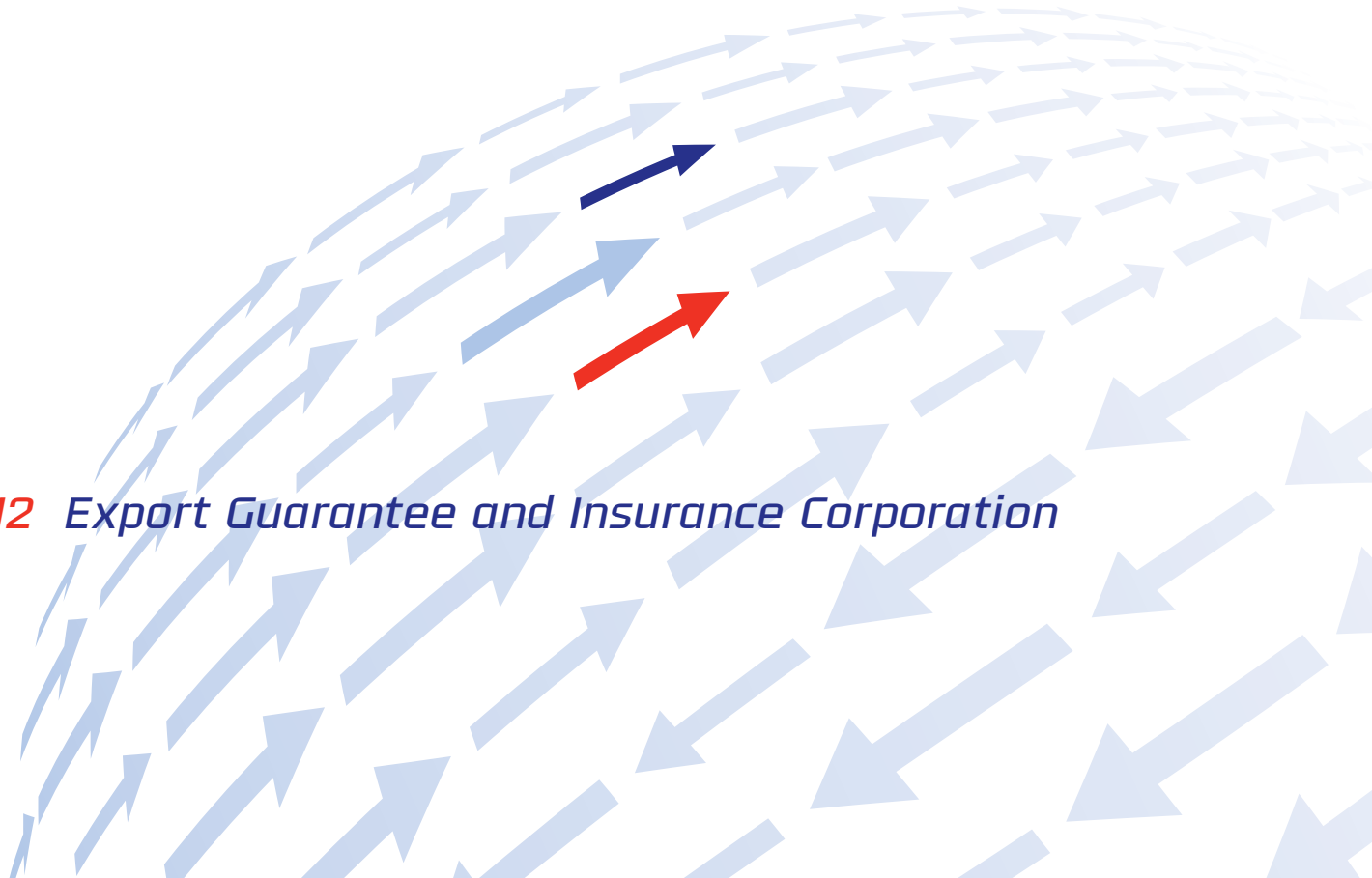


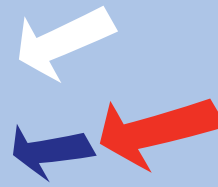


*Annual Report 2012* **Export Guarantee and Insurance Corporation**



Three curved lines in red, light blue, and dark blue, arranged in a descending arc from left to right. The red line is the highest, the light blue line is in the middle, and the dark blue line is the lowest.

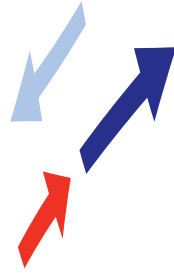
*We insure export credit risks  
in hundreds of countries  
Individual and original solution  
of your needs*



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## Introductory word



Last year EGAP celebrated its 20th anniversary, this year the company is a year older; there is a good reason for twenty-one being considered the age in some countries when someone comes of age. However, EGAP became an adult not only in terms of age but also when expressed in numbers. In the lifetime of the company, we have insured exports worth more than CZK 600 billion. And, it is necessary to point out the fact that, most probably, these exports would not have been realised without our assistance. Thanks to EGAP, Czech exporters have been entering new markets lately – the post-Soviet states remain their domain but our exports have been more and more successful e.g. in Turkey.

We are showing great stability in the sector structure. The export of machinery technologies, especially energy equipment, remains a dominant element. These are goods from branches which are extremely important for sustaining employment in the Czech Republic.

The last year brought another record in the volume of the insured exports. EGAP's employees cannot be ashamed of the CZK 72 billion in supported export and 233 insurance contracts. Furthermore, what is also satisfying is the fact that the last year also brought a historic record in the volume of recovered receivables. However, not all things are rosy. The world economy continues to fight the after-effects of the crisis and it is necessary to admit that EGAP will feel its after-effects for the next several years because the average repayment period of credits is roughly 7 years.

EGAP has grown past its puberty and is now a young adult and, simultaneously, the organisations behaviour has been changing. EGAP has to be, above all, a flexible, transparent and trustworthy company

helping Czech companies to finance the export of goods, services and know-how with a large Czech share. Moreover, our services are not designed to benefit just “the chosen ones”. The pressure to maintain the Czech share in projects supported by EGAP is not an end in itself; our interest lies not only in winning international competitive biddings abroad but also in supporting Czech sub-suppliers as much as possible.

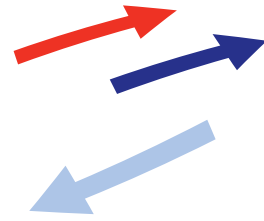
With a growing volume of transactions, EGAP will now be entering into interactions with other export agencies and commercial reinsurers assisting us in lowering our risk. Our closest partner understandably remains the Czech Export Bank. At the same time it means that we are also an insurance company for commercial banks. After all, our results for the last year show that the share of commercial subjects represents 70% of our portfolio for the year 2012.

Our most important goal is to create a long-term viable model of EGAP's functioning as an institution supporting Czech exports, Czech competitiveness and minimising the impact of our activities on the state budget. We are planning to support exporters as much as possible and to also insure economically viable projects in risky territories in 2013.

**Jan Procházka**

Chairman of the Board of Directors  
Chief Executive Officer

## Business results



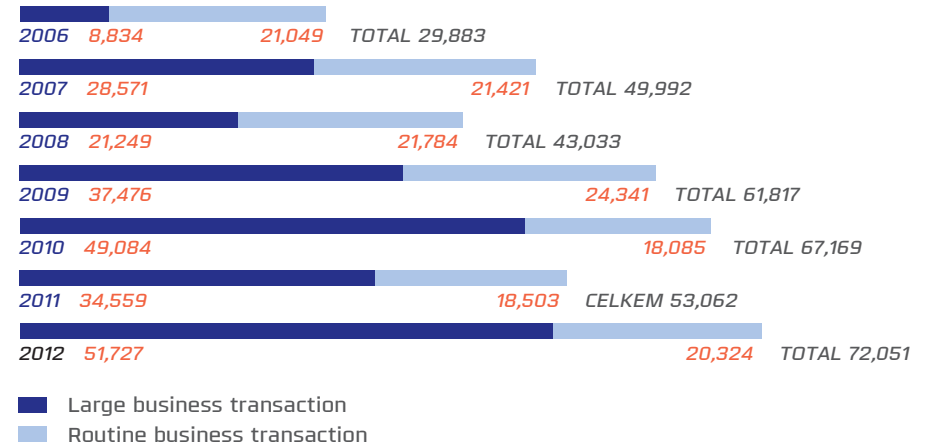
The Export Guarantee and Insurance Corporation achieved record business results in 2012. It insured exports of Czech goods, services and investments in the total value of CZK 72.1 billion. The year-on-year increase in the volume of newly concluded insurance contracts reached 36%. Primarily large business transactions, i.e. transactions with volumes exceeding CZK 1 billion, participate above all in record business results. 20 such transactions were recorded last year.

EGAP thus extended the trend of the four preceding years. During this period, a natural anti-crisis role of the Company has been manifested – the role of an insurance company extending export support by way of insurance with state support. Exceptional conditions for insurance offered by EGAP in the moment when banks had tightened their criteria for credits brought positive results in increased interest in export credits and other bank products not only in that moment but also in a longer period of time.

This record volume confirmed that Czech exporters had been able to continue, even at an increasing rate, to assert themselves on foreign markets. In 2012, EGAP insured new export credits, bank guarantees and the investments of Czech legal persons to a total of 42 countries.

The year 2012 has also confirmed a trend in a change of the structure of business transactions in favour of the increasing weight of large business transactions, i.e. those amounting to several billion Czech crowns which, predominantly, have a long-term character that means they are repaid for a longer period of time and, therefore, remain in outstanding commitments longer.

NEWLY CONCLUDED INSURANCE CONTRACTS IN THE YEARS 2006–2012 (IN CZK MILLION)

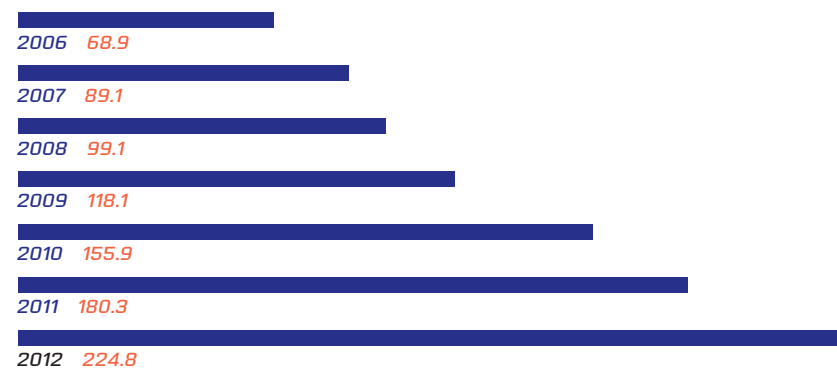


Outstanding commitments are an ever-changing indicator of the level of all currently covered export risks which grows with newly accepted insurance and, simultaneously, continuously declines in connection with payment of partial instalments of previously insured credits, investments and bank guarantees.

Above-mentioned trend, i.e. growing annual volumes of new insurance as well as growing share of large and long-term business transactions in extended insurance, is simultaneously reflected in a more rapid growth rate of outstanding commitments of EGAP, i.e. in the net growth of all currently covered export risks arising from insurance with state support.

**EGAP has to maintain outstanding commitments under a non-exceedable limit of insurance capacity at CZK 250 billion as determined in the state budget for 2012.** Simultaneously, EGAP is under obligation to cover the attained outstanding commitments with its insurance funds and reserves in a minimal safety ratio of 8%. Their amount was fully sufficient for these purposes after receiving a subvention of CZK 1 billion for this purpose from the state budget in December 2012.

#### DEVELOPMENT OF OUTSTANDING COMMITMENTS OF EGAP (IN CZK BILLION)



Insurance funds thus determine limit up to which new export activities of Czech exporters may be insured – at existing outstanding commitments. These funds have their origin in 2 sources only: in allocations from the profit of own activities and in the form of allocations from the state budget which are necessary for strengthening of these insurance funds in case of an insufficient amount of insurance funds created from own resources. EGAP as one of internationally acknowledged instruments of state export support has not as its goal creation of the profit (its activities should be balanced in long-term time horizon) but, primarily, it is to support competitiveness of Czech exporters by insurance premium rates and by extending of other advantageous conditions. It has to fully respect all internationally adopted rules for exports supported in this way by the state including the already mentioned self-financing of its activities in a long-term horizon; otherwise it would be unallowed support.

**Therefore, EGAP from its very start has fully covered all its operational costs and indemnification payments from returns on its own activities and in this way has also been operating as an independent instrument of state export support in a longer-term horizon.**

Structure of interest and target countries of Czech exporters are directly reflected in a territorial structure of the outstanding commitments, i.e. in all currently insured export credit risks. It applies particularly to large business transactions in recent years. They are particularly countries of traditional Czech exports as Russian Federation and other CIS countries as well as Serbia, Turkey, Bulgaria, Vietnam and others.

STRUCTURE OF OUTSTANDING COMMITMENTS AS AT 31 DECEMBER 2012 (IN %)



## Benefits of insurance with state support



When evaluating EGAP's contribution to the Czech economy, it cannot only be based on data on annually insured volume of credits, guarantees and investments. EGAP's activities are hiding in themselves a significant multiplication effect. For example, export credits may reach a maximum of 85% of the export contract value; the rest has to be covered by the resources of the foreign buyer. However, even larger effects bring bank guarantees. Issuance and insurance of a comparatively small bank guarantee, particularly for a bid or for quality performance of an exporter, may bring, in case of success in a competitive bidding, a contract in a multiple of its value. Pre-export credits also play a large role; they enable financing of production for export or of an investment into production for export. This multiplication effect of the insurance can be expressed as supported exports in a given year. **Concretely in 2012, EGAP supported Czech exports worth more than CZK 115 billion; this is a multiple of precisely 1.6 of all newly concluded insurance contracts in that year.**

It is necessary to emphasize that this could almost certainly not be realised without EGAP. No commercial insurance company would accept the risks that EGAP does. The reason is not that the risks were uninsurable from their substance but because they are long-term in nature, they are complicated and, usually, they are intensified by the fact that the importer is active in a country where the entrepreneurial and legal environment brings a higher level of insecurity. **EGAP insures predominantly bank credits with maturities exceeding 2 years for financing exports of large power, machinery and technological equipment, investment goods, transportation constructions and**

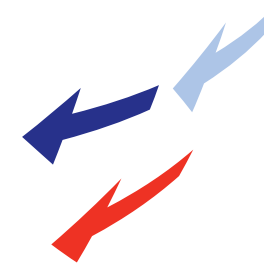
**investments into less developed countries where the risk of non-repayment is higher for territorial and commercial reasons.** Thus it completes the offer of commercial credit insurance companies, fills in the existing market gap and so acts as a standard export credit insurer fulfilling the role of a state instrument for export support.

Exports realised with EGAP's assistance bring results not only to the exporters themselves but also usually to a wide net of their sub-suppliers, usually from among small and medium-sized companies. They mean work for hundreds and thousands of people, and in some cases they assist in preserving a certain art of production with a long tradition, support employment in regions, keep highly qualified workers and prevent loss of valuable know-how. Production of equipment for cement works, power plants or nuclear engineering may serve as an example. Czech industry has something to offer to countries that are going through similar development today as West European countries did years ago and they strenuously build and modernize their energy and industrial base. We see strong demand not only in Russia and in other CIS countries but also in Turkey, India, in the Balkans and in other countries where an exporter and his bank cannot get along without EGAP's insurance.

Another benefit of our insurance is the fact that it also offers exporters the search for business opportunities outside the countries of the European Union on dynamically developing the perspective markets of Asia, Africa and Latin America and to acquire not only necessary experience but also references for establishing new business contacts.

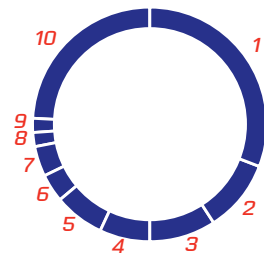


## Insurance with state support – service offering and insurance products



In a similar way as in previous years, **the principal clients of EGAP in 2012 were banks** offering export financing. Our company cooperates with virtually all banks active in the Czech Republic. However, it also registers business transactions where Czech exports are financed by banks whose seats are abroad. The largest share in export financing fell traditionally on Česká exportní banka a.s. (Czech Export Bank, joint-stock company – ČEB) which participated in the total volume of financing by approximately 31% in 2012. The share of all other banks on new insurance reached around 45% in 2012.

INSURED EXPORT CREDITS AND OTHER BANK PRODUCTS IN 2012 (IN %)

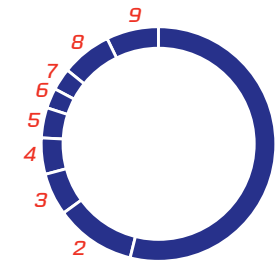


- 1 Czech Export Bank – Česká exportní banka, a.s.
- 2 Komerční banka, a.s.
- 3 PPF banka a.s.
- 4 Československá obchodní banka, a. s.
- 5 Česká spořitelna, a.s.
- 6 HSBC Bank – branch office Prague
- 7 UniCredit Bank Czech Republic, a.s.
- 8 Desterreichische Kontrollbank Aktiengesellschaft
- 9 Other banks (under 2%)
- 10 Non-bank subjects

- 31
- 10
- 9
- 7
- 7
- 4
- 4
- 2
- 2
- 24

EGAP's bank clients are the most important, which is apparent from their share in outstanding commitments, i.e. in current amount of all valid contracts as at 31 December 2012. On this date, Česká exportní banka, a.s. (Czech Export Bank – ČEB) accounted for approximately 54% and other banks totalled 39%.

SHARE OF BANKS IN OUTSTANDING COMMITMENTS AS AT 31 DECEMBER 2012 (IN %)



- 1 Česká exportní banka, a.s. 54
- 2 Komerční banka, a.s. 11
- 3 Československá obchodní banka, a. s. 6
- 4 PPF banka a.s. 5
- 5 Česká spořitelna, a.s. 4
- 6 HSBC Bank plc – branch office Prague 3
- 7 UniCredit Bank Czech Republic, a.s. 3
- 8 Other banks (under 5%) 7
- 9 Non-bank subjects 7

**Insurance of export credits represents the main part of EGAP's activities; this relates particularly to export buyer credits (D)**, when a bank makes payments to a Czech exporter and the amount owed is then repaid by a foreign buyer on regular dates given by a credit agreement. The repayment period of an export buyer credit is longer than 2 years and therefore conditions of repayment are governed by rules of the OECD

Arrangement, which, among others, regulate premium rates, request an advance payment from a buyer and ensure that the exports supported by the state do not endanger the environment in the importer's country. **In 2012, EGAP insured export buyer credits in the total value of CZK 39.7 billion**; this represented a year-on-year growth of more than 10% and an approximately 55% share in the total volume of insurance.

*The largest business transactions in 2012 were, for example, construction of the steam-gas power station Poljarnaja in the city of Salechard in the Russian Federation with the insurance value of CZK 12 billion, construction of railroad tracks and roads in Azerbaijan in the total insurance value of more than CZK 6 billion and deliveries of production units and equipment for reconstruction of the refinery in the city of Pančevo in Serbia with the insurance value of CZK 8 billion.*

The offer in the area of **export credits** is supplemented by insurance of **export supplier credits** which are not bank credits but payment deferrals extended by a Czech exporter to a foreign buyer. Insurance of **an export supplier credit financed by a bank** (Bf, Cf) which enables a bank to purchase a receivable related to a foreign buyer from an exporter is a modification of such type of insurance.

Beside export credits, EGAP also insures other types of credits. It is primarily insurance of **credit for pre-export financing** (F) where the credit extended by a bank may be used for financing production for export and, in case of positive experience with this exporter – it may be used for financing of an investment for the purposes of production for export. The pre-export credit may also be used for financing the commercial development of the results of science and research for export purposes. Credits for **financing investments of Czech legal persons abroad** (If) belong among other types of credits, too.

From among other insurance products, the most utilised in terms of frequency of usage is insurance of **bank guarantees issued in relation to an export contract** (Z). Banks most frequently issue guarantees for an offer of a Czech exporter (Bid Bond), for return of an advance payment from a foreign importer (Advance Payment Bond) and for proper performance from an export contract (Performance Bond). Insurance of **investments abroad** (I) against political risks belongs among other insurance products. An exporter is protected against losses resulting from cancellation or interruption of an export contract on the part of the foreign buyer during production by concluding **manufacturing risk** (V) insurance. By obtaining insurance of **market prospection** (P), the exporter is covered against losses resulting from a full or partial failure of prospection without regard to whether he uses his own funds or a credit for the prospection. This type of insurance is intended primarily for small and medium-sized enterprises. And the offer also includes insurance of a **confirmed letter of credit** (E).

PRODUCT STRUCTURE OF NEW INSURANCE CONTRACTS IN 2012 (IN %)

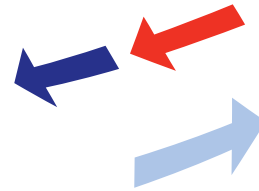


## Types of insurance:

- B** Insurance of a short-term export supplier credit;
- Bf** Insurance of a short-term export supplier credit financed by a bank;
- C** Insurance of a medium- and long-term export supplier credit;
- Cf** Insurance of a medium- and long-term export supplier credit financed by a bank;
- D** Insurance of an export buyer credit;
- E** Insurance of a letter of credit;
- F** Insurance of a credit for pre-export financing of production;
- I** Insurance of investments of Czech legal persons abroad;
- If** Insurance of a credit for financing of investments of Czech legal persons abroad;
- P** Insurance of a credit for financing of prospection of foreign markets;
- V** Insurance against the risk on inability to fulfil an export contract (so-called manufacturing risk);
- Z** Insurance of a bank guarantee issued in relation to an export contract.

**Insurance products that EGAP offers within insurance with state support ensure clients complex credit insurance protection for the duration of the export contract.** Without them, Czech exporters would have practically no chance to obtain any middle- or long-term bank credit or guarantee particularly at the moment when they are searching for business opportunities on markets with increased political as well as commercial risk which, however, are simultaneously dynamic and attractive. It follows from logic of things that such bank credits and guarantees need, above all, large exporters focusing on the export of capital equipment. **However, there are also small and medium-sized enterprises (SMEs) among EGAP's clients,** although it is evident that they are usually not bearers of high risks connected with long-term export projects but, on the contrary, they represent primarily a target group for commercial credit insurers by the character of their exports directed rather at sales within the framework of the EU. Despite, even these exporters use some of EGAP's insurance products. They are, above all, insurance of credits for pre-export financing, insurance of export supplier credits, of manufacturing risk, prospection of foreign markets and bank guarantees. **A very simplified version of insurance of pre-export credits as well as of bank guarantees is intended especially for SMEs.** Simplification lies in the fact that when the rating of a certain customer prepared by a bank lies within predetermined limits. EGAP does not make any client's risk analysis and insurance de facto automatic. The main advantage of this type is primarily the speed of the whole process. EGAP had agreements of this type with 7 banks at the end of 2012.

## Other selected results



Since the beginning of its activities, that is for more than 20 years, EGAP has insured, with state support, export and pre-export credits, investments and bank guarantees of Czech exporters in the total amount of CZK 608 billion to almost 100 countries from around the world.

In 2012, we insured the export activities of Czech exporters to 42 countries. As in previous years, Russia kept its dominant position with a share of approximately 31%. At the same time, when we compare the territorial structure of insured exports with previous years, it was more diversified. Serbia took second place with a 12% share and 7 other countries fluctuated in the range between 2% and 10%, while still lower volumes went to 33 other countries.

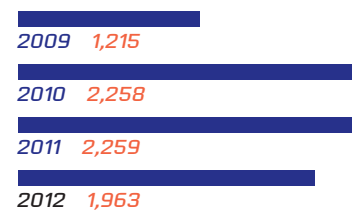
TERRITORIAL STRUCTURE OF NEWLY CONCLUDED INSURANCE CONTRACTS IN 2012 (IN %)



In 2012, the class 7 SITC containing machinery, technological equipment, various technologies and means of transportation traditionally dominated the commodity structure in newly insured credits, investments and bank guarantees. Their share increased to almost 81% against the previous year (it was only 72% in 2011) on top of generally higher yearly volume of insurance. More than two fifths of this group consisted of deliveries of various machines and technological equipment, approximately one third was made of insurance of deliveries of power-producing equipment and the rest fell to insurance of deliveries of means of transportation.

We have written premiums amounting to almost CZK 2 billion for business transactions insured in 2012. We paid out CZK 1.3 billion in claims in the same period. It means that written premiums were fully able to cover indemnification payments.

### WRITTEN PREMIUM (IN CZK MILLION)



### CLAIMS PAID (IN CZK MILLION)



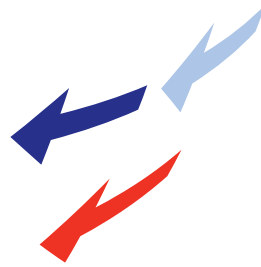
The largest impact on the total volume of paid claims in 2012 had 5 larger progressively continuing paid out claims related predominantly to insurance losses from previous years.

Beside the consequences of the bankruptcy of the Kazakh bank BTA which had stopped repayment of the credit for the export of technological equipment for a cement factory, there were also several glass factories in Russia and in the Ukraine where negotiations are presently continuing on the restructuring of their debt. At the same time, it was possible to start the so-called “refresh” of Cuban debts. The way this works is that after the Cuban side repays a selected loan which would be among the oldest of its debts, EGAP will insure the provision of a new loan for the export of Czech goods to Cuba, albeit at a lesser value so as to at least partially effect the gradual extinguishment of the aggregate outstanding loan amount. The 2 remaining larger indemnification payments were also related to insurance losses from previous years, one for the insurance loss from the non-repaid export credit for deliveries of equipment for the production of ceramic blocks in Ukraine and the second one for a credit for deliveries of rails to Iran. In 2012, EGAP, together with several other claim payments for rather smaller losses, paid out claims totalling CZK 1.3 billion.

At the same time, **we succeeded in recovering claims for more than CZK 762 million during 2012; this represents the most successful result recorded in the present history of EGAP** (the second best volume of recovered receivables, CZK 579 million, relates to the year 2008). Out of this amount, more than one half fell on a successful sale of recovered receivables from insurance losses in Russian glassworks and a further approximately 20% on Cuba within the framework of already mentioned solution of old debts.

In addition to it, with loss-prevention activities representing legal steps made in order to avert danger of origination of an insurance loss, it was possible to reduce potential losses by more than CZK 180 million in 2012. That was more than twice the amount in comparison to 2011.

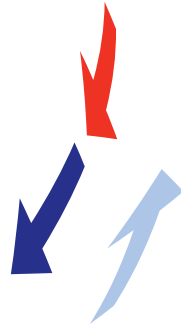
## *Business result*



EGAP concluded the year 2012 with an **accounting loss amounting to CZK 205 million** in spite of the written premiums from the record business results which reached almost CZK 2 billion and proceeds from the financial portfolio (approximately CZK 0.6 billion). **The main reason for these results was the significant increase in the reserve for insurance claims as a consequence of new insurance losses reported at the end of the year which influenced business results in a significant way.** Accounting loss was covered out of the fund created from retained earnings and no contributions from funds from the state budget were used for insurance funds. EGAP manages its activities with a balanced result from the long-term point of view.

More detailed information is available in the Financial Results section.

## International activities



EGAP has been representing the Czech Republic in negotiations in various international organisations involved in issues related to export financing and insurance with state support for a long time. It particularly participates in regular meetings of the **Council of the EU Working Group on Export Credits** which prepares positions of the European Union for negotiations of Participants to the OECD Arrangement. Apart from this, it represents the Czech Republic in negotiations of the **Working Party for Export Credits and Credit Guarantees** and in meetings of **Participants to the OECD Arrangement**.

The following key questions were solved on an international level in this area in 2012:

- In June 2012, OECD Council adopted revised **Recommendation on Common Approaches for Officially Supported Export Credits and for Environmental and Social Due Diligence** which strengthens attention given to social impacts of export projects as well as to their impact on human rights in target countries.
- In September 2012, the newly amended wording of the **Arrangement on Officially Supported Export Credits** took effect and brought partial changes in the “Sector understanding on export credits for renewable sources of energy, climate change mitigation and water projects” and in “Sector understanding for export credits for civil aircraft” as well as several accuracy improvements in transactions of project financing.

- In December 2012 and effective as from 1 January 2013, the European Commission issued new **Communication to issues of short-term insurance of export credits** which determines conditions for state controlled insurance companies under which they may exceptionally insure short-term export receivables otherwise insured as a standard by commercial credit insurance companies. The EC confirmed the decision from April 2012 on exclusion of Greece from the list of countries with tradable risks. This meant in practice that EGAP may insure, without any restrictions, the whole spectrum of maturities of export credits for financing the export to Greece including the short-term ones.
- During the year 2012, intensive negotiations continued in EU and OECD working groups related to more flexible conditions of financing and insurance of export projects in the **railway sector**. Considering the importance of these projects, a number of countries strive primarily to lengthen repayment terms of export credits. EGAP, in the interest of Czech exporters, was active in these negotiations and participated in achieving the agreement that was concluded; on the basis of which, the EC is pressing to lengthen repayment up to 14 year.

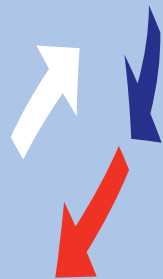


EGAP's representatives participated in all regular meetings of the **International Union of Credit and Investment Insurers (Berne Union) and its Prague Club** which serves as a forum for the exchange of views of new and developing insurers from all parts of the world. The Prague Club was established in 1993 and it celebrates its 20th anniversary in the place of establishment i.e. in Prague, in May 2013 when its regular spring meeting takes place.

EGAP signed a reciprocal agreement on reinsurance with the recently established Russian export and insurance agency EXIAR at the end of 2012 (in 2011, EGAP participated in technical consultations related to its establishment) which will make cooperation between Czech and Russian exporters in projects in third countries easier. In addition to this, EGAP signed a cooperation agreement with the largest Russian bank Sberbank.

Bilateral consultations with representatives of partner institutions were also a part of EGAP's international activities. In 2012, such negotiations took place with representatives of Austrian OeKB, Finnish Finnvera and German Euler Hermes.

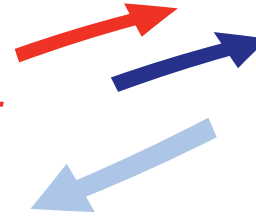
*Financial results*



**Note**

The financial statements have been prepared in Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

# Independent auditor's report



## Independent auditor's report

to the shareholder of **Exportní garanční a pojišťovací společnost, a.s.**

We have audited the accompanying financial statements of Exportní garanční a pojišťovací společnost, a.s., identification number 45279314, with registered office at Vodičkova 34/701, Praha 1 ("the Company"), which comprise the balance sheet as at 31 December 2012, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

### Statutory Body's Responsibility 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.

### 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 of the Czech Republic, International Standards on Auditing and the related application 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 about 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of the 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 financial position of the Company as at 31 December 2012 and its financial performance for the year then ended in accordance with Czech accounting legislation.

19 March 2013

represented by partner

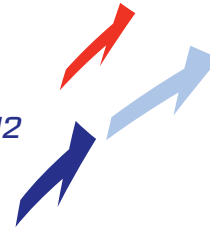
Petr Kříž  
Statutory Auditor, Licence No. 1140

Note  
Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

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

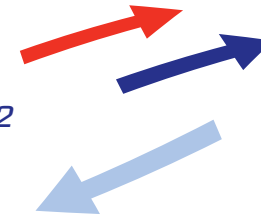
**Balance sheet** as at 31 December 2012



<i>(CZK thousand)</i>	<i>Note</i>	<i>Gross amount</i>	<i>Adjustment</i>	<i>31 December 2012 Net amount</i>	<i>31 December 2011 Net amount</i>
<b>ASSETS</b>					
<b>B. Intangible fixed assets</b>	<b>5</b>	<b>41,877</b>	<b>37,040</b>	<b>4,837</b>	<b>3,699</b>
<b>C. Financial investments</b>	<b>4</b>	<b>22,715,136</b>	–	<b>22,715,136</b>	<b>21,911,843</b>
C.I. Land and buildings (operational)		695,770	–	695,770	695,263
C.II. Financial investments in subsidiaries and associates		977,352	–	977,352	921,306
2. Participating interests in associates		977,352	–	977,352	921,306
C.III. Other financial investments		21,042,014	–	21,042,014	20,295,274
1. Shares and other variable income securities		290,351	–	290,351	290,654
2. Bonds and other debt securities – available-for-sale		13,763,217	–	13,763,217	13,061,060
3. Deposits with financial institutions		6,988,446	–	6,988,446	6,943,560
<b>E. Debtors</b>	<b>6</b>	<b>374,934</b>	<b>364,095</b>	<b>10,839</b>	<b>11,942</b>
E.I. Receivables from direct insurance – policy holders		44	30	14	177
E.III. Other receivables, of which:		374,890	364,065	10,825	11,765
– associates	16	25	–	25	31
<b>F. Other assets</b>		<b>2,325,035</b>	<b>57,516</b>	<b>2,267,519</b>	<b>12,504</b>
F.I. Tangible fixed assets other than land and buildings	5	63,869	57,516	6,353	6,509
F.II. Cash on accounts with financial institutions and cash in hand		2,261,166	–	2,261,166	5,995
<b>G. Prepayments and accrued income</b>	<b>7</b>	<b>451,960</b>	–	<b>451,960</b>	<b>17,682</b>
<b>TOTAL ASSETS</b>		<b>25,908,942</b>	<b>458,651</b>	<b>25,450,291</b>	<b>21,957,670</b>

(CZK thousand)

	Note	31 December 2012	31 December 2011
<b>LIABILITIES</b>			
<b>A. Equity</b>	<b>8</b>	<b>11,318,697</b>	<b>10,470,555</b>
A.I. Share capital		1,300,000	1,300,000
A.IV. Other capital funds		8,911,805	7,855,759
A.V. Reserve fund and revenue reserves		1,312,296	2,364,949
A.VII. Loss for the current period		(205,404)	(1,050,153)
<b>C. Technical reserves</b>	<b>9</b>	<b>14,097,174</b>	<b>11,465,710</b>
C.1. Unearned premium reserve:		6,720,128	6,020,433
a) gross		7,062,002	6,286,616
b) share of reinsurers (-)		(341,874)	(266,183)
C.3. Reserve for claims (gross)		7,362,088	5,377,155
C.4. Reserve for bonuses and discounts (gross)		14,958	68,122
<b>E. Other provisions</b>	<b>10</b>	<b>2,935</b>	<b>4,957</b>
E.3. Other provisions		2,935	4,957
<b>G. Creditors</b>	<b>11</b>	<b>28,072</b>	<b>9,466</b>
G.V. Other payables, of which:		28,072	9,466
a) tax liabilities and liabilities from social and health insurance		5,632	2,090
<b>H. Accruals and deferred income</b>		<b>3,413</b>	<b>6,982</b>
<b>TOTAL LIABILITIES</b>		<b>25,450,291</b>	<b>21,957,670</b>

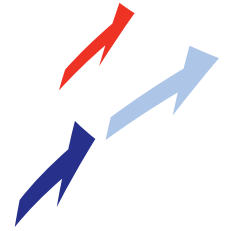


## Income statement *for the year ended 31 December 2012*

<i>(CZK thousand)</i>	<i>Note</i>	<i>Base</i>	<i>Subtotal</i>	<i>2012 Total</i>	<i>Base</i>	<i>Subtotal</i>	<i>2011 Total</i>
<b>I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE</b>							
<b>1. Earned premiums, net of reinsurance:</b>							
a) gross written premium	15	1,962,646		2,258,576			
b) outwards reinsurance premium (-)	14	(128,812)		(50,807)			
Subtotal			1,833,834			2,207,769	
c) change in the gross amount of unearned premium reserve (+/-)		(775,385)		(1,254,200)			
d) change in the reinsurer's share of the unearned premium reserve (+/-)	14	75,691		22,501			
Subtotal			(699,694)			(1,231,699)	
<b>Total</b>	<b>15</b>			<b>1,134,140</b>			<b>976,070</b>
<b>2. Allocated investment return transferred from the Non-technical account</b>				<b>833,426</b>			<b>318,548</b>
<b>3. Other technical income, net of reinsurance</b>				<b>10,144</b>			<b>1,473</b>
<b>4. Claims expenses, net of reinsurance:</b>							
a) paid claims:							
aa) gross		1,310,988		878,791			
Subtotal			1,310,988			878,791	
b) change in reserve for claims (+/-):							
ba) gross		1,984,934		2,079,109			
Subtotal			1,984,934			2,079,109	
<b>Total</b>	<b>15</b>			<b>3,295,922</b>			<b>2,957,900</b>
<b>5. Change in other technical reserves, net of reinsurance (+/-)</b>				<b>(53,164)</b>			<b>7,247</b>

<i>(CZK thousand)</i>	<i>Note</i>	<i>Base</i>	<i>Subtotal</i>	<i>2012 Total</i>	<i>Base</i>	<i>Subtotal</i>	<i>2011 Total</i>
<b>6. Net operating expenses:</b>							
a) acquisition costs	15		19,177			18,161	
b) administrative expenses	15		270,646			227,082	
c) commissions from reinsurers and profit participations (-)	14		6,357			5,081	
<b>Total</b>				<b>283,466</b>			<b>240,162</b>
<b>7. Other technical expenses, net of reinsurance</b>				<b>21,976</b>			<b>239,510</b>
<b>8. Change in the equalisation reserve (+/-)</b>				<b>-</b>			<b>(3,477)</b>
<b>9. Result for the Technical account – non-life insurance</b>				<b>(1,570,490)</b>			<b>(2,145,251)</b>
<b>III. NON-TECHNICAL ACCOUNT</b>							
<b>1. Result for the Technical account – non-life insurance</b>				<b>(1,570,490)</b>			<b>(2,145,251)</b>
<b>2. Income from financial investments:</b>							
a) income from other financial investments		571,043			501,293		
Subtotal			571,043			501,293	
b) revaluation gains on financial investments			1,058,187			868,952	
c) income from the sale of financial investments			120,409			-	
<b>Total</b>				<b>1,749,639</b>			<b>1,370,245</b>
<b>3. Expenses from financial investments:</b>							
a) management fees and similar charges, including interest			1,610			1,525	
b) revaluation losses on financial investments			222,618			702,760	
c) cost of financial investments realisation related to sale of financial investment			118,022			-	
<b>Total</b>				<b>342,250</b>			<b>704,285</b>
<b>4. Allocated investment return transferred to the Technical account – non-life insurance</b>				<b>(833,426)</b>			<b>(318,548)</b>
<b>5. Other income</b>	12			<b>828,744</b>			<b>778,193</b>
<b>6. Other expenses</b>				<b>33,146</b>			<b>26,258</b>
<b>7. Income tax on profit from ordinary activities</b>	13			<b>-</b>			<b>-</b>
<b>8. Loss from ordinary activities after tax</b>				<b>(200,929)</b>			<b>(1,045,904)</b>
<b>9. Other taxes</b>				<b>4,475</b>			<b>4,249</b>
<b>10. Loss for the current period</b>				<b>(205,404)</b>			<b>(1,050,153)</b>

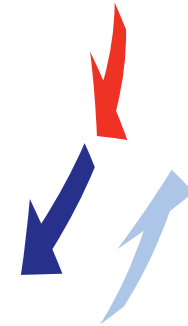
## Statement of changes in equity for the year ended 31 December 2012



	Note	Share capital	Statutory reserve fund	Other revenue funds	Other capital funds	Revaluation reserve	Retained Earnings (+)/ Accumulated losses (-)	Total
<i>(CZK thousand)</i>								
<b>As at 1 January 2011</b>		<b>1,300,000</b>	<b>260,000</b>	<b>1,739,369</b>	<b>6,786,277</b>	<b>47,657</b>	<b>377,331</b>	<b>10,510,634</b>
Capital subsidy from the state budget	8	–	–	–	1,000,000	–	–	1,000,000
Revaluation differences not recognised in income statement		–	–	–	–	21,825	–	21,825
Loss for the period	8	–	–	–	–	–	(1,050,153)	(1,050,153)
Allocation of profit from last year	8	–	–	368,462	–	–	(368,462)	–
Profit distribution	8	–	–	–	–	–	(8,869)	(8,869)
Utilisation of social fund and fund of the General Manager	8	–	–	(2,882)	–	–	–	(2,882)
<b>As at 31 December 2011</b>		<b>1,300,000</b>	<b>260,000</b>	<b>2,104,949</b>	<b>7,786,277</b>	<b>69,482</b>	<b>(1,050,153)</b>	<b>10,470,555</b>
Capital subsidy from the state budget	8	–	–	–	1,000,000	–	–	1,000,000
Revaluation differences not recognised in income statement		–	–	–	–	56,046	–	56,046
Loss for the period	8	–	–	–	–	–	(205,404)	(205,404)
Allocation of loss from last year	8	–	–	(1,050,153)	–	–	1,050,153	–
Utilisation of social fund and fund of the General Manager	8	–	–	(2,500)	–	–	–	(2,500)
<b>As at 31 December 2012</b>		<b>1,300,000</b>	<b>260,000</b>	<b>1,052,296</b>	<b>8,786,277</b>	<b>125,528</b>	<b>(205,404)</b>	<b>11,318,697</b>



# Notes to financial statements *for the year ended 31 December 2012*



## 1. General information

Exportní garanční a pojišťovací společnost, a.s. (“the Company” or “EGAP”) was incorporated by the signing of a Memorandum of Association on 10 February 1992 in compliance with Government Resolution CSFR No. 721/1991 on the programme for the support of exports and was registered in the Commercial Register on 1 June 1992. In 1992, the Ministry of Finance issued a decision granting EGAP a licence to perform insurance activities. This licence was replaced as a result of the enactment of the new Act on Insurance 363/1999 Coll., through the issuance of a new licence by the Ministry of Finance on 21 March 2002 to perform insurance, reinsurance and related activities. The main business activity of the Company is the insurance of credit risk with state support based on the Act on insurance and financing of exports with state support No. 58/1995 Coll. (“the Act”).

The State, as the sole shareholder of the Company, exercises its rights through the appointed central organs, which act in accordance to the role of a shareholder in exercising the competency of the General Meeting by an absolute majority of all votes. For the purpose of establishing a majority, the votes are distributed as follows:

520 votes	(i.e. 40%)	Ministry of Finance of the Czech Republic
468 votes	(i.e. 36%)	Ministry of Industry and Trade of the Czech Republic
156 votes	(i.e. 12%)	Ministry of Agriculture of the Czech Republic
156 votes	(i.e. 12%)	Ministry of Foreign Affairs of the Czech Republic

The Statutory body of the Company is the Board of Directors. The Statutory body of the Company acts on behalf of the Company through the signature of the Chairman of the Board of Directors or at least the signatures of two members of the Board of Directors being added to the printed or written name of the Company.

The Company is divided into sections – the managing director, international relations and compliance, risk management, business section, administration and finance and claims liquidation and receivables recovery – departments, divisions and offices. The Organisational Rules of EGAP establish the principles of internal organisation, position, competency and the responsibilities of individual organisational units and managers.

## **2. Accounting policies**

### **2.1. Basis of preparation**

The Company's financial statements have been prepared under the historical cost convention as modified by the revaluation of financial investments and technical reserves to fair values (as defined by the Act on Insurance) and are set up in accordance with the Act on Accounting, the decree of the Ministry of Finance of the Czech Republic and Czech accounting standards for insurance companies.

The amounts disclosed in the financial statements and notes are rounded to thousands of Czech Crowns (CZK' 000) unless otherwise stated and are not consolidated.

### **2.2. Financial investments**

The Company classifies the following items as financial investments:

- Land and buildings;
- Financial investments in subsidiaries and associates;
- Investments in securities;
- Deposits with financial institutions.

#### **2.2.1. Land and buildings**

Land and buildings are classified as financial investments and are initially recognised at cost. As at the balance sheet date, they are measured at fair value based upon expert valuation, which is updated at least every five years. Fair value represents the price, at which the land and buildings could be sold under normal circumstances in a competitive market. Changes in the fair value are recognised in equity net of tax effect and are transferred to the income statement as at the date of disposal of land and buildings. As at each balance sheet date, the Company assesses whether there is any indication that the land and buildings may be impaired. If any such indication exists, the Company estimates the recoverable amount using an updated expert valuation and adjusts the fair value of the land and buildings. Impairment adjustment is also recognised in equity.

#### **2.2.2. Financial investments in subsidiaries and associates**

This includes investments in equity or debt securities issued by and loans or other amounts due from subsidiaries and associates.

Investments in controlled entities represent investment in subsidiaries and investment in other entities, if the accounting entity controls the entity.

An associate is an enterprise where the Company has significant influence, which is the power to participate in the financial and operating policy decisions, but not control.

The shares in subsidiaries or associates are stated at fair value as at the balance sheet date. If the undertaking's shares are publicly traded the investment is stated at the market value and in the case that shares are not publicly traded, the fair value of associates is stated in accordance with § 27, article 7 of Act on Accounting using the equity method at the balance sheet date. The difference between the fair value or the equity value and original cost and changes in the fair value is recognised in equity.

### **2.2.3. Investments in securities**

Securities are valued on acquisition at cost. The cost of securities also includes direct costs related to the acquisition (e.g. fees and commissions paid to brokers, consultants or a stock exchange). Securities transactions are recognised on the settlement date.

All securities are stated at fair value as at the balance sheet date. The fair value of a security is determined as the market bid prices quoted by a relevant stock exchange or other active public market.

In other cases the fair value is estimated by:

- the share on the investee's equity for equities;
- the risk-adjusted net present value for debt securities and notes.

Other variable income securities include mainly mutual fund units and other securities with variable income not included in investments in subsidiaries and associates. Changes in the fair value of shares and other variable income securities are recognised in the income statement.

The Company classifies all bonds and other debt securities as available-for-sale debt securities.

### **Available-for-sale debt securities**

Bonds and other debt securities available for sale are neither debt securities at fair value through profit or loss nor debt securities held to maturity. They comprise mainly debt securities that are held for liquidity management. Changes in the fair value are recognised in the income statement.

#### 2.2.4. Deposits with financial institutions

Deposits with financial institutions are stated at fair value as at the balance sheet date, which usually approximates the amortised cost. Changes in the fair value are recognised in the income statement.

#### 2.3. Tangible and intangible fixed assets

Tangible and intangible fixed assets other than land and buildings are initially recorded at cost, which includes costs incurred in bringing the assets to their present location and condition, less depreciation and amortisation in case of depreciable tangible and amortisable intangible fixed assets, respectively. Land and buildings are classified within financial investments (Note 2.2.).

Fixed assets other than land and buildings are depreciated/amortised by applying the straight-line basis (accelerated basis respectively) over their estimated useful lives. Tangible assets with a unit cost of less than CZK 40,000 (CZK 60,000 for intangible assets) are treated as low-value assets and are expensed upon consumption. If the estimated useful life of low-value asset exceeds 1 year, the asset is recorded in fixed assets and is amortised.

Intangible and tangible fixed assets are amortised/depreciated over the following number of years:

<i>Group of fixed assets</i>	<i>Years</i>
Software	4
Computer technology	3
Moveable assets related to the building	4–5
Ventilation equipment	8
Machines and instruments	3–6
Furniture	6
Passengers cars	3

Where the carrying amount of a tangible or intangible fixed asset is greater than its estimated recoverable amount, a provision is established.

Repairs and maintenance expenditures are charged to expense as incurred. Improvement expenditures exceeding CZK 40,000 per item incurred within a one-year period are capitalised.

#### **2.4. Receivables**

The insurance premium receivable and other receivables are recorded at their nominal value adjusted by appropriate provisions for overdue receivables.

Receivables, which have been ceded to the Company in relation to an insurance claim, are recognised at replacement cost reduced by expected expenses for their recovery. They are recognised in Other receivables against Other income in the Non-technical account. If the recovery expenses are higher, these receivables are not recorded in the Balance sheet. Subsequently, amounts recovered over the carrying amount are recognised in Other income in the Non-technical account in the accounting period of the payment reception. Receivables written-off are recognised in Other expenses in the Non-technical account.

The creation/release of provisions for overdue receivables relating to the insurance business (with the exception of receivables ceded in relation to insurance claims) is recorded within Other technical expenses/income. Gross written premium is not affected by the creation/release of such provisions, nor in the event are those receivables written off.

The creation/release of provisions for overdue receivables ceded to the Company in relation to the insurance claim or not directly relating to the insurance business is recorded within Other non- technical expenses/income.

#### **2.5. Foreign currencies**

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange as at the transaction date.

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the Czech National Bank (“CNB”) effective as at the balance sheet date.

With the exception of foreign exchange differences related to assets and liabilities stated at their fair values or at equity as at the balance sheet date, all other realised and unrealised foreign exchange gains and losses are recognised in the income statement.

Foreign exchange differences related to assets and liabilities stated at their fair values or equity value as at the balance sheet date are included in fair values and are therefore not recognised separately.

## **2.6. Technical reserves**

The technical reserve accounts comprise amounts of assumed obligations resulting from insurance contracts in force with the aim to provide coverage for obligations resulting from those insurance contracts. Technical reserves are created in compliance with the Czech insurance legislation and as described below.

The Company has established the following technical reserves:

### **2.6.1. Unearned premium reserve**

The reserve for unearned premium is created with respect to individual contracts for non-life insurance business from the part of premium written that relates to subsequent accounting periods. The Company uses a “pro rata temporis” method to estimate the reserve.

### **2.6.2. Reserve for claims**

The reserve for claims is discounted to reflect the time value of money and is determined to cover liabilities from claims:

- insurance claims incurred and reported in the accounting period but not yet settled (RBNS);
- insurance claims incurred in the accounting period but not yet reported (IBNR).

RBNS is estimated as the total loan instalments in default and net present value of related future instalments.

IBNR is estimated based on the level of claims incurred before and reported after the end of the accounting period.

### **2.6.3. Reserve for bonuses and discounts**

The reserve for bonuses and discounts is established in accordance with insurance contracts and in accordance with the general insurance conditions in the amount of expected discounts on insurance premiums.

### **2.6.4. Equalisation reserve**

The equalisation reserve covers potential unexpected events, which have not been taken into account in the reserve for claims and the occurrence of insurance events of an extraordinary nature. The reserve is calculated in accordance with Czech insurance regulations from credit and guarantee insurance contracts only.

## **2.7. Gross written premium**

Gross written premium includes all amounts paid during the accounting period per insurance contracts, because insurance contracts become valid as at the date of payment according to the general business terms of EGAP. Premium is showed irrespective of whether these amounts refer entirely or partially to a future accounting period and whether or not the insurance contract relates to the transference of significant insurance risk from the policyholder to the Company by the Company's agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

## **2.8. Claims expenses**

Claims expenses are recognised when an insured loss occurs and after the amount of claims settlement is assessed. These costs also include the Company's costs related to handling claims arising from insured events.

## **2.9. Allocation of technical and non-technical expenses and revenues**

Expenses incurred and revenues generated are shown separately, depending on whether or not they directly relate to the insurance business.

All expenses and revenues directly relating to the insurance business are reflected in the technical account. The non-technical account comprises all other expenses and revenues. The allocation of indirect expenses to administration overheads of the technical account or other technical expenses is based on an internal allocation scheme.

## **2.10. Staff costs, pensions and social fund**

Staff costs are included in Administrative expense.

The Company makes contributions on behalf of its employees to a defined contribution pension plan and capital life insurance scheme. These contributions are accounted for directly as a personnel expense within administration expenses.

Regular contributions are made to the State to fund the national pension plan.

The Company creates a social fund to finance the social needs of its employees and the fund of the General Manager for rewards for extraordinary achievements. In compliance with Czech accounting requirements, the allocation to the social fund and the fund of the General Manager is not recognised in the income statement but as a profit distribution. Similarly, the usage of the social fund and the fund of the General Manager is not recognised in the income statement but as a decrease of the fund in the statement of changes in shareholder's equity. The social fund and the fund of the General Manager form a component of equity and are not shown as liabilities.

Profit distribution bonus, which is paid to the management and to employees of the Company, is also not recognised in the income statement but as a profit distribution.

## **2.11. Inwards and outwards reinsurance**

### **Inwards reinsurance**

Transactions and balances from inwards reinsurance contracts are treated the same way as insurance contracts.

### **Outwards reinsurance**

Reinsurance assets resulting from the portion of the carrying value of technical reserves covered by existing reinsurance contracts are netted from the gross value of the technical reserves.

Receivables from and payables due to reinsurers are measured at cost.

Changes in reinsurance assets, reinsurers' share in claims, reinsurance commissions and premiums ceded to reinsurers are presented separately on the face of the income statement along with the corresponding gross amounts. Reinsurance commissions are not deferred and are recognised immediately in the income statement.

The Company regularly assesses its reinsurance assets representing the reinsurers' share of technical reserves and reinsurance receivables for impairment. Where the carrying amount of such assets is greater than the estimated recoverable amount, the carrying value is adjusted to the recoverable.

## **2.12. Deferred taxation**

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the liability method. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which this asset can be utilised.

The approved tax rate for the period in which the Company expects to utilise the asset is used for the deferred taxation calculation.

Deferred tax arising from revaluation gains and losses reflected in the revaluation reserve in equity is recognised directly in equity.

In accordance with Czech National Accounting Board Interpretation No. 4, the Company does not recognise deferred tax on the revaluation difference of participating interest as such difference is considered permanent.



### **2.13. Related party transactions**

Related parties are defined as follows:

- Companies, that form a group of companies with the Company. The Company forms the group with Česká exportní banka, a.s. (hereinafter “ČEB”) and with KUPEG úvěrová pojišťovna, a.s. (hereinafter “KUPEG”);
- State financial institutions that EGAP enters business relations with: Českomoravská záruční a rozvojová banka, a.s. (hereinafter “ČMZRB”);
- Members of Board of Directors, Supervisory Boards and Company management and parties close to such members.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Material transactions, outstanding balances and pricing policies with related parties are disclosed in Notes 15. and 16.

### **2.14. Subsequent events**

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

## **3. Risk management and procedures**

The financial conditions and operating results of EGAP are affected by a number of key risks, to which EGAP is exposed while providing insurance and while undertaking trades on the money and capital markets. The description of risks and the monitoring thereof are described in the internal Risk management strategy, which is gradually being incorporated into other internal guidelines of the Company.

EGAP, while defining types of risks and their internal definitions, respects the wording of the application decree of the CNB No. 434/2009 Coll., on Act on Insurance. Simultaneously, it is all done in connection with the activities of EGAP related to support of exports of the Czech Republic in accordance with the Act.

The following risks are considered:

### **3.1. Insurance risk**

Insurance risk represents the probability of an insurance danger appearing where the danger is defined as the possible cause of an insured event. Insurance risk includes the following risks:

- occurrence risk – the possibility that the number of insured events will differ from those expected;
- severity risk – the possibility that the costs of the events will differ from those expected;
- development/timing risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of a contract period.

Insurance risk is the most significant risk that EGAP is facing; heightened attention is paid to managing this risk.

The Company manages insurance risk through the following:

- maintenance of a surplus of readily available assets over the expected pattern of claim payments;
- the use of prudent underwriting policies;
- reinsurance.

### **3.2. Concentration risk**

Concentration risk is a risk of loss arising from concentrations against one single entity, group of entities, industry or country, which would represent an important insurance exposure. Concentration risk in EGAP is significantly influenced by its specific role in the state support of exports.

Concentration risk is a significant risk arising from the substance of EGAP's activities.

EGAP analyses concentration risk through the following:

- by underwriting policy;
- by stipulating the terms of insurance contracts;
- by allocating own resources to significant concentrations;
- by setting concentration limits.

### **3.3. Market risk**

Market risk is the risk of loss arising from changes in the market prices of shares and other assets traded on the market, which include interest rates and foreign exchange rates. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

These risks are of low to middle significance to EGAP (foreign exchange risk).

In the area of investments, market risk is managed through the investment strategy, which determines the characteristics of the portfolio and limits of acceptable risk, which are monitored regularly. Financial investments are diversified in accordance with currently valid Czech insurance legislation. Limits are set on financial investments for individual types of investment also taking into consideration the risks of the counterparty.

Foreign exchange risk represents a more significant risk in the area of insurance exposure. This risk is actively monitored and evaluated by EGAP and, as needed, resources are allocated to cover it.

### **3.4. Liquidity risk**

Liquidity risk is the risk that payment of obligations may not be met in a timely manner. The Company is exposed to daily calls on its available cash resources and the risk exists that payment of obligations may not be met in a timely manner at a reasonable cost.

In compliance with the valid insurance legislation, the Company maintains a sufficient portion of its financial investments in liquid and secure financial instruments, which are used to cover claims, terminated contracts and settlement payments. This risk is of low significance to EGAP.

### **3.5. Operating risk**

Operating risk is the risk of losses caused by the lack or failure of the human factor, internal processes, internal systems or as the result of the impact of external facts. Under the umbrella topic of operating risk, risk of loss or misuse of data in information systems, legal risk or compliance risk are also included. Compliance risk includes the possibility that transactions may not be enforceable under applicable laws or regulations.

Operating risk is of low to middle significance to EGAP.

The most significant element of operating risk is risk to information systems, including possible loss of data, is mitigated by there being a strict setting of security rules, which are regularly evaluated and updated.

### **3.6. Other risks**

Other risks are risks such as credit risks, i.e. risk of default by a counterparty; in the case of EGAP, only default by the counterparty Export Credit Agency (“ECA”), and then only in respect of outward reinsurance; further strategic risk and reputational risk.

By selecting a financial placement structure, the Company appraises the creditworthiness of the respective counterparties which are regularly reassessed.

To manage the insurance risk, the Company also uses reinsurance to a limited extent. The Company periodically monitors the credit ratings of each reinsurer and their financial strength.

The Board of Directors does not conduct explicit activities in managing strategic, commercial, and reputational risks. The Board of Directors consistently follows legal regulations during its decision making.

## 4. Financial investments

### 4.1. Land and buildings – operating

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
<b>Land</b>		
Acquisition costs	103,960	103,960
Revaluation difference	4,633	4,633
<b>Total</b>	<b>108,593</b>	<b>108,593</b>
<b>Buildings</b>		
Acquisition costs	507,367	506,860
Revaluation difference	79,810	79,810
<b>Total</b>	<b>587,177</b>	<b>586,670</b>
<b>Total acquisition costs</b>	<b>611,327</b>	<b>610,820</b>
<b>Total revaluation difference (Note 8.5.)</b>	<b>84,443</b>	<b>84,443</b>
<b>Total operating land and buildings at fair value</b>	<b>695,770</b>	<b>695,263</b>

The Company owns building No. 701, Vodičkova 34, Prague 1 with parcel of land No. 2061 with an area of 2,260 m<sup>2</sup>, registered at LV No. 198, cadastral area Nové Město.

The last revaluation of the land and building to fair value based on expert valuation was performed as at 1 October 2008. Management of the Company believes that the fair value of land and buildings has not significantly changed since this expert valuation.

## 4.2. Financial investments in subsidiaries and associates

### 4.2.1. Participating interests in associates

31 December 2012	Number of shares	Nominal value (CZK' 000)	Aquisition cost (CZK' 000)	Share on share capital (CZK' 000)	Share on share capital (%)	2012 profit/(loss) (CZK' 000)	Net assets (CZK' 000)
Česká exportní banka, a.s.							
Vodičkova 34, Prague 1	50	10,000	530,000	800,000	20.00	83,446	4,242,239
	300	1,000	300,000				
Revaluation difference			18,448				
<b>Fair value</b>			<b>848,448</b>				
KUPEG úvěrová pojišťovna, a.s.							
Na Pankráci 1683/127, Prague 4	68	1,000	90,222	68,000	34.00	(11,192)	377,470
Revaluation difference			38,682				
<b>Fair value</b>			<b>128,904</b>				
<b>Total fair value *</b>			<b>977,352</b>				

\* The carrying amount is based on the associates' equity.

31 December 2011	Number of shares	Nominal value (CZK' 000)	Aquisition cost (CZK' 000)	Share on share capital (CZK' 000)	Share on share capital (%)	2011 profit/(loss) (CZK' 000)	Net assets (CZK' 000)
Česká exportní banka, a.s.							
Vodičkova 34, Prague 1	50	10,000	530,000	800,000	20.00	161,228	3,945,008
	300	1,000	300,000				
Revaluation difference			(40,998)				
<b>Fair value</b>			<b>789,002</b>				
KUPEG úvěrová pojišť'ovna, a.s.							
Na Pankráci 1683/127, Prague 4	68	1,000	90,222	68,000	34.00	48,475	388,662
Revaluation difference			42,082				
<b>Fair value</b>			<b>132,304</b>				
<b>Total fair value *</b>			<b>921,306</b>				

\* The carrying amount is based on the associates' equity.

There are no differences between the percentage of ownership and percentage of voting rights in any undertaking mentioned above.

### 4.3. Other financial investments

#### 4.3.1. Investments in securities

(CZK thousand)	31 December 2012	31 December 2011
Other variable income securities – mutual fund units	290,351	290,654
Bonds and other debt securities – available-for-sale	13,763,217	13,061,060
<b>Total fair value</b>	<b>14,053,568</b>	<b>13,351,714</b>

4.3.2. Other variable income securities – mutual fund units

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
<b>Unquoted</b>		
Acquisition costs	275,318	275,318
Revaluation difference	15,033	15,336
<b>Total fair value</b>	<b>290,351</b>	<b>290,654</b>

4.3.3. Debt securities available-for-sale

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Recognised domestic stock exchanges	12,088,482	12,491,391
Recognised foreign stock exchanges	416,260	122,128
<b>Amortised cost</b>	<b>12,504,742</b>	<b>12,613,519</b>
Revaluation difference	1,258,475	447,541
<b>Total fair value</b>	<b>13,763,217</b>	<b>13,061,060</b>

4.3.4. Deposits with financial institutions

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Domestic banks	6,988,446	6,943,560



## 5. Intangible and tangible fixed assets

### 5.1. Intangible fixed assets

<i>(CZK thousand)</i>	<i>1 January 2011</i>	<i>Additions</i>	<i>31 December 2011</i>	<i>Additions</i>	<i>31 December 2012</i>
<b>Acquisition cost</b>					
Software	31,950	2,200	34,150	2,930	37,080
Other intangible assets	4,797	–	4,797	–	4,797
<b>Total acquisition cost</b>	<b>36,747</b>	<b>2,200</b>	<b>38,947</b>	<b>2,930</b>	<b>41,877</b>
<b>Accumulated amortisation</b>					
Software	29,538	913	30,451	1,792	32,243
Other intangible assets	4,797	–	4,797	–	4,797
<b>Total amortisation</b>	<b>34,335</b>	<b>913</b>	<b>35,248</b>	<b>1,792</b>	<b>37,040</b>
<b>Net book amount</b>	<b>2,412</b>		<b>3,699</b>		<b>4,837</b>

### 5.2. Tangible fixed assets other than land and buildings

<i>(CZK thousand)</i>	<i>1 January 2011</i>	<i>Additions</i>	<i>Disposals</i>	<i>31 December 2011</i>	<i>Additions</i>	<i>Disposals</i>	<i>31 December 2012</i>
<b>Acquisition cost</b>							
Machines and equipment	64,621	2,951	11,609	55,963	3,378	1,894	57,447
Passenger cars	7,235	1,929	2,320	6,844	429	1,551	5,722
Works of art	625	–	–	625	–	–	625
Tangible assets not yet brought into use	161	5	–	166	–	91	75
<b>Total acquisition cost</b>	<b>72,642</b>	<b>4,885</b>	<b>13,929</b>	<b>63,598</b>	<b>3,807</b>	<b>3,536</b>	<b>63,869</b>
<b>Accumulated depreciation</b>							
Machines and equipment	61,965	2,045	11,609	52,401	2,150	1,894	52,657
Passenger cars	5,848	1,160	2,320	4,688	1,722	1,551	4,859
<b>Total depreciation</b>	<b>67,813</b>	<b>3,205</b>	<b>13,929</b>	<b>57,089</b>	<b>3,872</b>	<b>3,445</b>	<b>57,516</b>
<b>Net book amount</b>	<b>4,829</b>			<b>6,509</b>			<b>6,353</b>

## 6. Debtors

31 December 2012

	<i>Receivables from policy holders</i>	<i>Tax receivables</i>	<i>Other receivables</i>	<i>Total</i>
<i>(CZK thousand)</i>				
Current	14	–	2,150	2,164
Overdue	30	–	372,740	372,770
<b>Total</b>	<b>44</b>	<b>–</b>	<b>374,890</b>	<b>374,934</b>
Provision for overdue receivables	(30)	–	(364,065)	(364,095)
<b>Total receivables, net</b>	<b>14</b>	<b>–</b>	<b>10,825</b>	<b>10,839</b>

31 December 2011

	<i>Receivables from policy holders</i>	<i>Tax receivables</i>	<i>Other receivables</i>	<i>Total</i>
<i>(CZK thousand)</i>				
Current	170	851	2,327	3,348
Overdue	37	–	365,905	365,942
<b>Total</b>	<b>207</b>	<b>851</b>	<b>368,232</b>	<b>369,290</b>
Provision for overdue receivables	(30)	–	(357,318)	(357,348)
<b>Total receivables, net</b>	<b>177</b>	<b>851</b>	<b>10,914</b>	<b>11,942</b>

Receivables against related parties are disclosed in Note 16.

Insured receivables from insurance products might be transferred to the Company. In 2012, the nominal amount of ceded receivables from policy holders resulting from a receivable claim totalled CZK 419,783,000 (2011: CZK 938,040,000). Ceded receivables are recorded at cost within other assets and within Other income in the Non-technical accounts at the date of cession, the cost is represented by the value of receivables defined in the contract on cession of receivable. The total cost of receivables ceded to EGAP in 2012 was CZK 55,994,000 (2011: CZK 308,478,000).

The change in the provision for overdue receivables may be analysed as follows:

<i>(CZK thousand)</i>	<i>2012</i>	<i>2011</i>
Opening balance at 1 January	357,348	119,821
Charge for the year	21,073	238,670
Release	(14,326)	(1,143)
Closing balance as at 31 December	364,095	357,348

## 7. Prepayments and accrued income

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Accrued income from insurance contracts	440,433	7,966
Prepayment for business data, communications and membership fees	10,054	7,272
Inventory	1,473	1,416
Other	–	1,028
<b>Total</b>	<b>451,960</b>	<b>17,682</b>

Deferred revenue from insurance contracts in the amount of CZK 439,585,000 (31 December 2011: CZK 0) is represented by Deferred income from a one-off sale of receivables.

## 8. Equity

### 8.1. Share capital

	<i>Number of pieces</i>	<i>31 December 2012 (CZK thousand)</i>	<i>Number of pieces</i>	<i>31 December 2011 (CZK thousand)</i>
Ordinary shares of CZK 1 million, fully paid	1,300	1,300,000	1,300	1,300,000

The share capital was paid up by a monetary contribution of CZK 920,000,000 and a non-monetary contribution of CZK 380,000,000. The shares of the Company are owned by the Czech state pursuant to the Section 4, article 1 of the Act, registered, materialised and not publicly traded.

## 8.2. Statutory reserve fund and revenue funds

*(CZK thousand)*

	<i>31 December 2012</i>	<i>31 December 2011</i>
Statutory reserve fund	260,000	260,000
Other (special-purpose) funds	1,052,296	2,104,949
<b>Total</b>	<b>1,312,296</b>	<b>2,364,949</b>

The statutory reserve fund may be used to offset losses only. The Company is required by law to transfer 5% of its annual net profits to the statutory reserve fund until the balance of this reserve reaches 20% of the issued share capital.

## 8.3. Capital funds

*31 December 2012*

*(CZK thousand)*

	<i>Insurance with state support</i>	<i>Revaluation difference</i>	<i>Total</i>
Other capital funds	8,786,277	125,528	8,911,805
of which: subsidies from state budget	8,683,000	–	8,683,000

*31 December 2011*

*(CZK thousand)*

	<i>Insurance with state support</i>	<i>Revaluation difference</i>	<i>Total</i>
Other capital funds	7,786,277	69,482	7,855,759
of which: subsidies from state budget	7,683,000	–	7,683,000

In 2012 and 2011, the Company received a subsidy from the state budget of CZK 1 billion to increase the capital funds designated for coverage of insurance exposure.

#### 8.4. Other (special-purpose) funds

<i>(CZK thousand)</i>	<i>1 January 2011</i>	<i>Usage/ transfers</i>	<i>31 December 2011</i>	<i>Usage/ transfers</i>	<i>31 December 2012</i>
Insurance with State support fund	1,129,524	363,462	1,492,986	(1,050,153)	442,833
Loss prevention fund	494,438	–	494,438	–	494,438
Social fund and fund of the General Manager	15,407	2,118	17,525	(2,500)	15,025
Fund of participation in KUPEG	100,000	–	100,000	–	100,000
<b>Total</b>	<b>1,739,369</b>	<b>365,580</b>	<b>2,104,949</b>	<b>(1,052,653)</b>	<b>1,052,296</b>

#### 8.5. Revaluation reserve

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Land and buildings (Note 4.1.)	84,443	84,443
Financial investments in associates (Note 4.2.)	57,130	1,084
Deferred tax (Note 13.)	(16,045)	(16,045)
<b>Total revaluation reserve</b>	<b>125,528</b>	<b>69,482</b>

#### 8.6. Loss after taxation

The Annual General Meeting will decide on the allocation of the 2012 loss of CZK 205,404,000.

Allocation of the 2011 loss was approved by the Company's General Meeting held on 26 April 2012 and is shown in the Statement of changes in equity.

## 9. Technical reserves

<i>31 December 2012</i>	<i>Unearned premium reserve</i>	<i>Reserve for claims</i>	<i>Reserve for bonuses and discounts</i>	<i>Total</i>
<i>(CZK thousand)</i>				
Gross reserve	6,791,207	7,362,088	14,958	14,168,253
Gross reserve – inwards reinsurance (Note 14.)	270,795	–	–	270,795
Share of reinsurer (Note 14.)	(341,874)	–	–	(341,874)
<b>Net reserve</b>	<b>6,720,128</b>	<b>7,362,088</b>	<b>14,958</b>	<b>14,097,174</b>

<i>31 December 2011</i>	<i>Unearned premium reserve</i>	<i>Reserve for claims</i>	<i>Reserve for bonuses and discounts</i>	<i>Total</i>
<i>(CZK thousand)</i>				
Gross reserve	6,040,005	5,377,155	68,122	11,485,282
Gross reserve – inwards reinsurance (Note 14.)	246,611	–	–	246,611
Share of reinsurer (Note 14.)	(266,183)	–	–	(266,183)
<b>Net reserve</b>	<b>6,020,433</b>	<b>5,377,155</b>	<b>68,122</b>	<b>11,465,710</b>

### 9.1. Reserve for claims

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Gross RBNS reserve	6,847,422	3,018,576
Gross IBNR reserve	514,666	2,358,579
<b>Total reserve for claims</b>	<b>7,362,088</b>	<b>5,377,155</b>

Due to the current uncertainty over future ability to repay export customer loans granted to glasswork debtors in Russia, the Company created an IBNR reserve as at 31 December 2011 in the amount of CZK 2,240,298,000. RBNS reserve in amount of CZK 3,181,387,000 was created for these cases as at 31 December 2012.

## 9.2. Run off analysis

Estimate of ultimate claims costs as at 31 December 2012

<i>(CZK thousand)</i>	<i>Claims arising in the year</i>										<i>Total</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	
At the end of accounting period	57,623	518,265	760,169	141,315	644,764	847,087	3,193,344	1,199,934	3,017,333	4,172,351	
One year later	32,223	486,696	453,853	125,824	682,610	728,389	3,308,397	1,051,803	1,653,676		
Two years later	32,295	486,583	449,912	125,493	672,964	473,421	3,362,862	1,552,583			
Three years later	34,306	175,433	444,081	116,767	396,310	497,326	3,305,802				
Four years later	32,085	175,467	432,902	116,813	401,083	486,357					
Five years later	32,126	175,208	432,902	116,813	400,408						
Six years later	31,502	175,309	432,902	116,813							
Seven years later	31,502	170,380	432,902								
Eight years later	31,502	170,380									
Nine years later	31,502										
Current estimate of cumulative claims	31,502	170,380	432,902	116,813	400,408	486,357	3,305,802	1,552,583	1,653,676	4,172,351	12,322,774
Cumulative payments as at 31 December 2012	(31,502)	(170,380)	(432,902)	(116,813)	(376,005)	(486,357)	(2,295,183)	(756,325)	(293,567)	(1,652)	(4,960,686)
<b>Total reserve for claims</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,403</b>	<b>-</b>	<b>1,010,619</b>	<b>796,258</b>	<b>1,360,109</b>	<b>4,170,699</b>	<b>7,362,088</b>
<b>Gross claim reserve as at 31 December 2012</b>											<b>7,362,088</b>

Estimate of ultimate claims costs as at 31 December 2011

<i>(CZK thousand)</i>	<i>Claims arising in the year</i>									<i>Total</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	
At the end of accounting period	57,623	518,265	760,169	141,315	644,764	847,087	3,193,344	1,199,934	3,017,333	
One year later	32,223	486,696	453,853	125,824	682,610	728,389	3,308,397	1,051,803		
Two years later	32,295	486,583	449,912	125,493	672,964	473,421	3,362,862			
Three years later	34,306	175,433	444,081	116,767	396,310	497,326				
Four years later	32,085	175,467	432,902	116,813	401,083					
Five years later	32,126	175,208	432,902	116,813						
Six years later	31,502	175,309	432,902							
Seven years later	31,502	170,380								
Eight years later	31,502									
Current estimate of cumulative claims	31,502	170,380	432,902	116,813	401,083	497,326	3,362,862	1,051,803	3,017,333	9,082,004
Cumulative payments as at 31 December 2011	(31,502)	(170,380)	(432,902)	(116,813)	(323,508)	(486,357)	(1,886,590)	(234,735)	(22,062)	(3,704,849)
<b>Total reserve for claims</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,575</b>	<b>10,969</b>	<b>1,476,272</b>	<b>817,068</b>	<b>2,995,271</b>	<b>5,377,155</b>
<b>Gross claim reserve as at 31 December 2011</b>										<b>5,377,155</b>

Movements on gross technical reserves can be analysed as follows:

<i>(CZK thousand)</i>	<i>Unearned premium reserve</i>	<i>Reserve for claims</i>	<i>Reserve for bonuses and discounts</i>	<i>Equalisation reserve</i>	<i>Total</i>
As at 1 January 2011	5,032,417	3,298,046	60,875	3,477	8,394,815
Additions	2,081,331	3,937,200	12,602	-	6,031,133
Usage	(827,132)	(1,858,091)	(5,355)	(3,477)	(2,694,055)
<b>As at 31 December 2011</b>	<b>6,286,616</b>	<b>5,377,155</b>	<b>68,122</b>	<b>-</b>	<b>11,731,893</b>
Additions	1,786,826	4,207,036	1,712	-	5,995,574
Usage	(1,011,440)	(2,222,103)	(54,876)	-	(3,288,419)
<b>As at 31 December 2012</b>	<b>7,062,002</b>	<b>7,362,088</b>	<b>14,958</b>	<b>-</b>	<b>14,439,048</b>



## 10. Other provisions

Other provisions as at 31 December 2012 include the Provision for unused holidays of CZK 2,935,000 (31 December 2011: CZK 4,957,000).

Movements on other provisions can be analysed as follows:

<i>(CZK thousand)</i>	<i>2012</i>	<i>2011</i>
<b>Provision for unused holiday</b>		
As at 1 January	4,957	3,551
Charge	2,935	4,957
Usage	(4,957)	(3,551)
<b>As at 31 December</b>	<b>2,935</b>	<b>4,957</b>

## 11. Creditors

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
<b>Long-term payables</b>		
– due over 5 years	9	9
– due within 1–5 years	4	6
<b>Short-term payables</b>		
– due within 1 year	28,059	9,451
<b>Total</b>	<b>28,072</b>	<b>9,466</b>

The Company has no overdue liabilities for social insurance, contributions to the state employment policy, health insurance or tax liabilities payable to the relevant tax authority.

Other payables can be analysed as follows:

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Payables to employees	15,595	5,418
Social and health insurance payables	5,632	2,090
Tax payables – including corporate tax	1,533	(5)
Operating advances received	13	11
Other payables	5,299	1,952
<b>Total</b>	<b>28,072</b>	<b>9,466</b>

Payables to related parties are disclosed in Note 16.

## 12. Other income

Other income may be analysed as follows:

<i>(CZK thousand)</i>	<i>2012</i>	<i>2011</i>
Revenues from collected receivables	99,751	174,694
Revenues from sale of receivables	439,585	–
Revenues from ceded receivables	11,717	247,153
Proceeds from ceded receivables	222,533	312,238
Foreign exchange gains	18,325	11,511
Rental and related services	25,489	26,853
Others	11,344	5,744
<b>Total other income</b>	<b>828,744</b>	<b>778,193</b>

### 13. Taxation

The current tax expense is calculated as follows:

<i>(CZK thousand)</i>	<i>2012</i>	<i>2011</i>
Loss before taxation	(205,404)	(1,050,153)
Non-taxable income	(76,880)	(59,445)
Non-deductible expenses	44,931	297,168
<b>Net taxable profit</b>	<b>(237,353)</b>	<b>(812,430)</b>
Tax loss	(237,353)	(812,430)
<b>Current tax charge at 19%</b>	<b>–</b>	<b>–</b>

Deferred tax asset/(liability) was calculated at 19% (the rate enacted as at 31 December 2012 and 2011 for subsequent years) and can be analysed as follows:

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
<b>Deferred tax liability</b>		
Buildings revaluation in equity (Note 8.5.)	(16,045)	(16,045)
Accelerated tax depreciation	(62,245)	(59,606)
<b>Total deferred tax liability</b>	<b>(78,290)</b>	<b>(75,651)</b>
<b>Deferred tax asset</b>		
Tax losses	545,914	500,783
Other	558	1,034
<b>Total deferred tax asset</b>	<b>546,472</b>	<b>501,817</b>
<b>Potential net deferred tax asset</b>	<b>468,182</b>	<b>426,166</b>

The potential net deferred tax asset as at 31 December 2012 and 31 December 2011 has not been recognised because the management of the Company believes that its future utilisation is not probable.

## 14. Inward and outward reinsurance

### 14.1. Inward reinsurance

*(CZK thousand)*

	<i>2012</i>	<i>2011</i>
<b>Technical reserves related to inward reinsurance (Note 9.)</b>	<b>270,795</b>	<b>246,611</b>
Inward reinsurance premium	60,540	89,616
Share of reinsurer on the change in unearned premium reserve	(24,184)	(57,130)
Commissions from reinsurers	(6,054)	(8,962)
<b>Inward reinsurance result</b>	<b>30,302</b>	<b>23,524</b>

### 14.2. Outward reinsurance

*(CZK thousand)*

	<i>2012</i>	<i>2011</i>
<b>Portion of technical reserves covered by reinsurance (Note 9.)</b>	<b>341,874</b>	<b>266,183</b>
Outward reinsurance premium	(128,812)	(50,807)
Share of reinsurer on creation of claim reserve	75,691	22,501
Commissions paid to reinsurers	6,357	5,081
<b>Outward reinsurance result</b>	<b>(46,764)</b>	<b>(23,225)</b>

## 15. Technical account – non-life insurance

### 15.1. Non-life insurance

<i>(CZK thousand)</i>	<i>Gross written premium</i>	<i>Gross earned premium</i>	<i>Gross claims expenses</i>	<i>Gross operating expenses</i>
<b>2012</b>				
Credit insurance (sector 14) – insurance with State support	1,788,782	1,017,892	2,738,008	241,107
Guarantee insurance (sector 15)	13,450	34,966	50,207	27,064
Other financial risks insurance (sector 16)	160,414	81,282	507,707	21,652
<b>Total</b>	<b>1,962,646</b>	<b>1,134,140</b>	<b>3,295,922</b>	<b>289,823</b>
<b>2011</b>				
Credit insurance (sector 14) – insurance with State support	2,229,280	870,352	2,645,499	177,119
Guarantee insurance (sector 15)	17,532	34,524	16,604	45,416
Other financial risks insurance (sector 16)	11,764	71,194	295,797	22,708
<b>Total</b>	<b>2,258,576</b>	<b>976,070</b>	<b>2,957,900</b>	<b>245,243</b>

#### 15.1.1. Geographical structure of gross written premium

All gross written premiums arise from non-life insurance contracts concluded in the Czech Republic.

### 15.2. Administration expenses

<i>(CZK thousand)</i>	<i>2012</i>	<i>2011</i>
Personnel costs	207,789	178,343
Other administrative expenses	28,173	25,460
Depreciation and amortisation of fixed assets	5,664	4,118
Building administrative expenses	9,990	10,895
Information and communication services	4,286	3,988
Advisory and other assurance services	13,490	2,543
Compulsory annual audit of the financial statements	1,254	1,735
<b>Total administration expenses</b>	<b>270,646</b>	<b>227,082</b>

### 15.3. Personnel costs

Staff costs can be analysed as follows:

<i>(CZK thousand)</i>	2012	2011
Emoluments of statutory and supervisory bodies	44,905	39,952
Emoluments of other members of senior management	29,221	19,085
Other wages, personal costs and emoluments of employees	88,599	75,248
Social costs and health insurance	45,064	44,058
<b>Total personnel costs</b>	<b>207,789</b>	<b>178,343</b>

<i>Staff statistics</i>	2012	2011
Average number of employees (excluding top management)	105	94
Number of other members of senior management	21	21
<b>Total</b>	<b>126</b>	<b>115</b>
Number of members of the Board of Directors	5	5
Number of members of the Supervisory Board	9	9

The management of the Company – Executive management includes the General Manager, his deputies and heads of sections. The Board of Directors in 2012 and 2011 was formed exclusively by members of the executive management of the Company.

Membership functions in the Board of Directors and Supervisory Board earn no extra income. No advances, loans and credits or guarantees were provided to the shareholder and to the members of the Board of Directors and Supervisory Board during 2012 or 2011. The Company contributes to defined contribution investment life insurance schemes for the management of the Company which amounted to CZK 1,758,000 in 2012 (2011: CZK 3,440,000).

Company cars are made available for use by management, starting from deputies. Total cost as at 31 December 2012 of such cars was CZK 3,935,000 (31 December 2011: CZK 4,715,000).

### 15.4. Other administration overheads

Other administrative expenses include mainly travel expenses, postal and telecommunication charges, personal and property insurance, educational courses, repairs and maintenance of the building.

## 16. Related party transactions

The Company was involved in the following related party transactions in addition to transactions disclosed in Note 15.

### *Income statement transactions (CZK thousand)*

	<i>2012</i>	<i>2011</i>
ČEB		
Gross premium written	917,739	1,115,546
Invoicing from rental agreement	21,685	22,838
Other invoicing from insurance contracts	170	434
Other re-invoicing	20	2
Interest income	24,502	28,278
<b>Total</b>	<b>964,116</b>	<b>1,167,098</b>
Creation of claim reserves	(1,432,101)	(2,240,298)
Claims paid	(634,178)	(226,990)
Other	(11,326)	(3,608)
<b>Claims paid</b>	<b>(2,077,605)</b>	<b>(2,470,896)</b>
ČMZRB		
<b>Interest income</b>	<b>833</b>	<b>1,369</b>

These transactions were realised at normal commercial terms.

The following related party balances were outstanding as at:

<i>(CZK thousand)</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
ČEB		
Current accounts	22,858	128
Term deposits	1,487,508	2,726,099
Other receivables	25	31
<b>Total</b>	<b>1,510,391</b>	<b>2,975,322</b>
RBNS	(5,107,645)	(1,430,740)
IBNR	(97,025)	(2,341,829)
<b>Total</b>	<b>(5,204,670)</b>	<b>(3,772,569)</b>
ČMZRB		
Current accounts	11	14
Term deposits	121,277	120,444
<b>Total</b>	<b>121,288</b>	<b>120,458</b>

Current accounts and term deposits bear interest at market interest rates. Other amounts due to and due from related parties arose under similar terms and conditions as for unrelated parties.

## 17. Contingent liabilities

The management of the Company is not aware of any significant unrecorded contingent liabilities at as the balance sheet date.



## 18. Subsequent events

There were no significant events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2012, other than those already mentioned in these notes to financial statements.

### Statutory approvals

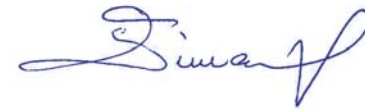
The financial statements have been approved by the Board of Directors and have been signed below on their behalf.

19 March 2013



**Jan Procházka**

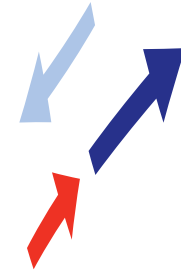
Chairman of Board of Directors  
Managing Director  
Export Guarantee and Insurance Corporation,  
joint-stock company



**Milan Šimáček**

Vice-Chairman of Board of Directors  
Deputy of Managing Director  
Export Guarantee and Insurance Corporation,  
joint-stock company

# Report of the Board of Directors on entrepreneurial activities of the Company and on state of its assets *in the year 2012*



## Report of the Board of Directors on the entrepreneurial activities of the Company and on the state of its assets pursuant to the Art. 192, par. 2 of the Commercial Code in the year 2012

In 2012, Export Guarantee and Insurance Corporation (EGAP) achieved the largest volume of its insurance of export credits, investment credits, investments of Czech legal persons abroad and of bank guarantees in the whole history of EGAP; these results simultaneously continue the trend of the last 5 years when even after 2 moderate annual declines the curve of the volume of newly concluded contracts had gone upwards. **The volume of newly concluded insurance contracts reached the amount of CZK 72.1 billion in 2012** and, beside the annual growth of almost 36%, it also exceeded the value stipulated by the business plan for 2012 by more than CZK 14 billion. The former second best record result of CZK 67.2 billion from the year 2010 could be exceeded by almost CZK 5 billion.

This record volume confirmed that Czech exporters had been able to continue, or even at an increasing rate, to assert themselves on foreign markets despite unfavourable development of the world economy. Support given by EGAP is returning more beside the growth of Czech exports; it is also in the form of motivation and impulses for Czech production and subsequently in support of employment in the Czech Republic.

After including the results reached in the year 2012, **the overall volume of all export credits, investment of Czech legal persons and bank guarantees** insured by EGAP with state support for a 20 year period of activities (i.e. for years 1992–2012) already reached the total of CZK 608 billion.

**Regarding distribution of insurance products**, insurance of buyer credits (type D) continued to dominate by a full 55%, the share of insurance of investments and of credits for investments (I and If) was very significant with about 29% (from 16% in 2011). The share of other export credits reached about 7%. Insurance of financing production for export (pre-export financing, type F) had a share of approximately 5%. **The territorial structure** reflected the fact that a majority of new insurance contracts during 2012 was realised into territories which belong among traditional markets of Czech exporters, above all to Russia (31%) and to other CIS states (without Russia they represented in all about 17%), further to Serbia (12%), Azerbaijan (10%), India (also 10%) and Bulgaria (8%).

**Written premiums** which reached almost **CZK 2 billion** in 2012, exceeded the amount set by the business plan by almost 3.3%; but above all, they were higher than the annual volume of indemnification payments by approximately CZK 0.7 billion (CZK 1.3 billion). EGAP was extremely successful in its recovery activities when the **volume of all recovered receivables reached a record level of CZK 762 million in 2012** (this was higher by as much as CZK 183 million against the second best volume from 2008).

**The business result** for the whole 2012 accounting period was negative and amounted to CZK -205.4 million. The business plan for 2012 compiled on the basis of information and conditions known at the end of 2011 year anticipated the profit of CZK 152 million. The main reason of this result was in a comparison against the planned assumption the substantially higher net costs of claim expenses. Although it was not necessary to pay indemnifications in the full amount expected in the plan for 2012, the reserve for claims required a substantial increase in its creation because of new reported claims at the end of 2012 in an amount which decisively influenced the business results and made a loss against the originally planned profit.

The business activities of the company for 2012 were examined by an **external auditor**, the company PricewaterhouseCoopers Audit, s.r.o., which issued the statement “without reservation”.

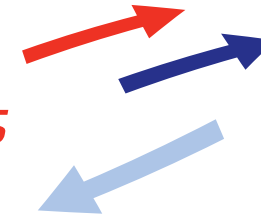
The state and development of the assets of the company EGAP are reported in the financial statements for the year 2012 and are authenticated by the external auditor (presented in the Financial Results section).



**Jan Procházka**  
Chairman of the Board  
of Directors  
Chief Executive Officer  
Export Guarantee and  
Insurance Corporation,  
joint-stock company



**Milan Šimáček**  
Deputy Chairman of the Board  
of Directors  
Deputy Chief Executive Officer  
Export Guarantee and  
Insurance Corporation,  
joint-stock company



## Report on relations between related entities

**Report on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity for the period from 1 January 2012 to 31 December 2012 pursuant to provisions of § 66 and par. 9 of the Commercial Code as amended**

### Identification data of the Company:

**Business name:** Export Guarantee and Insurance Corporation, joint-stock company (hereinafter the “EGAP”)

**Seat of the company:** Prague 1, Vodičkova 34/701, post code 111 21

**Company registration number:** 45279314

**Tax registration number:** CZ45279314

**Entry in the Companies Register:** Entered in the Companies Register kept at the Municipal Court in Prague, section B, Insert 1619

**Share capital:** CZK 1,300,000,000

Paid up: 100%

**Form of shares:** shares are in a dematerialised form; they are not publicly traded

**Identification number of securities (ISIN):** CZ0008040508

**Nominal value of one share:** CZK 1,000,000

**Number of votes Associated with one share:** one vote

Pursuant to Act No. 277/2009 Coll., on insurance and in compliance with Act No. 58/1995 Coll., on insuring and financing export and on amendment to Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, as amended (hereinafter “Act No. 58/1995 Coll.”) and on the basis of the licence for carrying out insurance and reinsurance activities and activities related hereto issued by the Ministry of Finance, the line of EGAP’s business consists of the following activities:

- a) Insurance activity pursuant to Act on Insurance in the extent of insurance classes No. 14, 15 and 16 of non-life insurance:
1. Insurance of export credits and domestic receivables against marketable commercial and political risks of the non-payment on the commercial basis and with commercial reinsurance, insurance of short-term export credits against the non-payment caused by political or combined political and non-marketable commercial risks
  2. Insurance of export credit risks in compliance with § 1 par. 2 of Act No. 58/1995 Coll., including:
    - 2.1. Insurance of short-term export credits against the non-payment caused by political or combined political and non-marketable commercial risks,
    - 2.2. Insurance of long-term export credits against the non-payment caused by political or combined political and non-marketable commercial risks,

- 2.3. Insurance of credits for investments against the non-payment caused by political or combined political and non-marketable commercial risks, or the non-payment caused by non-marketable commercial risks,
  - 2.4. Insurance of investments abroad against political risks, particularly against the risk of prevention of the transfer of the return on the investment, expropriation, or politically motivated violent damage,
  - 2.5. Insurance against losses of exporters and investors related to preparation and realisation of business transactions,
  - 2.6. Insurance of credits extended to a producer or to an exporter for the financing of the development or production designated for export against the risk of the non-repayment of the credit caused by the inability of the producer or exporter to fulfil terms and conditions of an export contract,
  - 2.7. Insurance of bank guarantees or other services extended by the exporter's bank to a foreign entity on behalf of the exporter against the risk of non-fulfilment of contractual obligations of the exporter from an export contract,
  - 2.8. Insurance of risks of the exchange rate loss of the Czech crown against foreign currencies arising in case of claim payment and as a result of differences in the exchange rate valid at the conclusion of the insurance contract and exchange rate valid at the claim payment,
  - 2.9. Insurance of credits of small and medium-sized entrepreneurs.
- b) Reinsurance activity pursuant to Insurance Act in the extent of reinsurance activity for insurance classes No. 14 and 15 of the non-life insurance i.e.:
1. Insurance of a credit and guarantees pursuant to § 1 par. 2 letter h) of the Act No. 58/1995 Coll., towards foreign credit insurers in relation to insurance provided pursuant to items 2.1., 2.2. and 2.7. in connection with participation of an exporter in deliveries of goods or extension of services to an importer which have been realised by a foreign entity to the extent of the share of the exporter in these deliveries,
  2. Insurance of an export against non-marketable political risks and non-marketable commercial risks pursuant to § 1 par. 2 letter i) of Act No. 58/1995 Coll., towards credit insurance companies,
  3. Insurance of credits to small and medium-sized entrepreneurs pursuant to § 1 par. 2 letter j) of the Act No. 58/1995 Coll.
- c) Activities related to the insurance activity pursuant to Insurance Act
1. Intermediary activities carried out in connection with the insurance or reinsurance activity,
  2. Consultancy activity related to insurance of natural or legal persons,
  3. Investigation of insurance losses,
  4. Educational activity in the area of insurance and other financial services,
  5. Intermediation of other financial services.

## **Description of relationship between related entities:**

### **1. Relationship between the controlling entity and controlled entity**

EGAP has had a **sole shareholder – the state – the Czech Republic**, which is a controlling entity in relationship to EGAP (controlled entity).

**Pursuant to Act No. 58/1995 Coll., shareholders' rights of the state are exercised by the following ministries:**

Ministry of Finance, 520 votes,

Ministry of Industry and Trade, 468 votes,

Ministry of Foreign Affairs, 156 votes,

Ministry of Agriculture, 156 votes.

Representatives of the Ministry of finance, Ministry of Industry and Trade, Ministry of Foreign Affairs and Ministry of Agriculture participate in the Supervisory Board of EGAP in compliance with Act No. 58/1995 Coll.

### **2. Relationship between EGAP and KUPEG Credit Insurance Company**

EGAP owns 34% of KUPEG Credit Insurance joint-stock company (hereinafter KUPEG).

EGAP was a controlling company until 20 April 2011.

From 1 January 2012 to 31 December 2012, the controlling company owning 66% of shares of KUPEG was the company DuCroire-Delcredere SA. NV, Belgium.

### **3. Relationship between EGAP and the Czech Export Bank**

EGAP owns 20% of the share capital of the Czech Export Bank (hereinafter the "ČEB") and 80% of the share capital is owned by the state – the Czech Republic.

### **4. Relationship of other related entities towards EGAP**

EGAP has no capital participation in other companies.

According to EGAP's knowledge, the state as EGAP's controlling entity is at the same time a controlling entity or a founder, apart from the Czech Export Bank, of the following entities with whom EGAP has concluded contracts:

Czech-Moravian Guarantee and Development Bank, joint-stock company (hereinafter the "other controlled entity").

## **Business relations with related entities:**

### **1. Relationship between the state and EGAP and contracts valid in the period from 1 January 2012 to 31 December 2012**

EGAP has not concluded any such contracts. The relationship between EGAP and the state does not go beyond the framework of relations that normally exist between the shareholder and EGAP and the Act No. 58/1995 Coll.

## 2. Relations and contracts between EGAP and ČEB

Insurance contracts concluded in the period from 1 January 2012 to 31 December 2012:

*Number Character of contracts*

8	Contracts on insurance of export credit risks pursuant to General Insurance conditions of type D (In one case of contracts of the type D, ČEB is in the role of an entitled person)
4	Contracts on insurance of export credit risks pursuant to General Insurance conditions of type F
4	Contracts on insurance of export credit risks pursuant to General Insurance conditions of type Z
1	Contract on insurance of export credit risks pursuant to General Insurance conditions of type Bf
3	Contracts on insurance of export credit risks pursuant to General Insurance conditions of type If
<b>20</b>	<b>Total number of insurance contracts</b>
2	Insurance decisions to the limit insurance contract pursuant to General Insurance Conditions of type F concluded in 2012
<b>2</b>	<b>Total insurance decisions to limit insurance contracts concluded in 2012</b>
2	Insurance decisions to 2 limit insurance contracts pursuant to General Insurance Conditions of type D concluded in previous years
5	Insurance decisions to limit insurance contracts pursuant to General insurance Conditions of type Z concluded in previous years
<b>7</b>	<b>Total number of insurance decisions to limit contracts from previous years</b>

Agreements on arrangement of rights and obligations concluded in the period from 1 January 2012 to 31 December 2012:

Total number of contracts: 6

Contracts on assignment of a claim concluded in the period from 1 January 2012 to 31 December 2012:

Total number of contracts: 3

**Other contracts valid in the period from 1 January 2012 to 31 December 2012:**

Contract on keeping a current account

Contract on lease of non-residential space

Agreement on use of a compatible medium in system of payments

Agreement on opening deposit accounts and on rules and conditions for placing term deposits with an individual interest rate on deposit accounts

Agreement on cooperation in extending support to small and medium-sized enterprises

Agreement on cooperation in insurance of business transactions – pre-export credits against the risk of their non-repayment and bank guarantees against the risk of their calling extended to small and medium-sized enterprises

**3. Contracts with other state-controlled entities valid in the period from 1 January 2012 to 31 December 2012**

Czech-Moravian Guarantee and Development Bank

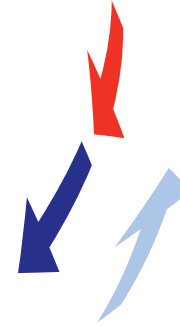
Czech Post, state enterprise

**4. Lawsuits**

No lawsuits with the state or a person controlled by the state have been conducted in 2012.



## Declaration of the Board of Directors



The Board of Directors of EGAP declares herewith that EGAP has not concluded any contracts with the controlling entity in the last accounting period and that all relations have been maintained in compliance with valid legal regulations, particularly with the Act No. 58/1995 Coll. Contracts concluded with the ČEB and other entities controlled by the same controlling entity were within the framework of usual business relations and they do not establish a disadvantageous position of EGAP, ČEB, or other controlled entities. Furthermore, the Board of Directors declares that in the last accounting period the controlling entity has not used its influence to enforce adoption of any measures or conclusion of any contracts from which material detriment might arise for EGAP.

The Boards of Directors declares that data stated in the Report are truthful and they contain all ascertainable data on the inter-related parsons.

Prague, 12 March 2013

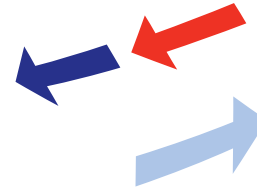
**Jan Procházka**

Chairman of the Board of Directors  
Chief Executive Officer  
Export Guarantee and Insurance Corporation, joint-stock company

**Milan Šimáček**

Deputy Chairman of the Board of Directors  
Deputy Chief Executive Officer  
Export Guarantee and Insurance Corporation, joint-stock company

# Report of the Supervisory Board



## REPORT OF THE SUPERVISORY BOARD

### Export guarantee and Insurance Corporation, joint-stock company (EGAP)

for the period from the last meeting of ministries exercising the right of the state as the sole shareholder of EGAP which took place on 26 April 2012 and the opinion of the Supervisory Board on the financial statements and on the proposal for settlement of the loss for the year 2012 for the meeting of ministries exercising the right of the state as the sole shareholder of EGAP, which is to take place on 30 April 2013

The Supervisory Board worked in the following composition in the past period:

Zdeněk Zajíček, Chairman (since 9 September 2010)

Zdeněk Vališ, Vice-Chairman (membership since 6 May 2011, vice-chairman since 16 August 2012)

Radek Urban (since 23 May 2012)

Marek Dlouhý, member for EGAP's employees (since 26 April 2010 to 1 March 2013)

Jaroslav Koplík, member for EGAP's employees (since 26 April 2010)

Petr Martásek, member for EGAP's employees (since 26 April 2010)

Pavel Řezáč (since 30 May 2012)

David Havlíček (since 27 June 2012)

Jiří Jirka (since 22 November 2012)

Tomáš Dub (until 30 May 2012)

Oldřich Černocho (until 31 May 2012)

In the past period since the meeting of the Supervisory Board on 26 April 2012, there were 12 meetings of the Supervisory Board organised on 30 May 2012, 27 June 2012, 16 August 2012, 14 September 2012, 11 October 2012, 24 October 2012, 22 November 2012, 6 December 2012, 31 January 2013, 21 February 2013, 1 March 2013, 28 March 2013. In these meetings, the Supervisory Board discussed issues stipulated by Articles of Association, i.e. particularly important business cases, and insurance losses, conceptual documents, reports on activities of the Board of Directors and personal changes in the Supervisory Board related to the resignations of Mr. Tomáš Dub, Mr. Oldřich Černocho and Mr. Marek Dlouhý from positions of members of the Supervisory Board.

The Supervisory Board recommends that the ministries exercising the right of the state as the sole shareholder in authority of the General Meeting of the Company elect Mr. Jiří Jirka as the member of the Supervisory Board on the proposal of Minister of industry and trade of the Czech Republic.

The Supervisory Board further informs that it examined and approved the Report on fulfilment of EGAP's business plan for 2012 inclusive of the financial statements and of a proposal for the settlement of the loss. The examination was made on the basis of documentation submitted by the Board of Directors and no discrepancies had been discovered in this process.

The Supervisory Board also took notice of the report of the independent auditor of EGAP on authentication of EGAP's financial statements for the year 2012. These reports stated that the financial statements give a full and fair view of the financial position of EGAP as at 31 December 2012 and of its business activities for the year in 2012 in compliance with Czech accounting legislation.

On the basis of audited business results and information on fulfilment of criteria of material interest, the Supervisory Board approved assessment of short-term and long-term criteria of motivation of managers for the year 2012 in compliance with the Resolution of the Government of the Czech Republic No. 159 from 22 February 2010.

**After the examination:**

**The Supervisory Board recommends that the ministries exercising the right of the state as the sole shareholder within the authority of the Annual Meeting of EGAP approve the Report on fulfilment of EGAP's business plan for 2012 as well as the annual financial statements.**

**The Supervisory Board takes notice of the unqualified Auditor's opinion for the financial statements for 2012.**

**The Supervisory Board recommends that the ministries exercising the right of the state as sole shareholder within the authority of the Annual Meeting approve the submitted proposal for covering the loss.**

**The Supervisory Board takes notice of the Report on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity for the period from 1 January 2012 to 31 December 2012.**

Prague, 28 March 2013

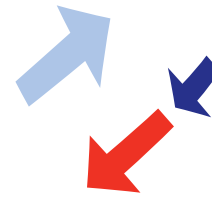


Zdeněk Zajíček

Chairman of the Supervisory Board

Export Guarantee and Insurance Corporation, joint-stock company

## Company bodies *as at 31 December 2012*



### Supervisory board as at 31 December 2012 (with changes during the year 2012)

**Zdeněk Zajíček**  
(Ministry of Finance of the  
Czech Republic)

chairman since 27 January 2011  
member since 3 December 2010

**Zdeněk Vališ**  
(Ministry of Industry and Trade  
of the Czech Republic)

vice-chairman since 16 August 2012  
member since 6 May 2011

**Radek Urban**  
(Ministry of Finance of the  
Czech Republic)

member since 23 May 2012

**Pavel Řezáč**  
(Ministry of Foreign Affairs  
of the Czech Republic)

member since 27 June 2012

**Jiří Jírka**  
(Ministry of Industry and Trade  
of the Czech Republic)

member since 22 November 2012  
(Approved by the Supervisory Board,  
elected by the General Meeting on  
30 April 2013)

**David Havlíček**  
(Office of the Government of the  
Czech Republic)

member since 27 June 2012

**Marek Dlouhý**  
(Representative of EGAP's  
employees)

member since 26 April 2010

**Jaroslav Koplík**  
(Representative of EGAP's  
employees)

member since 26 April 2010

**Petr Martásek**  
(Representative of EGAP's  
employees)

member since 26 April 2010

**Milan Hovorka**  
(Ministry of Industry and Trade  
of the Czech Republic)

vice-chairman and member until  
26 April 2012

**Tomáš Dub**  
(Ministry of Foreign Affairs  
of the Czech Republic)

member until 30 May 2012

**Oldřich Černoš**  
(Ministry of Agriculture of the  
Czech Republic)

member until 31 May 2012

**Tomáš Zídek**  
(Ministry of Finance of the  
Czech Republic)

member until 26 April 2012

### **Board of Directors as at 31 December 2012** (with changes during the year 2012)

**Jan Procházka** chairman and member since 17 December 2012  
**Milan Šimáček** vice-chairman since 17 December 2012  
(Member since 24 June 2009)

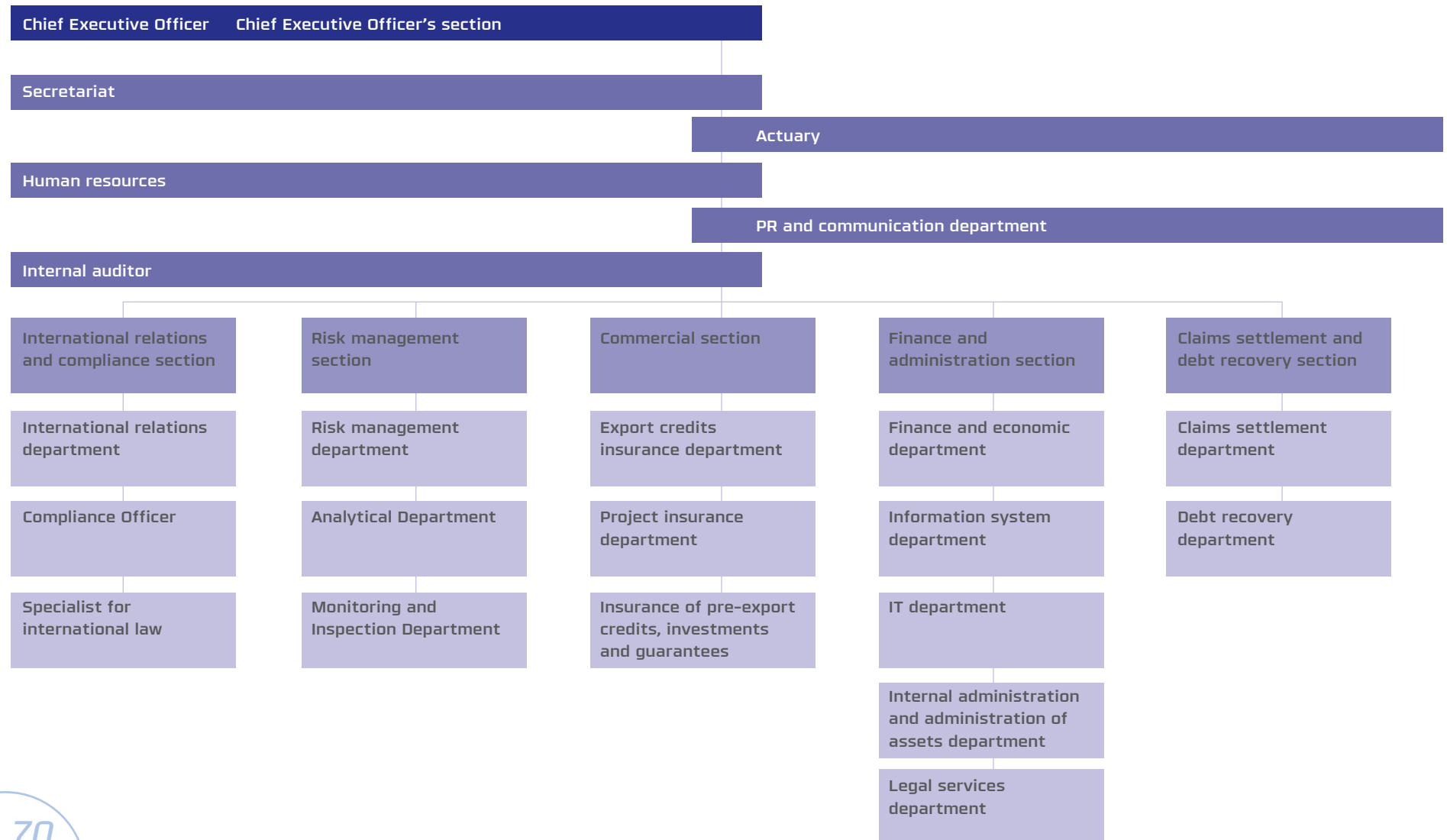
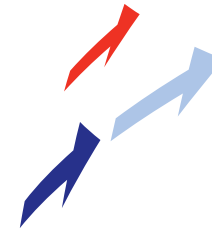
Members:

**Ladislav Řezníček** member since 26 May 2011  
**Miroslav Somol** member since 28 June 2007 until 28 September 2012,  
member since 29 September 2012 until 11 October 2012,  
member since 11 October 2012  
**Karel Pleva** chairman and member until 21 September 2012  
(Member since 23 February 2009 and chairman since  
25 February 2009)  
**Jiří Skuhra** member until 24 September 2012  
(Member since 18 September 2009)

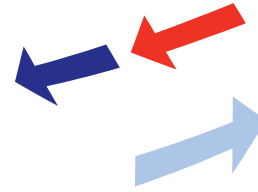
### **Changes in organisation during 2012**

There were several changes in the organisation of EGAP during 2012. Mr. Karel Pleva terminated his activity as the Managing Director and simultaneously he resigned from his membership in the Board of Directors on 21 September 2012 and Mr. Jan Procházka assumed his position on 17 December 2012 (he was also elected as the Chairman of the Board of Directors of the Company as of the same date). On the same day, on 17 December 2012, the present Member of the Board of Directors and Deputy Chief Executive Officer Mr. Milan Šimáček was elected the Vice-Chairman of EGAP's Board of Directors. Mr. Jiří Skuhra finished in his position of the Deputy Chief Executive Officer of the Commercial Section on 24 September 2012 and on the same day he also resigned from his membership in the Board of Directors; Mr. Miroslav Somol, the Deputy Chief Executive Officer for international relations and compliance assumed also the position of the Deputy Chief Executive Officer of the Commercial Section after Mr. Jiří Skuhra left.

# Organisation structure *as at 31 December 2012*



# Independent auditor's report



## **Independent auditor's report**

### **to the shareholder of Exportní garanční a pojišťovací společnost, a.s.**

We have audited the financial statements of Exportní garanční a pojišťovací společnost, a.s., identification number 45279314, with registered office at Vodičkova 34/701, Praha 1 ("the Company") for the year ended 31 December 2012 disclosed in the annual report on pages 20-57 and issued the opinion dated 19 March 2013 and disclosed on page 19.

### **Report on the Annual Report**

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2012 is consistent with the financial statements which are included in this annual report on pages 20-57. The Statutory Body is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

### *Auditor's Responsibility*

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

### *Opinion*

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2012 is consistent, in all material respects, with the financial statements.

### Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version

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### **Report on review of the Report on Relations**

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2012 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our opinion on the Report based on performed review.

#### *Scope of Review*

We conducted our review in accordance with Audit standard 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Report is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 66a of the Commercial Code.

17 June 2013

A handwritten signature in blue ink, appearing to read "Michal Konecny Audit s.r.o.", written over a faint, illegible background.

represented by partner

A handwritten signature in blue ink, appearing to read "Petr Kříž", written over a faint, illegible background.

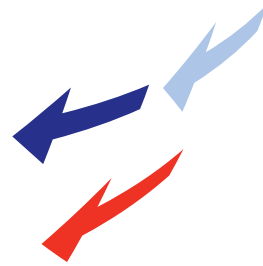
Petr Kříž  
Statutory Auditor, Licence No. 1140

#### Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version



## Identification data



<b>Business name:</b>	Export Guarantee and Insurance Corporation
<b>Legal form:</b>	joint-stock company
<b>Identification number:</b>	45279314
<b>Tax identification number:</b>	CZ45279314
<b>Entry into Companies Register:</b>	Entered in the Companies Register kept at the Municipal Court in Prague, Section B, Insert 1619
<b>Date of entry into the Companies Register:</b>	1 June 1992
<b>Share capital entered in the Commercial Register:</b>	CZK 1,300,000,000 Share capital has not been increased since 10 January 1996.
<b>Form of shares:</b>	Shares are in a dematerialized form and they are not publicly traded.
<b>Security identification number (ISIN):</b>	CZ0008040508
<b>Type, form, shape and number of issued shares with stating of their nominal value:</b>	1,300 pieces of registered shares each in the nominal value of CZK 1,000,000
<b>Structure of shareholders:</b>	Czech Republic is the only shareholder
<b>Number of organisational units:</b>	EGAP is not divided into other units
<b>Seat:</b>	Vodičkova 34/701, 111 21 Prague 1
<b>Phone:</b>	+420 222 841 111
<b>E-mail:</b>	info@egap.cz
<b>Internet:</b>	www.egap.cz
<b>Bank connection:</b>	41908111/0100 with Komerční banka, Prague 1

