated by the end of 2010, 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., and Plzeňská

banka, a. s. This means that as at 31 December 2010 the Deposit Insurance Fund no longer has any receivables from these three banks. A summary of these satisfied receivables including received revenues and yield is given in the following table.

**SUMMARY OF THE PROCEEDS OF RECEIVABLES AGAINST BANKS AT COMPLETED BANKRUPTCY PROCEEDINGS
AS AT 31/12/2010 IN CZK MILLIONS**

Bank	Type of disbursement	Total amount of receivable	Returned to the Fund	Yield (%)
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 ⁴	52.41
Total		1,552.58	803.52	51.75

⁴ In addition to this performance in 2004, the Deposit Insurance Fund received from the bankrupt estate of Plzeňská banka, a. s., the amount of CZK 1.025 million, as an additional payment to the contribution for insured deposits for 2003.

■ Contributions by the Insured Institutions

As concerns the contributions of the insured institutions to the Deposit Insurance Fund, 2010 was marked by the enactment of the amendment of the Act on Banks, No. 156/2010 Coll.

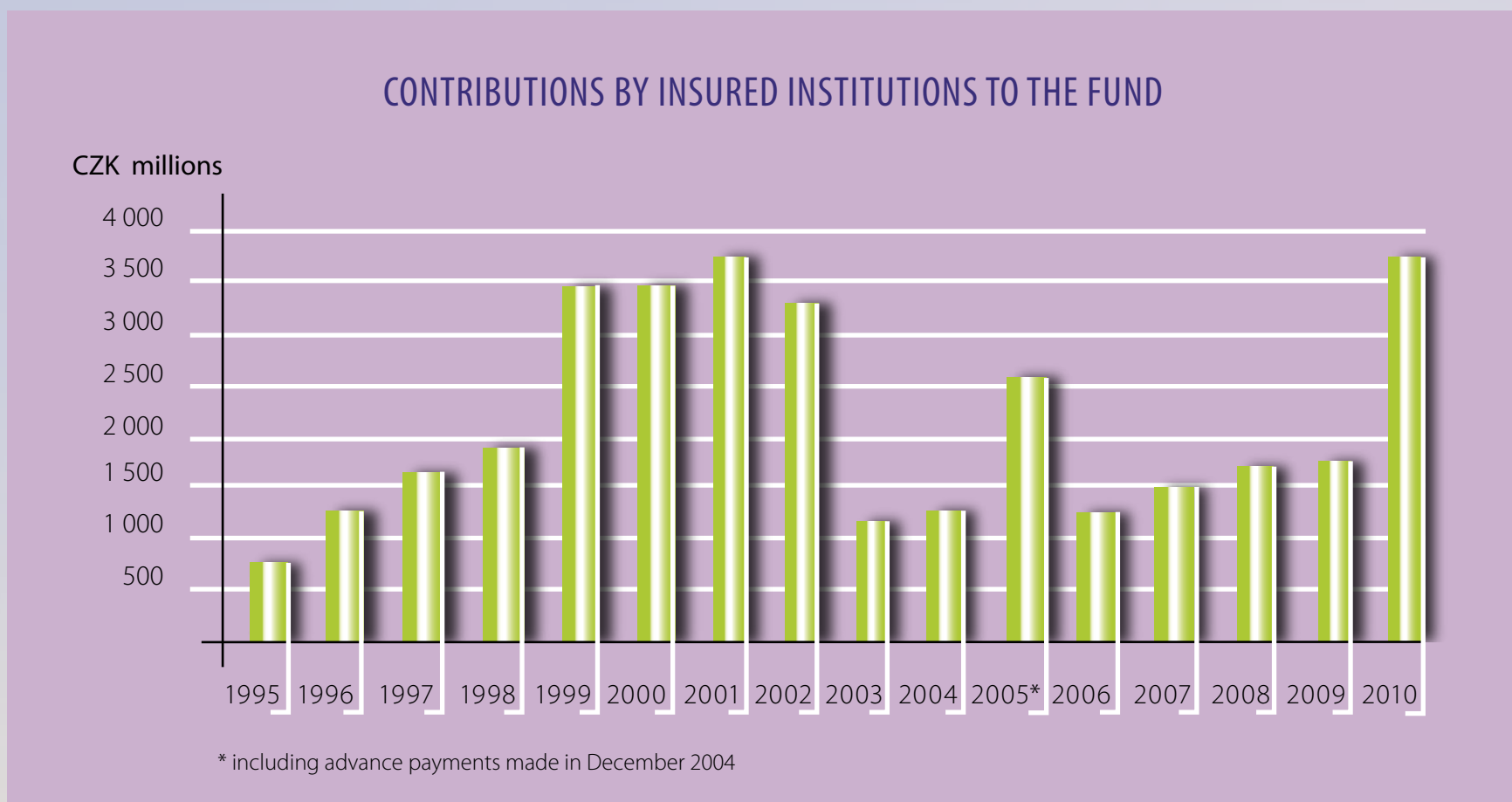
By 31 January 2010, financial institutions had paid annual contributions, in line with the former version of the Act, amounting to CZK 1,914.4 mil., and subsequently, during 2010, they paid,

in line with the new version of the Act, contributions for the 1st to 3rd quarters of 2010, amounting to CZK 1,806.7 mil. Overall, financial institutions paid contributions to the Deposit Insurance Fund in 2010 in the aggregate amount of CZK 3,721 mil. The table below shows an overview of the contributions received by the Deposit Insurance Fund since its establishment in 1994.

CONTRIBUTIONS BY INSURED INSTITUTIONS TO THE FUND, BY YEAR

Calculation base year	Contribution payment year	Amount in CZK mil.
1994	1995	807.04
1995	1996	1,275.93
1996	1997	1,651.06
1997	1998	1,939.37
1998	1999	3,439.68
1999	2000	3,472.68
2000	2001	3,790.52
2001	2002	3,341.04
2002	2003	1,188.38
2003	2004	1,296.74
2004	2005*	2,642.05
2005	2006	1,329.59
2006	2007	1,528.63
2007	2008	1,719.18
2008	2009	1,790.58
2009	2010	1,914.37
2010 (Q1-Q3)	2010	1,806.67
Total		34,933.51

* including advance payments made in December 2004



As of 1 July 2010, the contribution amount is governed by the amended Act on Banks, No. 156/2010 Coll., Sec. 41c (6) and (7).

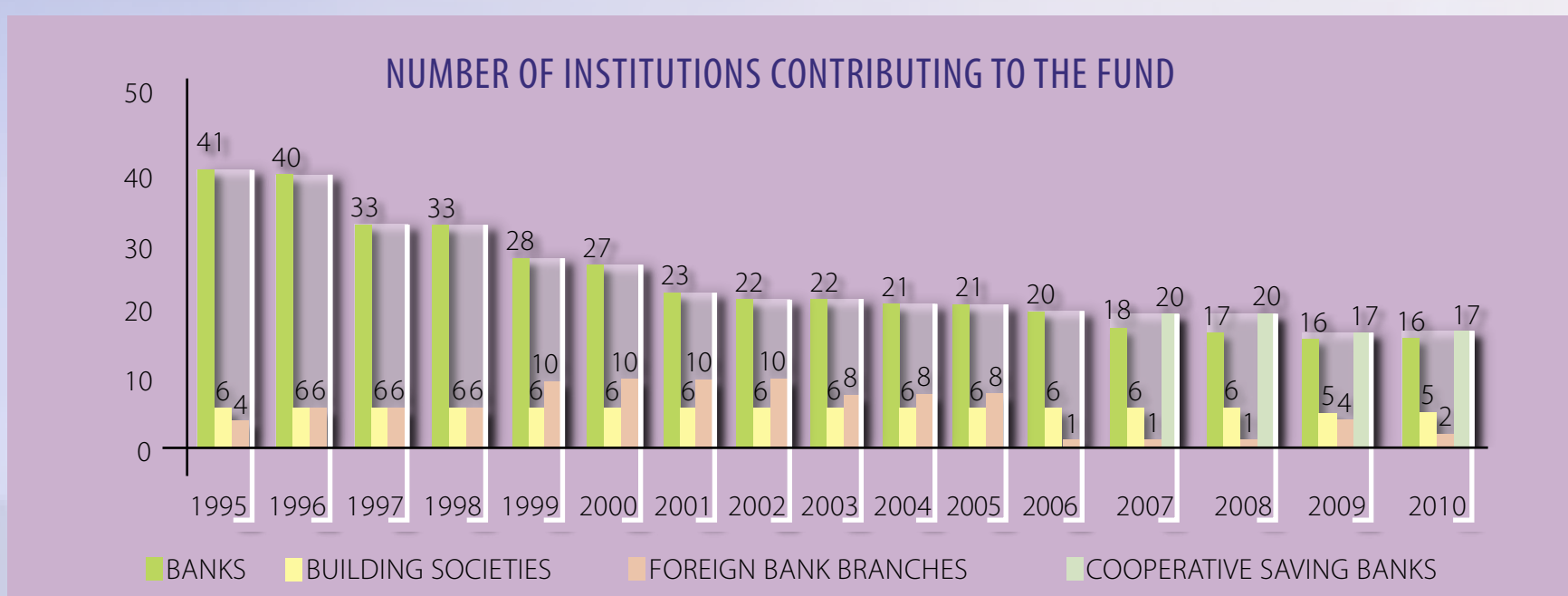
A bank's contribution to the Deposit Insurance Fund amounts to 0.04% of the average volume of the insured receivables from deposits for the relevant calendar quarter. The average volume of the insured receivables from deposits is calculated by the bank, according to the amount of the insured receivables from deposits as at the last day of each calendar month in the given calendar quarter, including any interest to which the depositor was entitled as at the same date. The calculation is made in Czech crowns. In the case of receivables from deposits maintained in foreign currencies, the currency exchange rate announced by the Czech National Bank as at the date on which the calculation is performed is used.

The contribution of a building society to the Deposit Insurance Fund amounts to 0.02% of the average volume of the insured receivables from deposits for the relevant calendar quarter. The average volume of the insured receivables from deposits is

calculated by the building society, according to the amount of the insured receivables from deposits as at the last day of each calendar month in the given calendar quarter, including any interest to which the depositor was entitled as at the same date, without factoring in advances on government support.

A bank is obliged to pay its contribution to the Deposit Insurance Fund for the given calendar quarter by the end of the calendar month subsequent to the end of the calendar quarter. The contribution is paid in Czech crowns.

Branches of foreign banks that topped-up with the Deposit Insurance Fund paid contributions for 2009, by 31 January 2010, in line with the previous version of the Act: HSBC Bank, plc – Prague branch, and BRE Bank, S. A. For the 1st half of 2010, only HSBC Bank, plc – Prague branch paid a contribution for 2010, pursuant to the current version of the Act. As the level of deposit insurance coverage throughout the EU countries has been harmonised, all topping-up agreements were terminated, one by one, by the end of 2010.



■ Investment Activities

The total volume of the Deposit Insurance Fund's financial reserves at the end of 2010 reached CZK 18,128.3 million. The financial reserves of the Deposit Insurance Fund are divided into three portfolios: the Mark to Market Portfolio (50% of the volume of the financial reserves); the Hold to Maturity Portfolio (14% of the volume of the financial reserves), managed by three investment managers; and the Short-term Portfolio, managed directly by the Deposit Insurance Fund (36% of the volume of the financial reserves).

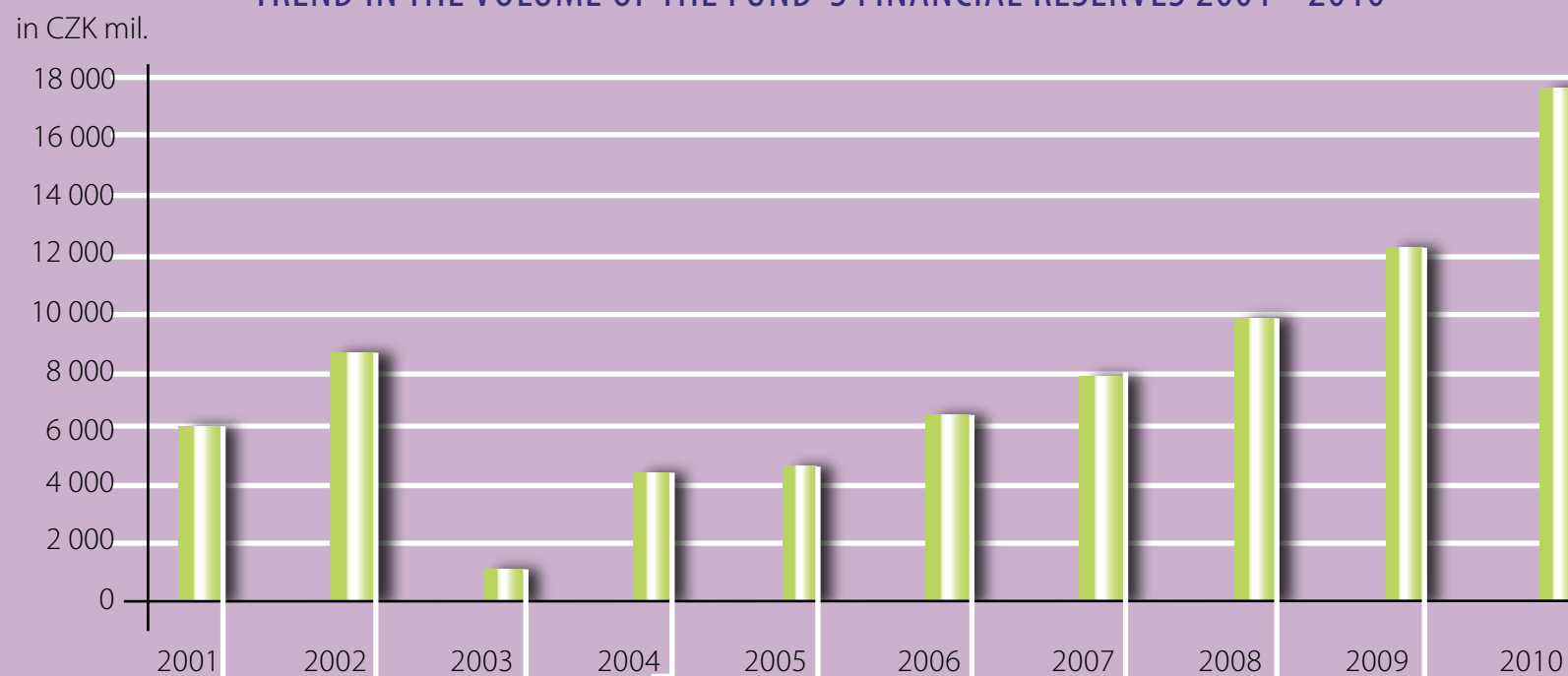
The financial reserves managed in the Mark to Market Portfolio were invested into medium- and long-term domestic government bonds, government bonds issued in foreign currencies, and bonds issued by banks and corporations in Czech crowns and selected foreign currencies, while maintaining the minimum limit for bond issuers, of an S&P A rating. The duration of the Mark to Market Portfolio is targeted between

3 and 4 years. As at the end of 2010, the Mark to Market Portfolio's share of the total volume of the Deposit Insurance Fund's financial reserves amounted to 50%.

The Hold to Maturity Portfolio was increased, as in 2009, by CZK 800 mil. This portfolio only comprises domestic government bonds and its duration is targeted between 6 and 7 years. As at the end of 2010, the Hold to Maturity Portfolio's share of the total volume of the Deposit Insurance Fund's financial reserves amounted to 14%.

The financial reserves managed directly by the Deposit Insurance Fund through the Short-term Portfolio were invested only into treasury bills and Buy/Sell transactions with treasury bills issued by the Czech Ministry of Finance or the Czech National Bank, in order to maintain the liquidity of the Deposit Insurance Fund. As at the end of 2010, the Short-term Portfolio's share of the total volume of the Deposit Insurance Fund's financial reserves amounted to 36%.

TREND IN THE VOLUME OF THE FUND'S FINANCIAL RESERVES 2001–2010



The financial reserves of the Deposit Insurance Fund as at the end of 2010 were comprised mostly of medium-term and

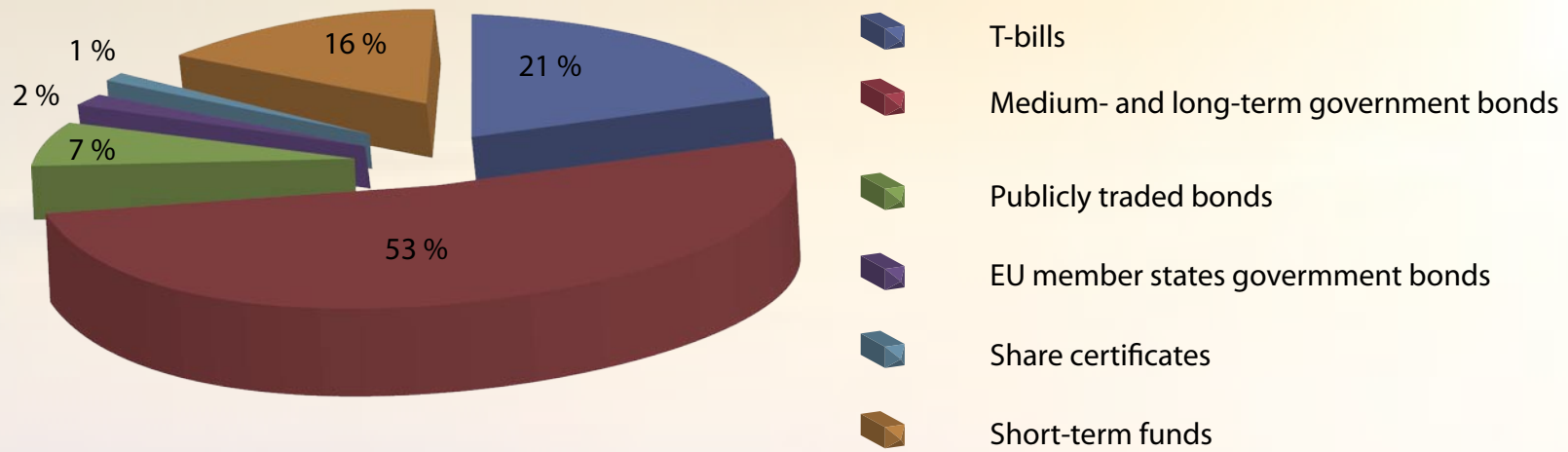
long-term domestic government bonds (53%), short-term domestic government bonds (21%), and short-term funds (16%).

STRUCTURE OF FINANCIAL RESERVES BY INSTRUMENT,
AS AT 31 DEC. 2010

Type of instrument	Market value in CZK mil.
I. Current accounts, term deposits, receivables*)	2,946.39
II. Bonds:	14,946.77
Of which: treasury bills and Czech National Bank bills	3,783.14
Medium- and long-term government bonds	9,680.32
Bank and corporate bonds (publicly traded bonds)	1,197.07
IBRD, EIB bonds, and EU Member State government bonds	286.24
III. Share certificates	235.17
IV. Total	18,128.33

*) Receivables from buy & sell operations, receivables from issuers from unpaid coupons

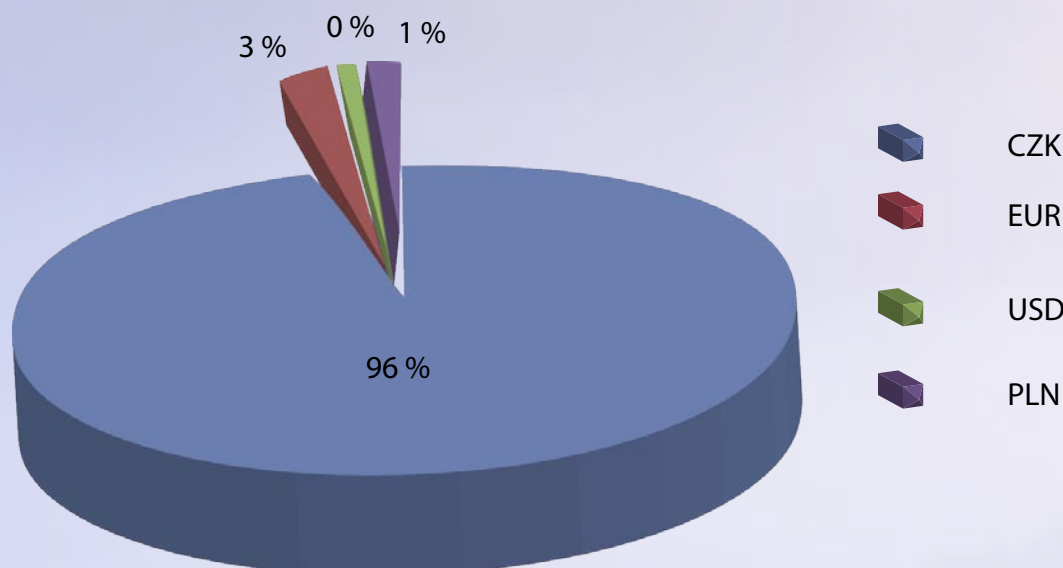
STRUCTURE OF FINANCIAL RESERVES BY INSTRUMENT,
AS AT 31 DEC. 2010



As at the end of 2010, the financial reserves of the Deposit Insurance Fund consisted mainly of bonds and share certificates issued in CZK (95.7%).

Of the bonds issued in foreign currencies, the financial reserves mostly consisted of bonds denominated in EUR (2.6%), PLN (1.2%), and USD (0.5%).

STRUCTURE OF FINANCIAL RESERVES BY CURRENCY, AS AT 31 DEC. 2010



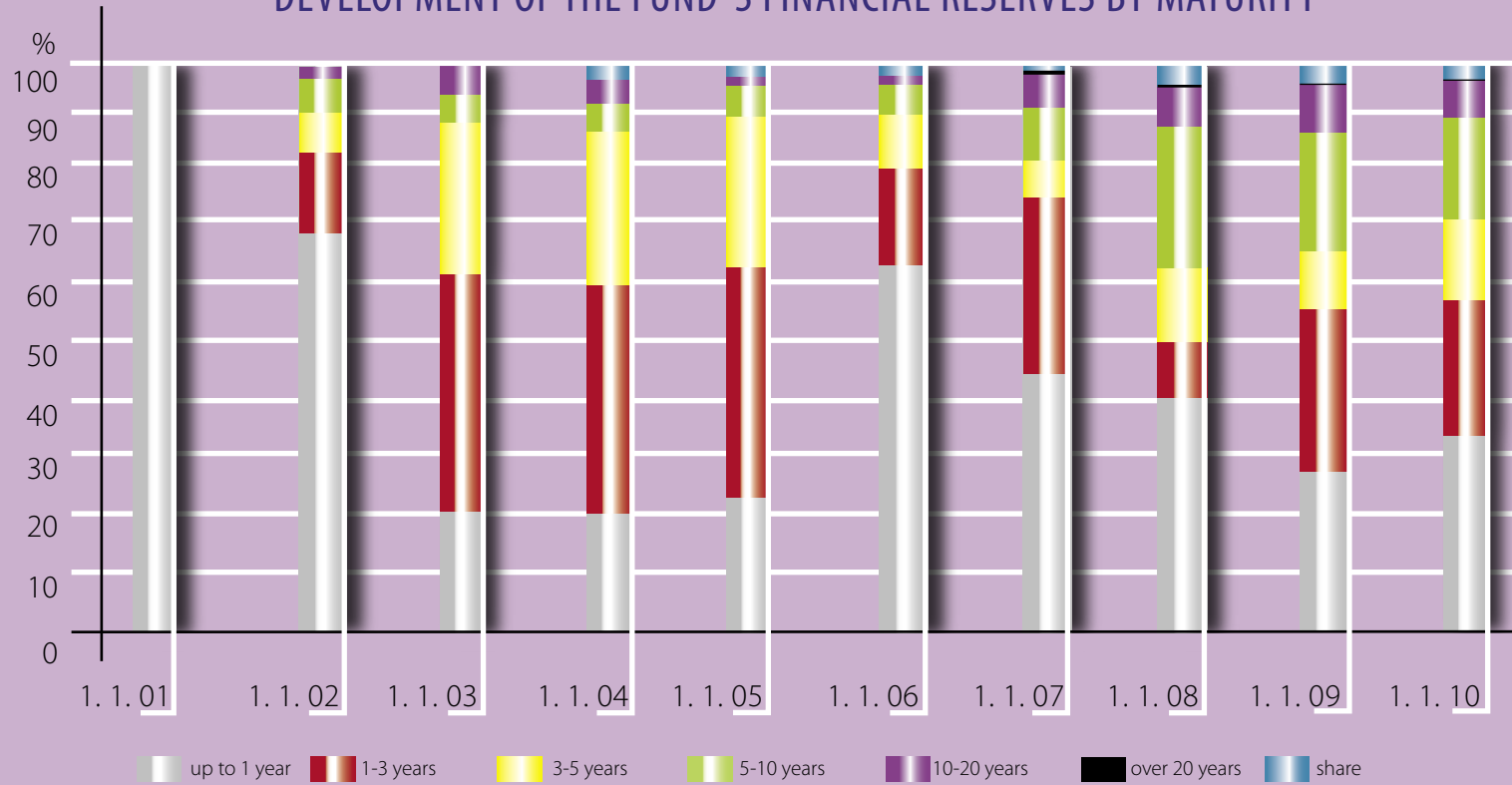
Debt instruments maturing within 1 year (38.2%), between 1 and 3 years (19.9%), and between 5 and 10 years (17.0%) made up the largest share of the volume of financial reserves.

The total gross yield from the financial reserves of the Deposit Insurance Fund for 2010 reached 3.45% p.a., which represented approximately CZK 550 mil. in financial terms.

STRUCTURE OF FINANCIAL RESERVES BY MATURITY, AS AT 31 DEC. 2010

Instrument maturity	Market value in CZK mil.
I. Up to 1 year	6,933.74
II. 1 to 3 years	3,607.07
III. 3 to 5 years	2,678.55
IV. 5 to 10 years	3,080.43
V. 10 to 20 years	1,543.56
VI. More than 20 years	49.80
VII. Share certificates	235.17
VIII. Total	18,128.33

DEVELOPMENT OF THE FUND'S FINANCIAL RESERVES BY MATURITY



■ International Cooperation

In 2010, the Deposit Insurance Fund continued to develop cooperation with deposit insurance institutions both in the EU and worldwide.

The main topic of discussion in the EU was the package of measures proposed by the European Commission during the year, concerning, above all, enhanced depositor protection. According to the European Commission, the main goal of these measures is to prevent another crisis and to renew confidence in financial services. The Commission proposals currently under discussion suggest introducing ex-ante deposit insurance schemes across all EU countries, harmonising the scope of the deposits insured and the conditions for the disbursement of deposit compensation. But the most important change that all national deposit insurance schemes will have to cope with, if approved, is the proposal for a further shortening of the payout delay when reimbursing depositors.

In September 2010, the Deposit Insurance Fund hosted a group comprised of experts from the World Bank, the International Association of Deposit Insurers, and the European Forum of Deposit Insurers, for unifying and further refining the methodology for assessing the “Core Principles for Effective Deposit Insurance Systems” drafted by the International Association of Deposit Insurers and the Basel Committee on Banking Supervision. The mission was a part of the international

consultation process aimed at ensuring that the resulting assessment methodology is sufficiently robust, comprehensive, and consistent, and that it could be used in assessment in all of the countries around the world that have a deposit insurance system.

The International Association of Deposit Insurers held its 9th annual meeting in Tokyo, Japan, in October 2010, along with a conference that examined further steps to be taken with respect to the financial safety net. At the same time, the winner of the Deposit Insurer of the Year Award was announced, which was the Deposit Insurance Corporation of Japan.

Within the scope of the Deposit Insurance Fund’s membership in the European Forum of Deposit Insurers, the Fund’s representatives attended the Forum’s annual meeting and conference in Rome, in November 2010. The topic of its joint conference with the International Association of Deposit Insurers was the contribution of deposit insurance to enhancing financial stability. During the annual meeting, representatives from eight EU countries adopted a Multilateral Memorandum of Understanding for cooperation among deposit insurance schemes within the EU, which concerns, above all, the way of communication among deposit insurance schemes and between the deposit insurance scheme in a “host” country and depositors of the branches of foreign banks, in the event of the bankruptcy of a bank, and the way of deposit compensation disbursement. The Deposit Insurance Fund ratified the MOU at the end of 2010.

IV. Main Cash Flows of the Deposit Insurance Fund – History

SUMMARY OVERVIEW OF THE INCOME AND EXPENSES OF THE DEPOSIT INSURANCE FUND IN 1995–2010 (IN CZK MIL.)

I.	Income	47,032.94
	Contributions from banks 1995-2010	34,933.43
	Income from judicial composition and bankruptcy	4,888.81
	Returns of disbursed compensation	123,37
	Returned non-disbursed compensation advances	60.08
	Interest received and other revenues	4,027.25
	- interest from investment	4,011.15
	- other financial revenue	16.10
	Loans received	3,000.00
II.	Expenditure	28,907.35
	Disbursement of deposit compensation 1995–2010	25,603.53
	Operating expenses	182.66
	Interest paid	121.16
	Loan repayments	3,000.00
III.	Difference between income and expenditure	18,125.59

This document is an English translation of the Czech auditor's report. Only the Czech version of the report is legally binding.

V. Independent Auditor's Report to the Board of Directors of Fond pojištění vkladů

■ Financial statements

On the basis of our audit, on 27 May 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Fond pojištění vkladů, which comprise the balance sheet as of 31 December 2010, and the income statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Fond pojištění vkladů as of 31 December 2010, and of its expenses, revenues and net result for the year then ended in accordance with Czech accounting legislation."

■ Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague 8 August 2011

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.

Licence number 71

Vladimír Dvořáček
Partner

Pavel Závitkovský
Partner, Licence number 69

THE DEPOSIT INSURANCE FUND

Registered seat: Růžová 15; Prague 1

Identification number: 49710362

Financial statement date: 31 December 2010

Date of the compilation of the financial statement: 2 May 2011

BALANCE SHEET AS AT 31 DECEMBER 2010

ASSETS	as at 1 January 2010	as at 31 December 2010
	CZK '000	CZK '000
A. Total fixed assets	1,553,924	2,567,663
I. Intangible fixed assets – software	65	2,553
II. Tangible fixed assets	1,497	1,906
3. Buildings	297	297
4. Machinery and equipment	1,2	1,609
III. Long-term investments – bonds, debentures and similar securities held to maturity	1, 553,466	2,564,600
IV. Total accumulated depreciation of fixed assets:	-1,104	-1,396
2. Accumulated depreciation of software	-65	-222
6. Accumulated depreciation of buildings	-11	-17
7. Accumulated depreciation of machinery and equipment	-1,028	-1,157
B. Total current assets	30,101,989	33,328,646
II. Total receivables	19,806,179	20,587,751
4. Advances paid	149	161
6. Receivables from employees	0	0
15. Accounts receivable from term transactions	0	10,226
17. Other receivables	19,806,030	20,577,364
III. Total short-term financial assets	10,295,624	12,740,804
1. Cash	8	20
2. Stamps and vouchers	17	30
3. Bank accounts	507,609	123,415
4. Shares and similar securities held for trading	475,353	235,172
5. Bonds, debentures and similar securities held for trading	9,312,637	12,382,167
IV. Total other assets	186	91
1. Prepaid expenses	59	91
2. Accrued revenues	127	0
Total assets	31,655,913	35,896,309

THE DEPOSIT INSURANCE FUND

Registered seat: Růžová 15; Prague 1

Identification number: 49710362

Financial statement date: 31 December 2010

Date of the compilation of the financial statement: 2 May 2011

BALANCE SHEET AS AT 31 DECEMBER 2010 (continued)

LIABILITIES	as at 1 January 2010	as at 31 December 2010
	CZK'000	CZK'000
A. Total equity	31,630,443	35,877,564
I. Equity	30,648,887	34,637,996
II. Total profit/loss	981,556	1,239,568
1. Profit/loss for the period	712,572	526,996
3. Retained earnings	268,984	712,572
B. Total liabilities	25,47	18,745
III. Total short-term liabilities	25,47	18,745
1. Payables to suppliers	432	7,875
4. Other liabilities	0	752
5. Payables to employees	404	530
7. Payables to social security and health insurance	261	341
9. Other direct tax liabilities	105	136
15. Payables from fixed term operations	10,478	0
17. Other payables	4	6
22. Estimated payables	13,786	9,105
Total liabilities	31,655,913	35,896,309

THE DEPOSIT INSURANCE FUND

Registered seat: Růžová 15; Prague 1

Identification number: 49710362

Financial statement date: 31 December 2010

Date of the compilation of the financial statement: 2 May 2011

PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2010

	Activities		
	Main	Profit/loss	Total
	CZK '000	CZK '000	CZK '000
A. Expenses			
I. Total consumed purchases	313		313
1. Material consumption	313		313
II. Total services	8,265		8,265
5. Repairs and maintenance	58		58
6. Travel expenses	706		706
7. Representation expenses	75		75
8. Other services	7,426		7,426
III. Total personnel expenses	4,934		4,934
9. Wages and salaries	3,557		3,557
10. Obligatory social security	1,228		1,228
12. Obligatory social expenses	73		73
13. Other social expenses	76		76
IV. Total taxes and fees	244		244
14. Road tax	2		2
16. Other taxes and fees	242		242
V. Total other expenses	191,148		191,148
21. Foreign exchange losses	12		12
24. Other expenses	191,136		191,136
VI. Depreciation and assets sold	5,636,738		5,636,738
25. Depreciation of intangible and tangible fixed assets	292		292
27. Securities and investments sold	5,636,446		5,636,446
Total expenses	5,841,642		5,841,642
B. Revenues			
IV. Total other revenues	306,283		306,283
15. Interest revenues	18,655		18,655
16. Foreign exchange gains	10		10
18. Other revenues	287,618		287,618
V. Revenues from sale of assets	6,062,355		6,062,355
20. Revenues from sale of securities and investments	5,546,671		5,546,671
22. Revenues from short-term financial assets	421,646		421,646
24. Revenues from long-term financial assets	94,038		94,038
Total revenues	6,368,638		6,368,638
C. Profit/loss before tax	526,996		526,996
D. Profit/loss after tax	526,996		526,996

1 GENERAL INFORMATION

The Deposit Insurance Fund (hereinafter also referred to as “the Fund”) was incorporated in the Commercial Register on 29 December 1994 under Act No. 156/94 Coll. which amends Act No. 21/1992 Coll. on Banks and its registered office is in Prague, Růžová 15. The Deposit Insurance Fund’s main activity is providing compensation to owners of deposits that are legal entities or individuals under the terms and conditions specified by the law. Pursuant to the provisions of Act No. 586/1992 Coll. on Income Tax, as amended, the Deposit Insurance Fund’s income is exempt from income tax.

The members of the Board of Directors as at 31 December 2010 were as follows:

	Position
Josef Tauber	chairman
Petr Vojtíšek	vice-chairman
Libor Löfler	member
Daniel Heler	member
Michal Franěk	member

2 ACCOUNTING POLICIES

(a) Basic principles of preparing financial statements

The financial statements are compiled in accordance with the accounting regulations valid in the Czech Republic and the Czech accounting standards for non-profit organizations. The financial statements are compiled at historical prices except for derivatives and securities that are reported at fair value. The amounts in the financial statements are rounded to thousands of Czech crowns, unless otherwise stated.

(b) Fixed tangible assets

Purchased fixed tangible assets are stated at acquisition cost for which the assets were acquired including expenses incurred in connection with the acquisition.

Fixed tangible assets are depreciated by straight line method based on their estimated useful life and tax rates.

Repair and maintenance expenses of fixed tangible assets are booked directly to expenses.

Tangible assets with a useful life of more than year and an acquisition price not exceeding CZK 40,000 per item are charged directly to expenses as they are put in use.

(c) Securities and investments

The Deposit Insurance Fund classifies securities and investments as held for trading and held to maturity.

Securities held for trading:

Securities held for trading are securities which the Deposit Insurance Fund holds for the purpose of generating profit from short-term price fluctuations, of no more than a year.

Securities and investments are stated during their purchase at the acquisition cost including the transaction expenses.

Securities held for trading are carried at fair value. The Deposit Insurance Fund applies the market value of securities as at the balance sheet date to calculate their fair value. The valuation of securities not traded on public markets is carried out based on an expert opinion or a qualified estimate made by the Deposit Insurance Fund management.

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

Securities held to maturity:

Securities held to maturity are non-derivate financial assets with fixed or pre-determined revenues and fixed maturity which the Deposit Insurance Fund has the intent and ability to hold to maturity. If the Deposit Insurance Fund sold other than an insignificant amount of these assets, this entire category would be moved to the Securities held for trading category.

Repo and buy-sell operations:

Collateralized receivables as part of repo and buy-sell transactions are reported under the Other receivables including accrued interest. Interest from these transactions is accrued for the duration of such a transaction and booked to interest revenues.

(d) Financial derivatives

The financial derivatives, including currency transactions, currency and interest swaps, are firstly entered in the balance sheet at the acquisition cost and subsequently re-valued to the fair value. The fair values are derived from the market prices and from discounted cash flow models.

All derivatives are reported as receivables from fixed term operations if they have a positive fair value or as payables from fixed term operations if their fair value is negative.

Changes in the fair value of trading financial derivatives are recognized in the profit and loss account.

(e) Foreign currency conversions

Transactions made in foreign currencies are converted and posted using the exchange rate valid as at the transaction date. All monetary assets and liabilities in foreign currencies were converted by the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses from the receivables and payables translations are recognized in the profit and loss account.

The foreign exchange gains and losses of securities valued at the fair value and managed in foreign currencies are considered as a part of the fair value.

(f) Contributions received from banks

Contributions received from banks are posted directly to the funds account included in the Deposit Insurance Fund's equity financing. These contributions are posted based on their actual acceptance at the start of the current year; they are not accrued because they concern a contribution for the current year. The previous calendar year is the base for calculating the amount of the contribution.

Effective 1 July 2010, the contributions to the Deposit instance Fund are paid quarterly. The previous calendar quarter is the basis for calculation.

(g) Establishment of adjustments

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

(h) Payables to bank clients and receivables from banks that could not meet their commitments to clients

In accordance with the provision of the Ministry of Finance of the Czech Republic and internal accounting regulation of accepted contributions, disbursement of compensation and related cases are booked by the Deposit Insurance Fund, based on the decision of the Board of Directors of the Deposit Insurance Fund to commence the disbursement, as a payable to the bank clients for which compensation is disbursed against the reduction of the amount of managed funds account included in equity financing. The claim at the same amount is posted for the banks which cannot meet their commitments to their clients against the funds in equity financing.

(i) Subsequent events

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

In the event that between the balance sheet date and the date of drawing up the financial statements important events occurred, the consequences of these events are described in the notes to financial statements, but are not posted to the financial statements.

(j) Changes to accounting procedures

In 2010 there were no changes in the Deposit Insurance Fund's accounting policies.

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

(a) Receivables due from banks which did not meet their commitments to their clients as at 31 December 2010 amounted to CZK 17,739,793 thousand (2009: CZK 19,001,780 thousand).

No adjustments were created to these receivables based on the provision of Ministry of Finance of the Czech Republic (see note 2(g)).

(b) Fair value of securities held for trading:

	31 December 2010	31 December 2009
	CZK '000	CZK '000
Debt securities held for trading	12.382,167	9.312,637
Ownership securities held for trading	235,172	475,353
	12.617,339	9.787,990

(c) The Fund has no registered capital. The fund balance forms the equity financing. A summary of changes in the fund balance is shown below:

	Receivables from insolvent banks	Contributions received from banks	Amortised receivables and liabilities	Disbursement of compensation	Surplus from settlement of disbursement of compensation for insured deposits	Transfer of financial result	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Balance as at 1 January 2009	9,645,691	16,839,934	-2,627,182	269,382	88,607	3,947,142	28,163,574
Contributions and advances received from banks (see paragraph 2(f))	0	1,790,581	0	0	0	0	1,790,581
Transfer of profit/loss of previous years	0	0	0	0	0	696,293	696,293
Amortisation of receivables	0	0	-1,561	0	0	0	-1,561
Balance as at 31 December 2009	9,645,691	18,630,515	-2,628,743	269,382	88,607	4,643,435	30,648,887
Balance as at 1 January 2010	9,645,691	18,630,515	-2,628,743	269,382	88,607	4,643,435	30,648,887
Contributions and advances received from banks (see paragraph 2(f))	0	3,721,034	0	0	0	0	3,721,034
Transfer of profit/loss of previous years	0	0	0	0	0	268,984	268,984
Amortisation of receivables	0	0	-308	-601	0	0	-909
Balance as at 31 December 2010	9,645,691	22,351,549	-2,629,051	268,781	88,607	4,912,419	34,637,996

The contributions received from banks are contributions received since 2001 when there was a change to the accounting methodology.

(d) The Fund had no payables from compensation disbursement as at 31 December 2010 (2009: CZK 0).

Payables from social security and health insurance as at 31 December 2010 amounted to CZK 341,000 (2009: CZK 261,000), of which CZK 238,000 (2009: CZK 183,000) were payables from social security and CZK 102,000 (2009: CZK 78,000) were payables from health insurance. None of these payables were overdue.

Tax payables were CZK 136,000 (2009: CZK 105,000). None of these payables were overdue.

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

	2010	2009
	CZK'000	CZK'000
Contributions from banks received in the previous year	3,721,034	1,790,581

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

	2010	2009
	CZK'000	CZK'000
Revenues		
Revenues from the sale of securities	5,546,671	5,569,481
Revenues from short-term financial assets	421,646	459,736
Revenues from long-term financial assets	94,038	60,139
Other revenues (see paragraph 3 (g))	306,283	454,611
	6,368,638	6,543,967
Expenses		
Securities sold	-5,636,446	-5,647,781
Amortisation of fixed intangible and tangible assets	-292	-193
Purchases consumed	-313	-221
Services	-8,265	-6,169
Personnel costs	-4,934	-4,158
Taxes and fees	-244	-175
Other expenses (see paragraph 3 (g))	-191,148	-172,698
	-5,841,642	-5,831,395

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

	2010	2009
	CZK'000	CZK'000
Revenues		
Interest	18,655	24,533
Exchange rate profit	10	0
Other revenues - exchange rate revenues from securities transactions and change in the fair value of derivatives held for trading	208,829	154,103
Other revenues – change in fair value of securities for trading	78,789	275,975
Other	0	0
Other revenues in total	306,283	454,611
Expenses		
Exchange rate losses	-12	-3
Other expenses - exchange rate losses from securities transactions and change in the fair value of derivatives held for trading	-144,814	-151,053
Other expenses – change in fair value of securities for trading	-45,182	-19,460
Other	-1,140	-2,182
Other expenses in total	-191,148	-172,698

Of the total of CZK 18,655,000 (2009: CZK 24,533,000) of interest revenues, revenues from buy-sell operations account for CZK 15,281,000 (2009: CZK 10,473,000).

(h) Profit for 2009, of CZK 712,572,000, was transferred to Retained Earnings from Previous Years. Profit for 2010, of CZK 526,996,000, is proposed for transfer to the Retained Earnings from Previous Years.

(i) The average number of Deposit Insurance Fund employees is five, out of which one is a managing employee. Total payroll expenses in 2010 amounted to CZK 4,934,000 (2009: CZK 4,158,000).

(j) No remuneration, advances, or loans were provided to members of the Board of Directors in 2010 or in 2009. In 2010 and 2009, the Deposit Insurance Fund did not contribute to the life insurance of the executive director and did not provide him with any non-monetary payment.

(k) No events took place after the balance sheet date which could have had a significant impact on the financial statements as at 31 December 2010.

The financial statements were approved by the Board of Directors of the Deposit Insurance Fund and signed on the basis of its authorisation: 2 May 2011.



FOND POJIŠTĚNÍ VKLADŮ

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