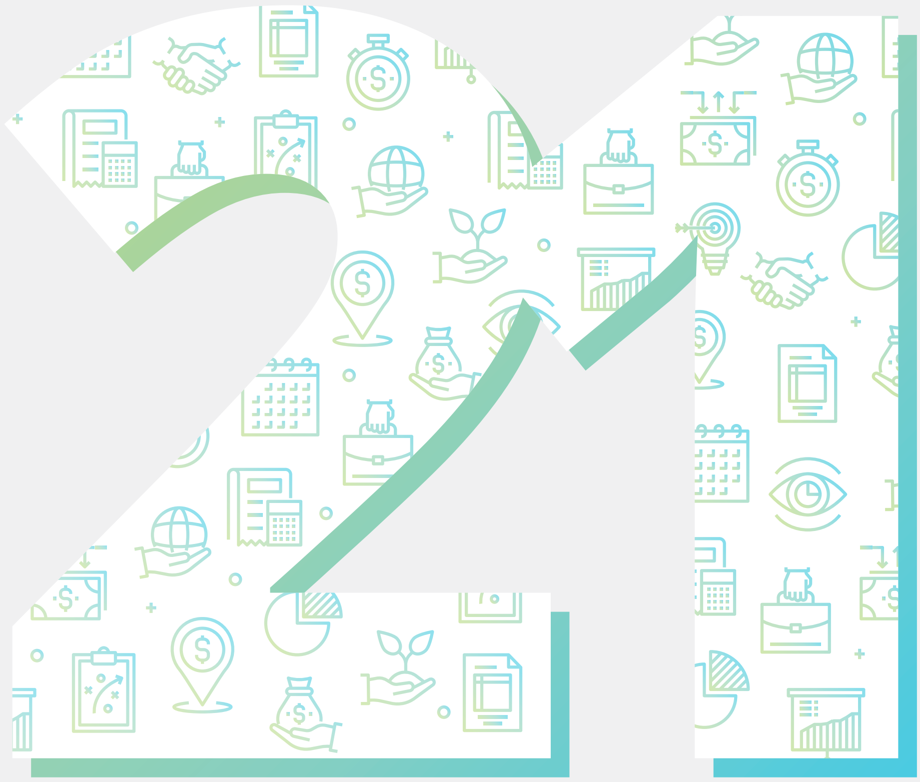
ANNUAL REPORT



EGAP

Exportní garanční a pojišťovací společnost, a.s.

Contents

Introduction

Dear exporters and investors, bankers, and friends of the Czech export industry,

The world economy and global trade experienced a second year of the pandemic with its restrictions and impacts. Stoppages in supply chains and a lack of human resources, minimal social encounters, and limited space to participate at previously traditional fairs significantly impacted the conditions for new client and orders acquisitions. However, last year's 13% growth of Czech exports shows that Czech exporters have managed to bounce back, and I am happy we have been able to contribute to this through our work. I believe that right now EGAP is showing that even in a difficult environment, it remains a supportive and reliable partner. Our partnerships are long-term. At the end of 2021, the volume of Czech exporters supported by the EGAP export insurance company reached one billion Czech crowns. This represents the volume of all business cases in EGAP's existence realised in 130 countries worldwide. The thirteen-digit number comprises large investment units, technologies with high added value, and orders of SMEs starting at TCZK 100. Thus, 2021 was another – due to the pandemic more dramatic – chapter in our long-term cooperation.

Last year, EGAP supported Czech exporters on a record number of foreign markets, insuring or reinsuring the export of domestic companies into 54 countries. This exceeds the 2020 record of 47 countries. Iceland is a new country in our reports. EGAP supported the export of technology for a waterpower plant. Another new country is Paraguay, with a new order from the air industry. Major supported engagements of Czech companies in 2021 included the supply of aircrafts to Vietnam and the export of rail vehicles and technology to Latvia.

For the second year in a row, the Company paid special attention to exporters facing difficulties related to the pandemic. Even before the crisis, the Company allowed its clients to submit applications and administer insurance contracts online through the 'Click for Export' service. Digitalisation was also useful last year, with demand increasing mostly due to smaller exporters' interest in special anti-COVID insurance of short-term receivables from developed countries. Last year, the insurance of short-term export supplier credits was the most frequently concluded contract. In total, EGAP concluded 251 insurance contracts in 2021, with a total volume of CZK 34 billion, continuing on similar results from 2020. The most successful product of 2021 in terms of insurance volume was the insurance of foreign investments.

Beyond its usual products and advisory services, the Company accepted applications of commercial banks for guarantees from the extended COVID Plus programme until the end of December 2021. Last year, the insurance company approved guarantees totalling CZK 9.8 billion. The acceptance of applications started shortly after the beginning of the pandemic, i.e., in May 2020, and ended in December 2021. In total, EGAP approved guarantees totalling CZK 22 billion for 43 large exporters who were experiencing difficulties due to the pandemic and needed fast support in the form of guaranteed liquidity. For this purpose, the Ministry of Finance had previously set aside CZK 4 billion. While the programme inherently accepts a higher claims rate, before the end of 2021, the creditors did not call any of the approved guarantees. Besides supporting large companies, EGAP traditionally focuses on acquisition activities and support of SMEs. Last year, it supported 75 business cases directed to Chile, Israel, and New Zealand, among others.

Further good news is that EGAP concluded 2021 with a profit of MCZK 442. Several factors contributed to this result, including the insurance company's prudence, leading to low growth of new claims, savings of operating costs, and recovered receivables. Debt recovery is the Company's mid-term priority, which it managed to meet in 2021 as well, with recovered debts totalling MCZK 693. Compared to the previous year, this result represents a 50% improvement of recovery. Debt recovery was successful primarily in the Russian federation, Gabon, and Ukraine.

We entered 2022 with insured exports worth a CZK billion and with the knowledge that we are supporting Czech companies in exporting in the worth of another CZK billion. Furthermore, this year represents an important anniversary for the insurance company, as it marks 30 years from its foundation. Unfortunately, 2022 will be forever marked as the year of the unprecedented Russian invasion of Ukraine, which began an era of extreme and unforeseen global economic insecurity, the inability to export to Ukraine, and economic sanctions against Russia. EGAP is here to support Czech companies facing economic problems, and it is ready to continue its activities in situations related to this conflict if necessary. It is impossible to state how many cases there will be related to the war, as the situation is changing dynamically.

Basic information about EGAP

and last year’s developments
(EGAP 2021 in numbers)

01

Despite the ongoing COVID-19 pandemic, EGAP had a relatively successful year, which exceeded even the very good results of 2020. In 2021, the record number of concluded contracts increased to 251. While the premiums written (MCZK 481 in 2021) and the volume of insured trade (CZK 34.1 billion) decreased slightly, the number of countries to which the supported exports were directed increased to 54. As in the previous year, EGAP managed to operate without any subsidies to insurance funds in 2021.

2021 was also successful from the point of view of the number of claims settlement. This positive result is primarily due to the volume of debts recovered. In 2021, EGAP recovered MCZK 693 in total, i.e., half as much as in 2020. Besides potential high volume of recovered debts in the next year, in 2021, there has been the release of a significant portion of technical provisions related firstly to a minimum of newly reported claims and secondly to a positive development of already reported claims currently under settlement. In relation to historical claims, EGAP paid CZK 2 billion in claim settlements, which is one-third less than in 2020.

The above results together with stronger domestic currency led to positive economic results from the main insurance activity, which exceeded CZK 1.5 billion, which makes 2021 one of the most successful year in the almost 30 years since EGAP's foundation. This positive outcome further contributed to a frictionless meeting of capital requirements throughout all of 2021, when the requirements oscillated around 130% and at the end of the year even breached the 140% threshold. Unlike in 2020, EGAP managed to operate without additional contributions to equity to meet the regulatory requirements in 2021.

Table 1
Selected insurance results of EGAP for 2021

(MCZK/pcs)	2021	2020
Profit or loss*	1,526	–238
Equity	9,649	8,232
Subsidy to insurance funds	0	0
Volume of insured exports	34,113	35,019
Number of contracts concluded	251	249
Number of exporters supported	72	83
Number of countries to which the supported exports were directed	54	47
Gross premiums written	481	507
Insurance exposure	95,830	114,393
Technical provisions (net)	8,343	11,248
Claims paid	–544**	1,274
Volume of debt recovered before and after claims payment	693	416

* The net results are divided into two parts: Table 1 presents the results related to the insurance activities net of the results related to the provision of guarantees, which are presented separately in Table 2 below.
** The negative value is due to the release of provisions, principally claims provisions.

In 2021, EGAP was affected by the ongoing COVID-19 pandemic, however, it continued to provide COVID Plus guarantees, i.e., guarantees for bank loans for medium and large companies under the COVID Plus (G) special programme which started in 2020. Throughout 2021, as in 2020, a total of 55 guarantees were provided. Compared to 2020, the volume of the provided guarantees decreased to CZK 8.4 billion but at the same time the volume of collected remuneration increased significantly to MCZK 459, which was caused by the 2021 guarantees having a higher average risk than in 2020. All activities related to the provision of guarantees are completely separate from basic insurance activities, not only formally in the premium base but also in accounting.

Despite the high volume of collected remuneration, the guarantee programme reported a loss, primarily due to the deteriorating situation of most debtors of guaranteed loans and thus the necessity to create adequate provisions. However, EGAP had already considered this possibility when creating this temporary support programme, and in May 2020, drew a contribution to the Fund for coverage of liabilities from provided guarantees totalling CZK 4 billion from the Ministry of Finance, and any future payments and related costs will be paid from this Fund.

Table 2
Selected guarantees results of EGAP for 2021

(MCZK/pcs)	2021	2020
Profit or loss	–1,084	–240
Fund for coverage of liabilities from provided guarantees (as at the year's end)*	3,760	4,000
Contribution to the fund for coverage of liabilities from provided guarantees	0	4,000
Volume of provided guarantees	8,361	9,724
Number of provided guarantees	55	55
Number of supported companies	43	43
Revenues from remuneration	459	262
Guarantee exposure (as at the year's end)	16,509	9,595

Note: Detailed results of activities related to the provision of guarantees are stated in Note II.11 of the notes to the financial statements.
* Profit or loss from the year is not reflected in the Fund.

EGAP 2021 in pictures

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Marek Dlouhý, vice-chair of EGAP's board of directors and Jan Dubec, head of Acquisitions and Supplier Credit Insurance at the **international agricultural trade fair Země Živitelka** in August.

In September, EGAP attended the **National Exhibition of Livestock** in Brno. In the photo is Miroslav Toman, former Minister of Agriculture, with EGAP representatives.

In the Support of **Research and Development Export project**, David Havlíček, Head of Finance and Claims Management visited Rotana a.s. in Velké Meziříčí.

David Havlíček, Head of Finance and Claims Management at the November **Czech Republic and Europe in Asian Century** conference in Kostelec nad Orlicí.

In November, EGAP representatives attended the MSV International Engineering Fair in Brno and together with the Technology Agency of the Czech Republic prepared a workshop on cooperation in the export of the results of Czech R&D.

Vision and strategy EGAP

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EGAP is the official credit insurance corporation of the Czech Republic, providing support to the pro-export direction of the Czech economy. EGAP complements banks and credit insurance companies if they are not able to fully provide funding and insurance to Czech exporters, producers, and investors. Thus, EGAP's objective is not to compete with the commercial market but to supplement and support it where there are insufficient capacities, capital, or risk appetite. Since the risk appetite of commercial players usually decreases during an economic crisis, EGAP provides a strong anti-cyclic element.

EGAP's role towards the market subjects is supportive, profit is created primarily from exporters, investors, i.e., in different sectors of the Czech economy which profit from export which is made possible through EGAP' support. EGAP aims at financial stability and tries to achieve long-term economic balance, as required by the OECD Consensus. Thus, insurance rates are calculated to ensure long-term economic balance of EGAP. This is supported by quality risk management, ensuring the sufficient diversification of accepted risks, correct assessment of the counterparties' credit quality, as well as efficient claims resolution and related collection of receivables. Nevertheless, in 2021, EGAP achieved significantly positive results from standard insurance activities which did not disrupt the long-term economic balance, as this profit is offset by previous years' losses. An economic balance in insurance activities is further confirmed by the loss ratio for the past 10 years, which has been steadily under 100%.

EGAP cooperates with an extensive network of foreign contacts and Czech institutions focused on supporting the development of Czech business, enabling it to provide access to public support to a larger number of entrepreneurs. Large business cases with foreign investment which EGAP would not be able to insure due to capacity issues can thus be reinsured with foreign export agencies (ECAs). EGAP does not neglect small and medium enterprises (SME), for which advisory services related to foreign market export is the key besides payment risks insurance. At the same time, SMEs can make use of the accelerated and less administratively and cost demanding insurance process. Reducing the administrative burden for exporters and related automation and acceleration of processes is one of EGAP's main objectives for the next years.

EGAP currently employs a new strategy for 2021–2025, under which it will continue to support the competitiveness of Czech exporters on foreign markets and through its activities enhance the diversity of Czech exports. The support should work across industries and should be adapted to the needs of individual exporter categories in a socially responsible way, including heightened emphasis on support for environmentally friendly and socially beneficial projects. Another important factor the Czech Republic should strive to achieve in this area is sufficient export diversification to prevent a weakening of the Czech economy should individual foreign markets fail.

Corporate social responsibility represents another material issue in the 2021–2025 strategy. EGAP has always strived to adopt decisions and implement policies in compliance with the Company's values and objectives. In the context of OECD rules, EGAP monitors and publishes the impacts of supported business cases on the social and natural environment. In this context, EGAP focuses on the economy (high ethical standards, anti-corruption mechanisms, transparency, good relations with clients, shareholders and business partners), social issues (philanthropy, volunteerism, high employment standards), and ecology (minimising energy and material consumption, waste management or urban beekeeping which helps to pollinate neighbouring parks) in line with the 2021 Climate Accords. Under the Green Deal, EGAP fully adheres to the rules set by the EU and OECD defining which projects can achieve financial support under the export support programmes.

In the long-term, EGAP enhances its social responsibility processes, and in 2022, a new social responsibility code should be prepared. EGAP wants to continue promoting this topic and include its employees in new project ideas and their implementation.

In 2021, EGAP continued to apply internal measures to mitigate the possibility of the virus spreading in the workplace. Apart from increased sanitation levels for flat spaces and touch points, a home office regime remained an option throughout the year. We also limited visits and contacts at the premises and cancelled domestic and foreign business travels. The home office regime emanates from safe distancing rules, and the continued efforts to communicate remotely through tele- and video conferences as much as possible, and apply electronic approvals of internal documents, which had been used in normal conditions to a lesser extent.

Product portfolio

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Table 3
EGAP product portfolio in 2021

	Classification by products
B	Insurance of short-term export supplier credits
C	Insurance of medium and long-term export supplier credits
Bf	Insurance of short-term export supplier credits financed by banks
Cf	Insurance of medium and long-term export supplier credits financed by banks
D	Insurance of export buyer credits
E	Insurance of confirmed letters of credit
F	Credit insurance for pre-export financing
If	Credit insurance for foreign investments
I	Insurance of foreign investments
V	Insurance against the risk of inability to perform export contracts
Z	Insurance of bank guarantees issued in connection with acquiring or performing export contracts
ZA/ZAS	Inwards reinsurance
G	COVID Plus guarantee

2021 was marked by EGAP's continuing support for the business segment in the fight against the COVID-19 pandemic, primarily through the continued COVID Plus programme. The COVID Plus guarantee was provided to credit banks which provided credit to exporters, producers, and businesses for operation, working capital, innovations, quality improvement and business sustainability, under terms stipulated by government regulation. Over 50 companies from different business areas received support in 2021.

Short-term suppliers' credit insurance to EU countries was made possible due to an exemption of the European Commission. This insurance product is primarily used by SMEs to cover their receivables from foreign clients. 122 business cases received this support, which is one more than in 2020 when this exemption came into force, and about three times the number of the year before that.

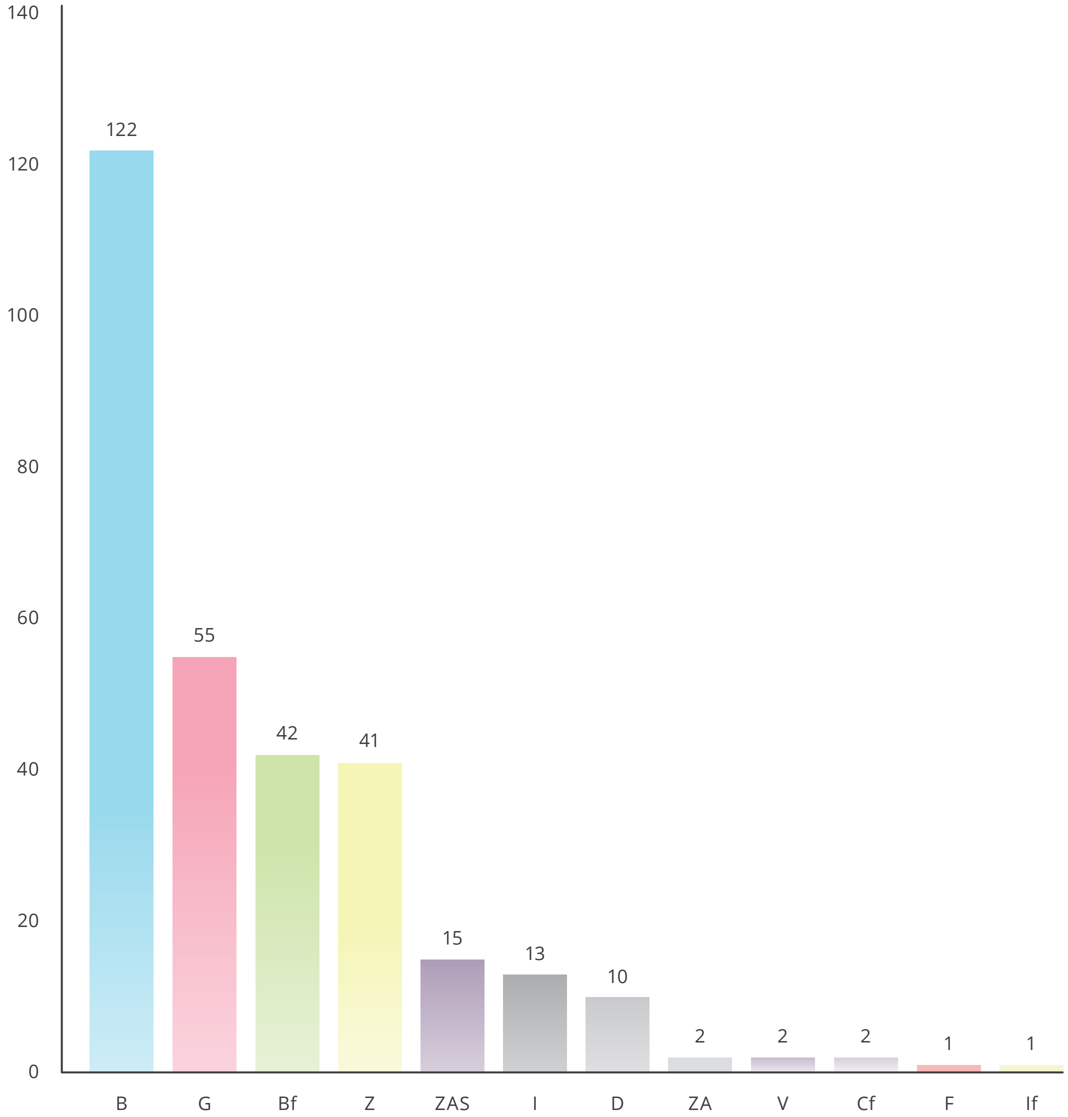
Apart from the above, EGAP offers a portfolio of traditional insurance products for Czech exporters, investors and banks to cover export-related risks. These products are modernised on a continuous basis, and automated to ensure the faster and more efficient processing of clients' applications. In 2021, the amendment of the general terms and conditions for product D. modernisation considers the latest trends in the developments of underwriting risks, thus increasing its attractiveness for banks and exporters as well as considering the methods of other export insurance companies. The work on modernising product E, i.e., the insurance of confirmed letters of credit, continued, as it is undergoing extensive changes aimed at making the product more attractive and at the same time simplifying the conclusion process for individual contracts.

In insurance activities, the second most used product in 2021 was the insurance of short-term export supplier credits financed by banks (Bf). This represents a popular product among banks. Similar to 2020, over 40 insurance contracts were concluded. The demand for bank guarantee insurance by banks (Z), renewed again and reported almost triple growth compared to 2020. We believe this trend will continue. Considering the orders under discussion which have been recorded at the end of 2021, the continuation of this renewal seems very real, and it is possible that this product might even reach record volumes.

The insurance of export buyer credits (D) and pre-export financing (F) reported the opposite trend in 2021, which was closely related to the COVID-19 pandemic leading to cancellations, suspensions or at best postponements of some projects under discussion.

The general terms and conditions and the templates of insurance contracts for the insurance of investments against political risks (I) were significantly amended in 2021, leading to traditionally stable results of this product whose portfolio includes large projects of big investors, as well as several smaller investments. For banks familiar with this unique product and despite the low number of agreed insurance contracts, investment credit insurance (If) represents a welcome capacity supplementing the commercial market of long-term financial investments in countries with medium to higher investment risks rate. Due to the difficulties in preparing investment designs, each individual case is the result of underlying project documentation and business negotiations lasting several months, in some cases even years.

Chart 1
Number of contracts concluded in 2021 (no. of pcs)



Impact of the war in Ukraine

and the sanctions against the Russian Federation and Belarus

05

At the end of February 2022, an unprecedented situation occurred, namely the Russian invasion of Ukraine, which, besides geopolitical impacts, has also affected the global economy. The situation has been marked by extreme uncertainty regarding future developments, the practical impossibility to assess the risks related both to the military conflict in Ukraine, and the introduction of very severe economic sanctions against the Russian Federation and Belarus. While these events did not affect the 2021 business results, they may significantly impact business activities in 2022. Due to the severity of this global conflict and the relatively significant open exposure of EGAP in this geopolitical area, it is necessary to mention the potential negative impacts in the 2021 annual report.

As at 31 December 2021, EGAP reports open exposure net of contribution related to concluded insurance contracts for export in the Russian Federation, Belarus and Ukraine totalling CZK 15.2 billion. The risks in the Russian Federation totalled CZK 12.3 billion, in Belarus CZK 2.2 billion, and in Ukraine CZK 0.7 billion. Regarding active insurance contracts or individual insurance decisions, there are 71 contracts in the Russian Federation, 22 in Belarus and 52 in Ukraine. Since 25 February 2022, Ukraine has been facing an invasion of its territory by Russian forces. The Russian Federation and Belarus meanwhile face intensifying economic sanctions by developed global economies. Thus, there is a real danger that insured business cases or their administrators in those countries will fail to meet in time their obligations insured by EGAP. Failure to pay cannot be viewed as final at this time, as in a de-escalation of the conflict, termination of the fighting and withdrawal of Russian forces from Ukraine the whole situation could change and improve quickly.

For EGAP, exposure in these three countries represents less than 17% of the insurance portfolio. Historically, EGAP used to have much higher exposure in these countries: e.g., five years ago, the exposure in this area totalled CZK 52 billion and represented a higher share of the active portfolio than today. EGAP's strategy of diversification of accepted risks has managed to decrease the negative impacts of this major conflict in Europe.

Regarding reported claims, EGAP is processing three claims with technical provisions to cover future claim settlements totalling MCZK 1,336. These insurance claims enable EGAP to monetise assets, which could reduce the final loss from insurance claims default. However, at present, all recovery activities have been suspended as it is necessary to wait for the resolution of the situation in Ukraine. Currently it is impossible to assess the impact of the events on insurance claims where EGAP attempts to achieve maximum recoverability. Paradoxically, some projects may even gain better positions through the crisis as their gains are directly linked to the oil price on global markets. However, in aggregate, the current conflict has a strong negative impact on EGAP and unless the situation calms down soon, it might result in significant financial loss in the future.

Based on the deteriorating political and economic situation and for prudential reasons, a sensitivity analysis was carried out, modelling the increase of technical provisions for cases related to export to the Russian Federation and Belarus depending on selected credit deterioration (6 to 8 notches). The following table presents the results of the scenario. Deterioration by 8 notches represents a truly drastic scenario as the major portion of contracts ends with a D rating (Default).

Table 4
Sensitivity analysis of the claims provision development

Scenario	Impact on expected or additional loss
Drop in ratings of the Russian Federation and Belarus by 6 notches	+MCZK 1,686
Drop in ratings of the Russian Federation and Belarus by 7 notches	+MCZK 2,560
Drop in ratings of the Russian Federation and Belarus by 8 notches	+MCZK 4,930

Business results

06

In the second year of the pandemic, Czech companies required increased support in the form of financial guarantees through both classic bank guarantee insurance for their foreign customers (advance payment guarantees, performance bonds, etc.), and COVID Plus guarantees for banks providing operating and investment loans. This also falls under EGAP's activities, as we not only take over the risks of foreign customers and their countries but also accept the risks of the exporter towards its bank, thus supporting the funding of Czech companies and their future development

Marek Dlouhý
Head of Sales Section

06

In 2021, business activities flexibly reacted to the current situation related to the ongoing COVID-19 pandemic and the changing needs of exporters. Besides a high number of supplier credit insurances, more guarantee products were also provided, which, next to significant growth of the traditional bank guarantee insurance product also included the COVID Plus guarantee programme. In total, some 250 insurance contracts and insurance decisions were concluded, totalling CZK 34 billion. Furthermore, under the COVID Plus programme, 55 loans totalling CZK 8.4 billion were guaranteed. Gross premiums written remained slightly below the MCZK 500 threshold, however, including the remuneration for guarantees under the COVID Plus programme, EGAP received MCZK 940 altogether, which is well above standard.

In the supported projects, the impact of the COVID-19 pandemic is quite evident. Most of the large projects have been suspended or at least modified, some were cancelled completely, apart from the export buyer credit insurance for the delivery of trams into Latvia, the reinsurance of deliveries from Czech companies for the construction of nephrology and urology centre in Ghana, and the supply of aircraft industry supplies to Vietnam. Traditionally, a high share of supported export comprises supplies of agriculture technology to the Russian Federation, Ukraine, and, based on the temporary exemption on short-term credit insurance, also to EU countries.

On the other hand, the number of bank guarantee insurance contracts almost tripled and its volume grew to four times that of last year, as obvious in Chart 2 below, showing double the share of guarantee insurance in the EGAP portfolio compared to last year.

In 2021, the Click for Export online service platform continued to expand following extensive communication with our exporters, growth in the numbers of smaller business case insurances, and regarding the ongoing pandemic. The system now enables the administration of insurance contracts including reporting of utilisation and payment of insured claims, and allows to search for and create customers, submit applications for insurance/limits, view and amend applications/limits, etc. In 2022, this service will continue to expand with the option to register defaults, submit claims for recovery, and report insurance claims. Exporters can now get an immediate and comprehensive overview of the insurance customers portfolio and can view and amend the insurance contracts.

Digitisation and automation in the client environment have picked up speed and above all simplified the processing of clients' requests. Throughout the year, the system changed its visual outlook and added some features, e.g., an interactive world map. Further expansion will include other products, e.g., bank guarantee products.

The online CLICK FOR EXPORT system is accessible at **https://eol.egap.cz**.

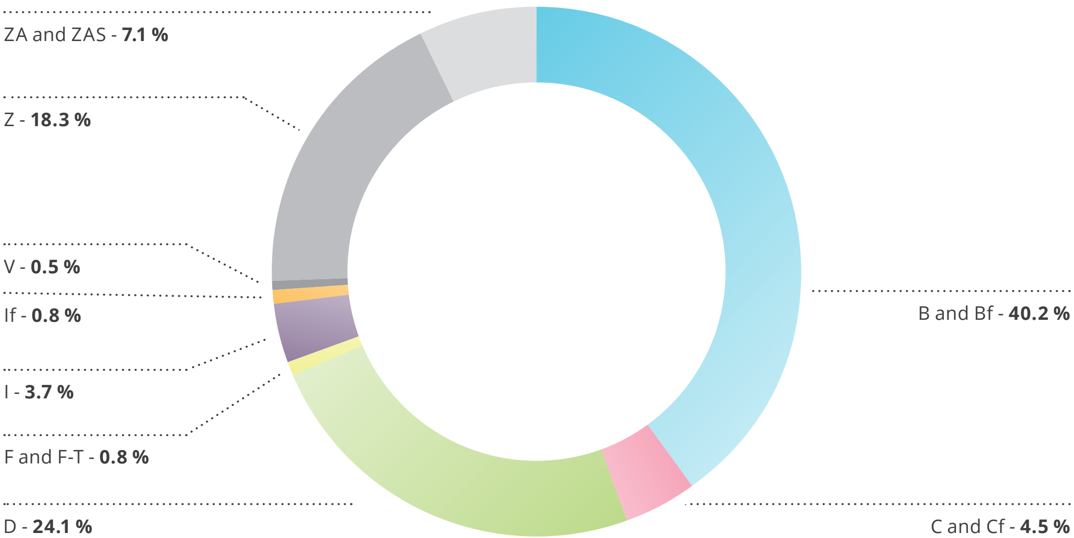
In bilateral cooperation, we managed to conclude a memorandum of cooperation with Afreximbank (African Export-Import Bank). Such agreements are an inherent part of bilateral cooperation between ECAs and other entities operating in business activities funding. Apart from the option to share know-how, the memorandum of cooperation offers means to provide reinsurance (guarantee), as well as simplifying cooperation with financing banks whose transactions then have a better identifiable risk profile from EGAP's point of view. In general, cooperation at the ECA level and among similar subjects allows to share risks in case of joint transactions in third markets; in this case, specifically transactions into African countries. The functionality of the memorandum has already been proven in a specific export transaction to Sub-Saharan Africa.

In 2021, the OECD successfully completed discussions and approved a specific and limited-time exemption (until November 2022) from the current OECD Consensus rules which EGAP applies when insuring long-term export credits. This exemption is the result of a common line regarding advance payments. Under the new regulation, it is possible to reduce advance payments to 5% of Export Contract Value (ECV) temporary from today's 15%, provided the transaction is with sovereign buyers in Category II countries, and such transactions are guaranteed by the ministry of finance or the central bank in the country of the debtor. In simple terms, it means that for transactions in less developed countries where the customer is a government debtor and the transaction is guaranteed by the ministry of finance or central bank of the country, it is possible to reduce the advance payment down to 5% of the ECV as defined in the OECD Consensus. Such flexibility need not be offset by any other means, such as an increase in the insurance rate.

Our representative being elected as the new chairperson of the Prague Club, one of the committees of the BU, represents an unquestionable acknowledgement of EGAP's long-term activities as a member of the International Union of Credit and Investment Insurers (BU). Thus, for two years starting in October 2021, EGAP's representative will chair the meetings of this working committee of the BU, which can further strengthen the personal and professional links between EGAP and ECAs in countries where export insured by EGAP often heads.

Chart 2

Insurance product structure in EGAP portfolio as at 31 December 2021 by number of contracts



The share of individual countries on the total results of EGAP business activities has been significantly affected by the temporary relaxation of the rules for short-term credit insurance in EU countries. Due to this, some insured transactions, especially for product B, concerned Germany, Poland, Sweden, and other EU countries.

The African continent was represented in fewer cases compared to previous years, primarily due to the global situation related to the renegotiation of some projects under discussion, with conclusions expected in 2022 or 2023.

Chart 3
Percentage country share in the volume of export credits (B, Bf, C, Cf, and D products) in 2021

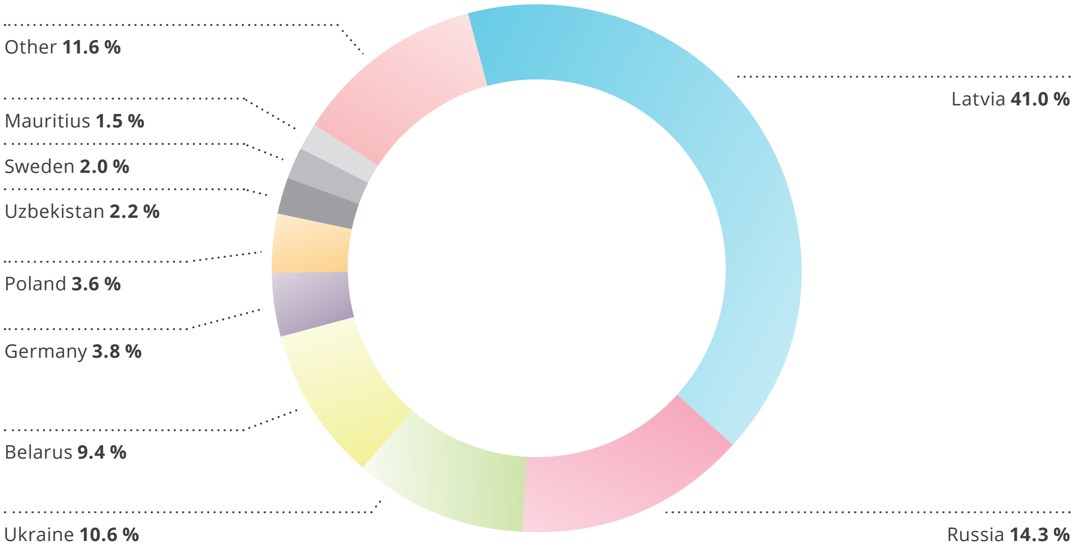
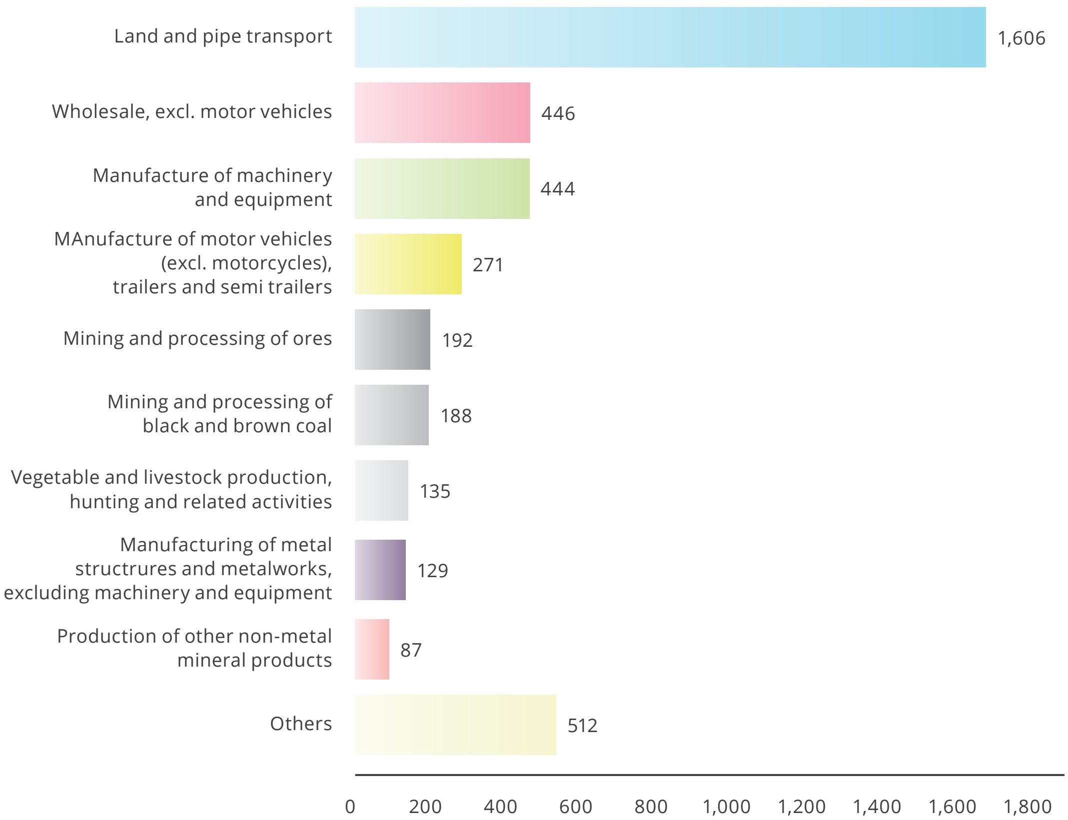
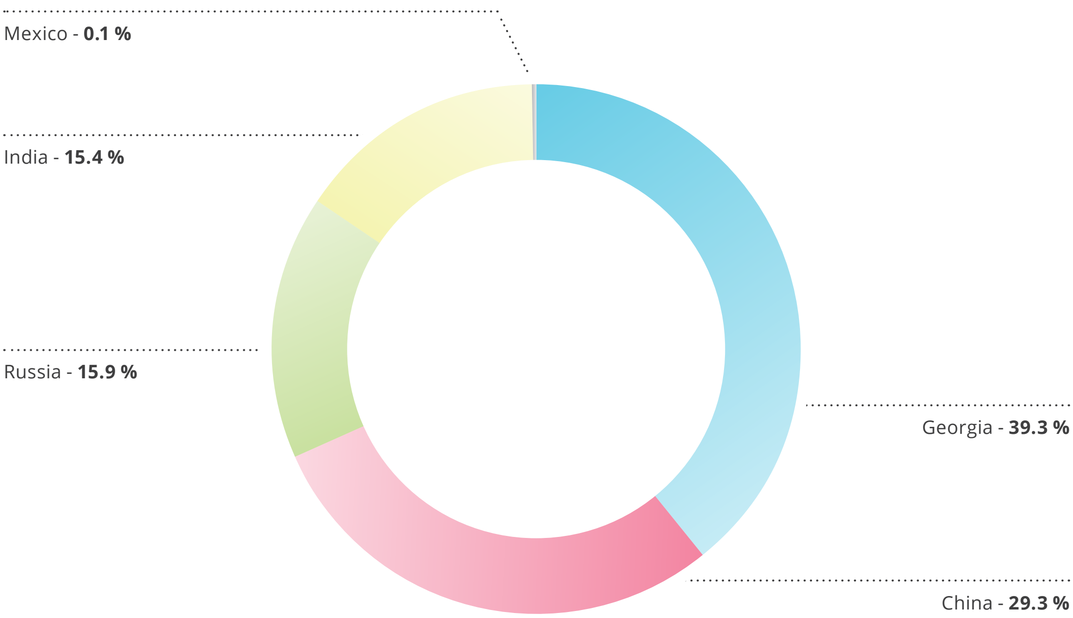


Chart 4
Commodity structure of exports supported in 2021 via B, Bf, C, Cf, and D products supported in 2021 (in MCZK)



In investment insurance, in 2021, the long-term stable results did not fluctuate. This holds especially true for product I – the insurance of foreign investments against territorial risks. Most of the volume comprises annually renewed insurance contracts of large Czech investors in the four main territories – Georgia, China, the Russian Federation, and India. In 2021, after several years of preparations, major Czech investments and investment credit in the field of engineering technology were insured in the Russian Federation. Regarding investment insurance exposure, Turkey is an important segment (not shown in Chart 5 as the insurance contracts from previous years in Turkey were of a one-off nature), with insurance of significant investments in water energy. Despite the current fluctuation in the Turkish lira exchange rate, the investments are in no danger, mainly due to the yields being linked to the US dollar.

Chart 5
Country share in the total volume of investments and investment loans in 2021



EGAP also focuses on supporting SMEs, which represent a third of the insurance contract portfolio. Last year, this was 74 insurance contracts for business in 27 countries.

At the end of 2021, total insurance exposure decreased slightly, similarly to the previous year, primarily due to a stagnation of business with the traditional post-soviet countries caused by economic and political instability and sanctions. However, on the positive side, risk is diversified among more countries, with the highest exposure remaining divided between Azerbaijan, the Russian Federation, Turkey and Slovakia, as in 2020. This division of risk is due to new business being concluded in countries where EGAP previously had no insurance, or only exceptionally, and significantly supports geographic portfolio diversification. The COVID Plus guarantee has not been included in the insurance exposure. If it were included, total insurance exposure would be slightly lower compared to the end of 2020, at about CZK 112 billion.

Chart 6
SME support by country and volume of supported export in 2021

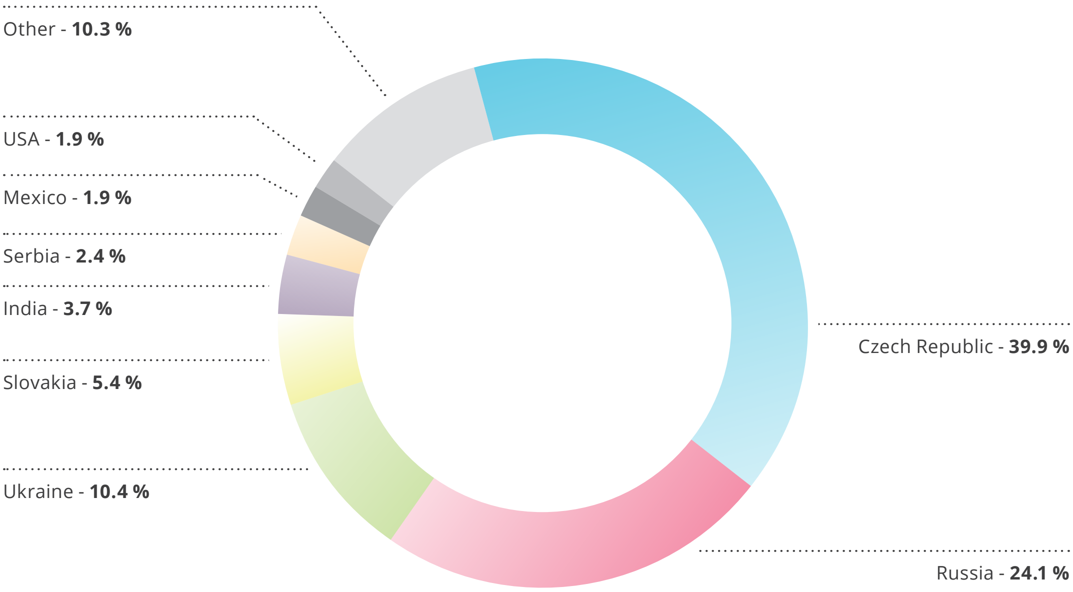
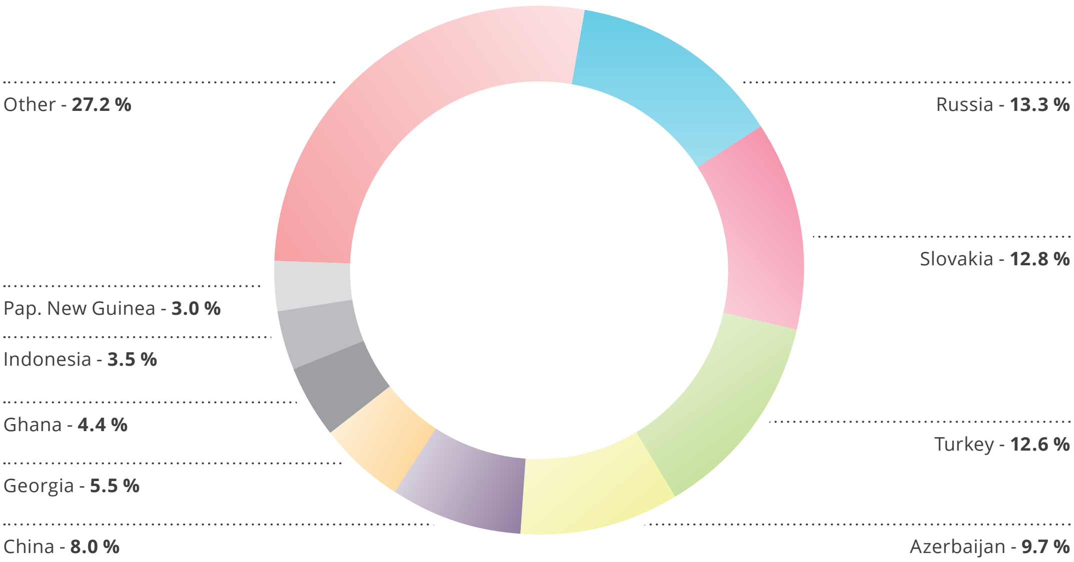


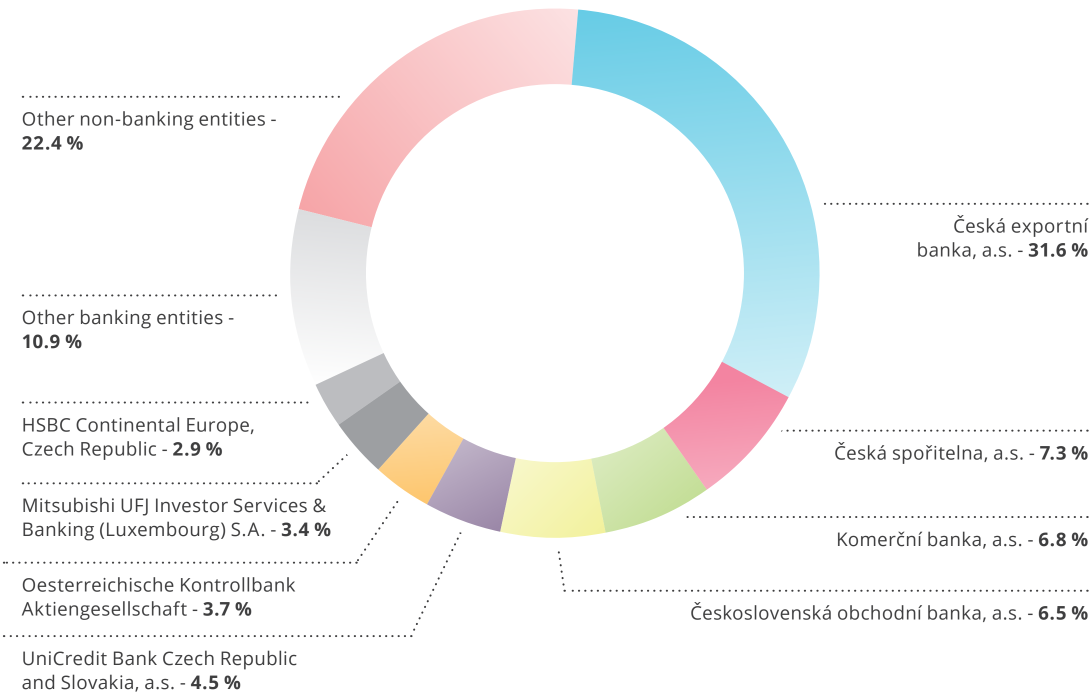
Chart 7
Territorial structure of gross insurance exposure as at 31 December 2021



Note: Does not include exposure to provided securities under the COVID Plus programme

No significant changes occurred in the client structure compared to last year. The number of non-banking entities in the insurance portfolio grew again slightly due to the high number of B type insurance contracts concluded, EGAP's reinsurance activities, and, on the other hand, due to the decrease in the customer credit (D) and credit insurance for pre-export financing (F).

Chart 8
Client structure of gross insurance exposure as at 31 December 2021



Note: Does not include exposure to provided securities under the COVID Plus programme

Debt recovery and claims settlement

07

In 2021, debt recovery was successful and EGAP recovered MCZK 693, i.e., 66% (MCZK 277) more than in 2020. Debts were recovered in fully settled cases from previous years as well as in newly reported claims (in cooperation with insured banks) even before we were obligated to settle those claims in due contractual deadlines. Despite the continuing difficult global economy situation, EGAP did not report any significant increase in the volume of new claims, and as a result the volume of debts administered by EGAP decreased year-on-year by CZK 2 billion.

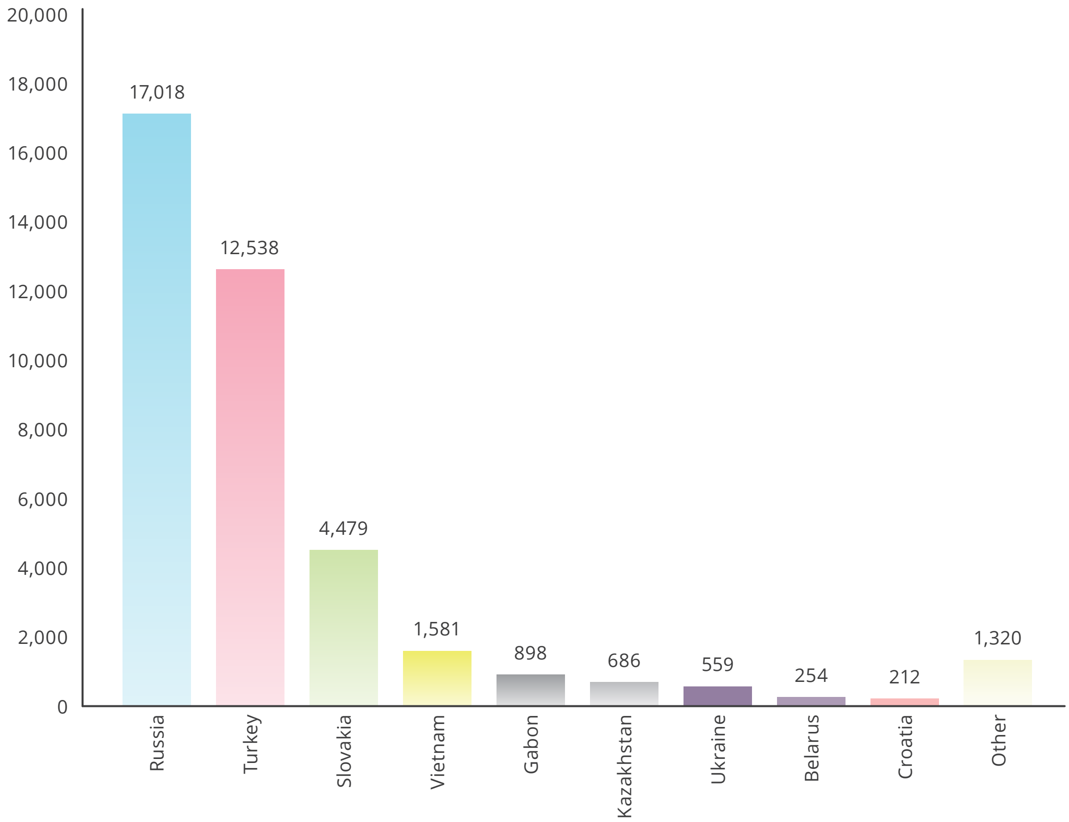
David Havlíček
Head of Finance and
Claims Management Section

07

As at 31 December 2021, claims managed by EGAP comprised receivables totalling over CZK 39 billion. This represents a slight decrease y-o-y, of some CZK 2 billion, which is due to the volume of closed claims on the one hand, and on the other due to the financial volume of new claims. In 2021, six new claims were reported, which might result in future insurance settlements of MCZK 872 at most. For newly reported claims, significant information is that in 2021, the insurance company managed to reduce the possible settlement by MCZK 269, which represents the volume of debt recovered before the claim settlement.

Similarly to 2020, the biggest volume of settled receivables related to business cases in the Russian Federation (CZK 17 billion). In Turkey, EGAP manages receivables totalling CZK 12.5 billion.

Chart 9
Volume of unsettled claims by countries as at 31 December 2021 (in MCZK)



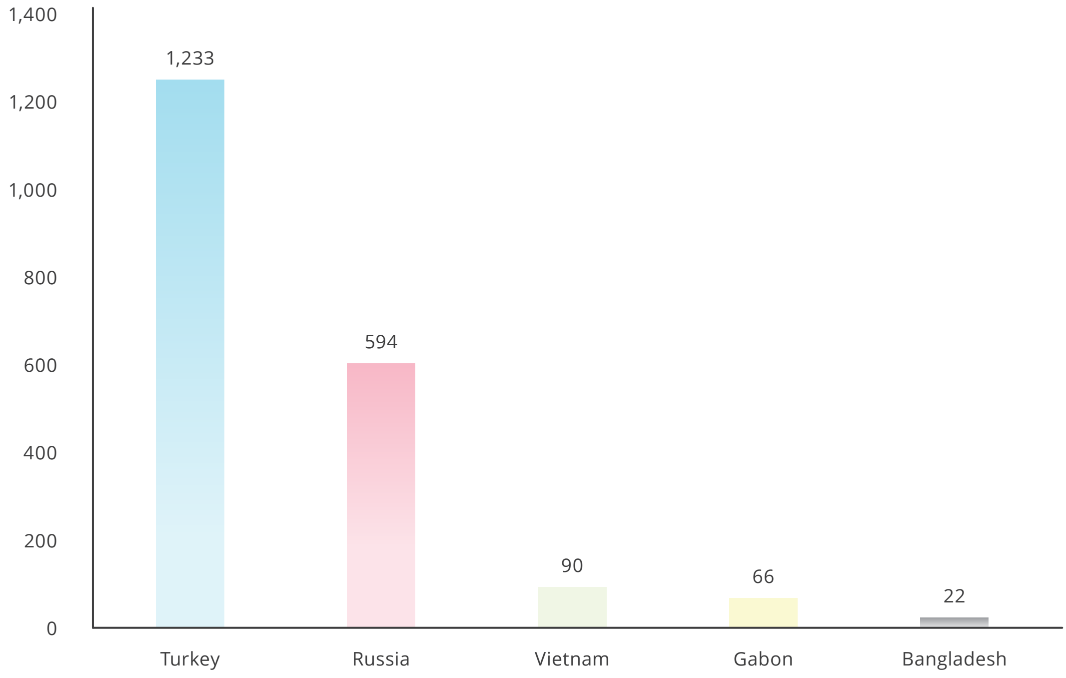
In 2021, EGAP paid CZK 2 billion in insurance settlements covering clients' claims arising from unpaid export debts. Year-on-year, the total volume of insurance settlements paid decreased slightly in 2021, with the total amount of settled claims in 2021 lower than in 2020 by CZK 1 billion. The continuing decreasing trend of paid insurance settlements follows the trend of decreasing total volume of newly reported cases in 2018 to 2020.

Of the total volume of paid insurance settlements, almost 61% is related to claims settlement in Turkey (CZK 1.2 billion).

Similarly to previous years, the major portion of paid insurance settlements relates to the insurance of export buyer credits (D): almost 92% of the CZK 2 billion paid.

In 2021, a total of MCZK 693 was recovered, i.e., MCZK 277 more than in 2020.

Chart 10
Claims paid by countries in 2021 (in MCZK)



Debt recovery was successful in cases reported in the previous years (after the payment of insurance settlement, MCZK 424 was recovered, i.e., MCZK 78 more than in 2020). This result is partially due to rising production prices (oil products, industrial products, construction materials) helping the debtors gradually recover from the COVID-19 impact and meet their payment schedules in compliance with the agreed restructuring agreements. The delayed consumption effect helped to mitigate the effects of the pandemic on some debtors in retail as well. Primarily, the result comprises business cases where we were able to monetise valuable reinsurance after a long effort, in some cases by selling the debt.

For newly reported claims, the insurance company managed to significantly reduce possible losses (MCZK 269 was recovered before the payment of the settlement, i.e., MCZK 199 more than in 2020).

Chart 11
Recovered receivables and their historical development (in MCZK)

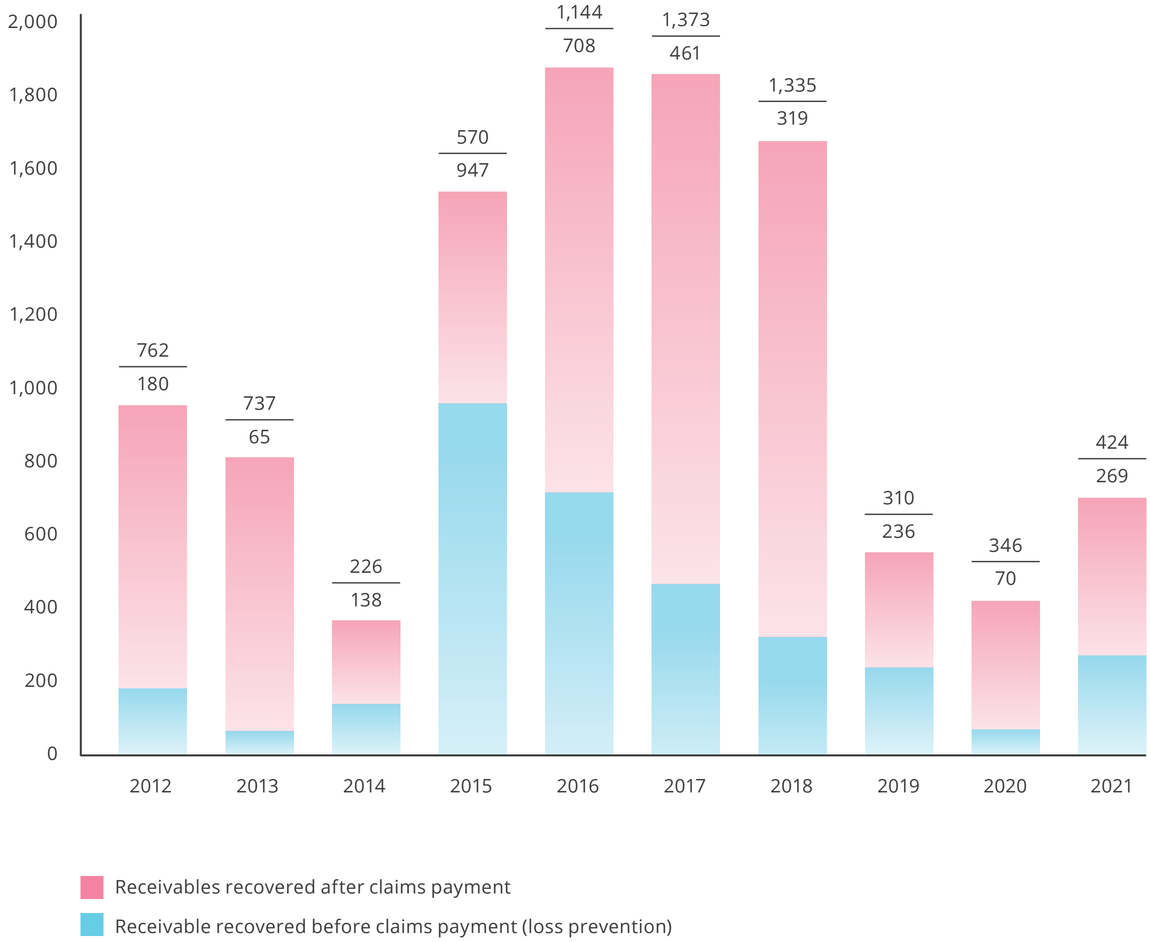
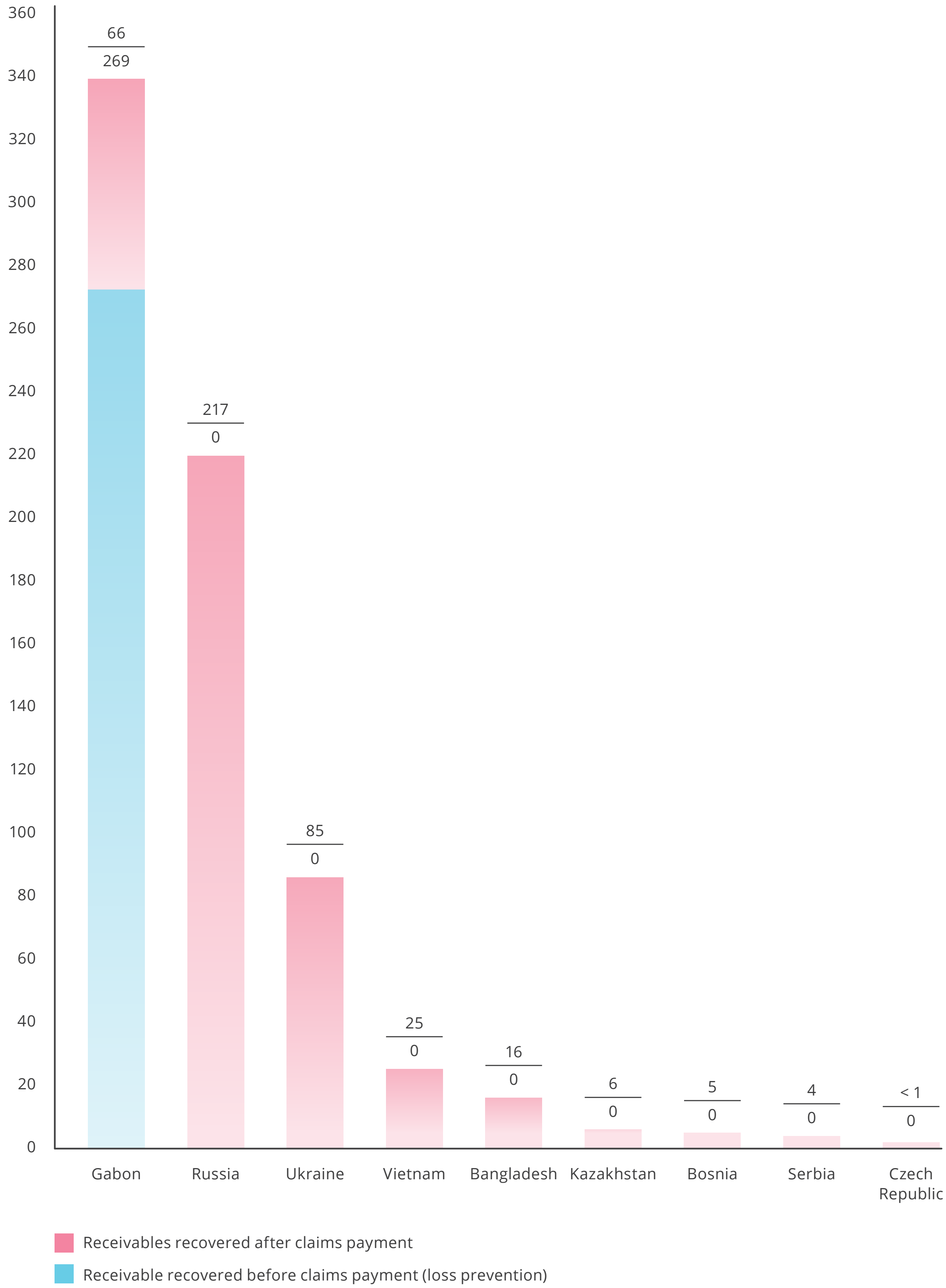


Chart 12
Debt recovery before and after claims payment by countries in 2021 (in MCZK)



In terms of location, the largest volume of receivables was recovered from cases in Gabon (MCZK 335). From cases in the Russian Federation, a total of MCZK 217 was recovered, i.e., MCZK 80 more than in 2020. This is due to the above factors, i.e., the recovery of some debtors after the economic impacts of the COVID-19 pandemic, and the completion of one significant transaction.

In 2021, MCZK 85 was recovered from claims in Ukraine. The three countries – Gabon, the Russian Federation, and Ukraine – represent 92% of the total recovered volume.

Under the COVID Plus guarantee, no guarantee was paid in 2021, nor was any application for guarantee payment submitted, although there were first indications of problematic loans guaranteed by EGAP in 2021.

Risk management and risk profile

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This year in risk management, we continued to focus on ensuring a balance between maximising the requirements for export insurance implementation and minimising potential costs of insurance claims for accepted insurance risks. Thus, in 2021, we further updated our internal rating model for the assessment of businesses to correspond as much as possible with objective risk acceptance. The Risk Management Section's competencies further include information and communication technologies. Last year, we took several steps towards updating and modernising our systems with regard to cyber-security and adopted a new ICT policy in compliance with the business objectives of EGAP and meeting the prudential requirements set by EIOPA and the Czech National Bank as the supervisory body for the insurance industry.

Martin Růžička
Head of Risk Management Section

08

In 2021, risk management continued to be affected by the COVID-19 pandemic and EGAP's participation in the support of the Czech economy through the COVID Plus guarantee programme. Major internal events included the updating of the internal rating model for the rating of entities relating to, among other things, new global data entering the entities' assessment used both for insurance and guarantees, further improvement of data quality systems, the completion of changes in operating risk management in EGAP started in 2020, and the review of policies and rules in IT and security with regard to EIOPA and CNB regulations (Guidelines on ICT and security risk management valid from 1 July 2021).

Impact of the pandemic on the insurance company's activities

In 2021, EGAP built on its experience from the previous year. The Board of Directors proactively adopted preventative measures throughout the year, responding to government measures and expert recommendations. The Board of Directors' measures mostly concerned work organisation and operation. The insurance company's workforce is stable, and its business activities have not been restricted.

Compared to the previous year, the Company made more extensive use of contactless communication through tele- and video conferencing, which has proved to be effective and has been integrated to EGAP's processes even more, as well as using workflow for electronic documents for documents approval, which became an inherent part of the business and operating processes in EGAP.

In 2021, EGAP continued to provide COVID Plus guarantees, and also updated the guarantee portfolio ratings due to a deterioration of the portfolio quality. Despite this deterioration, in 2021, there were no claims settled from the guarantee; however, this situation might change in future periods.

In the insurance segment, as stated above, EGAP provided insurance in compliance with EU exemptions in territories and products that are usually provided only by commercial insurance companies and not ECAs. This concerns short-term insurance for entities in developed countries.

In terms of already underwritten risks, compared to 2020, EGAP reported the revaluation of foreign exchange rates of the domestic currency against foreign currencies, which leads to a decrease (revaluation) of liabilities denominated in CZK, as the original liabilities are almost exclusively stated in a foreign currency in the insurance policies, while the claims are settled in CZK.

EGAP did not record any increase in claims occurrence or its severity in 2021 compared to previous periods, which is probably due to the governmental measures taken in individual countries. However, in individual cases where problems of payment occurred, the reasons were related to the COVID-19 pandemic, but it was not on large scale.

EGAP's risk appetite

In connection with its risk management goals, in 2021 as in previous years, EGAP worked with a risk appetite derived from the insurance capacity, determined at CZK 188 billion for 2020 (for the insurance industry), in accordance with the Act on the State Budget, and remained at the same level for 2021[1].

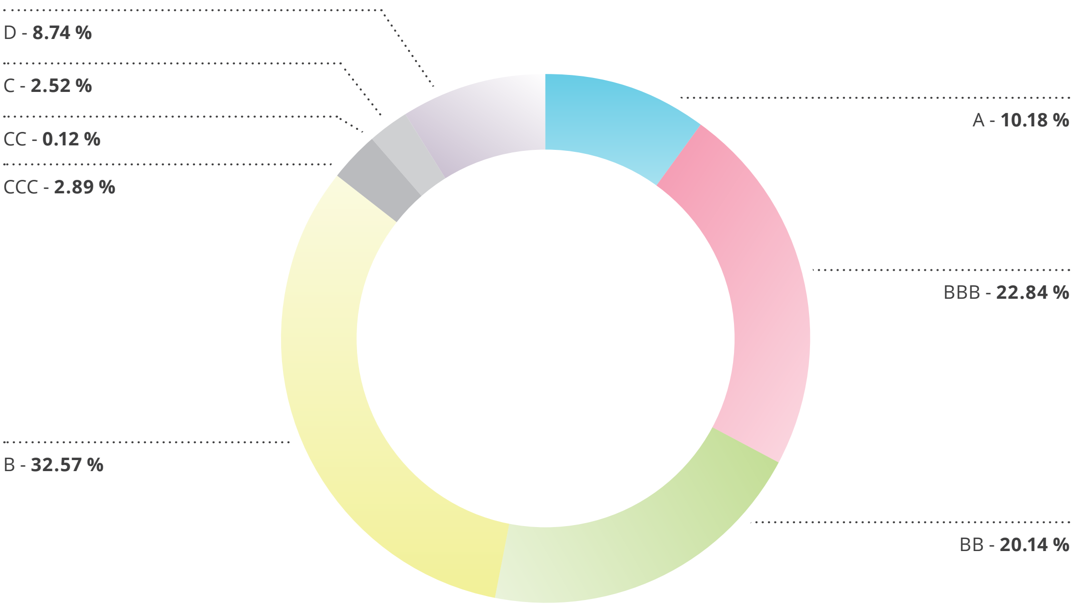
In 2021, the internal rating model for non-banking entities' assessment was updated. Apart from the already mentioned additional data on entities, EGAP requested consultancy from an external entity creating rating models to get an independent view and opposition to its proposals.

EGAP insurance portfolio risk profile

The COVID-19 pandemic has not affected EGAP's insurance portfolio quality development in 2021 so far. The average weighted rating and the expressed credit risk of active entities in the insurance portfolio as at 31 December 2021 remains at a BB rating (assessed in accordance with the S&P rating scale). This means that EGAP, acting as ECA, insures commercially uninsurable risks, which actually reflects a BBB+ rating and lower. However, the insurance portfolio was positively impacted by the measures adopted by individual countries to support economic entities affected by the COVID-19 pandemic.

The following charts show different views of the risk rating of the current EGAP insurance portfolio (net of the guarantees provided under the COVID Plus programme).

Chart 13
Insurance portfolio structure by ratings as at 31 December 2021



1 In 2020, EGAP's insurance capacity was increased to CZK 330 billion in accordance with the government decree, in relation to the decision on guarantee provision under the COVID Plus programme (CZK 188 billion for insurance activities and CZK 142 billion for guarantees). The insurance capacity for 2022 is proposed at a reduced level of CZK 238 billion, with CZK 188 billion for insurance activities, and CZK 50 billion for provision of guarantees.

Chart 14
Insurance portfolio structure by default probability as at 31 December 2021 (measured by remaining maturity of individual insurance policies)

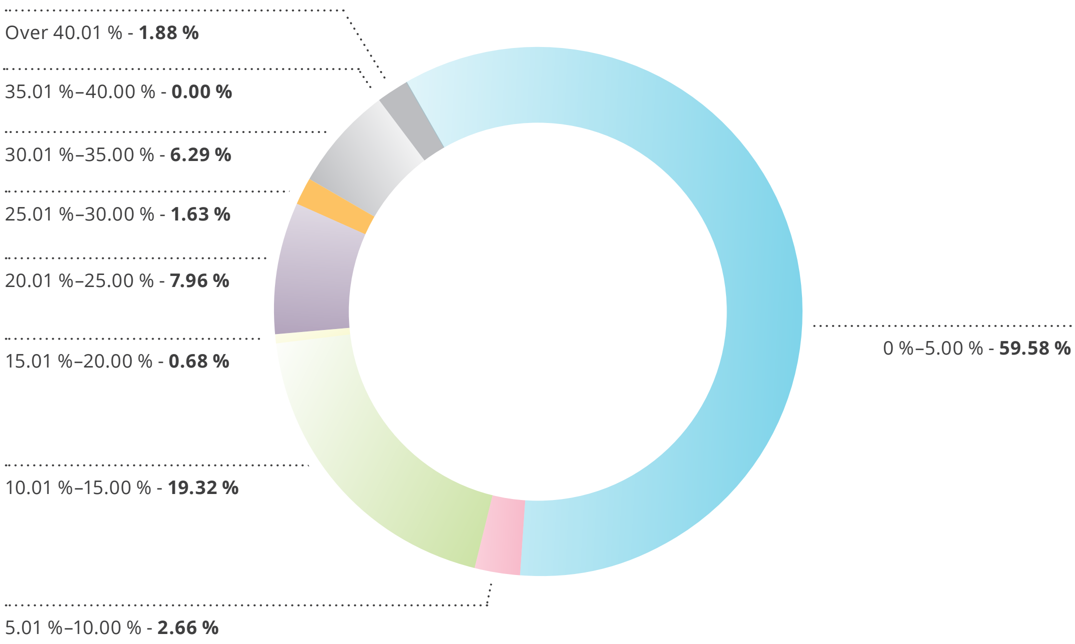


Chart 15
Insurance portfolio structure as at 31 December 2021 by individual business case size

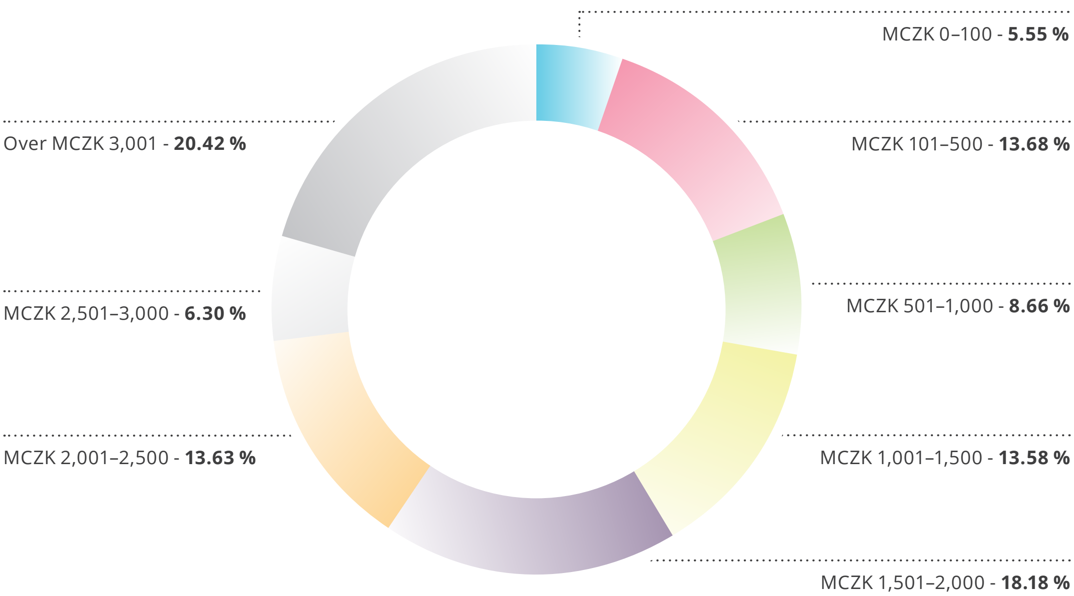


Chart 16
Insurance portfolio structure by country risk category according to OECD as at 31 December 2021

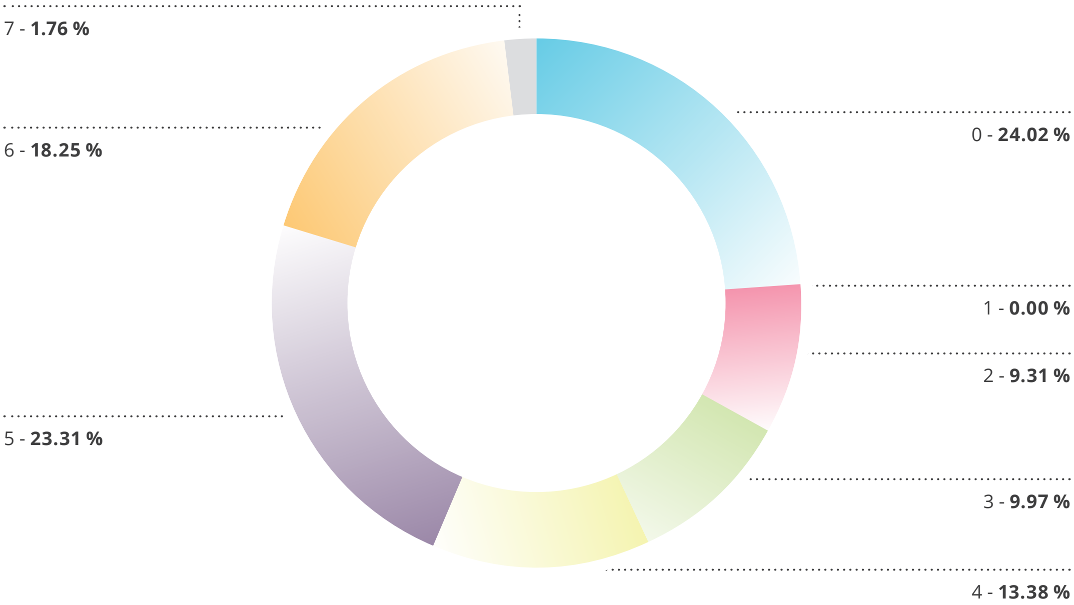
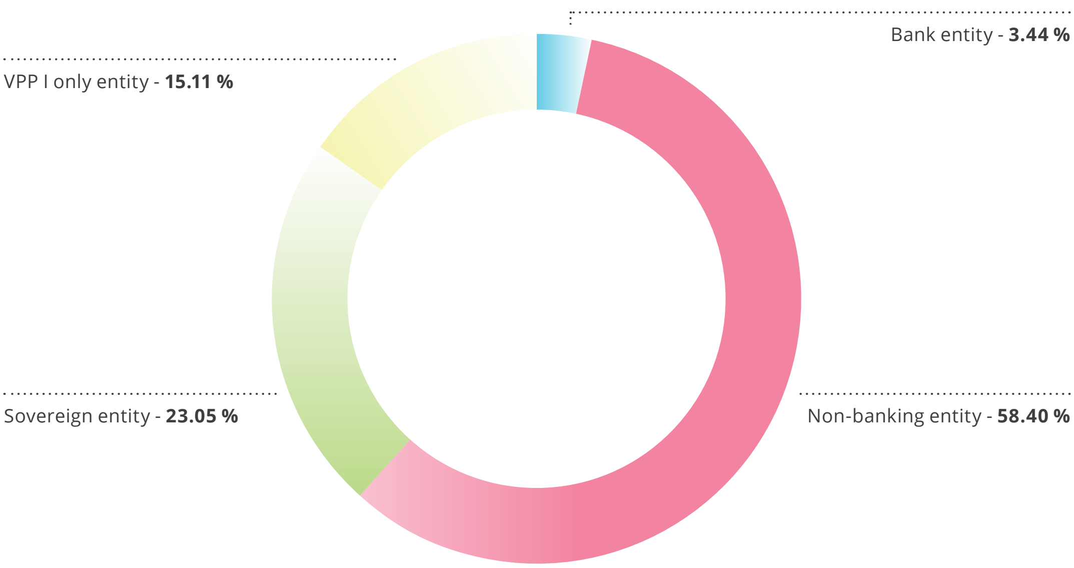


Chart 17
Insurance portfolio structure by subject type as at 31 December 2021



Guarantee portfolio risk profile

For providing guarantees under the COVID Plus programme, EGAP used risk management systems for the assessment of entities and groups in the insurance–underwriting risk, as well as for operating risk management related to this risk. In the area of guarantees provided under the COVID Plus programme where the rules of the Solvency II do not apply to risk management, elements of risk management were applied in accordance with the Czech government regulation, to ensure both the fulfilment of EGAP's mission in providing these guarantees and the prudence approach to the management of assets entrusted to EGAP by the state.

In 2021, EGAP expanded its portfolio of COVID Plus guarantees, established based on the credit risk of Czech legal entity exporters whose credit risk expressed as a weighted rating of the entities in this portfolio as at 31 December 2021 was at B+ to B–, which is worse than the average credit risk for insurance services. In the guarantee portfolio, the main represented segments are automotive and metallurgy.

The following charts show the basic risk parameters of the portfolio of guarantees provided under the COVID Plus programme.

Chart 18
Guaranties portfolio structure by rating as at 31 December 2021

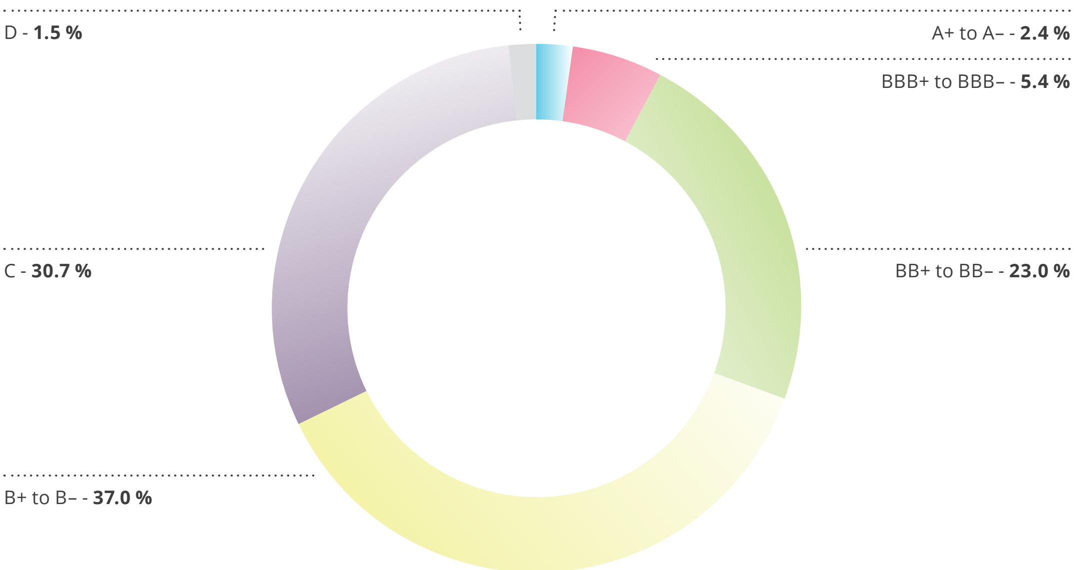


Chart 19
Guarantee portfolio structure by guarantee size as at 31 December 2021

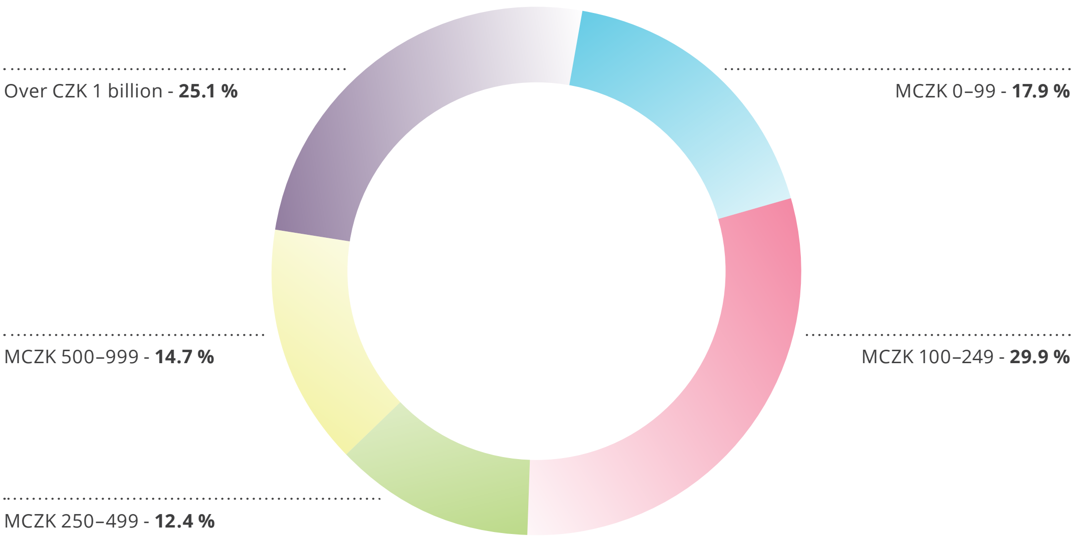


Chart 20
Change in guarantee volumes cumulatively from the beginning of provision until 31 December 2021 (in MCZK)

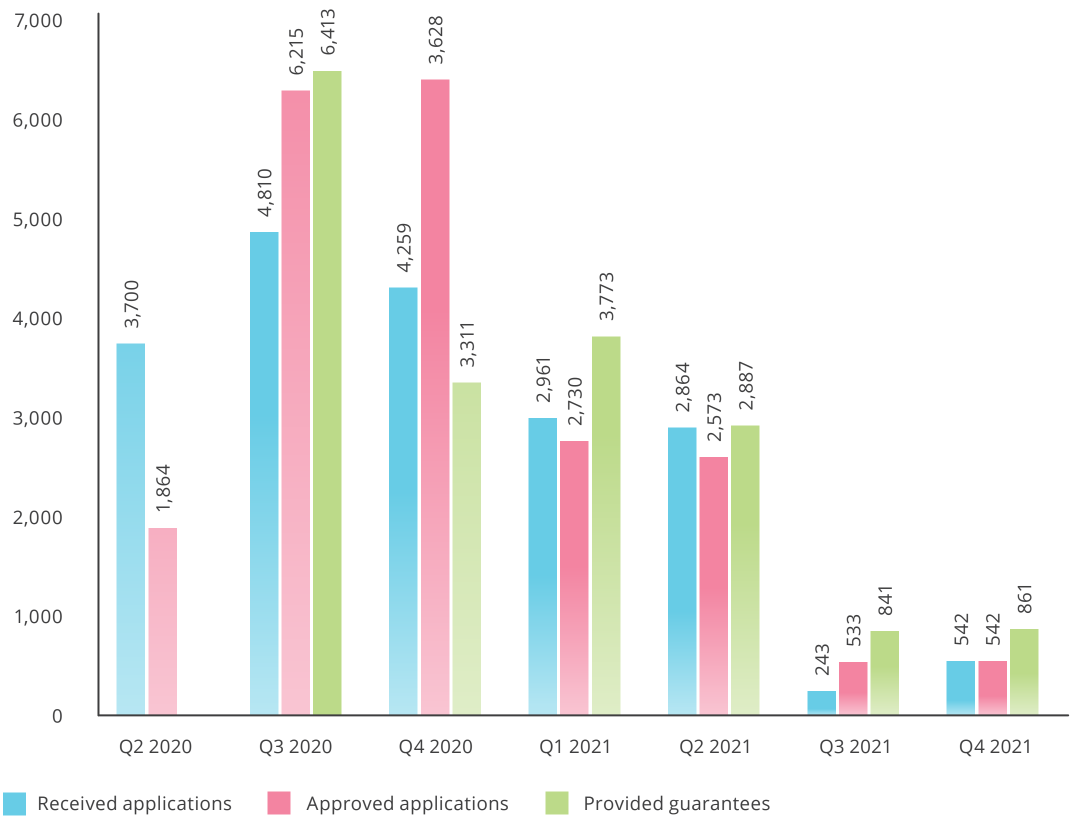
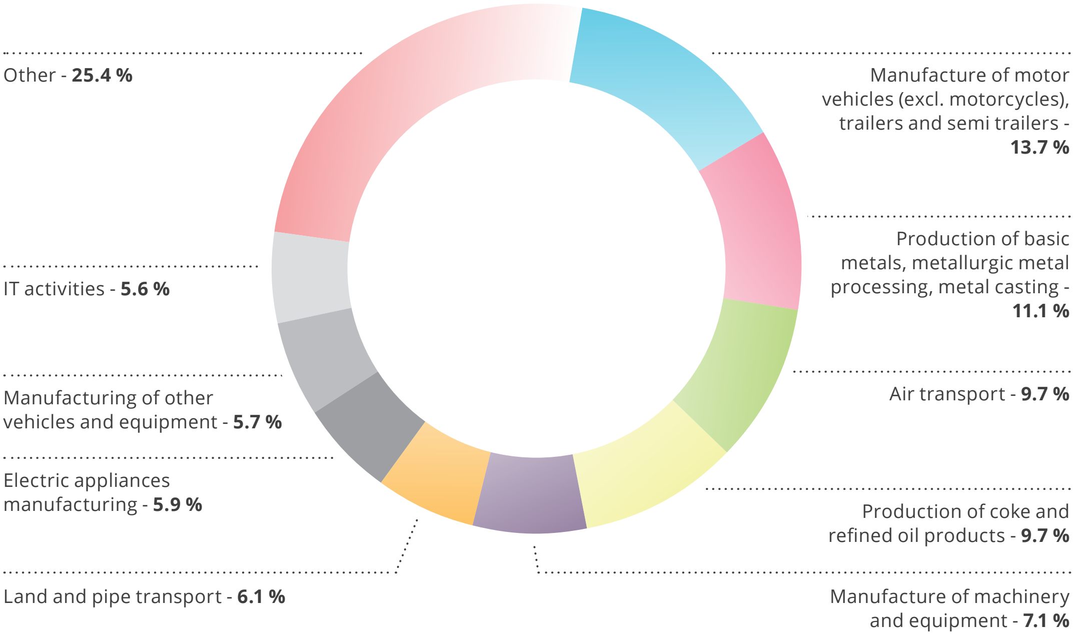


Chart 21
Portfolio structure by industry by volume of secured principal for provided guarantees as at 31 December 2021



Operating risks

In 2021, EGAP continued with the implementation of the new operating risk management system. Operating risks were assessed based on their affiliation to processes and not based on their affiliation to EGAP organisational units. In Q4 of 2021, another objective was completed in this area: connecting the operating risk management system with the internal control system.

In other risk management areas not mentioned above, EGAP continues to improve its processes, beginning with risk identification, to risk assessment, measurement, monitoring/testing of the processes and control mechanisms, reporting, and introducing measures to further mitigate or remove risks.

Outlook

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In the next years, primarily from 2023, EGAP plans to continue with the integration of state support for export in the Czech Republic in line with Czech government preferences. At present, the government decision on the takeover of Česká exportní banka, a.s., approved on 25 November 2019 remains in force. The legislative process has been postponed due to the COVID-19 pandemic and other issues. EGAP's objective is that these amendments are adopted smoothly and without any negative effects on Czech exporters and their support, and that support can be provided more efficiently.

As expected, 2021 was a year of slight economic recovery. However, at the end of the year, inflation unexpectedly rose and interest rates consequently increased. Thus, EGAP's anti-cyclic role will continue to grow, especially in the Czech economy. Even in this difficult period, EGAP will attempt to fulfil its five-year business strategy objectives for 2021–2025.

The volume of supported exports and premiums written is expected to be the same as in previous years. The estimated volume of new business cases derives from our clients' indicative requests in combination with preliminary risk assessments. The amount of written premiums is closely connected to the expected structure of insured business cases and the associated risks. The insurance of foreign investments under product D continues to play an important role here.

With regard to claims settlement, we expect a further increase in costs related to the payments under the COVID Plus guarantee programme. While the provision of guarantees ended at the end of 2021, the guarantees will continue to be valid in individual cases until 2027, when the last payments from guaranteed loans with six-year maturity will be paid. In the insurance industry, we expect a slower growth of new claims, the gradual liquidation of old claims, which is related to the planned volume of recoveries, e.g., for the Adularya claim for which the final settlement and collection of the debt is expected in 2022 or 2023.

Throughout the year, EGAP's capital position was stable. In relation to moderately profitable results of operations and a reduction of the planned insurance exposure, this stability is expected to continue in the next years when meeting the capital requirements should not drop under 110%, i.e., the signal threshold of meeting the capital requirements. In the future, we also expect a gradual reduction of the loss ratio towards the long-term 100% threshold. The sliding ten-year loss ratio is now stable around 70–80%. The development of loss ratio in the past 10 years shows the stabilisation of EGAP's activities, good-quality risk management, and full control without unexpected losses in the future.

However, EGAP's activities and Czech exports in general will be strongly affected by the war in the Eastern Europe. The situation (including calculations of risk scenario) is presented in Note 5 describing the potential impact of the conflict.

Provision of information

pursuant to Act No. 106/1999 Coll., on Free Access to Information

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Table 5
Provision of information pursuant to Act No. 106/1999 Coll., on Free Access to Information, as amended, for 2021

Number of filed requests for information	9	
Number of decisions issued to dismiss a request	4	(in one case, part of the request to provide information was dismissed)
Number of filed appeals against decisions	1*	
Copy of essential parts of every court judgment on the examination of the lawfulness of a decision to dismiss a request for information	0	(no court judgment issued)
Summary of all expenses incurred in connection with court proceedings discussing the rights and duties arising from the above act (including expenses incurred for own employees and legal representation expenses (CZK)	0	
List of provided exclusive licences	0	
Number of complaints filed pursuant to Section 16a of the above act	1*	

* The submission designated as an appeal was assessed as a complaint by the appellate body in compliance with Section 16a of Act No. 106/1999 Coll., on Free Access to Information, as amended. The reasons for the complaint are obvious, as the previous submission of the information by the company was labelled as a 'decision' in the appeal. In the decision of the appellate body, the company was requested to comply with the applicant's request within 15 days from the delivery of the decision. Within the stipulated period, the company issued a decision to refuse the applicant's request for information.

Financial results

Notes to the financial statements

1

Financial results

Balance sheet at 31 December 2021

(TCZK)		Note	31 December 2021 Gross amount	31 December 2021 Adjust-ment	31 December 2021 Net amount	31 December 2020 Net amount
I. ASSETS						
B.	**Intangible assets**	**II.1.**	**58,684**	**54,092**	**4,592**	**4,760**
C.	**Investments**	**II.2.**	**18,994,816**	**233,682**	**18,761,134**	**19,421,078**
C.I.	Land and buildings, thereof:		795,886	233,682	562,204	592,480
	1. Land		123,202		123,202	123,202
	2. Buildings		672,684	233,682	439,002	469,278
	a) land and buildings - self-occupied		603,038	209,600	393,438	399,632
C.III.	Other investments		18,198,930		18,198,930	18,828,598
	1. Shares and other variable-yield securities, other participating interests		830,000		830,000	830,000
	2. Debt securities valued at fair value		6,291,805		6,291,805	8,204,283
	5. Deposits with financial institutions		11,077,125		11,077,125	9,794,315
E.	**Debtors**	**II.3.**	**30,011**	**28,714**	**1,297**	**1,812**
E.I.	Receivables arising from direct insurance operations – policyholders		14		14	12
E.III.	Other receivables:		29,997	28,714	1,283	1,800
F.	**Other assets**		**4,111,520**	**63,479**	**4,048,041**	**4,412,425**
F.I.	Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	II.4.	67,433	63,479	3,954	6,079
F.II.	Cash on accounts in financial institutions and cash in hand		4,044,087		4,044,087	4,406,346
G.	**Temporary asset accounts**	**II.5.**	**23,890**		**23,890**	**21,618**
G.III.	Other temporary asset accounts, thereof:		23,873		23,873	21,577
	a) estimated receivables		4,961		4,961	5,450
TOTAL ASSETS			**23,218,921**	**379,967**	**22,838,954**	**23,861,693**

(TCZK)		Note	31 December 2021	31 December 2020
II. LIABILITIES AND EQUITY				
A.	**Equity**	**II.6.**	**12,325,634**	**11,992,018**
A.I.	Registered capital		5,575,000	5,575,000
A.IV.	Other capital contributions		6,200,511	6,785,131
A.V.	Reserve fund and other funds from profit		108,342	109,161
A.VII.	Profit or loss for the financial year		441,781	–477,274
C.	**Technical provisions**	**II.7.**	**8,342,760**	**11,248,372**
C.1.	Provision for unearned premiums:		2,818,862	3,102,122
	a) gross amount		3,433,752	3,816,272
	b) reinsurance share (–)		–614,890	–714,150
C.3.	Provision for outstanding claims:		5,523,898	8,146,250
	a) gross amount		5,540,429	8,200,274
	b) reinsurance share (–)		–16,531	–54,024
E.	**Provisions**	**II.8.**	**1,657,011**	**292,208**
E.3.	Other provisions		1,657,011	292,208
G.	**Creditors**	**II.9.**	**100,519**	**99,511**
G.V.	Other payables, thereof:		100,519	99,511
	a) tax liabilities and social security liabilities		70,013	69,839
H.	**Temporary liability accounts**	**II.10.**	**413,030**	**229,584**
H.I.	Accrued expenses and deferred revenues		404,048	218,640
H.II.	Other temporary liability accounts, thereof:		8,982	10,944
	a) Estimated payables		8,982	10,944
TOTAL LIABILITIES AND EQUITY			**22,838,954**	**23,861,693**

Income statement
for the year ended 31 December 2021

I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE			2021			2020	
(TCZK)	**Note**	**Base**	**Subtotal**	**Result**	**Base**	**Subtotal**	**Result**
1. Earned premiums, net of reinsurance:							
a) gross premiums written	III.1.	480,877			506,896		
b) outward reinsurance premiums (–)	III.2.	–48,962			0		
Subtotal			431,915			506,896	
c) change in the gross provision for unearned premiums (+/–)		382,521			434,025		
d) change in the provision for unearned premiums, reinsurance share (+/−)		–99,261	283,260		–170,647		
Subtotal						263,378	
Result				**715,175**			**770,274**
2. Allocated investment return transferred from the non-technical account (item III.6)				**91,315**			**120,315**
3. Other technical income, net of reinsurance				**542**			**496**
4. Claims incurred, net of reinsurance:							
a) claims paid:							
aa) gross amount		2,078,632			3,382,855		
bb) reinsurance share (−)		–266			354		
Subtotal			2,078,366			3,382,501	
b) change in the provision for outstanding claims (+/−):							
aa) gross amount		–2,659,845			–2,053,985		
bb) reinsurance share (−)		37,493			54,024		
Subtotal			–2,622,352			–2,108,009	
Result	**III.1.**			**–543,986**			**1,274,492**

I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE			2021			2020	
(TCZK)	**Note**	**Base**	**Subtotal**	**Result**	**Base**	**Subtotal**	**Result**
7. Net operating expenses:							
a) acquisition costs			14,006			14,559	
c) administrative expenses	III.3.		244,881			244,720	
d) reinsurance commissions and profit participation (–)	III.2.		–4,896			0	
Result				**253,991**			**259,279**
8. Other technical expenses, net of reinsurance				**928**			**960**
10. Result of the technical account for non-life insurance				**1,096,099**			**–643,646**

III. NON-TECHNICAL ACCOUNT		2021			2020		
(TCZK)	Note	Base	Subtotal	Result	Base	Subtotal	Result
1. Result of the technical account for non-life insurance (item I.10)				**1,096,099**			**–643,646**
3. Income from investments:							
b) income from other investments			150,581			249,734	
c) value adjustments on investments			258,044			415,998	
Result				**408,625**			**665,732**
5. Expenses connected with investments:							
a) investment management charges, including interest			9,495			10,192	
b) value adjustments on investments			230,520			471,610	
Result				**240,015**			**481,802**
6. Allocated investment return transferred to the technical account for non-life-insurance (item I.2.)				**–91,315**			**–120,315**
7. Other income	**III.6.**			**1,051,693**			**585,323**
8. Other expenses				**1,781,451**			**479,455**
9. Income tax on ordinary activities	**III.7.**			**–1,581**			**–1,204**
10. Profit or loss on ordinary activities after tax				**445,216**			**–472,959**
15. Other taxes not shown under the preceding items				**3,435**			**4,315**
16. Profit or loss for the financial year				**441,781**			**–477,274**

Statement of changes in equity for the year ended 31 December 2021

(TCZK)	Note	Registered capital	Other capital funds	Revaluation differences	Other funds from profit	Reserve fund	Loss brought forward	Total
Balance at 1 January 2020		**4,075,000**	**5,065,199**	**227,107**	**99,105**	**10,520**	**–2,380,124**	**7,096,807**
Settlement of loss brought forward		0	–2,380,124	0	0	0	2,380,124	0
Increase in registered capital		1,500,000	0	0	0	0	0	1,500,000
Contributions from the state budget	II.6.	0	4,000,000	0	0	0	0	4,000,000
Utilisation of social fund and fund of the General Manager		0	0	0	–464	0	0	–464
Revaluation differences		0	0	–127,051	0		0	–127,051
Loss for the financial year	II.6.	0	0	0	0	0	–477,274	–477,274
Balance at 31 December 2020		**5,575,000**	**6,685,075**	**100,056**	**98,641**	**10,520**	**–477,274**	**11,992,018**
Settlement of loss brought forward		0	–477,274	0	0		477,274	0
Contributions from the state budget		0	0	0	0	0	0	0
Utilisation of social fund and fund of the General Manager	II.6.	0	0	0	819	0	0	–819
Revaluation differences		0	0	–107,346	0		0	–107,346
Profit for the financial year		0	0	0	0	0	441,781	441,781
Balance at 31 December 2021		**5,575,000**	**6,207,801**	**–7,290**	**97,822**	**10,520**	**441,781**	**12,325,634**

I. General information

I.1. Description and principal activities

Exportní garanční a pojišťovací společnost, a.s. ("the Company" or "EGAP") was incorporated by signing 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 recorded 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 Act on Insurance No. 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 principal activity of the Company is insurance of credit risks with state support based on Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and Supplementing Act No. 166/1993 Coll., on Supreme Audit Office, as amended ("the Act"). On 27 April 2016, the Czech National Bank issued a certificate under Article II (2) of Act No. 220/2015 Coll., amending the Act, attesting the fact that EGAP is authorised to carry out activities specified in the previous permit from the effective date of Act No. 220/2015 Coll.

An amendment to the Act implemented by Act No. 214/ 2020 Coll., in effect from 29 April 2020, expands EGAP's activities by the provision of guarantees for the repayment of loans provided to exporters, manufacturers and traders. These guarantees are provided by the Company as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic. The purpose and extent of guarantees, conditions for their provision, the amount of coverage for the unpaid principal, and the procedure for the payment of all funds from the state budget in favour of EGAP in connection with the provision of guarantees are regulated by Government Decree No. 215/2020 Coll., implementing certain provisions of the Act on Insurance and Financing of Exports with State Support, as amended.

The State as the sole shareholder of the Company exercised its rights through a single state administration body, which is:

Ministry of Finance of the Czech Republic	100 %

The Company's statutory body is the board of directors; the chairman of the board of directors or at least two members of the board of directors act on behalf of the Company.

The Company is organisationally and functionally divided into sections - the chief executive officer section, risk management section, sales section, finance section and claims management section, which are further divided into departments and divisions. The Organisational Rules of EGAP establish the principles of internal organisation, position, powers and the responsibilities of individual organisational units and managers.

The Company has no foreign organisational unit.

Registered office

Vodičkova 34/701, 111 21 Praha 1

Board of directors as at 31 December 2021

Chairman:	Jan Procházka, Praha 5
Vice-chairman:	Marek Dlouhý, Praha 10
Member:	Martin Růžička, Praha 5

Členové dozorčí rady at 31 December 2021

Chairman:	Július Kudla, Praha 6
Vice-chairman:	Jaroslav Ungerman, Praha 4
Members:	Eduard Muřický, Rudná Martin Pospíšil, Praha 8 Martin Tlapa, Praha 4

I.2. Basis of preparation

The accounting records of the Company are maintained and the financial statements of the Company have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Regulation No. 502/2002 Coll., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for accounting units, which are insurance companies, as amended ("Regulation No. 502/2002 Coll."), and with the Czech Accounting Standards for accounting units that maintain their accounting records in compliance with Regulation No. 502/2002 Coll., as amended, and other relevant legislation.

The accounting records of the Company are maintained in such a manner that the financial statements prepared based on these records present a true and fair view of the accounting and financial position of the Company.

The financial statements have been prepared based on the assumption that the Company will continue as a going concern and that nothing has occurred that would restrict or prevent it from continuing in its business in the foreseeable future.

The amounts presented in the financial statements and in the notes to the financial statements are rounded to thousands of Czech crowns (thousands of CZK), unless stated otherwise, and the financial statements are not consolidated.

I.3. Significant accounting policies

a) Tangible and intangible assets

Tangible and intangible fixed assets other than land and buildings are initially stated at cost, which includes the costs incurred in connection with putting the assets in the current condition and place and which is reduced by accumulated depreciation in respect of depreciated/amortised tangible and intangible fixed assets. Land and buildings are classified within investments (note I.3.b).

Tangible and intangible fixed assets other than land and buildings are depreciated on the straight-line basis or declining balance basis over their estimated useful lives. Tangible assets costing less than CZK 40,000 per asset and intangible assets costing less than CZK 60,000 per asset are considered tangible and intangible inventories and are expensed upon consumption.

The annual depreciation and amortisation rates used are as follows:

Group of fixed assets	Years
Software	4
Other intangible assets	5
IT equipment	3
Movable assets relating to the building	4–5
Ventilation equipment	8
Machinery and equipment	3–6
Furniture	6
Passenger cars	3

Where the net book value of a tangible or intangible fixed asset exceeds its estimated useful life, an adjustment is established to such asset.

The cost of repairs and maintenance of tangible and intangible fixed assets is charged to expenses. The improvement of an asset exceeding CZK 40,000 per year is capitalised.

The amortisation plan is updated during the period of use of intangible fixed assets based on the estimated useful lives and estimated net book values of the assets.

b) Investments

The Company classifies the following items as investments:
- Land and buildings;
- Investments in securities;
- Deposits with financial institutions.

Land and buildings

Land and buildings are classified as investments and are initially recognised at cost. Land is not subsequently depreciated while buildings are subsequently depreciated using the straight-line basis over their estimated useful lives which were set at 60 years. In the income statement, depreciation and respective impairment are presented in Investment management charges; potential impairment of land and buildings are shown in Value adjustment on investments.

The Company will gradually transfer the revaluation difference relating to land and buildings which is recognised in A. IV. Other capital funds to Value adjustments on investments in the income statement according to the relevant depreciation period.

Investments in securities

Securities were initially recognised at cost. Acquisition cost is the amount for which a security has been acquired and includes a proportionate part of any accrued interest and expenses directly associated with the acquisition (e.g. fees and commissions paid to brokers, consultants and stock exchanges). Securities are recognised on the settlement date.

Interest income is defined as:

a) (for coupon debt securities) the accrued coupon specified in issue terms and conditions and the accrued difference between the nominal value and net cost, described as a premium or discount. Net cost is defined as the cost of a coupon bond reduced by the accrued coupon as at the date of acquisition of the security;

b) (for zero-coupon bonds and bills of exchange/promissory notes) the accrued difference between the nominal value and cost.

The Company amortises premiums and discounts on all debt securities. Premiums and discounts are amortised to the income statement on the basis of the effective interest rate method from the date of acquisition to their maturity.

All securities, except for held-to-maturity securities and bonds not held for trading, are measured at fair value as at the balance sheet date.

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

For the purposes of subsequent measurement, securities that are recognised in assets and that are not considered ownership interests with controlling or significant influence are classified as securities at fair value through profit or loss, available-for-sale securities, or held-to-maturity securities.

A security at fair value must meet either of the following conditions:

a) it is classified as held for trading;

b) upon initial recognition it is designated by the accounting entity as a security at fair value.

An available-for-sale security is a security that is a financial asset and that the insurance company has decided to classify as an available-for-sale security and that has not been classified as a security at fair value through profit or loss, a security held to maturity, or a security not intended for trading.

Fair value means the price published by a domestic or foreign stock exchange or other public (organised) market. The Company applies the most recent published market price as at the date of the financial statements (balance sheet date). If no market value is available or if it does not sufficiently represent the fair value, the fair value is determined on the basis of a qualified estimate or if appropriate based on generally accepted valuation models if these generate an acceptable market value estimate.

If the fair value cannot objectively be determined, the fair value is regarded as the value determined using the methods under Section 25 of Act. No. 563/1991 Coll. The methods under Section 25 are also applied to assets and liabilities not included in paragraph 1 unless stated otherwise. Bonds and other securities with fixed yields to which paragraph 1does not apply are stated at acquisition cost increased or decreased by interest income or expense as at the balance sheet date or as at the date of preparing the financial statements; if the cost of receivables includes the above income or expense, it may also be increased or decreased in the same manner.

Changes in the fair value of securities at fair value through profit or loss are charged to the income statement. Changes in the fair value of available-for-sale securities are reported in Revaluation differences in Other capital contributions in equity.

As a result of an amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and Supplementing Act No. 166/1993 Coll., on Supreme Audit Office, as amended, entering into effect on 29 April 2020, EGAP may not invest its funds in financial instruments in the financial market.

Deposits with financial institutions

As at the balance sheet date, deposits with financial institutions are stated at fair value. Changes in the fair value of deposits with financial institutions are recognised in the income statement.

c) Receivables

The insurance premium receivables and other receivables are recognised at their nominal value adjusted by the adjustment to overdue receivables.

Receivables which have been ceded to the Company in relation to a claim are recognised at replacement cost reduced by expected expenses for their recovery. They are recognised in Other receivables with a corresponding double entry in Other income in the non-technical account. If the recovery expenses are higher than the replacement cost, these receivables are not recognised in the balance sheet. The additionally recovered amounts in excess of the recognised receivables are recognised in Other income in the non-technical account in the accounting period in which the payment was received. Written-off receivables are recognised in Other expenses in the non-technical account.

The creation or release of adjustments to overdue receivables relating to the insurance activities (with the exception of receivables ceded in relation to claims) is recognised in Other technical expenses/income. Gross written premiums are not affected by the creation or release of these adjustments or write-off of receivables.

The creation or release of adjustments to overdue receivables ceded to the Company in relation to an insurance claim or not directly relating to the insurance activities is recognised in Other non-technical expenses/income.

d) Impairment of assets

At the balance sheet date, the Company performs impairment testing to ascertain whether assets that are not carried at fair value and assets that are remeasured at fair value but whośe fair value is reported in the balance sheet have been impaired. Impairment of an asset is recognised first in the revaluation differences stated in equity (if relevant) and further in the income statement.

e) Foreign currencies

Transactions denominated in foreign currencies are translated and recorded at the Czech National Bank official rate valid as at the transaction date.

Financial assets and liabilities denominated in foreign currencies are translated to Czech crowns at the Czech National Bank official rate published as at the balance sheet date.

f) Technical provisions

Technical provisions comprise assumed liabilities relating to insurance contracts in force. They are determined to cover the liabilities arising from insurance contracts. Technical provisions are measured at fair value in accordance with the Czech legislation as described below.

The Company established the following technical provisions:

Provision for unearned premiums

The provision for unearned premiums is established based on the individual non-life insurance contracts from a part of gross premiums written which is to be allocated to subsequent financial years. The Company uses the "pro rata temporis" method to estimate this provision. The provision is released where a provision for claims is created per individual insurance contract. The provision for unearned premiums also includes a provision for pending insurance losses (where insurance premiums do not suffice).

In accordance with the provision of Regulation No. 502/2002 Coll., the insurance company is obliged to create technical provisions in respect of the entire scope of its business and in a sufficient amount so that the Company is able to meet its liabilities following from the concluded insurance or reinsurance contracts.

To verify this fact, the insurance company carries out a liability adequacy test. As the Insurance Act and the relating decrees do not further regulate this definition of adequacy of technical provisions (liability adequacy), the Company's testing methodology is based on the existing approved procedures following from the International Financial Reporting Standards (IFRS) and approved procedures of the Czech Society of Actuaries.

Based on testing the adequacy of the provision for unearned premiums, the Company establishes or releases the provision for unexpired risks (the so-called LAT provision - Liability Adequacy Test). The value of this provision provides for the total provision for unearned premiums to cover all expected costs connected with future claims. The main calculation parameter of the adequacy of this provision is the difference between the expected insurance loss and the unused (or unearned) portion of premiums recognised within the provision for unearned premiums. The expected loss depends on the probability of default of the debtor, or of the guarantor (PD), and on the loss-given default (LGD) and related exposure at default (EAD).

Provision for outstanding claims

A provision for outstanding claims is based on the sum of expected payments of insurance settlement reported by the insured decreased by a co-insurance share, the expected recovery of expenses and a potential reduction of the insured's claim. The provision amount is intended to cover payables from claims as follows:

- reported but not settled till the end of period (RBNS);

- incurred but not reported till the end of period (IBNR).

RBNS is determined as the sum of reported outstanding loan instalments decreased by a co-insurance share, a potential reduction of the insured's claim and the present value of future recovered amounts.

IBNR is determined in connection with claims incurred before the end of the accounting period but reported after the end of the period.

The fair value of the IBNR provision is determined using actuarial and statistical methods.

The provision for outstanding claims also includes all expected expenses connected with the settlement of claims. These expenses, estimated using actuarial methods, amounted to 4.4% of the total gross provision for outstanding claims in 2021. The percentage amount is updated on an annual basis and slightly changed as at 31 December 2021, newly determined at 4.3%. This amount will also be used in 2022.

g) Gross premiums written

Gross premiums written include all amounts paid under the insurance contracts during the accounting period as in accordance with the general business terms and conditions of EGAP an insurance contract comes in force upon the date of premium payment. Premiums are recognised irrespective of whether these amounts refer in whole or in part to future accounting periods and whether the insurance settlement was reduced in part or in full as a result of a significant breach of the insurance terms and conditions.

h) Claims paid

Claims paid are recorded upon completion of the investigation of the claim and in the amount of the assessed settlement. These costs also include the Company's costs connected with handling the claims arising from insured events.

i) Allocation of revenues and expenses between the technical accounts and non-technical account

Income and expenses incurred during the accounting period are recorded to the respective accounts, depending on whether they are associated with the insurance activities or not.

All expenses and revenues clearly attributable to insurance activities are recorded to the relevant technical accounts. All other expenses and income are recorded in the non-technical account. The non-technical account is also used for reporting expenses and income associated with the provision of guarantees as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic.

j) Transfer of income from investments

Only income from investments corresponding to the technical provisions is transferred to the technical account. The share of technical provisions is applied to the net income from investments, i.e. to the difference between income from and expenses connected with investments presented in the non-technical account in the income statement.

k) Personnel expenses, supplementary pension insurance and social fund

Personnel expenses are included in administrative expenses.

The Company makes contributions to the defined contribution pension plans and to the endowment insurance of its employees. These contributions are recognised in personnel expenses which are part of administrative expenses.

The Company establishes a social fund to finance the social needs of its employees and the fund of the Chief Executive Officer for bonuses for extraordinary achievements. In compliance with Czech accounting legislation, the allocation to the social fund and the fund of the Chief Executive Officer is not recognised in the income stated but as profit distribution. Similarly, the utilisation of the social fund and the fund of the Chief Executive Officer is not recognised in the income statement but as a decrease of the fund in the statement of changes in equity. The social fund and the fund of the Chief Executive Officer form an integral part of equity and are not recognised as a liability.

l) Assumed and ceded reinsurance

Inwards reinsurance

Transactions and balances following from inwards reinsurance contracts are recognised in the same manner as insurance contracts.

Ceded reinsurance

Reinsurance assets which equal to the reinsurers' share in the net book value of technical provisions covered by existing reinsurance contracts reduce the gross amount of technical provisions.

Receivables from and payables to reinsurers are stated at cost.

Changes in reinsurance assets, reinsurers' share in insurance settlements, reinsurance commissions and reinsurance premiums (premiums ceded to reinsurers) are presented separately on the face of the income statement along with the corresponding gross amounts.

The Company regularly assesses the receivables from reinsurers and reinsurance assets relating to technical provisions for impairment. Where the carrying amount of such assets exceeds the estimated value in use, an adjustment equalling to this difference is established.

m) Deferred tax

Deferred tax is recognised on all temporary differences between the net book value of an asset or liability in the balance sheet and its value for tax purposes using the liability method. A deferred tax asset is recognised to the extent that it is probable that future taxable profits 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 to calculate the deferred tax.

Deferred tax arising from revaluation reserve recognised in equity is also recognised in equity.

A deferred tax liability is offset against a deferred tax asset only if both are expected to be utilised in the same taxable period.

n) Transactions with related parties

The Company's related parties are considered to be the following:

- companies that form a group of companies with the Company. The Company forms a group with Česká exportní banka, a.s. ("ČEB");

- state financial institutions that EGAP enters into business relations with: Národní rozvojová banka, a.s., former Českomoravská záruční a rozvojová banka, a.s. (“NRB”);

- members of the Board of Directors, Supervisory Board, Audit Committee and the Company's management and parties close to such members.

In determining the related parties, emphasis is laid primarily on the substance of the relationship, not merely on the legal form.

Significant transactions, balances and methods for determining the prices of related party transactions are described in note II.12.

o) Loss prevention fund

The loss prevention fund is created if the Company reports profit after tax and the contribution from the achieved profit to the fund is made selectively on specific business cases with the aim to prevent a larger extent of damage.

p) Provision of guarantees under the COVID Plus programme

An amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and Supplementing Act No. 166/1993 Coll., on Supreme Audit Office, as amended, entering into effect on 29 April 2020, expands EGAP's activities by the provision of guarantees for the repayment of loans provided to exporters, manufacturers and traders.

Guarantees were provided by the Company as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic until the end of 2021. The purpose and extent of guarantees, conditions for their provision, the amount of coverage for the unpaid principal, and the procedure for the payment of all funds from the state budget in favour of EGAP in connection with the provision of guarantees are regulated by Government Decree No. 215/2020 Coll, as amended.

In the accounting books, all accounting transactions associated with the provision of guarantees are reported separate from the insurance portfolio under a separate accounting heading. In the income statement, expenses and income are reported in the non-technical account under other expenses and other income.

- Fees for the provision of guarantees

Fees for the provision of guarantees are accounted for in receivables and revenues as at the date the invoiced fees are paid. Fees are accounted for on an accrual basis through accruals, by allocating fee amounts to future periods.

Fees associated with the provision of guarantees are accounted for in receivables and revenues at the date an invoice for fees is issued.

- Expenses arising in connection with the provision of guarantees

Expenses directly attributable to the provision of guarantees and a proportionate part of operating expenses related to the provision of guarantees are charged to expenses according to the pre-set allocation key.

- Provision for unexpired risks

LAT provisions are reported in Other provisions in the balance sheet and and calculated based on the actual value of the provided guarantee and related ratings (PDs) of individual counterparties, which are regularly updated based on most available data and results of these counterparties. The calculation of expected losses for each individual guarantee contract forms the basis for the calculation of these provisions, analogically as in the case of provisions for pending insurance losses. Exposure at default (EAD) is calculated separately for each guarantee, for all future periods until maturity, according to the approved repayment calendar. PDs used in the calculation are derived from most up-to-date ratings. Loss-given default (LGD) is assumed to be 50%. This value derives from EGAP's own historical experience in the field of insurance of export activity. Expected losses (EL) are calculated for each individual outstanding guarantee and the resulting provision pro unexpired risks is determined as the difference between the expected losses and the unearned part of fees for the provision of guarantees (recognised as deferred revenues).

Equation for calculating expected losses from provided guarantees:
$EL = PD \times LGD \times EAD$

Equation for calculating a provision for unexpired risks: $RnNO = EL - VPO$

Due to the gradual refinement and updating of the input parameters for the calculation of the provision for unexpired risks, the risk margin created at the end of 2020 was dissolved at the end of 2021. The reasons for this provision, namely the unavailability of current data to calculate the expected losses, are no longer valid. By the end of 2021, all ratings of the counterparties included in the guarantee portfolio were updated. The provision for unexpired risks increased significantly during 2021, largely removing the need for an additional risk premium.

I.4. Subsequent events

The effect of the events which occurred between the balance sheet date and the date of preparation of the financial statements is presented in the financial statements if these events provide further evidence of the conditions which existed as at the balance sheet date.

Where material events, which are indicative of conditions that arose subsequent to the balance sheet date, occur between the balance sheet date and the date of preparation of the financial statements, the effects of these events are described in the notes to the financial statements but are not themselves presented in the financial statements.

I.5. Changes and deviations from accounting policies and methods

In 2021, the Company did not make any other changes to its accounting methods and procedures nor did it use any deviations from these methods and procedures during the period or correct any prior period errors.

I.6. Risk management

a) Legislative framework

In defining the risk management system and the individual types of risks, EGAP follows the wording of Act No. 277/2009 Coll., on Insurance, as amended, and the related legal regulations implementing certain provisions of the Act on Insurance, as amended, and the European Union legislation, primarily Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), in its current version, and Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Solvency II Directive and the related implementing regulations (EIOPA general guidelines, implementing regulations of the European Commission), as amended.

The risks to which EGAP is exposed are primarily influenced by the nature of its activity related to support of exports through providing export credit risk insurance. In managing risks, next to the above legal regulations EGAP also follows the provisions of Act No. 58/1995 Coll., on Insurance of Financing Exports with State Support and on Additions to Act No. 166/1993 Coll., on the Supreme Audit Office, as amended.

In 2020, Act No. 58/1995 Coll. was amended, authorising EGAP to provide guarantees for the repayment of loans provided to exporters, manufacturers and traders where these guarantees are understood to be guarantees for the repayment of principal regarding loans to finance operations, working capital, innovation and production quality enhancement and for the purposes of maintaining business by exporters, manufacturers and traders. These guarantees were provided by EGAP until the end of 2021 as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic and increase the availability of liquid funds to export-oriented businesses without a need to obtain a permit under special legal regulations. The purpose and extent of guarantees, conditions for their provision, the amount of coverage for the unpaid principal, and the procedure for the payment of all funds from the state budget in favour of EGAP in connection with the provision of guarantees are regulated by government via its decree.

Risks arising in the connection with this activity are not treated as insurance risks, in other words, the issue of guarantees is not regarded as insurance of export-related credit risk pursuant to Act No. 58/1955 Coll. and therefore is not regulated by insurance legislation. To ensure professional activities involved in the issue and administration of guarantees, EGAP has reasonably used its established functional risk management system applicable to insurance activities.

b) Risk management system

The risk management system is defined in the document titled Risk management strategy in EGAP, which was approved by the Board of Directors. The organisational structure of risk management system, including positioning the risk management function on the level of a member of the Board of Directors, is included in the Organisational Rules of EGAP.

The risk management system comprises (1) a clearly defined Risk management strategy which complies with the EGAP Strategy; and (2) conceptions which implement the relevant strategy, i.e. stipulate its definition and perform the categorisation of the significant risks and cover the entire risk management process, from risk identification over their assessment, monitoring, and internal reporting of risks up to adoption of relevant measures. Other internal policies, which further elaborate on a specific risk management process for a partial field, draw on the risk management strategy or individual conceptions, if relevant.

The risk management system includes regular performance of the ORSA process, i.e. own risk and solvency assessment, regulated by its own conception. The ORSA process represents connection of risk management and management of the total solvency position of EGAP in the future. The conception of the ORSA process comprises the following main items and principles:

- timing of the ORSA process and the annual frequency of the full ORSA process, following the audited results for the given year;

- overview of the main ORSA process inputs;

- description of the individual ORSA process steps, or description of the individual activities carried out within the ORSA process and tasks following from this process, including the manner of performance of stress tests and the analysis of their results, definition/review of the risk appetite in relation to EGAP's strategy, assessment of suitability of set limits for tisk management, assessment of the current risk management system and related regulations, identification and assessment of key risks, description of the current solvency and capital position, etc.;

- description of the roles and responsibilities of the individual organisational departments of EGAP in the ORSA process, and;

- description of the documentation of the ORSA process.

In relation to the relevant provisions of Act No. 277/2009 Coll., the Company has prepared policies and procedures meeting the requirements of Solvency II.

In 2021, the Company again put higher emphasis on data quality and changes in the management of operational risk, for which the risk management section is primarily responsible. In addition, the model for rating non-banking entities was updated in 2021, also in line with new global data entering the rating of entities. Last but not least, in the area of information technology and security, procedures and regulations were revised with regard to the EIOPA guidelines, consequently the CNB guidelines, i.e., Guidelines on Information and Communication Technology Security and Governance with effect from 1 July 2021. To this end, among other things, the Board of Directors issued a new strategic document establishing a general concept (with a regular annual evaluation), namely the Information and Communication Technology and Security Concept.

c) Risk management strategy

The risk management strategy stipulates the risk management principles in such a manner that EGAP is exposed only to those risks which it is able to manage and if they occur, the Company is able to cover them with the available capital or by adopting measures to mitigate the risks, and that the goals defined in EGAP's strategy are met at the same time. Risk management strategy, amont other things:

- defines the categories (types) of risks and risk measurement methods;
- stipulates the manner in which EGAP manages every individual risk category, area of risks and any potential risk aggregation;
- stipulates the risk management limits within the individual risk categories in accordance with EGAP's risk appetite;
- describes the connection with assessment of total requirements on solvency as stipulated in the ORSA report for the relevant year, with the regulatory capital requirements and the risk management limits. The result of the ORSA process in EGAP is determining the risk appetite of EGAP which is then reflected in the risk management limits and capital requirements;
- it describes the frequency and contents of regular stress and regression tests and situations which are the reason for performing ad hoc stress tests.

d) Main risk management principles

- Compact and interconnected system with decentralised features

  The risk management system relates to all activities and processes in EGAP, including implementation of new features. Special emphasis is laid on the insurance process with regard to the importance of the insurance (underwriting) risk. Decentralised features in the risk management system shall mean partial division of the responsibility for risk management among the individual sections, with the major share of responsibility being allocated to the Risk management section, but the operational management of some risks or parts of risks also belongs under the responsibility of other sections or committees established by the Board of Directors (e.g. the insurance committee, claims committee, technical provisions committee and data quality committee). The compact nature of the system in terms of decentralised features is ensured by the ORSA process, regular preparation of reports on the situation and development of (all) risks and assessment of the risk management system.

- Continuous process (systematic process)

  Risk management is a continuous process, consisting of 6 basic phases which are as follows: (1) risk identification, (2) risk assessment, (3) risk measurement (quantification), (4) risk monitoring, (5) risk reporting, and (6) measures to remove or mitigate risk. These risk management phases represent a cycle during which certain phases can mingle or proceed simultaneously.

- Feedback (stress and regression tests)

  The risk management system actively uses stress and regression tests for risk management. At least three scenarios are used to assess and measure the individual risks: standard, pessimistic, and catastrophic (i.e. the stress test). Stress and regression testing and its use for the individual risks are always described in the internal policies governing the management of the relevant risk. The stress testing is carried out on a quarterly, semi-annual, or annual basis. Regression testing is carried out at minimum on annual basis and concerns at minimum the set assessment/process of management of the relevant risk. Regression testing also includes assessment of the variations in the approval and decision-making process of risk management against the set risk management system from the point of view of their impact on increase in the relevant risk. Variations are reported in accordance with special internal policies. Based on the results of these tests and where appropriate, the Company proposes measures that are approved by the board of directors. These involve necessary updates of the internal policies and processes which relate to the management of the relevant risk, and if appropriate the entire risk management system. Regression testing, carried out at least once a year, mainly concerns the method of determining maximum limits for entities, financial groups, countries, sectors and country sectors.

- A close link to capital management (calculation of SCR)

  EGAP carries out the calculation of capital requirements, or SCR, to manage the capital by comparing them with the capital requirements stated in Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support.

  In 2021, EGAP with the Czech National Bank's consent used a partial internal model for the calculation of SCR relating tu insurance (underwriting) risk ("SCRPUR"), which was first used for the calculation of SCR at the end of 2017. In addition, the calculated SCR/SCRPUR is used when underwriting/changing selected business case insurance within the ORSA process or when approving, planning, making decisions regarding ceded reinsurance or when determining selected insurance limits per country or when calculating the risk margin.

e) Risk appetite

EGAP defines risk appetite as the amount of risk that it is willing to take. Similarly as for ORSA, it is a permanent process where the risk appetite is set according to the EGAP Strategy, the Risk management strategy and further primarily in relation to the insurance (underwriting) risk according to the Underwriting and technical provisions establishment conception, including management of the risks connected with underwriting and technical provisions establishment. When changing the EGAP Strategy, also the risk appetite of EGAP should be reassessed and if appropriate newly set at the same time.

Approval of the Risk appetite of EGAP is in the competency of the Board of Directors which actively influences the establishment of the risk appetite.

The risk appetite also fulfils the requirements imposed on EGAP by Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, as amended, for example in the fact that the volume of the assumed risk must not exceed the insurance capacity of EGAP[1].

1 EGAP's insurance capacity was determined at BCZK 230 for 2016, BCZK 240 for 2017, BCZK 211 for 2018, and BCZK 188 for 2019, increased to BCZK 330 in March 2020 in connection with the decision to provide guarantees under the COVID PLUS programme. EGAP's insurance capacity was the same in 2021.

The Risk appetite of EGAP consists of quantitative and qualitative criteria. Quantitative criteria are aimed at ensuring sufficient liquidity, achieving financial stability and long-term balance of operations, or achieving a balanced cumulative result of operations in the long term, and setting the risk management limits (e.g. the risk of concentration on an entity, sector, or country) and capital adequacy, or meeting the signal threshold for the minimum amount of available primary capital. Qualitative criteria are aimed at meeting the regulatory requirements and permanent credibility of EGAP with clients, banks or reinsurance companies.

The risk appetite relating to the provision of guarantees, i.e. the purpose and extent of guarantees, conditions for their provision and the amount of coverage for the unpaid principal, is determined by government via its decree.

From 2021, EGAP also determines the risk appetite for operational risk by means of the Key Risk Indicators (KRIs) approved by the Board of Directors and reviewed annually based on the risk management department's suggestions, or the KRIs set to represent tolerable, acceptable or unacceptable levels of operational risk (KRIs include e.g. maximum proportion of OR losses to administrative overhead in the last 12 months, maximum number and duration of key application failures in the last 12 months, or the value of damage caused by intentional or unintentional internal/external human failure).

f) Risk profile

The risk profile comprises the key risks identified by EGAP:

- insurance (underwriting) risk;
- market risk;
- asset and liability management risk;
- credit risk;
- strategic risk;
- reputation risk;
- regulatory and compliance risk;
- operational risk.

Each of the key risks is further divided into partial risks while the division of the risks both respects division under legal regulations and expresses the results of the ORSA processes carried out in EGAP in 2014–2021[2] which were duly discussed by the statutory bodies of EGAP and reported to the Czech National Bank.

Investment risk, defined by EGAP as the risk associated with investments, selection of inappropriate investment strategy and inappropriate investment of available

2 ORSA proces za rok 2021 probíhá, ORSA report k 31. 12. 2021 bude ČNB doručen do 30. 6. 2022.

funds, was excluded from the risk profile at the end of 2021. The exclusion was made in view of the legal regulation of EGAP's investment activity contained in an amendment to Act No. 58/1995 Coll., whereby the law only permits deposits of EGAP funds in accounts with the Czech National Bank and any exceptions are possible only with the consent of the Ministry of Finance of the Czech Republic. Furthermore, the CEB integration risk defined as the risk of incorrect integration of the CEB under EGAP, i.e. the transfer of the CEB's shareholding from the Czech Republic to EGAP, was removed.

The definitions of the key risks and the manner of managing these risks are stated below.

g) Insurance (underwriting) risk

Insurance (underwriting) risk is defined as the risk of a loss resulting from insufficiency of written premiums partially related to insurance contracts concluded in the following accounting period and partially to the existing insurance contracts which would not cover the expected future claims from already created technical provisions. It is the most significant risk in EGAP's activities and therefore the Company pays biggest attention to managing this risk. This risk also includes the risk arising from inwards reinsurance. A significant partial risk of the insurance (underwriting) risk is the concentration risk, which represents the risk of a loss resulting from insufficient diversification of the insurance portfolio (towards the entity or its financial group, sector, country sector, or country), and the risk of uncertainty regarding timing, frequency and amount of future damage, which is the risk arising from uncertainty regarding timing, frequency and amount of future damage including FX risk relating to debtors/guarantors.

EGAP manages the insurance (underwriting) risk primarily:

- by applying a prudent underwriting policy (risk analysis – entities, financial groups, segments, countries, business cases);
- through a set of risk management limits which ensure diversification of the insurance portfolio in relation to the entity, its financial group, sector, country sector, or country;
- by determining the insurance terms and conditions; e.g. determining the methods of risk reduction depending on the risk level of entities/business case and the type of EGAP's insurance product;
- by assessing the impact of significant business cases while considering EGAP's capital adequacy;
- by consistent monitoring of insurance contracts and cooperation with the insured in the period after the conclusion of the insurance contracts;
- by concluding reinsurance contracts with other ECAs ("Export Credit Agencies");
- through a systematic and consistent enforcement of receivables.

h) Market risk

The market risk is defined as the risk of a loss resulting from changes in the market prices of shares and other assets traded on the market, interest rates, and foreign exchange rates. The market risk generally arises from open positions in currencies, interest rates and equity or other tradeable products (e.g. commodities and real estate), all of which are exposed to general and specific market movements. The market risk comprises the interest rate risk, currency risk, equity risk, real estate risk, and spread risk. In 2021, the following risks were excluded: concentration risk associated with placed assets and government bond risk, in view of the previously mentioned amendment to Act No. 58/1995 Coll., regulating, inter alia, EGAP investments.

The major partial risk is the currency risk which EGAP defines as the risk of losses from changes in the value resulting from variance of the current exchange rates from the expected rates. EGAP's currency risk relates to the insurance contracts which have been concluded in a foreign currency. Since 2019, EGAP’s insurance exposure has been primarily monitored at current FX rates; therefore, the currency risk associated with insurance contracts is daily reflected in the amount of EGAP’s insurance exposure.

EGAP does not actively hedge the currency risk. It uses only a natural hedging where the financial means denominated in foreign currencies are kept on EGAP's foreign currency accounts. The currency risk is also naturally reduced by insurance settlement payments which relate to insurance contracts concluded in a foreign currency to which technical provisions carrying the currency risk have been established before.

EGAP has been consistently monitoring the discrepancy between assets and liabilities in terms of currency (for details see below).

Market risks also relate to the placement of available financial means (investment). These risks are managed using the procedures stated in the Investment strategy or in the Investment risk management conception.

i) Asset and liability management risk

The asset and liability management risk is defined as the risk of a loss resulting from improper management of the Company's assets, with special emphasis on the nature of the commitments in order to optimise the balance between the risk and revenues.

The asset and liability management risk is regularly monitored and reported to EGAP's management. The risk is managed both using gap analyses and stress scenarios which are modelled in EGAP at minimum on the quarterly basis.

- Liquidity risk

  EGAP defines the liquidity risk as a risk of the loss of the ability to meet its financial obligations at the moment when they become due.

  In compliance with the valid legislation and EGAP's internal policies, the Company maintains a sufficient portion of funds on the accounts of the Czech National

Bank and other financial institutions (approved by the Ministry of Finance of the Czech Republic) and in liquid and secure financial instruments (held-to-maturity).

EGAP regularly carries out cash flow analyses and assesses the sufficiency of liquid means (cash and liquid financial tools) to hedge its due liabilities.

- Risk of discrepancy between assets and liabilities

  EGAP defines the risk of discrepancy between assets and liabilities as a risk to which the Company is exposed if the conditions (time, currency, interest rate) of the assets and liabilities significantly differ, e.g. at the moment of meeting the liabilities sufficient financial means to settle the liabilities are not available or acquisition of these means represents significant additional expenses; the assets are denominated in another currency than the one which is necessary to settle the liabilities or if assets and liabilities are denominated in the same currency but the payment of the insurance settlement depends on the exchange rate of the foreign currency; the interest-bearing assets bear interest at a fixed/variable rate while the EGAP liabilities are effected by adversely set interest rates.

  From the point of view of EGAP, the major partial risk is the risk of monetary discrepancy between assets and liabilities which follows from the fact that EGAP's assets are primarily kept at CZK while EGAP's liabilities (technical provisions connected with insurance contracts concluded in a foreign currency) are linked to EUR, USD, and exceptionally other foreign currencies. The monetary discrepancy between assets and liabilities results in an increase in EGAP's capital requirement on the currency risk.

j) Credit risk

EGAP defines the credit risk as the risk of a loss resulting from a change in the value caused by a variation of the current credit loss from the expected credit loss, which is caused by a failure of the counterparty/bank, or, in exceptional cases, the payment of insurance settlement upon the restructuring of the insured receivable or the payment of a purchase price for the assignment of a receivable after the transfer becomes effective.

EGAP reports the credit risk separately due to the use of ceded reinsurance which it uses as one of the methods to reduce the insurance (underwriting) risk. EGAP controls the credit risk by setting adequate procedures for evaluating the counterparties' creditworthiness, setting the limits for individual entities, risk management, and regular monitoring and reporting to EGAP's Board of Directors. In the event of identifying deficiencies, the Company adopts measures, which are approved by EGAP's Board of Directors.

k) Strategic risk

EGAP defines the strategic risk as the risk of a potential loss caused by inefficient management of the Company in relation to the external economic environment. EGAP's strategic risks include for example a risk relating to due administration and management of the Company, a risk of exceeding the risk appetite, a risk following from a failure to meet the finance and business plan, or a risk of long-term financial sustainability.

EGAP's strategy and setting of the risk appetite are regularly evaluated, at least on an annual basis, and based on the results of the evaluation appropriate measures are adopted within this area relating to the future focus of EGAP's activities.

l) Reputation risk

EGAP defines the reputation risk as the risk of a loss resulting from worsened reputation on the financial markets and the risk of losing the clients' confidence. This risk primarily relates to external communication to which EGAP has been paying increased attention. It concerns both disclosure of information and regular provision of information to the general public, primarily to professional and specialised associations of entrepreneurs, such as the Czech Banking Association, the Czech Insurance Association, the Czech Chamber of Commerce, the Confederation of Industry of the Czech Republic or directly to exporters, etc.

m) Regulatory and compliance risk

EGAP defines the regulatory and compliance risk as the risk of regulatory or legal sanctions resulting in a financial loss and the risk of a loss caused by in compliance with the laws, regulations and rules governing the business of insurance companies.

EGAP has been consistently monitoring and evaluating these risks. As part of implementing the Solvency II directive, the Company added and updated a number of internal policies and strengthened the position of the key functions (key functions according to the regulation: risk management function, compliance function, actuarial functions, and the internal audit function; key functions according to EGAP: key finance and claims management functions). EGAP has established an audit committee.

n) Operational risk

EGAP defines the operational risk as the risk of a loss resulting from inadequacy or failure of internal processes, employees or persons working for EGAP, internal systems, or from external events. In EGAP, legal risk and now information and communication system management risk are now classified as operational sub-risks, since these risks are directly listed in the prudential rules. Identified operational risks are evaluated in EGAP using the OR Catalogue.

From 2021 onwards, operational risks in EGAP are managed according to processes. During 2021, the risk management and internal control systems became more closely linked.

The operational risks continue to be limited by an appropriate adjustment of internal processes and internal policies which are subject to control procedures. EGAP regularly evaluates the operational risks at least on a semi-annual basis. Based on the evaluation results, new risks can be defined which are subsequently closely monitored. The evaluation results are further used to adopt measures to mitigate the risks. In spite of an adequate adjustment of processes and related controls, the control procedures and mechanisms provide EGAP with reasonable but not absolute confidence that no errors or losses did occur or will occur.

II. Additional information on the balance sheet

II.1. Intangible assets

Intangible fixed assets as at 31 December 2021 comprised the following items:

(TCZK)	1 January 2020	Additions	Disposals	31 December 2020	Additions	Disposals	31 December 2021
Acquisition cost							
Software	47,495	1,799	0	49,294	1,728	0	51,022
Other intangible assets	6,029	557	0	6,586	1,076	0	7,662
Total acquisition cost	**53,524**	**2,356**	**0**	**55,880**	**2,804**	**0**	**58,684**
Accumulated depreciation							
Software	43,606	2,018	0	45,624	2,649	0	48,273
Other intangible assets	5,292	204	0	5,496	323	0	5,829
Total accumulated depreciation	**48,898**	**2,222**	**0**	**51,120**	**2,972**	**0**	**54,092**
Net book value	**4,626**			**4,760**			**4,592**

II.2. Investments

a) Land and buildings

2021	Operating land	Operating buildings	Buildings	Total
Acquisition cost at 01/01/2021	123,202	601,939	69,646	794,787
Additions	0	1,099	0	1,099
Disposals	0	0	0	0
Acquisition cost at 31/12/2021	**123,202**	**603,038**	**69,646**	**795,886**
Accumulated depreciation at 1/1/2021	0	202,307	0	202,307
Depreciation expense and impairment	0	7,293	24,082	31,375
Disposals	0	0	0	0
Accumulated depreciation at 31/12/2021	**0**	**209,600**	**24,082**	**233,682**
Net book value at 1/1/2021	123,202	399,632	69,646	592,480
Net book value at 31/12/2021	**123,202**	**393,438**	**45,564**	**562,204**

Fair value	Operating land	Operating buildings	Buildings	Total
2021	123,202	419,798	45,564	**588,564**
2020	123,202	419,798	69,646	**612,646**

The Company owns building No. 701 at Vodičkova 34, Praha 1, together with lot of land No. 2061, with an area of 2,260 m², which is recorded in ownership certificate No. 198 of the cadastral area of Nové Město.

The last valuation of the land lots and a building was carried out by A-Consult plus, spol. s r.o. on 6 December 2017.

Within the debt recovery process in 2019, the Company acquired a building complex for the storage of cereals with a total area of 5,836.5 m² in the Mykolaiv area, village Berizky in Ukraine. The building complex was reported under Buildings.

The last valuation of the grain storage complex was carried out based on an expert opinion prepared by Triada on 11 June 2021. According to this opinion, the revaluation of the complex to CZK 45,564 thousand was reflected in the accounting records as at 31 December 2021, i.e. a decrease in the value of CZK 24,082 thousand.

b) Shares and other variable-yield securities, other participating interests

(TCZK)	31 December 2021	31 December 2020
Unlisted shares issued by financial institutions		
Acquisition cost	830,000	830,000
Fair value	830,000	830,000
Total acquisition cost	**830,000**	**830,000**
Total fair value	**830,000**	**830,000**

The shares represent the Company's interest of 16% in the registered capital of Česká exportní banka, a.s.

The fair value of shares could not be reliably determined as at the balance sheet date; therefore, the shares are stated at their acquisition cost. Impairment testing is always carried out as at the balance sheet date.

c) Available-for-sale debt securities

(TCZK)	31 December 2021	31 December 2020
Debt securities issued by government sector and listed on a recognised CR exchange		
Acquisition cost	6,142,268	7,906,665
Fair value	5,985,929	7,879,377
Debt securities issued by non-financial institutions and listed elsewhere		
Acquisition cost	305,340	305,340
Fair value	305,876	324,906
Total acquisition cost	**6,447,608**	**8,212,005**
Total fair value	**6,291,805**	**8,204,283**

As a result of an amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and Supplementing Act No. 166/1993 Coll., on Supreme Audit Office, as amended, entering into effect on 29 April 2020, EGAP may not invest its funds in financial instruments in the financial market. Funds are therefore appreciated through deposits with the CNB and other financial institutions approved by the Czech Ministry of Finance. Since the effective date of the above amendment, the Company has not acquired any new debt securities.

d) Deposits with financial institutions

(TCZK)	31 December 2021	31 December 2020
Domestic banks	11,077,125	9,794,315

Deposits with financial institutions primarily increased as a result of the appreciation of funds received from payable government bonds.

II.3. Receivables

31 December 2021 (TCZK)	Receivables from policyholders	Other receivables	Total
Due	14	1,283	1,297
Past due	0	28,714	28,714
Total	**14**	**29,997**	**30,011**
Adjustment	0	–28,714	–28,714
Total net receivables	**14**	**1,283**	**1,297**

31 December 2020 (TCZK)	Receivables from policyholders	Other receivables	Total
Due	12	1,504	1,516
Past due	0	29,010	29,010
Total	**12**	**30,514**	**30,526**
Adjustment	0	–28,714	–28,714
Total net receivables	**12**	**1,800**	**1,812**

Receivables from related parties are stated in note II.12.

Insured receivables relating to the Company's insurance products can be transferred to the Company. When assigned to EGAP, these receivables are recognised in other receivables and other income in the non-technical account at their acquisition cost which equals the agreed amount of the receivable stated in the assignment agreement. The nominal value of receivables is recorded in off-balance sheet.

In 2021, the agreed-upon value of the receivables assigned to EGAP was TCZK 0 (2020: TCZK 0).

As at 31 December 2021, the total nominal value of receivables assigned to the Company free of charge by the policyholders in connection with claims totalled TCZK 4,878,500 (2020: TCZK 6,195,025).

Long-term receivables as at 31 December 2021 amounted to TCZK 28,714 (2020: TCZK 28,714). 100% adjustments were created to these receivables.

The changes in adjustments for doubtful receivables can be analysed as follows:

(TCZK)	2021	2020
Opening balance at 1 January	**28,714**	**28,714**
Release of adjustment	0	0
Use for write-off	0	0
Additions to adjustment	0	0
Closing balance at 31 December	**28,714**	**28,714**

II.4. Tangible fixed assets other than land and buildings

(TCZK)	1 January 2020	Additions	Disposals	31 December 2020	Additions	Disposals	31 December 2021
Acquisition cost							
Machines and equipment	62,734	3,045	2,871	62,908	575	15	63,468
Motor vehicles	3,340	0	0	3,340	0	0	3,340
Works of art	625	0	0	625	0	0	625
Tangible assets under construction	87	0	0	87	4,483	4,570	0
Total acquisition cost	**66,786**	**3,045**	**2,871**	**66,960**	**5,058**	**4,585**	**67,433**
Accumulated depreciation							
Machines and equipment	58,402	2,010	2,871	57,541	2,613	15	60,139
Motor vehicles	3,340	0	0	3,340	0	0	3,340
Total accumulated depreciation	**61,742**	**2,010**	**2,871**	**60,881**	**2,613**	**15**	**63,479**
Net book value	**5,044**			**6,079**			**3,954**

II.5. Temporary asset accounts

(TCZK)	31 December 2021	31 December 2020
Deferred revenues	16	41
Prepayments for business data, communications and other services and membership fees	17,947	14,770
Inventories	966	1,357
Estimated receivables	4,961	5,450
Total	**23,890**	**21,618**

II.6. Equity

a) Registered capital

(TCZK)	Number (pieces)	31 December 2021	Number (pieces)	31 December 2020
Ordinary shares at the nominal value of MCZK 1, fully paid-up	5,575	5,575,000	5,575	5,575,000

On 11 December 2020, the Company's general meeting decided to increase the registered capital by TCZK 1,500,000, from TCZK 4,075,000 to TCZK 5,575,000, while all new shares will be subscribed by the Company's sole shareholder.

b) Other capital contributions

(TCZK)	31 December 2021	31 December 2020
Insurance funds	2,447,457	2,685,075
Fund to cover liabilities from provided guarantees	3,760,344	4,000,000
Valuation differences	–7,290	100,056
Total other capital contributions	**6,200,511**	**6,785,131**

The Company establishes insurance funds in compliance with Act No. 58/1995 Coll., on Insurance of Financing Exports with State Support, which stipulates additions to Act No. 166/1993 Coll., on the Supreme Audit Office, as amended.

In 2021, the Company did not receive any subsidy for its insurance funds from the state budget (2020: TCZK 0).

An amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and Supplementing Act No. 166/1993 Coll., on Supreme Audit Office, as amended, entering into effect on 29 April 2020, expands EGAP's activities by the provision of guarantees for the repayment of loans provided to exporters, manufacturers and traders as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic. In compliance with Government Decree No. 215/2020 Coll., on 22 May 2020, the first monetary contribution of TCZK 4,000,000 was transferred from the state budget to a fund to cover liabilities from provided guarantees.

c) Revaluation differences

(TCZK)	31 December 2021	31 December 2020
Land and buildings (note II.2.a)	19,242	19,242
Available-for-sale debt securities (II.2.c)	–22,876	84,470
Deferred tax (note III.7)	–3,656	–3,656
Total revaluation differences	**–7,290**	**100,056**

The revaluation differences relating to available-for-sale debt securities primarily decreased as a result of the development of prices in financial markets, especially variable-coupon bonds, the price of which decreased due to a decline in interest rates. The revaluation differences also decreased as a result of shortening the time to securities' maturity or as a result of their maturity in the given period.

d) Reserve fund and other funds from profit

(TCZK)	1. ledna 2020	Utilisation/ transfer	31 December 2020	Utilisation/ transfer	31 December 2021
Statutory reserve fund	10,520	0	10,520	0	10,520
Loss prevention fund	92,853	0	92,853	0	92,853
Social fund and fund of the General Manager	6,252	–464	5,788	–819	4,969
Total	**109,625**	**–464**	**109,161**	**–819**	**108,342**

e) Profit after tax

The Company's general meeting will decide on the distribution of profit for 2021 of TCZK 441,781.

A loss of TCZK 477,274 for 2020 and the manner of its settlement was approved by the Company's general meeting held on 29 April 2021. Losses on insurance activity of TCZK 237,618 were settled from insurance funds and losses from the provision of COVID Plus guarantees of TCZK 239,656 were settled using the fund for covering losses from provided guarantees.

f) Ensuring the Company's solvency

According to Act No. 58/1995 Coll., the State guarantees the Company's obligations from insurance of the export credit risks; if the Company's primary capital value decreases below the statutory level or below the minimum capital requirement, the Ministry of Finance will increase the Company's assets to the level ensuring the coverage of the solvency capital requirement or the minimum capital requirement within 6 months from the date of receipt of the Company's written request.

II.7. Technical provisions

31 December 2021 (TCZK)	Gross provision Direct insurance	Gross provision Inwards reinsurance	Reinsurance share	Net provision
Provision for unearned premiums	3,324,356	109,396	–614,890	2,818,862
Provision for outstanding claims	5,397,761	142,668	–16,531	5,523,898
Total	**8,722,117**	**252,064**	**–631,421**	**8,342,760**

31 December 2020 (TCZK)	Gross provision Direct insurance	Gross provision Inwards reinsurance	Reinsurance share	Net provision
Provision for unearned premiums	3,746,872	69,401	–714,151	3,102,122
Provision for outstanding claims	8,125,381	74,893	–54,024	8,146,250
Total	**11,872,253**	**144,294**	**–768,175**	**11,248,372**

Provisions relating to inwards reinsurance and reinsurance share in technical provisions are stated in detail in note III.2.

a) Provision for outstanding claims

(TCZK)	31 December 2021	31 December 2020
Gross provision for claims reported but not settled (RBNS)	5,088,483	7,290,235
Gross provision for claims incurred but not reported (IBNR)	451,946	910,039
Total provision for outstanding claims	**5,540,429**	**8,200,274**

A number of estimates and assumptions are used in determining the amount of provision for outstanding claims. The Company individually assesses and estimates the amount of insurance settlement for individual risk-bearing business cases based on available information.

Total technical provisions decreased by MCZK 3,042 gross compared with the balance as at 31 December 2020. This decrease was mainly driven by ongoing insurance settlements paid in respect of historic claims, i.e. the higher amount of paid insurance settlements and simultaneously an increase in the estimate of recoverability in relation to the improved development of certain major claims. In relative terms, technical provisions decreased by 25.32%. The decrease relates to both RBNS and IBNR.

A decrease in technical provisions is not only connected with a change in technical provisions for outstanding claims but also with a provision for unearned premiums.

In 2021, premiums written amounted to MCZK 481, with earned premiums exceeding this amount, which resulted in a decrease in the gross amount of a provision for unearned premiums of almost MCZK 383.

The Company slightly changed its approach to claims covered by ceded reinsurance within a provision for outstanding claims. As at 31 December 2021, EGAP again reported a difference between the gross and net amount of a provision for outstanding claims, whereas the reinsurer's share in both technical provisions amounts to MCZK 631 (31 December 2020: TCZK 768).

b) Run-off analysis

Estimated total claims paid:

Total gross claims as at 31 December 2021													**(TCZK)**
	Claims arising in												
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
At the end of the accounting period	1,199,934	3,017,333	4,172,351	3,812,040	6,237,607	7,075,866	7,905,122	1,811,192	2,193,836	626,065	917,711	742,445	
1 year later	1,051,802	1,653,676	2,738,530	4,320,779	5,615,082	4,078,155	11,187,338	315,160	1,357,140	80,371	4,748		
2 years later	1,552,583	1,671,794	2,772,319	4,561,706	6,227,234	4,465,807	11,981,343	317,913	1,749,834	85,071			
3 years later	1,657,331	1,965,863	3,031,569	3,967,902	6,086,024	4,819,525	15,055,579	390,648	1,803,207				
4 years later	1,695,991	2,095,028	3,229,270	4,411,434	6,501,617	4,906,090	15,297,634	390,648					
5 years later	1,562,582	2,000,665	2,964,953	4,409,223	6,497,428	4,940,417	14,785,085						
6 years later	1,597,015	2,091,603	2,966,362	4,562,009	6,402,321	5,058,075							
7 years later	1,629,358	2,085,648	2,967,222	4,570,098	6,402,321								
8 years later	1,629,358	2,097,201	2,967,222	4,559,707									
9 years later	1,629,358	2,105,449	2,967,222										
10 years later	1,629,358	2,085,648											
11 years later	1,629,358												
Current estimate of total claims	1,629,358	2,085,648	2,967,222	4,559,707	6,402,321	5,058,075	14,785,085	390,648	1,803,207	85,071	4,748	742,445	**40,513,536**
Accumulate claims paid at 31 December 2021	–1,629,358	–2,085,648	–2,967,222	–4,402,096	–6,402,321	–4,722,309	–10,684,002	–390,648	–1,803,207	–43,785	–4,748	–66,178	**–35,201,523**
Provision for expenses connected with claims settlement	0	0	0	0	0	0	0	0	0	0	0	228,417	**228,417**
Total provision for outstanding claims	**0**	**0**	**0**	**157,610**	**0**	**335,765**	**4,101,083**	**0**	**0**	**41,286**	**0**	**904,684**	**5,540,429**

*Note: Differences in units in cumulative totals are due to rounding.

The value of future claims in the first year of the reporting period always includes a portion corresponding to liabilities in the form of IBNR provisions that do not have an exact reporting year but are part of the provision for outstanding claims. After one year, however, this value is no longer recognised in the relevant year of the claim, excepting cases in which the IBNR risk has materialised and a claim has been reported.

Total gross claims as at 31 December 2020													**(TCZK)**
	Claims arising in												
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
At the end of the accounting period	3,193,344	1,199,934	3,017,333	4,172,351	3,812,040	6,237,607	7,075,866	7,905,122	1,811,192	2,193,836	626,065	917,711	
1 year later	3,284,399	1,051,802	1,653,676	2,738,530	4,320,779	5,615,082	4,078,155	11,187,338	315,160	1,357,140	80,371		
2 years later	3,362,862	1,552,583	1,671,794	2,772,319	4,561,706	6,227,234	4,465,807	11,981,343	317,913	1,749,834			
3 years later	3,305,802	1,657,331	1,965,863	3,031,569	3,967,902	6,086,024	4,819,525	15,055,579	390,648				
4 years later	3,378,313	1,695,991	2,095,028	3,229,270	4,411,434	6,501,617	4,906,090	15,297,634					
5 years later	3,438,807	1,562,582	2,000,665	2,964,953	4,409,223	6,497,428	4,940,417						
6 years later	3,436,143	1,597,015	2,091,603	2,966,362	4,562,009	6,402,321							
7 years later	3,424,855	1,629,358	2,085,648	2,967,222	4,570,098								
8 years later	3,412,010	1,629,358	2,097,201	2,967,222									
9 years later	3,420,323	1,629,358	2,105,449										
10 years later	3,420,504	1,629,358											
11 years later	3,420,504												
Current estimate of total claims	3,420,504	1,629,358	2,105,449	2,967,222	4,570,098	6,402,321	4,940,417	15,297,634	390,648	1,749,834	80,371	917,711	**44,471,566**
Accumulate claims paid at 31 December 2020	−3,420,504	−1,629,358	−2,085,648	−2,967,222	−4,311,825	−6,402,321	−4,484,673	−9,192,779	−390,648	−1,705,221	−21,950	−4,748	**−36,616,898**
Provision for expenses connected with claims settlement	0	0	0	0	0	0	0	0	0	0	0	345,605	**345,605**
Total provision for outstanding claims	**0**	**0**	**19,801**	**0**	**258,273**	**0**	**455,744**	**6,104,855**	**0**	**44,612**	**58,421**	**1,258,568**	**8,200,274**

*Note: Differences in units in cumulative totals are due to rounding.

A change in the estimates or assumptions used to estimate the provision for outstanding claims can lead to a significant change in the required amount of provisions.

Total insurance exposure as at 31 December 2021 was BCZK 95.8 while the concentration of the five major cases was BCZK 33.7 and the concentration of 10 major cases was BCZK 49.6 (31 December 2020: the concentration of the five major cases was BCZK 38.5 and the concentration of 10 major cases BCZK 59.5).

The change in gross technical provisions can be analysed as follows:

(TCZK)	Provision for unearned premiums	Provision for outstanding claims	Total
At 1 January 2020	**4,250,297**	**10,254,259**	**14,504,556**
Additions	519,854	1,635,959	2,155,813
Utilisation	–953,879	–3,689,944	–4,643,823
At 31 December 2020	**3,816,272**	**8,200,274**	**12,016,546**
Additions	443,550	450,244	893,794
Utilisation	–826,070	–3,110,089	–3,936,159
At 31 December 2021	**3,433,752**	**5,540,429**	**8,974,181**

The utilisation of a provision for outstanding claims in 2021, amounting to MCZK 3.1, is mainly associated with the high value of claims paid and with changes in the estimates of recoverability relating to certain claims; additions to this provision primarily relates to the creation of provisions for new or deteriorating claims, including both RBNS and IBNR. For a provision for unearned premiums, additions are directly related to the amount of premiums underwritten or, exceptionally, to the termination of a claim and the transfer of such an insurance contract to the no-claims category. The utilisation of a provision for unearned premiums corresponds with the release of the collected premiums over time and is relatively stable. An increase may only occur in connection with a new claim relating to an insurance contract with a significant amount of a provision for unearned premiums or with the underwriting of new insurance contracts and the related collection of premiums.

II.8. Other provisions

Other provisions as at 31 December 2021 comprise a provision for unexpired risks relating to guarantees, a provision for unsettled payments relating to guarantees provided under the COVID Plus programme, and also a provision for untaken holidays. The change in these provisions can be analysed as follows:

(TCZK)	Provisions relating to guarantees under COVID Plus programme	Provision for untaken holidays	Total
At 1 January 2020	**0**	**1,913**	**1,913**
Additions	289,299	2,909	292,208
Release	0	–1,913	–1,913
At 31 December 2020	**289,299**	**2,909**	**292,208**
Additions	1,619,662	2,394	1,622,056
Release	–254,344	–2,909	–257,253
At 31 December 2021	**1,654,617**	**2,394**	**1,657,011**

Under provisions related to the provision of COVID Plus guarantees, the Company also reports a provision for unexpired risks relating to guarantees under the COVID Plus programme resulting from the change in expected loss from the moment the guarantee was provided and a provision for unsettled payments relating to guarantees provided under the COVID Plus programme resulting from expected future payouts less expected recoveries. The provision for unexpired risks relating to guarantees under the COVID Plus programme represents the difference between the expected loss on guarantees issued and the amount of deferred income. As at 31 December 2021, this provision amounted to TCZK 618,793 (31 December 2020: TCZK 71,673).

As at 31 December 2021, additions to the provision for unsettled payments relating to guarantees under the COVID Plus programme, made to provide for the impending repayment of certain guaranteed loans, amounted to TCZK 1,035,823 (31 December 2020: CZK 0).

As at 31 December 2020, a prudential risk margin was created on the provision for unexpired risks relating to guarantees under the COVID Plus programme of TCZK 217,625 owing to the insufficient quality and untimely nature of input data, in particular ratings required for the prudential calculation of the provision. As at 31 December 2021, the entire portfolio of guarantees was updated both in terms of ratings and problematic cases, which were actively addressed and for which the aforementioned provision for unsettled payments relating to guarantees under the COVID Plus programme was created. Consequently, the prudential risk margin was released in its full amount as at 31 December 2021.

II.9. Payables

(TCZK)	31 December 2021	31 December 2020
Payables arising from direct insurance operations	0	0
Payables arising from reinsurance operations	0	0
Other payables	100,519	99,511
Total creditors	**100,519**	**99,511**

The maturity of liabilities can be analysed as follows:

(TCZK)	31 December 2021	31 December 2020
Short-term liabilities		
– due within 1 year	100,519	99,511
Total	**100,519**	**99,511**

The Company has no overdue social security liabilities, state employment policy liabilities, health insurance liabilities, or tax arrears.

Other liabilities comprise as follows:

(TCZK)	31 December 2021	31 December 2020
Payables to employees from employment	16,412	13,176
Social security and health insurance liabilities	8,097	6,848
Deferred tax liability	56,605	58,186
Other tax liabilities	5,311	4,806
Operating advances received	4,526	4,471
Other payables	9,568	12,024
Total	**100,519**	**99,511**

Payables to related parties are disclosed in note II.12.

II.10. Temporary liability accounts

(TCZK)	31 December 2021	31 December 2020
Accrued expenses and deferred revenues	404,048	218,640
Estimated payables	8,982	10,944
Total	**413,030**	**229,584**

Accrued expenses significantly increased mainly as a result of accruing premiums for the provision of guarantees under the COVID Plus programme attributable to future periods amounting to TCZK 403,245 (31 December 2020: TCZK 217,625).

II.11. Transactions associated with the provision of guarantees under the COVID Plus programme

When providing guarantees as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic, the Company was involved in the following transactions:

Profit and loss transactions (TCZK)	2021	2020
Revenues from premiums for the provision of guarantees related to current period	273,021	43,999
Fees for the provision of guarantees	1,291	1,404
Interest revenue	37,361	22,182
Foreign exchange gains	4,009	3,823
Utilisation of provisions for unexpired risks relating to provided guarantees (note II.8.)	254,344	0
Total revenues (note III.6.)	**570,026**	**71,408**
Directly attributable operating expenses	–2,050	–1,908
Allocated operating expenses	–15,977	–15,047*
Foreign exchange losses	–16,298	–4,810
Additions to provisions for unexpired risks relating to provided guarantees (note II.8.)	–1,619,662	–289,299
Total expenses	**–1,653,987**	**–311,064**
Profit (loss) from the provision of guarantees	**–1,083,961**	**–239,656**

*Allocated operating costs include allocated administrative overheads of TCZK 14,373 (note III.3) and allocated acquisition costs of TCZK 674.

The most significant items are additions to provisions related to the deterioration of the entire guarantee portfolio. This development corresponds to the deteriorating credit status of individual borrowers, analysed by EGAP at the level of individual guarantee contracts. The deterioration is not isolated but can be observed across the entire portfolio of guarantees, with two guarantees being at such a high risk that it was necessary to create provisions in 2021 to cover future guarantee payments. On the other hand, income is generated primarily from fees earned and interest income, but this income does not cover all the expenses incurred for this activity. This situation corresponds to the fact that the COVID Plus programme was a temporary instrument to support Czech companies affected by an isolated event and is no longer provided from 1 January 2022.

The balances reported in the balance sheet in connection with the provision of guarantees were as follows:

(TCZK)	31 December 2021	31 December 2020
Current accounts	715,347	550,338
Deposits with financial institutions (note II.2.d)	4,022,178	3,721,994
Receivables from the provision of guarantees (note II.3)	125	75
Total assets	**4,737,650**	**4,272,407**
Fund to cover liabilities from provided guarantees (note II.6.b)	3,760,344	4,000,000
Total equity	**3,760,344**	**4,000,000**
Provision for unexpired risks relating to provided guarantees (note II.8.)	1,654,617	289,299
Liabilities (note II.9)	20	87
Insurance-related payables relating to allocation of overheads	3,351	5,052
Accrued expenses	34	0
Deferred revenues (note II.10.)	403,245	217,625
Total provisions and liabilities	**2,061,267**	**512,063**

Exposure associated with provided guarantees as at 31 December 2021 amounted to MCZK 16,509 (31 December 2020: MCZK 9,595), while the volume of provided guarantees as at 31 December 2021 was MCZK 18,085 (31 December 2020: MCZK 9,724).

II.12. Transactions with related parties

In addition to the transactions disclosed further in note III.2., the Company was involved in the following related party transactions:

Profit and loss transactions (TCZK)	2021	2020
ČEB		
Direct gross premiums written	23,484	56,820
Invoicing from lease agreement	17,950	23,194
Other invoicing from insurance contracts	96	96
Other re-invoicing	97	146
Interest revenue	11,008	22,070
Other income - cash recovered by ČEB from insured events and ceded to EGAP	93,120	71,480
Total income	**145,755**	**173,806**
Creation of provision for outstanding claims	0	–868,865
Release of provision for outstanding claims	2,221,677	2,784,894
Insurance settlements	–1,729,159	–2,278,700
Cost of receivables recovery in connection with claims settlement	–20,131	–273,631
Total	**472,387**	**–636,302**

NRB		
Interest revenue	0	1,234
Total	**0**	**1,234**

The cooperation between ČEB and EGAP in respect of insurance activities was realised in accordance with Act No. 58/1995 Coll. and with the Company's business terms and conditions. The other transactions were realised based on the arm's length principle.

The Company recognised the following related party balances:

Profit and loss transactions (TCZK)	31 December 2021	31 December 2020
ČEB		
Current accounts	320	47
Term deposits	1,933,163	1,720,991
Other receivables	1	76
Payables	–6,867	–5,666
Total	**1,926,617**	**1,715,448**
RBNS	4,286,849	6,430,400
IBNR	412,386	490,512
Total	**4,699,235**	**6,920,912**

Current accounts and terms deposits bear interest at market interest rates. Other receivables from and payables to related parties arose under similar conditions and interest rate as in terms of unrelated parties.

III. Additional information on the income statement

III.1. Non-life insurance

2021

(TCZK)	Gross premiums written	Change in the provision for unearned premiums	Gross claims paid	Gross operating expenses
Credit insurance (insurance class 14) – insurance with state support	390,757	398,348	–551,129	197,667
Surety insurance (insurance class 15)	53,576	–36,468	23,949	36,732
Various financial losses insurance (insurance class 16)	36,544	20,641	–54,033	24,488
Total	**480,877**	**382,521**	**–581,213**	**258,887**

2020

(TCZK)	Gross premiums written	Change in the provision for unearned premiums	Gross claims paid	Gross operating expenses
Credit insurance (insurance class 14) – insurance with state support	452,986	415,791	1,634,095	198,099
Surety insurance (insurance class 15)	23,137	–11,467	–160,620	26,708
Various financial losses insurance (insurance class 16)	30,773	29,701	–144,605	24,472
Total	**506,896**	**434,025**	**1,328,870**	**259,279**

The negative balance of gross claims paid as at 31 December 2021 mainly relates to the use of a provision for outstanding claims (note II.7).

Gross premiums written by geographical segments

All non-life insurance gross premiums written are connected with contracts entered into in the Czech Republic.

III.2. Reinsurance

a) Inwards reinsurance

(TCZK)	31 December 2021	31 December 2020
Technical provisions relating to inwards reinsurance (note II.7)	**252,064**	**144,294**
Gross premiums written	51,455	67,580
Claims paid	–172,536	–126,184
Change in technical provisions from inwards reinsurance	107,770	67,473
Inwards reinsurance commissions	–5,332	–6,843
Inwards reinsurance result	**–18,643**	**2,026**

b) Ceded reinsurance

(TCZK)	31 December 2021	31 December 2020
Share of technical provisions covered by reinsurance (note II.7)	**631,421**	**768,175**
Gross premiums written ceded to reinsurers	–48,962	0
Reinsurers' share of claims paid	266	354
Change in the provision for unearned premiums, reinsurers' share	–99,261	–170,647
Change in the provision for outstanding claims, reinsurers' share	–37,493	54,024
Reinsurance commissions	4,896	0
Balance - ceded reinsurance	**–180,554**	**–116,269**

III.3. Administrative expenses

	Administrative expenses		Allocated to other expenses	
(TCZK)	2021	2020	2021	2020
Personnel expenses	196,148	196,015	11,655	12,195
Other administrative expenses	23,648	23,278	1,683	584
Depreciation of fixed assets	4,470	3,448	1,115	784
Operating expenses connected with the building	13,531	11,736	0	0
Information and communication services	5,165	4,300	1,224	592
Advisory and other assurance services	1,008	4,718	78	58
Audit of statutory financial statements	911	1,225	222	160
Total administrative expenses	**244,881**	**244,720**	**15,977**	**14,373**

Other administrative expenses primarily include travel expenses, postal and telecommunication charges, personal and property insurance expenses, educational course expenses, repairs and maintenance of assets.

Expenses associated with the provision of the COVID Plus guarantees are initially charged to administrative overheads and subsequently allocated to other expenses of the non-technical account. Expenses are allocated as follows: payroll expenses based on the time spent by employees and other expenses based on the number of concluded contracts.

III.4. Employees and executives

Personnel expenses comprise as follows:

(TCZK)	2021	2020
Remuneration to directors and supervisory board members	15,575	16,399
Payroll expense and remuneration to executives	35,833	38,894
Payroll expense and remuneration to other employees	107,063	103,502
Social security and health insurance	49,341	49,415
Total personnel expenses	**207,812**	**208,210**

Number of employees	2021	2020
Number of employees excluding top management	98	100
Number of top management members	14	17
Total	**112**	**117**

Average number of employees excluding top management	112	111
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	5	5
Number of members of the Audit Committee	3	3

Members of statutory and supervisory bodies include members of the Board of Directors, Supervisory Board, and Audit Committee. In 2021, monthly fees were paid to existing members of the Company’s bodies and an annual and three-year bonus with deferred maturity was paid to existing and former members based on relevant service contracts.

In 2016, the shareholders did not provide any advances, loans, credits or guarantees to the members of the Board of Directors, Supervisory Board, and Audit Committee.

The individual members of the Company's Board of Directors have been entrusted with the management of the individual sections by the Board of Directors.

Members of the Company's top management are the holders of key functions and other persons with key functions - employees of the Company. In 2021, annual bonuses with deferred maturity were paid out to existing and former top management members.

III.5. Fees payable to statutory auditors

Fees payable to statutory auditors are reported within administrative expenses. Total fees payable to statutory auditors for their services amount to TCZK 1,319 (2020: TCZK 1,386). The fee comprises the following items:

(TCZK)	2021	2020
Statutory audit	1,319	1,385
Other non-audit services	0	1
Total fee	**1,319**	**1,386**

III.6. Other income

Other income comprises as follows:

(TCZK)	31 December 2021	31 December 2020
Revenues from recovered and ceded receivables	413,582	343,264
Foreign exchange gains	38,463	140,763
Revenue from the provision of guarantees (note II.11)	315,682	71,408
Rental and related services	26,525	27,934
Utilisation of other provisions (note II.8)	257,254	1,913
Other	187	41
Total other income	**1,051,693**	**585,323**

The revenues from recovered receivables comprise the paid reinsurer's share in the recovered receivable connected with a claim of TCZK 10,309 (2020: TCZK 2,466).

III.7. Other expenses

Other expenses can be analysed as follows:

(TCZK)	31 December 2021	31 December 2020
Operating expenses associated with COVID Plus guarantees	18,027	16,955
Foreign exchange losses	136,740	164,224
Operating expenses connected with the building	4,489	6,032
Additions to other provisions (note II.8)	1,622,056	292,208
Other	139	36
Total other expenses	**1,781,451**	**479,455**

III.8. Income tax

Current tax was calculated as follows:

(TCZK)	2021	2020
Profit/loss before tax	441,781	–476,070
Non-taxable income	–257,233	–1,922
Items increasing the tax base	1,625,294	444,139
Tax base decreased by differences in technical provisions	438,003	–210,203
Tax base	**2,248,845**	**–245,260**
Tax losses – utilisation	2,247,845	0
Change in deferred tax liability	1,581	1,204
Income tax in the income statement	**1,581**	**1,204**

In connection with the amendment to Act No. 593/1992 Coll., on reserves for determining the income tax base, the Company will, as in the 2020 taxable period, increase the tax base for the 2021 taxable period by TCZK 159,686 resulting from the difference in the balance of technical provisions arising from the measurement of technical provisions according to the Czech Accounting Standards and according to Solvency II as at 1 January 2020.

Deferred tax assets (+) and deferred tax liabilities (–) as at 31 December 2021 and 31 December 2020 were calculated using a 19% tax rate and can be analysed as follows:

(TCZK)	2021	2020
Deferred tax liability		
Land and buildings revaluation in equity (note II.6.c)	–3,656	–3,656
Accelerated tax depreciation, adjustments, provisions	–52,949	–54,530
Total deferred tax liability	**–56,605**	**–58,186**
Tax losses	1,251,352	2,237,778
Other	321,733	62,518
Total deferred tax asset	**1,573,085**	**2,300,296**
Potential net deferred tax asset / liability (+/–)	**1,516,480**	**2,242,110**

As at 31 December 2021, the Company recognised a deferred tax liability of TCZK 56,605 (31 December 2020: TCZK 58,186) resulting primarily from a difference between the accounting and tax values of operating real estate.

The above deferred tax liability as at 31 December 2021 does not reflect a deferred tax liability of TCZK 30,340 arising from the difference in the measurement of technical provisions under the Czech Accounting Standards and under Solvency II of TCZK 159,686 as at 1 January 2020, by which the tax base for the calculation of income tax for 2021 will be increased. As at 31 December 2021, the Company reports tax losses of TCZK 6,586,062; as a result, no corporate income tax liability will arise to the Company in 2021.

The deferred tax asset does not reflect the effect of the negative balance of the remeasurement of debt securities (for the purposes of calculating a deferred tax asset, relevant is only the remeasurement recognised after 1 January 2018 when the Company began to report it in equity; however, this remeasurement is negative for all debt securities). This is due to the fact that, considering the time in which the above securities are payable, it is not probable that the deferred tax asset will be utilised in the future.

The resulting potential deferred tax asset as at 31 December 2021 and 31 December 2020 was not recognised as the Company's management believes that its future utilisation is not probable. The deferred tax asset - other increased by TCZK 259,215 primarily as a result of the creation of a provision for unexpired risks relating to provided guarantees and a related deferred tax asset.

IV. Other information

IV.1. Contingencies and commitments

The Company's management is not aware of any contingent liabilities as at 31 December 2021 and 31 December 2020.

IV.2. Subsequent events

The Company has evaluated all possible consequences arising from the Russian invasion of Ukraine started on 24 February 2022, by which the Russian-Ukrainian crisis culminated. It is practically impossible for the Company to assess the risks associated with the invasion of Ukraine by Russian troops as well as the risks arising from the sanctions imposed on the did not affect the financial statements for the year ended 31 December 2021.

Considering the legal reasons given by the state guarantee defined in Section 8 of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and on Supplementing Act No. 166/1993 Coll, on the Supreme Audit Office, as amended, providing for a statutory duty of the Ministry of Finance of the Czech Republic to replenish the missing funds to the insurance funds within 6 months from the submission of the EGAP’s application, and considering EGAP’s liquid position in terms of available cash that is considered sufficient to meet EGAP’s obligations, the Company believes that it meets the going concern assumption.

The possible impacts of the war conflict in Ukraine and the economic sanctions imposed on the Russian Federation and Belarus on the Company are discussed in more detail in Chapter 5 of the Annual Report for 2021. According to EGAP's assessment, the going concern principle is being met in the long term, primarily in relation to the state guarantees described above. The statutory mechanism for replenishing insurance funds has already been proven in the past when EGAP drew over CZK 4 billion of financial resources to meet its capital requirements.

IV.3. Statutory approvals

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

21 March 2022

Ing. Jan Procházka
Chairman of the Board of Directors
and Chief Executive Officer

JUDr. Ing. Marek Dlouhý
Vice-chairman of the Board of Directors
and Deputy Chief Executive Officer

Report of the Board of Directors

on the Company's business activities and the state of its assets for 2021

Insurance industry

In 2021, EGAP entered into insurance contracts with a total volume of CZK 34 billion, supporting a total of 72 exporters in exports to 54 countries. Within its territorial diversification in 2021, EGAP provided support to new and ongoing projects involving, among others, Georgia, China, the Russian Federation, India, and Vietnam. Similarly to 2020, thanks to the EU exemption, exports into developed EU countries were insured more frequently. Major business cases included the insurance of aircraft deliveries in Vietnam, support of the delivery of trams and special rail equipment to Latvia, and support of the export of pumps and injectors to Belarus. We can also mention more intense cooperation with European ECAs, principally on investment and supplies insurance in Ghana, continuing from 2020.

In terms of the insured volume amount, as in 2020, the most successful product of 2021 was insurance product I – insurance of foreign investments, which in 2020 received a major amendment to the general insurance terms and conditions. The total volume exceeded CZK 26 billion, which represents over three quarters of the total new business cases for 2021. These primarily involved ongoing investments in Georgia, China, the Russian Federation, India, and Mexico.

A total of 251 insurance contracts were concluded in 2021, and their biggest number relates to insurance product B – insurance of short-term export supplier credits, often also used by small and medium-size businesses.

Following its tradition, EGAP focused on its acquisition activities and support to SMEs. In 2021, EGAP supported 74 business cases involving SMEs. Support was primarily provided to exports to the Russian Federation, Ukraine, Slovakia, India, as well as to Chile, New Zealand, and Israel.

Compared to 2020, insurance exposure decreased slightly, and some changes occurred in terms of territorial structure. The most significant exposures related to the Russian Federation (13.3% of total insurance exposure), Slovakia (12.8%), Turkey (12.6%), Azerbaijan (9.7%), and China (8%). The share of banks in the total insurance exposure was 78% in 2021; the remaining 22% relates to non-banking entities, exporters and investors.

In 2021, MCZK 693 was recovered, of which MCZK 423 represent receivables recovered after the claims payments, representing more than a 50% growth compared to 2020, despite the gradual completion of the recovery of significant claims reported in the past. The highest sums recovered related to cases in Gabon, the Russian Federation, Ukraine, and Vietnam.

EGAP ended 2021 with a profit of MCZK 1,526 from its principal insurance activity due to especially a combination of factors including the minimum growth of new claims, the level of recovered debts, operating costs savings, strengthening of domestic currency, and release of provisions for large claims from previous years. We expect that EGAP will report balanced economic results in the future and will not need any state subsidies.

Guarantee provision

Apart from its standard insurance activities, in 2021, EGAP continued to provide guarantees under the COVID Plus programme. In this segment, EGAP concluded guarantee contracts of CZK 8.4 billion for credit principals totalling CZK 9.8 billion. The guarantee was issued for 55 applications in total. For the guarantees provided, EGAP received remuneration totalling almost MCZK 459. Based on the provisions creation due to the deteriorating financial situation of some companies with the COVID Plus guarantee, a loss of almost MCZK 1,084 was realised in the guarantee segment in 2021. However, this result will not impact EGAP's capital solvency position and the liabilities arising from this loss will be repaid from the received remuneration and from the Ministry of Finance's contribution to the Fund for coverage of liabilities from provided guarantees, which has been established in 2020 for this purpose.

After a previous extension, the guarantee programme was terminated as at 31 December 2021, and its renewal is not expected.

Report on relations

13

Report on relations between the controlling entity and the controlled entity and entities controlled by the same controlling entity ("the Related Parties") for the period from 1 January 2021 to 31 December 2021, prepared pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives ("the Corporations Act").

13.1. Company background (the controlled entity)

Company name:
Exportní garanční a pojišťovací společnost, a.s. ("EGAP")

Registered office:
Praha 1, Vodičkova 34/701, postcode 111 21

Identification number:
452 79 314

Tax Identification number:
CZ45279314

Registration in the Commercial Register:
registered in the Commercial Register maintained by the Municipal Court in Prague, section B, Insert 1619

Registered capital:
CZK 5,575,000,000 (paid up: 100 %)

Type of shares:
book-entered, not publicly traded

International Securities Identification Number (ISIN):
CZ0008040508

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

Number of votes per share:
one vote

13.2. Relations between Related Parties (structure of relations, role of the controlled entity and the method and means of control)

13.2.1. Relations between the controlling and controlled entity

EGAP is owned by a sole shareholder – the Czech Republic, which is the controlling entity of EGAP. The state exercises its voting rights directly, through the Ministry of Finance, holding 5,575 votes.

The representatives of the Ministry of Finance, the Ministry of Industry and Trade and the Ministry of Foreign Affairs are members of EGAP's supervisory board, through which the state not only directly exercises its shareholder rights but also acts as the controlling entity.

13.2.2. Relations between other parties related to EGAP

To EGAP's knowledge, in 2021, the state acting as EGAP's controlling entity was the controlling entity or incorporator of the following entities:

- Severočeské mlékárny a.s. Teplice
- Česká exportní banka, a.s.
- MUFIS a.s.
- ČEZ, a. s.; owing to a large number of corporations directly or indirectly controlled by ČEZ, a. s., EGAP refers to the website of ČEZ, a. s., containing a list of controlled entities
- ČEPS, a.s.
- Kongresové centrum Praha, a.s.
- Výzkumný a zkušební letecký ústav, a.s., which as the sole shareholder simultaneously controlled VZLU TECHNOLOGIES, a.s., VZLU TEST, a.s., and SERENUM, a.s.
- HOLDING KLADNO a.s. "in liquidation"
- ČEPRO, a.s.
- GALILEO REAL, k.s. In liquidation (IMOB a.s. in liquidation as the general partner)
- IMOB a.s. in liquidation
- MERO ČR, a.s., which as the sole shareholder simultaneously controlled MERO Germany GmbH
- PRISKO a.s., which as the sole shareholder simultaneously controlled OKD, a.s., while OKD, a.s. as the sole shareholder controlled OKD, HBZS, a.s.
- THERMAL-F, a.s.
- Letiště Praha, a. s., ., which as the sole shareholder simultaneously controlled Czech Airlines Handling, a.s., Czech Airlines Technics, a.s., and B. aircraft, a.s.

- Českomoravská záruční a rozvojová banka, a.s. (Národní rozvojová banka, a.s. from 1 September 2021)

("Other Controlled Entities").

Within the group of controlled entities, EGAP provides support of exports in form of insurance against export credit risks. In 2021, EGAP also provided guarantees for exporters', manufacturers' and business entities' loan repayments as an extraordinary measure to mitigate the economic and social impacts of the COVID-19 outbreak, and to improve liquidity accessibility of export-oriented businesses.

13.2.3. EGAP's interest in business corporations

Throughout 2021, EGAP held a 16% share in the registered capital of Česká exportní banka, a.s. (The Czech Export Bank, "CEB"). 84% of CEB's registered capital is owned by the Czech Republic.

13.3. Business relations with Related Parties

13.3.1. Relations between the state (the controlling entity) and EGAP (the controlled entity) and agreements effective in the period from 1 January 2021 to 31 December 2021

The relations between EGAP and the state did not extend beyond the scope of relations that are common between the shareholder and EGAP and relations arising from the application of Act No. 58/1995 Coll., on insuring and financing exports with state support, and supplementing Act No. 166/1993 Coll., on the Supreme Audit Office, as amended ("Act No. 58/1995 Coll.").

On 16 September 2020, an agreement on investment instruments management was concluded between EGAP and the Czech Republic – the Ministry of Finance.

13.3.2. Relations and contracts between EGAP and ČEB

a) Acts performed in the interest or at the initiative of ČEB in the past period

In 2021, EGAP paid claims to ČEB as well as expenses efficiently incurred for the recovery of debt in relation to claims settlements. ČEB transferred to EGAP funds that had been paid by debtors from credit contracts after the claims payment. EGAP received premiums from ČEB, namely charges arising from the contracts mentioned below under b).

In 2021, EGAP did not act as the controlling entity in relation to ČEB and the state as EGAP did not act in agreement with the state when exercising EGAP's voting rights in ČEB.

b) Policies and amendments to policies signed with ČEB in the period from 1 January 2021 to 31 December 2021

Number	Description of policies/amendments to policies
2	Amendments to limited premium policies, type Bf
8	Amendments to premium policies, type Z
2	New single premium policies, type D
1	New limited premium policies, type D
12	Amendments to premium policies, type D
1	Agreement to terminate premium policy
26	Total new single premium and limited policies and amendments to policies
6	Insurance-related decisions issued in 2021 on limited policies of type Bf
1	Amendments to insurance-related decisions on limited policies of type Bf issued in 2021
5	Insurance-related decisions issued in 2021 on limited policies of type D
12	Total new insurance-related decisions and amendments thereof issued on limited policies (incl. decisions on limited policies from previous years)
38	**Total number of new policies and amendments concluded in 2021 and insurance-related decisions on policies concluded in 2021 (incl. decisions on limited policies from previous years)**

c) Policies signed with ČEB in effect as at 31 December 2021 (including policies concluded in 2021)

Number	Description of policies
1	Single premium policy, Bf type
1	Single premium policy, If type
7	Single premium policies, type Z
25	Single premium policies, type D
34	Total single premium policies effective as at 31 December 2021
10	Limited polices of type Bf including insurance-related decisions on these policies
14	Limited polices of type D including insurance-related decisions on these policies
24	Total limited policies and insurance-related decisions issued on limited policies (incl. decisions on limited policies from previous years) effective as at 31 December 2021
58	**Total number of policies (incl. insurance-related decisions on limited policies) in effect as at 31 December 2021**

d) Policies signed with ČEB (incl. from previous years) effective in the period from 1 January 2021 to 31 December 2021

Contracts to regulate rights and obligations – 12
Contracts to assign receivables, incl. two amendments – 9
Contracts on arbitrary proceedings – 2
Contract to extend limitation period – 1
Settlement agreement – 1
Conciliation agreement – 1
Agreement on joint action – 1

e) Other contracts with ČEB effective in the period from 1 January 2021 to 31 December 2021

- Contract for the lease of non-residential premises dated 1 April 1998
- Contract for the use of compatible media in the system of payments dated 6 November 2000
- Contract on the establishment of deposit accounts and on the rules and conditions for making fixed-term deposits with an individual interest rate in deposit accounts dated 1 December 2005, including amendment No. 1 dated 15 August 2018, amendment No. 2 dated 17 April 2019, and amendment No. 3 dated 30 September 2020
- Cooperation agreement on insuring business transactions – pre-export credits – against risk of default and bank guarantees against the risk of their utilisation, provided to SMEs, signed on 26 June 2008
- Cooperation agreement to provide support to small and medium-size enterprises dated 6 October 2009
- Cooperation agreement to provide support to small and medium-size enterprises dated 10 December 2009
- Cooperation memorandum to provide support to Czech exporters dated 14 December 2011
- Contract for commercial current accounts No. 21684 dated 23 April 2014, incl. amendment No 1 dated 10 August 2020, and amendment No. 2 dated 7 October 2020
- Framework agreement on financial market trading dated 4 April 2014
- Agreement on temporary assignment of employees dated 28 May 2020
- Contract on protection and non-disclosure of confidential information dated 1 June 2020
- Agreement on joint preparation of tender procedure dated 30 June 2020
- Agreement on centralised preparation of tender procedure – mobile telecommunication service – dated 10 September 2021

13.3.3. Contracts with other controlled entities effective in the period from 1 January 2021 to 31 December 2021

Českomoravská záruční a rozvojová banka, a.s.
(Národní rozvojová banka, a.s. from 1 September 2021)

- Cooperation agreement to provide support to small and medium-size enterprises dated 6 October 2009
- Cooperation agreement to provide support to small and medium-size enterprises dated 10 December 2009
- Partnership and cooperation memorandum between ČMZRB, EGAP and ČRA dated 11 October 2017

13.3.4. Litigations (arbitrations)

No litigations or arbitrary proceedings were held against ČEB in 2021.

13.4. Declaration of the board of directors

The board of directors of EGAP declares that EGAP did not conclude any contracts with the controlling entity during the past period (apart from the above), and that all relations were conducted in compliance with applicable laws, especially Act No. 58/1995 Coll. EGAP only concluded contracts with ČEB and other entities controlled by the same controlling entity that are part of standard business relations and that did not constitute a disadvantageous position for EGAP, ČEB, or any other controlled entities. In view of the above, EGAP can be said to not have derived any special advantages, disadvantages or risks beyond standard business relations from relations between Related Entities. The board of directors also declares that in the last financial period, the controlling entity did not use its influence to enforce the adoption of any measures or the conclusion of contracts that could have been materially damaging to EGAP.

The board of directors of EGAP declares that the data in the report are true and that the report contains all ascertainable data on the Related Parties.

Jan Procházka
Chairman of the Board of Directors
and Chief Executive Officer

Marek Dlouhý
Vice-chairman of the Board of Directors
and Deputy Chief Executive Officer

Company's statutory bodies

at 31 December 2021

Supervisory board

(Incl. changes made in 2021)

Július Kudla	chairman since 11 May 2020 member since 29 April 2020
Jaroslav Ungerman	vice-chairman since 7 June 2019 member since 1 May 2019
Eduard Muřický	member since 1 May 2018
Martin Pospíšil	member since 27 August 2019
Martin Tlapa	member since 13 November 2019

Board of Directors

(Incl. changes made in 2021)

Jan Procházka (Head of CEO's section)	chairman since 18 December 2017 member since 18 December 2017
Marek Dlouhý (Head of Sales section)	vice-chairman since 5 April 2018 member since 29 March 2018
Martin Růžička (Head of Risk Management Section)	member from 1 July 2016 to 1 July 2021 re-elected on 2 July 2021

Audit committee

(Incl. changes made in 2021)

Pavel Závitkovský	chairman since 6 May 2020 member since 29 April 2020
Bohuslav Poduška	vice-chairman from 25 January 2017 to 20 December 2020, re-elected on 13 January 2021 member since 21 December 2020
František Linhart	member since 1 May 2018

Organisational structure

as at 31 December 2021

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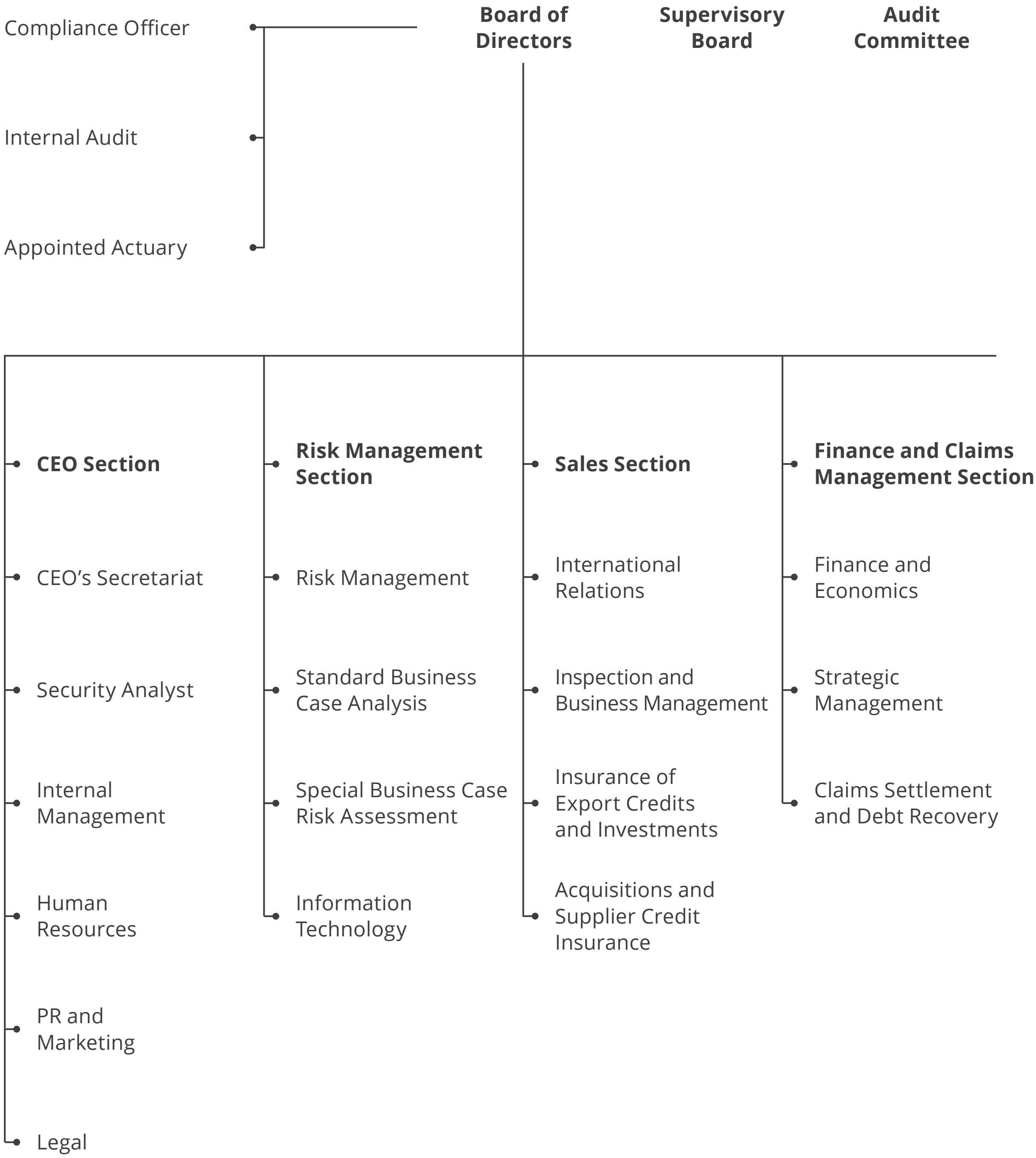
Compliance Officer
Internal Audit
Appointed Actuary
Board of Directors
Supervisory Board
Audit Committee
CEO Section
CEO's Secretariat
Security Analyst
Internal Management
Human Resources
PR and Marketing
Legal
Risk Management Section
Risk Management
Standard Business Case Analysis
Special Business Case Risk Assessment
Information Technology
Sales Section
International Relations
Inspection and Business Management
Insurance of Export Credits and Investments
Acquisitions and Supplier Credit Insurance
Finance and Claims Management Section
Finance and Economics
Strategic Management
Claims Settlement and Debt Recovery

Independent Auditor's Report

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KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Prague 8
Czech Republic
+420 222 123 111
www.kpmg.cz

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

Independent Auditor's Report to the Shareholders of Exportní garanční a pojišťovací společnost, a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Exportní garanční a pojišťovací společnost, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2021, and the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of provisions for outstanding claims

Provisions for outstanding claims of MCZK 5 524 as at 31 December 2021 (MCZK 8 146 as at 31 December 2020)

Refer to Notes 1.3 f) and 2.7 for accounting policy and financial disclosures

<table>
<tr><th>Key audit matter</th><th>How the audit matter was addressed</th></tr>
<tr><td>
Provisions for outstanding claims are intended to cover liabilities resulting from claims:
- incurred but not reported till the end of period (IBNR),
- reported but not settled till the end of period (RBNS).
In the process, the Company individually assesses and estimates the amount of insurance settlement for individual risk-bearing business cases based on available information. The IBNR provision is determined primarily based on individual assessment and estimate of the insurance settlement for individual risk-bearing business cases, where the claim was incurred but not yet reported by the insured, while the RBNS provision is determined as the total expected loss following from a reported claim.
The increased estimation uncertainty associated with these provisions stems from the nature of the risks insured by the Company (mainly export loans, bank guarantees, and foreign investments), and the reliance on subjective assessment of uncertain future events, primarily the credit risk assessment for individual cases. The risk is further increased by the fact that the Company
</td><td>
Our audit procedures included, among others, the following:

We critically evaluated the methods used in determining the claims provisions against relevant regulatory and financial reporting requirements, and also assessed any changes since the previous year.
We tested the design, implementation and operating effectiveness of selected key controls over the monitoring of the individual insurance cases, and estimating and validating the amounts of the provisions in question.
For a sample of insured loans, relying on the information derived from the Company’s claim files and inquiries of the relevant finance employees, we:

— Assessed whether IBNR and RBNS provisions capture the Company’s liabilities in respect of all of the loans in the sample determined to be credit-impaired or in default;
— Challenged key estimates underlying the provision amounts,
</td></tr>
</table>

also insures exports to countries with higher political and security risks. We consider adequacy of the provisions for outstanding claims to be a key audit matter due to the magnitude of the amounts involved as well as the fact that the Company makes significant assumptions and judgments in determining the amount of those provisions.	including the probability of expected recoveries and the amounts thereof, generally by reference to the value of underlying loan collaterals. • We evaluated the reasonableness of the IBNR and RBNS claim reserves by performing the comparison of the actual experience to previously expected results; • We assessed whether the Company's disclosures in the notes to the financial statements in respect of the above mentioned provisions comply with the qualitative and quantitative requirements of the relevant financial reporting standards.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

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

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any

Responsibilities of the Statutory Body, Supervisory Board and Audit Committe for the Financial Statements

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process, while the Audit Committee is responsible for its monitoring.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions

may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor´s report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 29 April 2021. Our uninterrupted engagement as the auditors of the Company has lasted 6 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 21 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we provided the Company and its controlled undertakings with other services that have been disclosed in Note 3.5. to the financial statements.

Statutory Auditor Responsible for the Engagement

Ing. Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Exportní garanční a pojišťovací společnost, a.s. as at 31 December 2021, based on which this independent auditor’s report has been prepared.

Prague
21 March 2022

Ing. Jindřich Vašina
Partner
Registration number 2059

KPMG Česká republika Audit, s.r.o.
Registration number 71

Company information

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Company name:	Exportní garanční a pojišťovací společnost, a.s.
Legal form:	joint-stock company
Identification number:	45 27 93 14
Tax Identification number:	CZ45 27 93 14
Registration in the Commercial Register:	Registered in the Commercial Register of the Municipal Court in Prague, section B, file number 1619
Date of registration in the Commercial Register:	1 June 1992
Registered capital in the Commercial Register:	CZK 5,575,000,000
Type of shares:	book-entered, not publicly traded[1]
International Securities Identification Number (ISIN):	CZ0008040508
Type, form, and number of issued shares and their nominal values:	5,575 registered shares with a nominal value of CZK 1,000,000
Shareholders:	The Czech Republic is the sole shareholder
Number of organisational units:	EGAP is not divided into units[2]
Registered office:	Vodičkova 34/701, 111 21 Praha 1
Phone:	+(420) 222 841 111
E-mail:	info@egap.cz
Internet:	www.egap.cz
Bank details:	2103011 / 0710 at the Czech National Bank

1 In 2021, EGAP did not acquire any of its own shares or equity investments.
2 EGAP does not operate any branches or affiliates abroad.

EGAP