

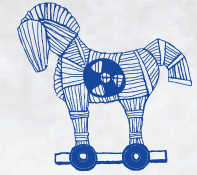


Annual report

Exportní garanční a pojišťovací společnost, a.s.

2015





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Introductory word



The year 2015 could be described in terms of stabilization of the company, premium new transactions, entrance into new markets and a struggle with problematic older business transactions. It is these transactions that are behind the negative economic result, which is no surprise and EGAP signalled it at the beginning of 2015.

Paid indemnities worth more than 4 billion CZK and creating necessary reserves still represent the main indicator that has an impact on the company's earnings.

The situation in countries outside the European Union, i.e. in countries where EGAP is targeting its support, was not easy also last year. The still closed insurance market in Ukraine, the application of sanctions and negative economic growth in Russia, war in the Middle East and the impact of the fall in oil prices have had a major impact on support for Czech exports. And yet thanks to the activity of Czech exporters and banks, new business transactions worth 40.5 billion CZK were closed.

EGAP-insured exports went out to 35 countries of the world. For the first time Azerbaijan became the territorial leader in the EGAP portfolio, mainly thanks to a contract with M-Steel for another phase for railway construction. The advantage of closing new transactions with Azerbaijan was undoubtedly the provision of state guarantees, primarily from the Azerbaijani ministry of finance. Russia finished second despite the difficult situation. EGAP announced it would not interrupt its insurance operations in this country, but it would support only transactions where the partners will be system important Russian banks and stable Russian companies,

which have revenues also in other currencies than rubles. The share of exports to Russia in the EGAP portfolio drastically declined, and yet contracts for new business worth more than 7 billion CZK were signed.

Personally, I am most pleased that two entirely new countries, Laos and Papua New Guinea, are among the top ten countries according to the volume of supported exports. In both cases EGAP supported the construction of hospitals and both were provided state guarantees. More than 25 Czech companies, several of them classified as small and medium enterprises, participated on these projects and shared in the subcontracting to construct and equip the hospitals.

In the SME segment, EGAP was able to conclude more than 60 commercial contracts, a growth of more than 30% compared to 2014. Tangible results are thus beginning to show for the two years of applying the concept of targeting supported exports of small and medium enterprises. Falling precisely into this category is the first project of the program to support the export of the results of research and development, which is conducted by EGAP together with the Technology Agency of the Czech Republic. For premiums written, EGAP encashed in total of 1.47 billion CZK in 2015.

EGAP has been very successful in recovering claims and preventing damages. It was able to recover 562 million CZK, with the greatest part of this amount from the „refresh“ of Cuban debts, where the yield nearly reached 400 million CZK. Mostly thanks to restructuring, damages worth nearly 1 billion CZK were avoided.

Despite all these positives, to which a reduction in operating costs can be added, EGAP ended 2015 with an economic result of -5,447,000 CZK. As I mentioned before, this was influenced by the paid indemnities and by creating reserves — primarily for cases in Russia and Ukraine.

The major change in the way supporting exports works was the establishment of new rules concerning the deductible of banks and exporters, which have been in effect since September 2015. For the export customer loan insurance product, a deductible ranging between 0-10%, depending on the risk factor of the country, transaction type and type of acceptable risk has replaced the fixed deductible of 5%. The riskiest transactions therefore have the highest deductible, while the ones with the lowest risk have the lowest deductible.

For 2015 and beyond, we still pursue our most important goal - to create a viable long-term model of EGAP, an institution that supports Czech exports, Czech competitiveness, employment, and minimizes the impact of its operations on the state budget. In 2015 we reached in this area an agreement with the shareholders and CNB concerning legal regulations in connection with the introduction of Solvency II rules. Legislatively EGAP remains an insurance company under the supervision of a regulator — i.e. CNB, naturally an insurance company „sui generis“. So even in 2016, it can provide the maximum support for exporters and insure economically meaningful projects in high risk territories.

Business results



In 2015 EGAP insured new export loans, bank guarantees and investments abroad in the general volume of 40.5 billion CZK. Insured exports headed to a total of 35 countries around the world.

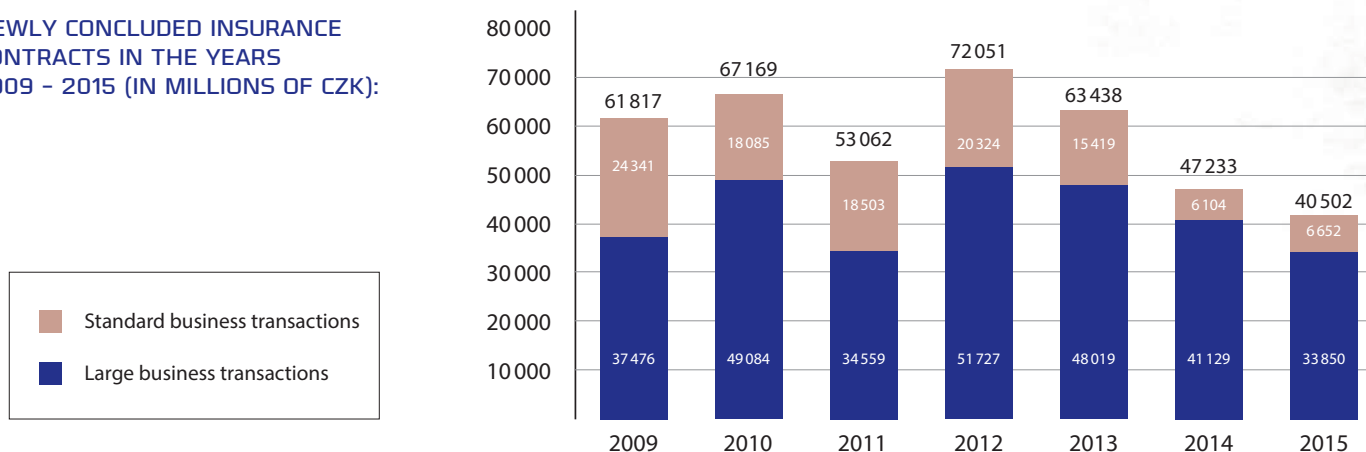
Significantly, the results for the whole year again reflected the same factors that detrimentally affected EGAP operations in 2014. Specifically, it was mostly about the political and economic situation in Ukraine, the effects of the escalation of the conflict with Russia, including the impact of the adopted sanctions and economic development in Russia, which is dependent on oil prices. These factors had an effect on the decreasing volume of business transactions in these countries. The lingering effects of low oil prices led to more pressure on the weakening of local currencies and the ability of clients to service their obligations in other CIS countries. A similar impact was felt by the continuing tension and worsening situation throughout the Middle East. Despite these negative

factors, EGAP still managed to fulfil the majority of its business requirements in 2015 and continue to play its vital role in supporting Czech exports via the provision of its insurance with state support. Its purpose is not just to provide the immediate effect of measurable results within an annual term, but a longer-term effect — bigger and more effective support for Czech exporters in foreign markets outside the EU. Specifically, to make it possible for Czech exporters to carry out their commercial contracts in 2015 in this manner in addition to the actual insurance for their export loans, bank guarantees and investments in the aforementioned volume of approximately 41 billion CZK, where the total scope in the end exceeded 56 billion CZK.

This support which EGAP provides with its insurance has other returns in addition to growth alone in Czech exports, principally in the form of supporting employment in the Czech Republic.

The following chart 1 illustrates the development of the insurance coverage, including its structure in terms of the proportion of large and at the same time longer-term business transactions, mostly volumes reaching into the billions of CZK. A proportion of the large business transactions in 2015 slightly decreased in comparison with 2014, while the proportion of standard business transactions grew, mainly thanks to increased support for SMEs. Our insurance commitment, the definition of which is provided below, is a constantly changing indicator of the status of all currently covered export risks, which is increasing with newly accepted insurance policies and likewise decreasing in association with the payment of instalments for previously insured loans, investments and bank guarantees. It simultaneously applies that each growth in the volume of newly concluded insurance policies, i.e. increased support for exports via insurance with state support, corresponds with an increase in new claims and payments of indemnities, only with a certain delay.

CHART 1 - NEWLY CONCLUDED INSURANCE CONTRACTS IN THE YEARS 2009 - 2015 (IN MILLIONS OF CZK):





EGAP must maintain its insurance commitment, defined in § 2 letter s) of Act 58/1995 Coll., on insurance and funding exports with state support, as amended, as a “set of values of insured export credit risks from concluded insurance policies in the nominal amount, including interest and contractual fees, and from reinsurance activity, decreased by the value of risks that have already ceased, and the value of contracts for insurance pledges amounting to 50% of their nominal value” under a limit so as not to exceed its insurance capacity, defined by this law in § 4 paragraph 5 and set in the state budget for 2015 at 300 billion CZK; the stated insurance capacity of EGAP was not exceeded in 2015. At the same time EGAP is obliged to cover its insurance commitment (less the value of the contracts covering reinsurance

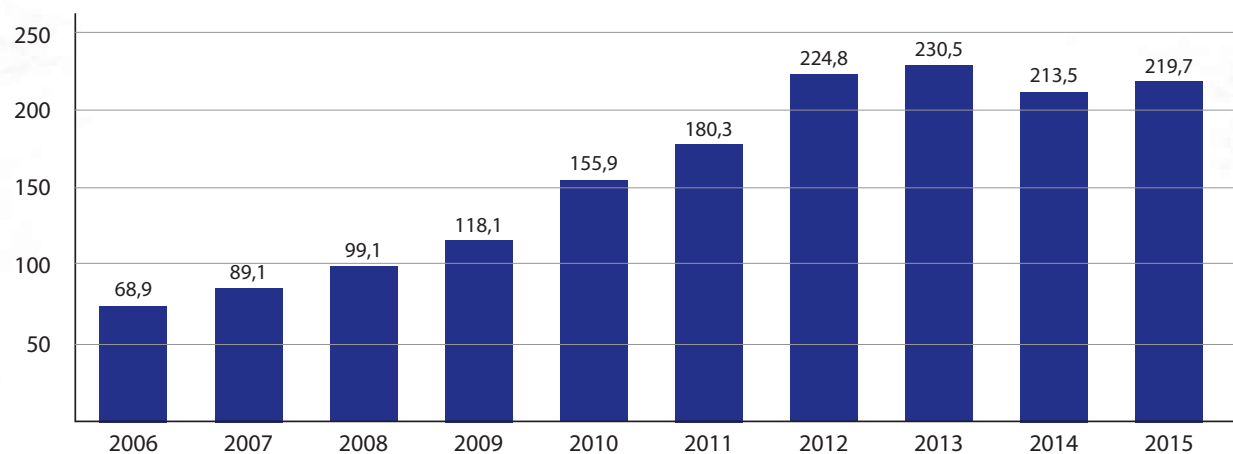
concluded with foreign state credit insurers and other large reinsurance companies) with its insurance funds and reserves at the minimum safety ratio of 8%; their level for this purpose in 2015 was quite sufficient. Development of outstanding commitments between 2006 — 2015 can be seen in chart 2.

Insurance funds therefore determine the room available — in view of the existing insurance commitment — for insuring any new export activities of Czech exporters. These funds come from only two sources: first, in allocations from our own earnings (simply put, primarily from premiums and the returns on financial placements after deducting payments made for claims), and secondly, in the form of subsidies from the state budget that

are necessary for strengthening these insurance funds in the event of an insufficient amount of insurance funds created from our own resources.

As one of the internationally recognized instruments of state support for export, EGAP does not have the primary goal of creating a surplus (its activities, however, should balance off over the long term), rather supporting the competitiveness of Czech exporters in comparison with foreign competitors mostly with its insurance rates and providing other advantageous conditions. In performing this activity, EGAP must fully respect all internationally accepted rules for such state-supported exports.

CHART 2 - DEVELOPMENT OF OUTSTANDING COMMITMENTS OF EGAP (IN BILLIONS CZK)



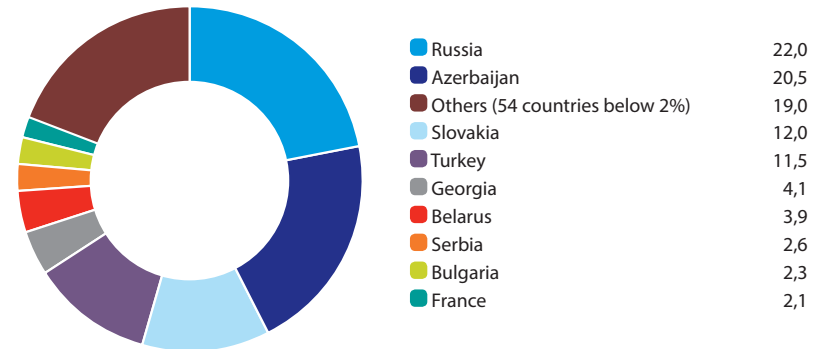
Business results



The territorial structure of insured commitment, i.e. all currently insured export credit risks, closely reflects the structure of interest and target countries of Czech exporters, especially for large business transactions in recent years. As illustrated by chart 3, the Russian Federation continues to dominate mainly as a result of previous developments, but its weight has been steadily decreasing over recent years, namely from roughly 36% in 2010 to the current state of 22%, while the share of Azerbaijan has grown and now stands at 20%; much further behind are Slovakia and Turkey, while the proportion of the other 5 countries (Belarus, Bulgaria, Georgia, Serbia and France) ranged between 2-4%.

The portfolio of insurance commitment as of 31 December 2015 was supplemented by another 54 countries with individual proportions of less than 2%, which altogether accounts for approximately 19% of our total insurance commitment.

CHART 3 - STRUCTURE OF OUTSTANDING COMMITMENTS AS AT 31 DECEMBER 2015



Benefits of insurance with state support



EGAP's contribution to the Czech economy cannot be evaluated only on the basis of annually insured volume of credits, guarantees and investments. Our activities have a significant multiplication effect. For example, export credits may reach a maximum of 85% of the export contract value; the rest has to be covered by the resources of the foreign buyer. However, even larger effects bring bank guarantees. Issuing and insuring relatively small bank guarantees, especially for the bid or for the quality of the exporter's performance, can give the contract, in the event of a successful tender, a higher value by several times. Pre-export credits also play a large role; they enable financing of export production or an investment in export production. We quantify this multiplication effect of our insurance as supported exports in a given year. Specifically in 2015, we supported Czech exports to the extent of more than 56 billion CZK.

It should be underlined that this involves exports that almost certainly would not have taken place without EGAP's support. No commercial credit insurance company is able to take on such risks like EGAP does. The reason is not that the risks were uninsurable from their substance but because they are long-term in nature, they

are complicated and, usually, they are intensified by the fact that the importer is active in a country where the entrepreneurial and legal environment brings a higher level of insecurity. We insure primarily bank loans with maturities exceeding 2 years for financing exports of major energy, engineering and technological equipment, industrial plants, transportation construction and investments in less developed countries where the default risk is high- for political and commercial reasons. We supplement the offer of commercial credit insurance companies, we fill in the existing gap in the market, and we operate as a standard export credit insurance company filling the role of a state instrument for providing export support.

Exports realised with our support provide a beneficial effect not only to the exporters themselves, but also to a wide network of their subcontractors, usually from the ranks of small and medium enterprises. This means work for thousands of people and in some cases helping to maintain a certain type of product with a long-term tradition. EGAP's activities support employment in the regions, help sustain highly-skilled workers and contribute to preserving valuable know-how. An example might

be the manufacture of equipment and delivery of technology for various industrial enterprises or the construction and reconstruction of hospitals. It is an expression of the fact that Czech industry has a lot to offer to countries, which are now undergoing a similar development as Western European countries did in the past and are in a process of building and modernizing their energy and industrial base, transport infrastructure, health system or they want to achieve food self-sufficiency and invest in agricultural and food technology. At the same time, the Czech industry can effectively respond to strong demand particularly in countries where an exporter and its bank cannot get along without EGAP's insurance for long-term financing.

Another benefit of our insurance is that it offers exporters a chance to seek business opportunities outside the European Union, in the dynamically developing perspective markets of Asia, Africa and Latin America, and gain not only necessary experience, but also references for establishing new business contacts.

Insurance with state support - services and insurance products



As in previous years, banks offering export financing were the major clients of EGAP in 2015. It was characteristic for this year that in comparison with previous years the significance of Czech Export Bank, Inc. (ČEB) dropped in terms of all-year volume of insurance from 24% in 2014 to less than 7% in 2015. Collectively the share of banks in new insurance coverage in 2015 was about 56%, with a greater share during this year going to UniCredit Bank Czech Republic and Slovakia, Inc. and Czech Savings Bank, Inc.

The importance of banks as clients of EGAP is represented by their share of insurance commitment, i.e. in the current amount of all valid insurance policies as of 31 December 2015. Czech Export Bank, Inc., accounted for 46.5% of this data (which represents a reduction in share by about 3.6 percentage points as opposed to 2014) and other banks collectively stood at 45.4%.

CHART 4 - INSURED EXPORT CREDITS AND FURTHER BANK PRODUCTS IN 2015 (%)

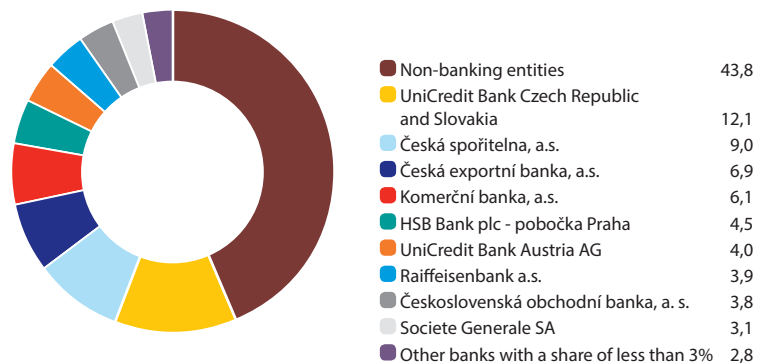
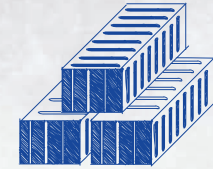


CHART 5 - SHARE OF BANKS IN OUTSTANDING COMMITMENTS AS AT 31 DECEMBER 2015 (%)



Insurance with state support - services and insurance products



Export credit insurance is a major part of the activities of EGAP, this relates particularly to export buyer credits (D), where a bank makes payments to a Czech exporter and the amount owed is then paid back by a foreign buyer on regular dates given by a credit agreement. The maturity of export buyer credit is longer than 2 years, and therefore the conditions of insurance are governed by rules of the OECD Arrangement, which adjusts premium rates, requires an advance payment from a buyer, and ensures that the state-supported exports do not endanger the environment in the importer's country. In 2015 EGAP insured export buyer credits with a total value of -20 billion CZK, which represented an approximately 50% share in the total insurance volume.

The largest new business transactions in 2015 included additional export credit insurance for the reconstruction and modernization of the railway line between the cities of Baku and Boyuk Kasik

in Azerbaijan worth 8.4 billion CZK, export credit insurance for building the Goroka Hospital (Papua New Guinea) worth approximately 1.9 billion CZK, and building the Friendship Hospital in Laos at a total value of 3.2 billion CZK. Other major business transactions included insurance for supplying production equipment for producing granular urea in the Russian Federation (2.7 billion CZK) and supplying buses to Azerbaijan (1 billion CZK).

EGAP recorded significant growth in 2015 in insuring Czech **investments abroad** (I) against political risks. Insured investments were worth more than 17 billion CZK.

The offer in the area of export credits is supplemented by insurance of **export supplier credit**, which are not bank credits but payment deferrals extended by Czech exporters to foreign buyers. Modification of such type of insurance is **the export supplier credit insurance**

financed by a bank (Bf, Cf), which enables the bank to purchase a receivable for a foreign buyer from the exporter.

Beside export credits, EGAP also insures other types of credits. This primarily involves **credit insurance for pre-export financing** (F), where the credit extended by a bank can be used for financing of production for export, and in case of positive experience with a given exporter, for financing of an investment for the purposes of production for export. The pre-export credit may also be used for financing the commercial development of the results of science and research for export purposes. Other types of credits include also **the credit for financing investments of Czech corporations abroad** (If).

Insurance with state support - services and insurance products



In terms of frequency, the insurance for **bank guarantees issued in connection with an export contract (Z)** is the most used. Most frequently, the banks issue guarantees for Czech exporter's bid (Bid Bond), for returning the advance payment by an importer (Advance Payment Bond) and for the proper performance of export contract (Performance Bond). By concluding **insurance for manufacturing risk (V)** the exporter is protected against losses due to the cancellation or interruption of the export contract by the foreign buyer in the process of production. The offer naturally includes insurance for a **confirmed letter of credit (E)**. Through **active reinsurance (ZA)** EGAP supports Czech subcontractors of foreign exporters, whose export credits are insured by partner foreign export insurance companies.

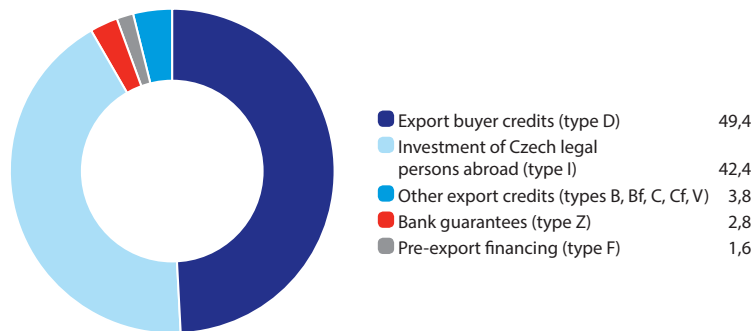
Insurance products that EGAP offers within insurance with state support ensure clients complex credit insurance protection for the duration of export contracts. Without them, Czech exporters would have practically no chance to get a medium or long-term bank loan or guarantee, especially at a time when they are seeking business opportunities in markets with increasing territorial and commercial risks.

Increasing number of small and medium enterprises (SME) become clients of EGAP. They use particularly export supplier credit insurance, credit for pre-export financing, insurance for manufacturing risk, and insurance for bank guarantees.

A simplified version of insurance is intended especially for small and medium enterprises, offering a reduction in the administrative demands of the entire insurance process and simultaneously speeding up the negotiations. At the present time EGAP offers a package of 8 insurance products designed and tailored precisely for exporters from the ranks of SMEs.

In 2015, 61 new insurance policies were concluded (equivalent to almost half of all new contracts in 2015 and an increase compared to 2014 by 33%) for a total volume of about 1.7 billion CZK, providing insurance for the exports of SMEs to 14 countries around the world, using most of the offered insurance products.

CHART 6 - THE PRODUCT STRUCTURE OF NEW INSURANCE CONTRACTS CONCLUDED IN 2015 (%)



Types of insurance:

- B insurance of a short-term export supplier credit;
- Bf insurance of a short-term export supplier credit financed by a bank;
- C insurance of a medium and long-term export supplier credit;
- Cf insurance of a medium and long-term export supplier credit financed by a bank;
- D insurance of an export buyer credit;
- E insurance of a confirmed letter of credit;
- F insurance of a credit for pre-export financing the production for export;
- I insurance of investment of Czech legal persons in foreign countries ;
- If insurance of a credit for financing of investments of Czech legal persons in foreign countries;
- P insurance of a credit for financing of prospection of foreign markets;
- V insurance against the risk of impossibility to perform an export contract (so-called manufacturing risk);
- Z insurance of bank guarantees issued in relation to an export contract.

Other selected results



Since the beginning of its business activity in 1992, thus for more than 23 years of business, EGAP has insured, with state support, the export and pre-export credits, investments and bank guarantees of Czech exporters at a total value of 758 billion CZK to almost a hundred countries around the world.

In 2015 EGAP insured new export credits, bank guarantees and the investments of Czech corporations to 35 countries. As illustrated by chart 7 below, 2015 was dominated by two countries involving more than two-fifths of annual income, namely Azerbaijan (25%) and Russia (17.1%). Another approximately 45% belong to 6 countries, whose share ranged from approximately 5 — 10%, while the remaining approximately

12.5% went to 27 other countries (including pre-export funding) with a share below 2%.

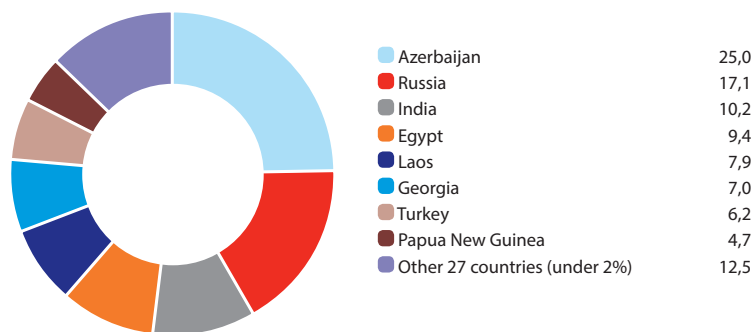
Approximately 8.4% of the annual volume of insurance was directed towards the other countries of CIS (excluding Russia and Azerbaijan) in 2015, of which Belarus and Georgia had the major shares; the proportion of the entire CIS region, including the Russian Federation and Azerbaijan, was 50.6%.

Two new territories in South-east Asia appeared in the EGAP portfolio in 2015, Laos and Papua New Guinea, where export buyer credit insurance went to modernize local hospitals, specifically the Friendship Hospital in Laos (total volume of 3.2 billion CZK) and

the Goroka Hospital (Papua New Guinea) for 1.9 billion CZK. The territorial distribution of new export insurance in 2015 is shown in the following chart 7.

In the commodity structure of new insured credits, investments and bank guarantees in 2015, the group 7 SITC - Machinery and transport equipment considerably prevailed as in the past, this time with a share of approximately 63.9%, corresponding to approximately 25.9 billion CZK. Almost three quarters of this group consisted of deliveries of machinery and equipment, the remaining quarter dealt with insuring deliveries of vehicles.

CHART 7 - TERRITORIAL STRUCTURE OF NEW INSURANCE CONTRACTS CONCLUDED IN 2015 (%)



Other selected results



Of the other commodity groups, loans and guarantees connected to the supply of equipment for hospitals, road construction and supplying products from different kinds of materials, instruments, chemical products, pharmaceuticals, plastics, etc., were notably insured in 2015.

In 2015 we underwrote insurance premiums for business transactions worth 1.5 billion CZK.

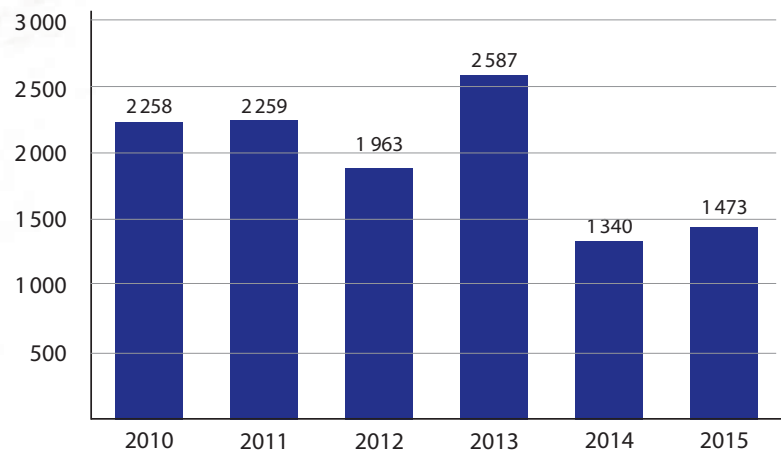
The total scope of claims paid in 2015, as in the previous year, was highly influenced by the long lasting

payment of claims for several glass projects in Russia and Ukraine (including more than two-fifths of the year's total), and also by export credit insurance claims for the supply of automotive parts in Ukraine. Other major payments in 2015 were related to insured export credit claims for the construction of kaolin-processing factory in Vietnam and insured loans for the construction of power plants in Russia.

In 2015 medium-sized paid indemnities notably included claims for business transactions involving the supply of industrial equipment to Ukraine and to Russia, the

supply of aircraft to Armenia, the supply of technology for the production of agro-pellets in Serbia, the export of a cement plant to Kazakhstan (due to the collapse of the Kazakh bank BTA) and the construction of a cement plant in Vietnam.

CHART 8 - PREMIUMS WRITTEN (IN MILLIONS CZK)





Overall in 2015 EGAP, altogether with several other indemnities of a rather smaller scale, paid a total of 4.1 billion CZK in claims, as illustrated in chart 9b.

The fact that the **growth in insurance logically reflects a growth in insurance claims with a delay of several years** is illustrated by comparing the volume of claims payments and volume of new insurance in the timeline of the previous 11 years.

The amount of insurance claims paid in 2015 indicates an increasing trend that follows, in the given manner, the abrupt increase in insured volumes of export credits, bank guarantees and investments of Czech corporations in foreign countries, especially between 2009 and 2013, with a time delay of 3-5 years (the relevant developmental determination curve is evident in charts 9a and 9b, comparing the change in annual volumes of new insurance and claims payments). This trend has not only affected EGAP, but is also evident in an international context. A similar development was seen in the Berne Union, including most of the world's export credit insurance companies.

In contrast, **claims worth approximately 562 million CZK were recovered during 2015**, the bulk of which, exactly three quarters, came from the successful return of Cuban debts.

In addition, prevention activities in 2015, in the form of legal steps taken to avert the risk of an insured event, **successfully reduced potential damages by a full 947 million CZK.**

CHART 9A - DEVELOPMENT OF VOLUMES OF NEWLY CONCLUDED INSURANCE CONTRACTS IN THE YEARS 2005-2015 (IN CZK BILLION)

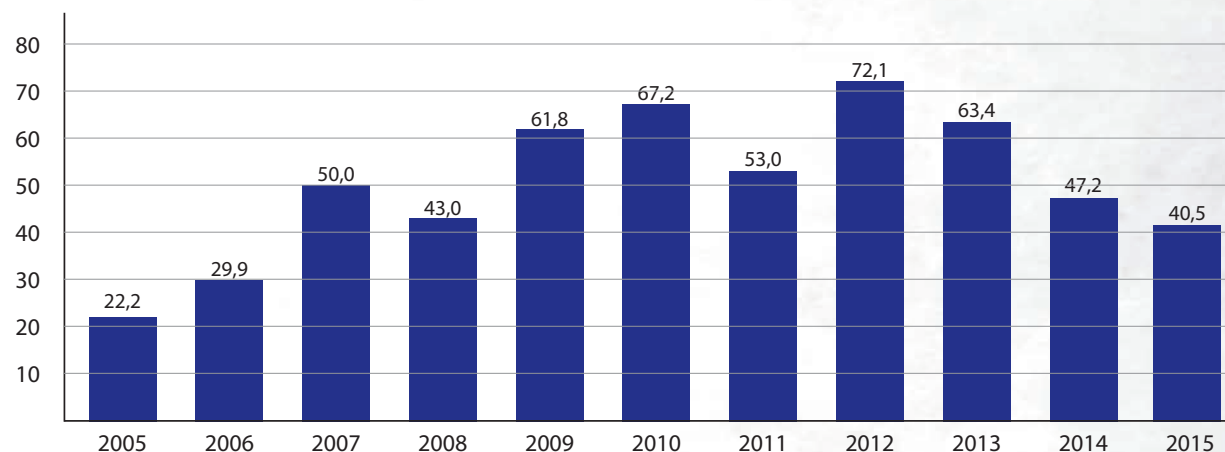
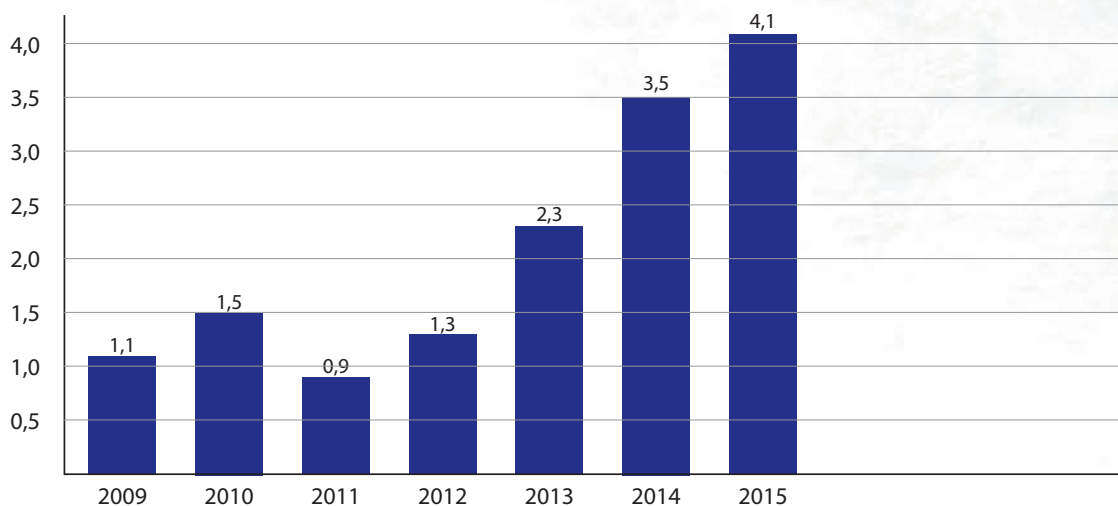


CHART 9B - CLAIMS PAID IN THE YEARS 2009 - 2015 (IN BILLION CZK):



Economic result



For premiums written in 2015, EGAP collected 1.5 billion CZK. The revenues from the financial portfolio achieved the value of 364 million CZK. Despite these results, EGAP finished 2015 with a book loss of 5,447 million CZK. **The main cause of this unfavourable development was incurred by the payment of claims and by the extensive creation of reserves, especially for business transactions in Russia and Ukraine.** More detailed information is available in the Financial Results.



As an export credit insurance company, EGAP is officially the “Export Credit Agency (ECA)” of the Czech Republic, represented in the Working Group on Export Credits, both within the Council of the European Union (EU) and in a similar group within the Organization for Economic Cooperation and Development (OECD) and under the auspices of the OECD meeting groups of Participants to the Arrangement on Officially Supported Export Credits — OECD Consensus. EGAP is actively involved in negotiations to promote equal conditions for financing and insuring exports to the European, or world market, while respecting the national interests of Czech exporters.

As a representative of the Czech Republic, EGAP actively participates in working discussions both in the Participants of OECD Consensus and in the Export Credit Group of OECD (ECG OECD). In 2015, the discussion in this group focused primarily on the mechanism for setting up minimum insurance rates for the most developed countries, which are recognized as countries with a “market benchmark”. During the meetings were discussed topics related to the issues of interest rates, sectorial agreements within the text of the Consensus, particularly for civilian aircraft, which underwent a regular revision, or various data reports, including those related to development aid. Significant attention was also paid to the impacts of projects on the environment, issues of fighting corruption in international export transactions with official support, and to the so-called “sustainable lending” conditions, i.e. a responsible approach to loans made to the economically weakest countries.

During 2015, however, a new focal point arose, both on the OECD and EU level, in the crucial debate regarding

the continuation of official support for the export of coal power plant projects. This discussion eventually resulted in a new restrictive sectorial agreement that toughens the conditions for such officially supported export transactions. The aim of this restriction is to protect the climate from increased emissions of greenhouse gases, especially CO₂. For OECD and the Participants of the Consensus, the outputs of this very demanding work and intense negotiations were presented in the framework of the UN Climate Conference (COP 21), which was held in Paris in December 2015.

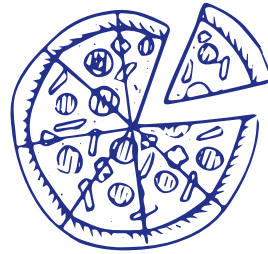
As in previous years, in 2015 multilateral talks continued with several major countries providing export funding, which are not yet OECD Participants of the Consensus and do not share these rules and conditions governing the provision of official financial support for export projects with member states. Negotiations are underway within the framework of the **International Working Group**, in which are represented countries from the circle of Participants of the Consensus and countries from non-member economies, including China, Brazil, Russia, India and others. The aim is to reach an agreement on the terms of insurance and financing of exports with official support in the sector for ships and in the sector for medical equipment in order to generalise these conditions within horizontal rules, which is the outcome the expert debate is starting to approach.

EGAP is an active member of the **International Union of Credit and Investment Insurers (Berne Union)**. Moreover, in 2015, EGAP concluded its two-year mandate for participation in the organizational management of Berne Union in the framework of its Management Committee. As a founding member,

EGAP continues to participate intensively in the activities of the so-called Prague Club of Berne Union. In early October 2015, EGAP welcomed colleagues from Berne Union and the Prague Club to Prague for the occasion of a joint seminar aimed at sharing experiences with approaches to financing of small and medium enterprises. Support for the export activities of small and medium enterprises through officially supported export credit insurance is important not only for EGAP from the perspective of building a client base but also for the Czech economy, as it helps stimulate the economic activity of a segment of companies, which in total helps to stabilize the economic sector.

Year 2015 also brought an important extension of **the bilateral cooperation of EGAP with partner agencies**. Two new agreements on cooperation were concluded. These include cooperation agreements **with the Mexican state development bank Bancomext**, which has in its portfolio also an area of officially supported export financing, and **with the Japanese partner insurance company NEXI**. These agreements will enable closer collaboration for insurance companies when promoting projects in third countries.

EGAP signed two “higher level” agreements on reciprocal reinsurance - **with the Korean partner insurance company K-Sure** and a facultative agreement on reciprocal reinsurance **with the Chinese export credit insurance company Sinosure**. These agreements will enable sharing risks from insuring joint export projects in third countries.



Financial statements

Balance sheet

As at 31 December 2015



(CZK thousand)	Note	Gross amount	Adjustment	31 December 2015 Net amount	31 December 2014 Net amount
ASSETS					
B. Intangible fixed assets	5	43,745	42,056	1,689	2,276
C. Financial investments	4	22,627,260	-	22,627,260	23,586,558
C.I. Land and buildings of which:		876,279	-	876,279	875,729
1. Land		123,202	-	123,202	123,202
2. Buildings		753,077	-	753,077	752,527
C.II. Financial investments in subsidiaries and associates		1,055,742	-	1,055,742	1,091,882
3. Participating interests in subsidiaries		1,055,742	-	1,055,742	1,091,882
C.III. Other financial investments		20,695,239	-	20,695,239	21,618,947
1. Shares and other variable income securities		319,309	-	319,309	313,566
2. Bonds and other debt securities - realisable		17,903,159	-	17,903,159	17,726,992
6. Deposits with financial institutions		2,472,771	-	2,472,771	3,578,389
E. Debtors	6	326,978	269,020	57,958	20,268
E.I. Receivables from direct insurance - policy holders		49	30	19	14
E.II. Reinsurance receivables		29,311	-	29,311	11,391
E.III. Other receivables of which:		297,618	268,990	28,628	8,863
- associates		16	-	16	54
F. Other assets	5	5,104,783	58,497	5,046,286	3,753,149
F.I. Tangible fixed assets other than assets recognised in line "C.I. Land and buildings" and inventories		62,567	58,497	4,070	3,495
F.II. Cash on accounts with financial institutions and cash in hand		5,042,216	-	5,042,216	3,749,654
G. Prepayments and accrued income	7	22,377	-	22,377	18,592
TOTAL ASSETS		28,125,143	369,573	27,755,570	27,380,843

Balance sheet

As at 31 December 2015



(CZK thousand)	Note	31 December 2015	31 December 2014
LIABILITIES			
A. Equity	8	4,697,944	7,408,856
A.I. Share capital of which:		4,075,000	1,300,000
a) changes in share capital		2,775,000	-
A.IV. Other capital funds		5,969,980	11,921,690
A.V. Reserve fund and revenue reserves		100,188	109,356
A.VII. Loss for the current period		(5,447,224)	(5,922,190)
C. Technical reserves	9	22,799,774	19,597,711
C.1. Unearned premium reserve:		8,477,167	8,176,437
a) gross		9,512,437	9,205,732
b) share of reinsurers (-)		(1,035,270)	(1,029,295)
C.3. Reserve for claims:		14,318,617	11,417,284
a) gross		14,729,715	11,622,912
b) share of reinsurers (-)		(411,098)	(205,628)
C.5. Equalisation reserve		3,990	3,990
E. Provisions	10	2,290	2,709
E.3. Other provisions		2,290	2,709
G. Creditors	11	242,638	370,552
G.II. Payables from reinsurance of which:		87,124	227,812
G.V. Other payables of which:		155,514	142,740
- shares in associates		6,410	-
a) tax liabilities and liabilities from social and health insurance		131,259	123,026
H. Accruals and deferred income		12,924	1,015
TOTAL LIABILITIES		27,755,570	27,380,843

Income statement for the year ended 31 December 2015



(CZK thousand)	Note	Base	Subtotal	2015 Total	Base	Subtotal	2014 Total
I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE							
1. Earned premiums net of reinsurance:							
a) gross written premium	15	1,472,668			1,339,575		
b) outwards reinsurance premium (-)	14	216,014			374,968		
Subtotal			1,256,654			964,607	
c) change in the gross amount of unearned premium reserve (+/-)		(306,706)			(760,412)		
d) change in the reinsurer's share of the unearned premium reserve (+/-)		5,975			222,020		
Subtotal			(300,731)			(538,392)	
Total				955,923			426,215
2. Allocated investment return transferred from the Non-technical account							
				243,230			496,942
3. Other technical income net of reinsurance							
				345			709
4. Claims expenses net of reinsurance:							
a) paid claims:							
aa) gross		4,174,852			3,603,986		
ab) share of reinsurers (-)		43,860			68,358		
Subtotal			4,130,992			3,535,628	
b) change in reserve for claims (+/-):							
ba) gross		3,106,803			3,589,052		
bb) share of reinsurers (-)		205,470			131,259		
Subtotal			2,901,333			3,457,792	
Total	15			7,032,325			6,993,420
5. Change in other technical reserves net of reinsurance (+/-)							
				-			(3,289)
7. Net operating expenses:							
a) acquisition costs			7,717			10,059	
c) administrative expenses	15		257,475			264,409	
d) commissions from reinsurers and profit participations (-)	14		20,435			22,368	
Total				244,757			252,100
8. Other technical expenses net of reinsurance							
				1,077			1,002
10. Result for the Technical account – non-life insurance							
				(6,078,661)			(6,319,367)

Income statement for the year ended 31 December 2015



(CZK thousand)	Note	Base	Subtotal	2015 Total	Base	Subtotal	2014 Total
III. NON-TECHNICAL ACCOUNT							
1.	Result for the Technical account – non-life insurance			(6,078,661)			(6,319,367)
2.	Income from financial investments:						
	a) income from other financial investments		364,275			482,951	
	b) revaluation gains on financial investments		314,333			479,328	
	c) income from the sale of financial investments		-			300,000	
	Total			678,608			1,262,279
3.	Expenses from financial investments:						
	a) management fees and similar charges		1,934			1,832	
	b) revaluation losses on financial investments		388,650			220,181	
	c) cost of sale of financial investments		-			300,000	
	Total			390,584			522,013
4.	Allocated investment return transferred to the Technical account - non-life insurance			(243,230)			(496,942)
5.	Other income	12		636,817			259,026
6.	Other expenses			43,891			17,710
7.	Income tax on loss from ordinary activities	13		2,728			83,616
8.	Loss from ordinary activities after tax			(5,443,669)			(5,918,343)
9.	Other taxes			3,555			3,847
10.	Loss for the current period			(5,447,224)			(5,922,190)

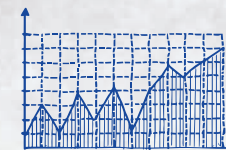
Statement of changes in equity for the year ended 31 December 2015

(CZK thousand)	Note	Share capital	Statutory reverse fund	Other revenue fund	Other capital fund	Revaluation reserve	Accumulated losses	Total
As at 1 January 2014		1,300,000	260,000	844,267	10,286,277	320,994	(992,395)	12,019,143
Capital subsidy from the state budget	8	-	-	-	1,250,000	-	-	1,250,000
Revaluation differences not recognised in the income statement		0	0	0	0	64,419	0	64,419
Utilisation of reserve funds primarily to other revenue funds		-	(260,000)	260,000	-	-	-	-
Loss for the period	8	-	-	-	-	-	(5,922,190)	(5,922,190)
Allocation of loss from last year	8	-	-	(992,395)	-	-	992,395	-
Utilisation of social fund and fund of the General Manager	8	-	-	(2,516)	-	-	-	(2,516)
As at 31 December 2014		1,300,000	-	109,356	11,536,277	385,413	(5,922,190)	7,408,856
Capital subsidy from the state budget	8	2,775,000	-	-	-	-	-	2,775,000
Revaluation differences not recognised in the income statement		-	-	-	-	(36,140)	-	(36,140)
Loss for the period	8	-	-	-	-	-	(5,447,224)	(5,447,224)
Allocation of loss from last year	8	-	-	(6,620)	(5,915,570)	-	5,922,190	-
Utilisation of social fund and fund of the General Manager	8	-	-	(2,548)	-	-	-	(2,548)
As at 31 December 2015		4,075,000	-	100,188	5,620,707	349,273	(5,447,224)	4,697,944



Notes to the financial statements

for the year ended 31 December 2015



1. General information

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

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

Ministry of Finance of the Czech Republic	40%
Ministry of Industry and Trade of the Czech Republic	36%
Ministry of Agriculture of the Czech Republic	12%
Ministry of Foreign Affairs of the Czech Republic	12%

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

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

2. Accounting policies

2.1. Basis of preparation

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

The amounts disclosed in the financial statements and notes are rounded to thousands of Czech Crowns

(CZK’000) unless otherwise stated and are not consolidated.

2.2. Financial investments

The Company classifies the following items as financial investments:

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

2.2.1. Land and buildings

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

Notes to the financial statements

for the year ended 31 December 2015



2.2.2. Financial investments in subsidiaries and associates

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

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

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

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

2.2.3. Investments in securities

Securities are valued on acquisition at cost. The cost of securities also includes direct costs related to the acquisition (e.g. fees and commissions paid to brokers,

consultants or a stock exchange). Securities transactions are recognised on the settlement date.

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

In other cases the fair value is estimated by:

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

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

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

Available-for-sale debt securities

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

2.2.4. Deposits with financial institutions

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

2.3. Tangible and intangible fixed assets

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

Fixed assets other than land and buildings are depreciated by applying the straight-line basis accelerated basis respectively over their estimated useful lives. Tangible assets with a unit cost of less than CZK 40,000 (CZK 60,000 for intangible assets) are treated as tangible and intangible inventories assets and are expensed upon consumption.

Notes to the financial statements

for the year ended 31 December 2015



The annual depreciation and amortisation rates used are as follows:

Fixed assets	Years
Software	4
Other intangible assets	5
Computer technology	3
Moveable assets related to the building	4-5
Ventilation equipment	8
Machines and instruments	3-6
Furniture	6
Passengers cars	3

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

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

2.4. Receivables

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

Receivables, which have been ceded to the Company in relation to an insurance claim are recognised at replacement cost reduced by expected expenses for their recovery. They are recognised in Other receivables against Other income in the Non-technical account. If the

recovery expenses are higher, these receivables are not recorded in the Balance sheet. Subsequently, amounts recovered over the carrying amount are recognised in Other income in the Non-technical account in the accounting period of the payment reception. Receivables written-off are recognised in Other expenses in the Non-technical account.

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

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

2.5. Foreign currencies

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

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the

exchange rate announced by the Czech National Bank (“CNB”) effective as at the balance sheet date.

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

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

2.6. Technical reserves

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

The Company has established the following technical reserves:

2.6.1. Unearned premium reserve

The reserve for unearned premium is created with respect to individual contracts for life and non-life insurance business from the part of premium written that

Notes to the financial statements

for the year ended 31 December 2015



relates to subsequent accounting periods. The Company uses a “pro rata temporis” method to estimate the reserve.

Unearned premium reserve is released up to the amount created on reserve for claim per individual insurance contract.

In accordance with regulation of Section 55, Act no. 277/2009 Coll., on Insurance, the insurance company should create the technical reserves with respect to the whole range of its activities and with sufficient amount, to be able at any time meet its commitments arising from concluded insurance or reinsurance contracts.

To verify above mentioned matters, the insurance company provides test of adequacy of technical reserves. Due to the fact, that the Insurance Act nor related decrees not regulate the adequacy of technical reserves, the Company implemented existing IFRS and the Czech Society of Actuaries standards.

2.6.2. Reserve for claims

The reserve for claims is not discounted to reflect the time value of money and is determined to cover liabilities from claims:

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

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

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

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

The fair value of IBNR reserve is an estimate using insurance-mathematical and staticstic methods.

A reserve is also established for all expected expenses connected with the settlement of claims. These expenses are astimated at 1% of the total gross reserve for claims.

The reserve is diminished by the portion determined by an expert estimate, based on the probability of insurance benefits was not paid.

2.6.3. Reserve for bonuses and discounts

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

2.6.4. Equalisation reserve

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

2.7. Gross written premium

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

2.8. Claims expenses

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

Notes to the financial statements

for the year ended 31 December 2015



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

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

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

2.10. Staff costs, pensions and social fund

Staff costs are included in Administrative expense.

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

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

The Company creates a social fund to finance the social needs of its employees and the fund of the General Manager for rewards for extraordinary achievements. In

compliance with Czech accounting requirements, the allocation to the social fund and the fund of the General Manager is not recognised in the income statement but as a profit distribution. Similarly, the usage of the social fund and the fund of the General Manager is not recognised in the income statement but as a decrease of the fund in the statement of changes in shareholder's equity. The social fund and the fund of the General Manager form a component of equity and is not shown as a liabilities.

2.11. Inwards and outwards reinsurance

Inwards reinsurance

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

Outwards reinsurance

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

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

Changes in reinsurance assets reinsurers' share in claims, reinsurance commissions and premiums ceded to reinsurers are presented separately on the face of the

income statement along with the corresponding gross amounts. Till 31 December 2014 reinsurance commissions are not deferred and are recognised immediately in the income statement by the Company. Since 1 January 2015 reinsurance commissions are deferred for accrual related reinsurance in order to improve fair view of the financial position and operations of the Company. The Company also quantified the impact of this change on the opening balance of equity at 1 January 2015 and due to its insignificance, the impact was not recorded.

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

2.12. Deferred taxation

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

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

Notes to the financial statements

for the year ended 31 December 2015



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

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

2.13. Related party transactions

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

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

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

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

2.14. Loss prevention fund

Loss Prevention Fund is created, when allocated profit after tax is achieving, and only selectively on specific business cases with the aim to prevent a greater extent of damage.

2.15. Subsequent events

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

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

3. Risk management and procedures

EGAP, while defining types of risks and their internal definitions, respects the wording of the application of the Act on Insurance No. 277/2009 Coll., as amended, and related decree of the CNB No. 434/2009 Coll. which governs certain provisions of the Act on Insurance, as amended, and the European Union legislation, in particular the Directive of European Parliament and Council 2009/138 / EC dated 25 November 2009 on insurance and reinsurance business and its implementation (Solvency II), in its current version.

Definitions of the various types of risks and their management are included in the risk management strategy, which is further specified in the relevant internal regulations related to the management of partial risks.

Financial position and profit of EGAP are affected primarily by risks that EGAP incurs in fulfilling its goal of promoting exports by providing export credit risk insurance. Simultaneously, EGAP, while managing risks, respects of the application the Act on insurance and financing of exports with state support No. 58/1995 Coll., as amended.

Among EGAP's key risks are: insurance (underwriting) risk, market risk, asset and liability management risk, incl. liquidity risk management, credit risk, strategic risk, reputational risk, regulatory compliance and operational risk. Procedures and policies for the above mentioned risks are presented below.

Notes to the financial statements

for the year ended 31 December 2015



3.1 Risks classification

Definitions of individual EGAP's risks respect the classification according to valid legislation (especially Decree no. 434/2009 Coll.) but also take into account the results of ORSA process (own risk and solvency assessment) that EGAP conducted in the years 2014 and 2015. The results of the process were duly discussed by the EGAP's Statutory Body and reported to the Czech National Bank within required term.

3.1.1 Insurance (underwriting) risk

Insurance (underwriting) risk is defined as the risk of loss resulting from insufficiency of written premium partly related to insurance contracts concluded in next accounting period, and partly in existing insurance contracts which will not cover expected future claims from already created claims reserves. Insurance (underwriting) risk includes the following risks:

- Risk of timing uncertainty, the frequency and size of future damage;
- Concentration risk (relating to future damage);
- Catastrophic risk, both natural disasters and geopolitical risk (future damage);
- Risk of timing uncertainty and size of instalments from already occurred damages;
- Cancellation risk.

Insurance (underwriting) risk is the most significant risk in the EGAP's activities, therefore the Company pays the most attention to its managing. Significant risk under the insurance (underwriting) risk is concentration risk which expresses the risk of loss resulting from insufficient diversification of the portfolio (towards subject or its financial group, sector or country).

EGAP manages insurance (underwriting) risk:

- through approved strategy of risk management, which includes a part related to insurance (underwriting) risks;
- framework of limits for risk management, which reduce EGAP's insurance involvement in relation to subject or its financial group, sector or country;
- defining the conditions of insurance contracts;
- sound monitoring of insurance contracts and cooperation with the insured in the period after the insurance contracts conclusion;
- concluding insurance contracts with others ECA's ("Export Credit Agency") and commercial insurers;
- keeping the higher level of a liquid asset than the amount of liabilities according to the expected claims record.

3.1.2 Concentration risk

The EGAP defines market risk as the risk of loss due to changes in the market prices of shares and other assets traded on the market, which include interest rates

and foreign exchange rates. Market risk arises from open positions in currencies, interest rates and equity or other tradable products (e.g. commodities and real estate), all of which are exposed to general and specific market movements. EGAP market risk included:

- Currency risk;
- Interest risk;
- Equity risk;
- Real estate risk;
- Margins risk (or "Spread risk");
- Concentration risk from assets located;
- Risks associated with government bonds.

The most significant market risk is the currency risk, which EGAP defined as the risk of losses from changes of value, resulted from variance of actual and expected currency rates. The EGAP's currency risk mainly refers to the insurance portfolio and insurance contracts, which are concluded in foreign currency. Currency risk is monitored on a daily basis and is regularly reported to EGAP's management. In the event of significant fluctuations, mainly due to EUR and USD exchange rates developments, appropriate actions for reducing the impact or cover the losses from impending losses are taken.

In the area of investments, market risk is managed through the investment strategy, which determines the characteristics of the portfolio and limits of acceptable risk, which are revised, monitored and results are reported to EGAP's management on a regular basis. Financial

Notes to the financial statements

for the year ended 31 December 2015



investments are diversified in accordance with currently valid Czech insurance legislation. Limits are set on financial investments for individual types of investment also taking into consideration the risks of the counterparty.

3.1.3 Assets and liabilities risk management, including liquidity risk

The EGAP defines assets and liabilities risk management as the risk of loss resulting from improper management of EGAP's assets, with special consideration for the nature of the commitments, in order to optimize balance between risk and revenue. In 2015, this risk was newly defined within the ORSA process. EGAP's assets and liabilities risk management includes:

- Risk of inappropriately selected investment strategy;
- Liquidity risk;
- Risk of inconsistency between assets and liabilities.

Newly defined assets and liabilities risk management, including liquidity risk, concentrates on significance of this risk from EGAP's perspective, taking into consideration the increase of insurance events during the last two years. Currently EGAP is prepared for implementation of Solvency II. Assets and liabilities risk management mainly refers to liquidity risk management, currency and interest risk, and risk of inconsistency between assets and liabilities.

A significant part of assets and liabilities risk management is the liquidity risk which EGAP defined as the

risk of loss resulting from inability to meet financial obligation on time when they become payable. EGAP is exposed daily to drawing of its available cash resources, and there is always some risk that payment of obligations will not be made on time at adequate cost.

In accordance with applicable regulations, EGAP has a sufficient number of financial investments in liquid and secure financial instruments, which are used to cover insurance claims.

EGAP performs cash flow analysis on a daily basis and evaluates the sufficiency of liquid funds (cash and liquid financial instruments) in order to ensure satisfaction of its mature obligations, mainly payment of insurance benefits. Liquidity risk is assessed as a part of the approval process during conclusion of insurance contracts. Liquidity stress scenarios are modelled at least on a quarterly basis.

Assets and liabilities risk management, including liquidity risk is regularly monitored and reported to EGAP's management.

3.1.4 Credit risk

The EGAP defines credit risk as the risk of loss resulting from change of value caused by variation between actual and expected credit losses generated by not fulfilling contractual obligations by a counterparty. This is newly defined risk, which EGAP previously presented under

“other risk”. Under the credit risk, EGAP includes default of counterparty as:

- Reinsurer,
- Insurance payer and
- Banks, in which it has current accounts.

EGAP acceded to the exclusion of the credit risk due to increasing significance of outward reinsurance, which EGAP regularly uses as one of the technique for reduction of insurance (underwriting) risk. EGAP controls credit risk by setting of adequate procedures for evaluation of counterparties' creditworthiness, setting of limits, monitoring and reporting to EGAP's management. In case of insurance deficiencies, EGAP takes actions, which are approved by the EGAP's management.

3.1.5 Strategic risk

The EGAP defines strategic risk as the risk of potential loss resulting from the Company's inefficient management. This is newly defined risk, which EGAP previously presented under “other risk”. The most significant risks under the EGAP's strategic risk includes:

- Corporate Governance risk;
- Risk of exceeding the risk appetite.

As in previous risks (i.e., assets and liabilities risk management and credit risk) EGAP started to exclude strategic risk due to its significance for the EGAP's activity and updating of the definition of risk appetite.

Notes to the financial statements

for the year ended 31 December 2015



EGAP's strategy and setting of risk appetite are regularly, at least annually, evaluated and based on the results, appropriate actions are taken within this area related future direction of EGAP's activity.

3.1.6 Reputation risk

The EGAP defines reputation risk as the risk of loss resulting from worsening of reputation on the financial markets and a loss of clients' confidence. Due to increasing significance of the reputation risk, EGAP also excluded that risk from "other risks". Primarily, it is the legal risk and the risk of external communications, which are being monitored by EGAP with the higher priority.

3.1.7 Regulatory Risk and Compliance

According to EGAP, it is the risk of regulatory or legal sanctions, resulting in a financial loss and also resulting in losses caused by incompatibility of EGAP's activities with the law regulated activities of insurance companies. EGAP also excluded this risk from "other risks" as its higher significance was assessed in connection with implementation of Solvency II.

3.1.8 Operating risk

Operating risk are determined by business character and includes direct and indirect risk of losses caused by human weaknesses or failures, internal processes, internal

systems and from external events. The most significant risks under the EGAP's operating risk include:

- Operating risk;
- Management of human resources risk;
- IT system risk.

Operating risks are limited by an appropriate adjustment of internal processes and regulatory base, over which there are control procedures. Operating risks are regularly evaluated with a minimum six-month periodicity. Based on evaluation results, the new risk can be defined, and consequently closely monitored. For example, in 2015, the risk of human resources management was newly defined which expresses the significance of human resources for the EGAP's activities. Furthermore, based on the assessment of operating risks, EGAP adopts measures in order to decrease them. However even with adequate adjustment of processes and related controls, EGAP provides control procedures and mechanisms with reasonable, but not absolute conviction that errors and losses did not or will not occur.

Based on the results of assessment of operating risk, EGAP adopts measures to decrease its.

Notes to the financial statements

for the year ended 31 December 2015



4. Financial investments

4.1. Land and buildings

(CZK thousand)

	31 December 2015	31 December 2014
Land		
Acquisition costs	103,960	103,960
Revaluation difference	19,242	19,242
Total	123,202	123,202
Buildings		
Acquisition costs	508,426	507,876
Revaluation difference	244,651	244,651
Total	753,077	752,527
Total acquisition costs	612,386	611,836
Total revaluation difference (Note 8.5)	263,893	263,893
Total operating land and buildings at fair value	876,279	875,729

The Company owns building No. 701, Vodičkova 34, Prague 1 with parcel of land No. 2061 with an area of 2 260 m², registered at LV No. 198, cadastral area Nové Město.

The last revaluation of the land and building to fair value based on expert valuation was performed as at 15 November 2013. Management of the Company believes

that the fair value of land and buildings has not significantly changed since this expert valuation.

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4.2. Financial investments in subsidiaries and associates

4.2.1. Participating interests in subsidiaries

31 December 2015	Number of shares	Nominal value (CZK)	Acquisition cost (CZK'000)	Share on share capital (CZK'000)	Percentage ownership of share capital (%)	2015 loss* (CZK'000)	Net assets (CZK'000)
Česká exportní banka, a. s., Vodičkova 34, Praha 1**	50	10,000	530,000	800,000	20.00	(443,474)*	4,630,483*
	300	1,000	300,000				
Revaluation difference			96,097				
Total fair value			926,097				
KUPEG úvěrová pojišťovna, a. s. Na Pankráci 1683/127 Praha 4	68	1,000	90,222	68,000	34.00	(2,175)	381,310
Revaluation difference			39,423				
Total fair value			129,645				
TOTAL FAIR VALUE***			1,055,742				

* Unaudited

** The financial statement of Česká exportní banka a.s. were prepared in accordance with the International Financial Reporting Standards

*** The carrying amount is based on the equity valuation

Notes to the financial statements

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31 December 2014	Number of shares	Nominal value (CZK)	Acquisition cost (CZK'000)	Share on share capital (CZK'000)	Percentage ownership of share capital (%)	2014 profit (CZK'000)	Net assets (CZK'000)
Česká exportní banka, a. s., Vodičkova 34, Praha 1**	50	10,000	530,000	800,000	20.00	167,714	4,807,497
	300	1,000	300,000				
Revaluation difference			131,500				
Total fair value			961,500				
KUPEG úvěrová pojišťovna, a. s. Na Pankráci 1683/127 Praha 4	68	1,000	90,222	68,000	34.00	8,329	383,477
Revaluation difference			40,160				
Total fair value			130,382				
TOTAL FAIR VALUE**			1,091,882				

* The financial statement of Česká exportní banka a.s. were prepared in accordance with the International Financial Reporting Standards

** The carrying amount is based on the equity equity.

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

4.3. Other financial investments

4.3.1. Investments in securities

(CZK thousand)	31 December 2015	31 December 2014
Other variable income securities – mutual fund units	17,903,159	17,726,992
Bonds and other debt securities – available-for-sale	319,309	313,566
Total fair value	18,222,468	18,040,558

Notes to the financial statements

for the year ended 31 December 2015



4.3.2. Available for sale securities – mutual fund units

(CZK thousand)	31 December 2015	31 December 2014
Unquoted		
Acquisition costs	275,318	275,318
Revaluation difference	43,991	38,248
Total fair value	319,309	313,566

4.3.3. Debt securities available-for-sale

(CZK thousand)	31 December 2015	31 December 2014
Recognised domestic stock exchanges	16,455,998	16,098,236
Recognised foreign stock exchanges	312,423	413,913
Amortised cost	16,768,421	16,512,149
Revaluation difference	1,134,738	1,214,843
Total fair value	17,903,159	17,726,992

4.3.4. Deposits with financial institutions

(CZK thousand)	31 December 2015	31 December 2014
Domestic banks	2,472,771	3,578,389

Notes to the financial statements

for the year ended 31 December 2015



5. Intangible and tangible fixed assets

5.1. Intangible fixed assets

(CZK thousand)	1 January 2014	Additions	Disposals	31 December 2014	Additions	Disposals	31 December 2015
Cost							
Software	36,887	766	-	37,653	1,007	-	38,660
Other intangible assets	5,085	-	-	5,085	-	-	5,085
Acquisition of intangible fixed assets	-	766	776	-	1,006	1,006	-
Total	41,972	1,532	766	42,738	2,013	1,006	43,745
Accumulated amortisation							
Software	33,971	1,646	-	35,617	1,546	-	37,163
Other intangible assets	4,797	48	-	4,845	48	-	4,893
Total	38,768	1,694	-	40,462	1,594	-	42,056
Net book amount	3,204			2,276			1,689

5.2. Tangible fixed assets other than land and buildings

(CZK thousand)	1 January 2014	Additions	Disposals	31 December 2014	Additions	Disposals	31 December 2015
Acquisition cost							
Machines and equipment	57,630	2,215	1,897	57,948	1,364	3,092	56,220
Passenger cars	5,722	-	-	5,722	-	-	5,722
Works of art	625	-	-	625	-	-	625
Acquisition of intangible fixed assets	101	2,114	2,215	-	1,913	1,913	-
Total acquisition cost	64,078	4,329	4,112	64,295	3,277	5,005	62,567
Accumulated amortisation							
Machines and equipment	55,542	1,433	1,897	55,078	789	3,092	52,775
Passenger cars	5,622	100	-	5,722	-	-	5,722
Total depreciation	61,164	1,533	1,897	60,800	789	3,092	58,497
Net book amount	2,914			3,495			4,070

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for the year ended 31 December 2015



6. Debtors

31 December 2015 (CZK thousand)	Receivables from policy holders	Other receivables	Reinsurance receivables	Total
Current	19	3,837	29,311	33,167
Overdue	30	293,781	-	293,781
Total	49	297,618	29,311	326,978
Provision for overdue receivables	(30)	(268,990)	-	(269,020)
Total receivables net	19	28,628	29,311	57,958

31 December 2014 (CZK thousand)	Receivables from policy holders	Other receivables	Reinsurance receivables	Total
Current	14	259	11,391	11,664
Overdue	30	360,395	-	360,425
Total	44	360,654	11,391	372,089
Provision for overdue receivables	(30)	(351,791)	-	(351,821)
Total receivables net	14	8,863	11,391	20,268

Receivables against related parties are disclosed in Note 16.

Insured receivables from insurance products might be transferred to the Company. In 2015, the nominal amount of ceded receivables from policy holders resulting from

a receivable claim totalled CZK 163,362,000 (2014: CZK 618,172,000). Ceded receivables are recorded at cost within other assets and within Other income in the Non-technical accounts at the date of cession, the cost is represented by the value of receivables defined in the contract on cession of receivable. The total cost of

receivables ceded to EGAP in 2015 was CZK nil (2014: nil CZK).

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for the year ended 31 December 2015



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

(CZK thousand)	2015	2014
Opening balance at 1 January	351,821	351,802
Charge for the year	-	19
Release	(74,810)	-
Usage	(7,991)	-
Closing balance as at 31 December	269,020	351,821

Long-term receivables were CZK 277,451,000 as at 31 December 2015 (2014: CZK 360,240,000).

7. Prepayments and accrued income

(CZK thousand)	31 December 2015	31 December 2014
Accrued income from insurance contracts	608	663
Prepayment for business data communications and membership fees	20,380	16,512
Inventory	1,389	1,417
Total	22,377	18,592

Notes to the financial statements

for the year ended 31 December 2015



8. Equity

8.1. Share capital

	Number of pieces	31 December 2015 (CZK thousand)	Počet (ks)	31 December 2014 (CZK thousand)
Ordinary shares of CZK 1 m fully paid	4,075	4,075,000	1,300	1,300,000

Based on the proposal of the Ministry of Finance, the Government approved the increasing of the Company's share capital in the total amount of CZK 2,775 million. Decision about increasing of share capital was approved on General Meeting by sole shareholder on 10 December

2015. On 11 December 2015 the Ministers of all shareholders ministries signed the contract about subscription of new shares. The contract does not expect any change in shareholding of existing shareholders' ministries on the Company's share capital. The increase of share capital

was paid by crediting the Company's account on 22 December 2015. The legal effects of the increase in capital occurred on the day of registration in the Commercial register, i.e. 4 January 2016.

8.2. Statutory reserve fund and revenue funds

(CZK thousand)	31 December 2015	31 December 2014
Other revenue funds	100,188	109,356
Total	100,188	109,356

Due to the fact that the Company is not fully governed by the new Corporations Act, a reserve fund is created from the profit of the Company according to law and may not be distributed to shareholders.

The statutory reserve fund may be used to offset losses. In accordance with the relevant regulations of the Commercial Code, the Company creates a statutory reserve

fund of 5% from annual net profit until this reserve not reaches 20% of share capital.

Due to the fact that in 2015 and 2014 the Company recorded losses, the statutory reserve fund was not created.

Based on the decision of the Board of Directors of the Company dated 7 April 2014, the reserve fund in full

was transferred to other revenue funds (specifically to insurance with state support fund).

The transfer of the reserve fund in the amount of CZK 260,000,000 into other revenue funds and then using those funds to cover losses for 2013 was approved by General Meeting of the Company dated on 30 April 2014.

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8.3. Capital funds

31 December 2015 (CZK thousand)	Insurance with state support	Revaluation difference	Total
Other capital funds	5,620,707	349,273	5,969,980
of which: subsidies from state budget	5,620,704	-	5,620,704
31 December 2014 (CZK thousand)	Insurance with state support	Revaluation difference	Total
Other capital funds	11,536,277	385,413	11,921,690
of which: subsidies from state budget	11,433,000	-	11,433,000

In 2015 the Company did not receive a subsidy from the state budget. In 2014 the Company received a subsidy from the state budget of CZK 1,25 billion to increase the capital funds designated for coverage of insurance exposure.

8.4. Other revenue funds

(tis. Kč)	1 January 2014	Usage/ transfers	31 December 2014	Usage/ transfers	31 December 2015
Insurance with State support fund	237,430	(230,810)	6,620	(6,620)	-
Loss prevention fund	494,438	(401,585)	92,853	-	92,853
Social fund and fund of the General Manager	12,399	(2,516)	9,883	(2,548)	7,335
Fund of participation in KUPEG	100,000	(100,000)	-	-	-
Total	844,267	(734,911)	109,356	(9,168)	100,188

Notes to the financial statements

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8.5. Revaluation reserve

(CZK thousand)	31 December 2015	31 December 2014
Land and buildings (Note 4.1)	263,893	263,893
Financial investments in associates (Note 4.2.1)	135,520	171,660
Deferred tax (Note 13)	(50,140)	(50,140)
Total revaluation reserve	349,273	385,413

8.6. Loss after taxation

The Annual General Meeting will decide on the allocation of the 2015 loss in amount of CZK 5,447,224,000. Allocation of the 2014 loss in amount of CZK 5,922,190,000 was approved by the Company's General Meeting held

on 20 April 2015. The loss was paid from other funds from profit in amount of CZ 6,620,000 and from other capital funds in amount of CZK 5,915,570,000.

8.7. Ensuring the Company's solvency

According to the Act No. 58/1995 Coll., the State guarantees for the Company's obligations from insurance of the export credit risks; in case of decrease of the Company's primary capital below the statutory level or below

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.

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9. Technical reserves

31 December 2015 (CZK thousand)	Gross reserve	Inwards reinsurance	Portion covered by reinsurance	Net reserve
Unearned premium reserve	9,278,759	233,678	(1,035,270)	8,477,167
Reserve for claims	14,729,715	-	(411,098)	14,318,617
Equalisation reserve	3,990	-	-	3,990
Total	24,012,464	233,678	(1,446,368)	22,799,774

31 December 2014 (CZK thousand)	Gross reserve	Inwards reinsurance	Portion covered by reinsurance	Net reserve
Unearned premium reserve	8,934,928	270,804	(1,029,295)	8,176,437
Reserve for claims	11,622,912	-	(205,628)	11,417,284
Equalisation reserve	3,990	-	-	3,990
Total	20,561,830	270,804	(1,234,923)	19,597,711

Unearned premium reserve contains as at 31 December 2015 Unexpired risk reserve of CZK 2,445,744,000 (31 December 2014: CZK 1,473,000,000). Inward and outward reinsurance parts of the technical reserves are disclosed in detail in Note 14.

9.1. Reserve for claims

(CZK thousand)	31 December 2015	31 December 2014
Gross RBNS reserve	13,281,404	11,281,618
Gross IBNR reserve	1,448,311	341,294
Total reserve for claims	14,729,715	11,622,912

Determination of the amount of reserves for claims includes estimates and assumptions. Based on available documents, the Company individually assesses and estimates the amount of insurance benefits for individual risky business transactions.

Due to the fact, that number of claims increased, the Company continued in 2015 to increase reserves for claims. Part of the reserves for claims in the amount of CZK 8,543 million was created for business transactions in Russia and Ukraine (as at 31 December 2014:

CZK 5,508 million). The total insurance involvement directed to those territories amounted as at 31 December 2015 to CZK 51,400 million (as at 31 December 2014: CZK 59,700 million).

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9.2. Run off analysis

Estimate of ultimate claims costs

as at 31 December 2015 (CZK thousand)	Claims arising in the year													Celkem	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
At the end of accounting period	57,623	518,265	760,170	141,315	644,764	847,087	3,193,344	1,199,934	3,017,333	4,172,351	3,893,166	6,253,118	7,075,866		
One year later	32,223	486,696	453,855	125,824	682,610	728,389	3,284,399	1,051,802	1,653,676	2,738,530	4,305,268	5,615,082			
Two years later	32,295	486,583	449,912	125,493	672,964	473,419	3,362,862	1,552,583	1,671,794	2,772,319	4,561,706				
Three years later	34,306	175,433	444,081	116,767	396,310	497,326	3,305,802	1,657,331	1,965,863	3,031,569					
Four years later	32,085	175,466	432,902	116,813	401,082	486,357	3,378,313	1,695,991	2,098,356						
Five years later	32,126	175,209	432,902	116,813	400,408	486,357	3,438,806	1,562,582							
Six years later	31,502	175,309	432,902	116,813	401,041	486,357	3,436,143								
Seven years later	31,502	170,379	432,902	116,813	401,041	486,357									
Eight years later	31,502	170,379	432,902	116,813	401,041										
Nine years later	31,502	170,379	432,902	116,813											
Ten years later	31,502	170,379	432,902												
Elevent years later	31,502	170,379													
Twelve years later	31,502														
Current estimate of cumulative claims	31,502	170,379	432,902	116,813	401,041	486,357	3,436,143	1,562,582	2,098,356	3,031,569	4,561,706	5,615,082	7,075,866	29,020,298	
Cumulative payments as at 31 December 2015	(31,502)	(170,379)	(432,902)	(116,813)	(401,041)	(486,357)	(3,058,413)	(1,562,582)	(1,851,168)	(2,268,236)	(2,108,839)	(1,711,841)	(236,350)	(14,436,422)	
Reserve for claims administrative	-	-	-	-	-	-	-	-	-	-	-	-	-	145,839	145,839
Total reserve for claims	-	-	-	-	-	-	377,730	-	247,188	763,333	2,452,867	3,903,240	6,985,355	14,729,714	

Change in estimations or assumptions used for estimating of the amount for reserves for claims can lead to a significant change in required amount of the reserves.

The total insurance involvement as at 31 December 2015 amounted CZK 219.7 billion, whereas concentration of the five biggest transactions amounted CZK 45.1 billion and concentration of the ten biggest transactions amounted CZ 68,8 billion (as at 31 December 2014: CZK 213.5 billion, whereas concentration of

the five biggest transactions amounted CZK 56,4 billion, and concentration of the ten biggest transactions amounted CZ 81,8 billion).

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Estimate of ultimate claims costs

as at 31 December 2014 (CZK thousand)	Claims arising in the year												
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Celkem
At the end of accounting period	57,623	518,265	760,170	141,315	644,764	847,087	3,193,344	1,199,934	3,017,333	4,172,351	3,893,166	6,253,118	6,253,118
One year later	32,223	486,696	453,855	125,824	682,610	728,389	3,284,399	1,051,802	1,653,676	2,738,530	4,305,268		
Two years later	32,295	486,583	449,912	125,493	672,964	473,419	3,362,862	1,552,583	1,671,794	2,772,319			
Three years later	34,306	175,433	444,081	116,767	396,310	497,326	3,305,802	1,657,331	1,965,863				
Four years later	32,085	175,466	432,902	116,813	401,082	486,357	3,378,313	1,695,991					
Five years later	32,126	175,209	432,902	116,813	400,408	486,357	3,438,806						
Six years later	31,502	175,309	432,902	116,813	401,041	486,357							
Seven years later	31,502	170,379	432,902	116,813	401,041								
Eight years later	31,502	170,379	432,902	116,813									
Nine years later	31,502	170,379	432,902										
Ten years later	31,502	170,379											
Elevent years later	31,502												
Current estimate of cumulative claims	31,502	170,379	432,902	116,813	401,041	486,357	3,438,806	1,695,991	1,965,863	2,772,319	4,305,268	6,253,118	22,070,360
Cumulative payments as at 31 December 2014	(31,502)	(170,379)	(432,902)	(116,813)	(401,041)	(486,357)	(2,920,590)	(1,359,578)	(1,415,224)	(1,412,457)	(1,153,555)	(547,049)	(10,447,448)
Total reserve for claims	-	-	-	-	-	-	518,216	336,413	550,639	1,359,862	3,151,713	5,706,069	11,622,912

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Movements on gross technical reserves can be analysed as follows:

(CZK thousand)	Unearned premium reserve	Reserve for claims	Reserve for bonuses and discounts	Equalisation reserve	Total
As at 1 January 2014	8,445,320	8,033,860	7,280	-	16,486,460
Charge	2,613,577	7,940,373	-	3,990	10,557,940
Usage	(1,853,165)	(4,351,321)	(7,280)	-	(6,211,766)
As at 31 December 2014	9,205,732	11,622,912	-	3,990	20,832,634
Charge	2,317,376	8,634,711	-	-	10,952,087
Usage	(2,010,671)	(5,527,908)	-	-	(7,538,579)
As at 31 December 2015	9,512,437	14,729,715	-	3,990	24,246,142

10. Other provisions

Other provisions as at 31 December 2015 consist of provision for unused holidays. Movements on this provision can be analysed as follows:

(CZK thousand)	2015	2014
As at 1 January	2,709	3,562
Charge	2,290	2,709
Usage	(2,709)	(3,562)
As at 31 December	2,290	2,709

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11. Creditors

(CZK thousand)	31 December 2015	31 December 2014
Payables from reinsurance	87,124	227,812
Other payables	155,514	142,740
Total	242,638	370,552

Ageing of payables can be analysed as follows:

(CZK thousand)	31 December 2015	31 December 2014
Long-term payables		
- due over 5 years	9	9
- due within 1 – 5 years	2	4
Short-term payables		
- due within 1 year	242,627	370,539
Total	242,638	370,552

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

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Other payables can be analysed as follows:

(CZK thousand)	31 December 2015	31 December 2014
Payables to employees	12,903	12,204
Other payables to employees	1	-
Social and health insurance payables	6,417	5,301
Tax payables – including corporate tax	124,842	117,725
Operating advances received	13	11
Other payables	11,338	7,499
Total	155,514	142,740

Payables to related parties are disclosed in Note 16.

12. Other income

Other income may be analysed as follows:

(CZK thousand)	2015	2014
Revenues from collected receivables	138,168	188,404
Revenues from ceded receivables	456,129	37,437
Foreign exchange gains	14,166	4,175
Rental and related services	24,649	24,946
Release of provisions to receivables (Note 6)	12	-
Usage of other provisions (Note 10)	2,709	3,562
Others	984	502
Total other income	636,817	259,026

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13. Taxation

The current tax expense is calculated as follows:

(CZK thousand)	2015	2014
Profit before taxation	(5,444,496)	(5,838,574)
Non-taxable income	(127,976)	(55,034)
Non-deductible expenses	83,559	55,654
Net taxable profit	(5,488,913)	(5,837,954)
Tax loss	(5,488,913)	(5,837,954)
Current tax expense	-	-

Deferred tax asset/ (liability) was calculated at 19 % (the rate enacted as at 31 December 2015 and 2014 for subsequent years) and can be analysed as follows:

(CZK thousand)	31 December 2015	31 December 2014
Deferred tax liability		
Land and building revaluation in equity (Note 8.5)	(50,140)	(50,140)
Accelerated tax depreciation	(70,299)	(67,571)
Total deferred tax liability	(120,439)	(117,711)
Tax losses	2,543,271	1,500,495
Other	597	515
Total deferred tax asset	2,543,868	1,501,010
Potential net deferred tax asset / (liability)	2,423,429	1,383,181

The potential net deferred tax asset as at 31 December 2015 and 31 December 2014 has not been recognised because the management of the Company believes

that its future utilisation is not probable. The Company recognized deferred tax liability in amount of CZK 120,439,000 as at 31 December 2015 (as at 31 December

2014 CZK 117,711,000) from the change in fair value of operating real estates.

Notes to the financial statements

for the year ended 31 December 2015



14. Inward and outward reinsurance

14.1. Inward reinsurance

(CZK thousand)	31 December 2015	31 December 2014
Technical reserves related to inward reinsurance (Note 9)	233,678	270,804
Inward reinsurance premium	1,947	-
Inward reinsurance claims paid	(29,604)	27,211
Change in technical reserves from inward reinsurance	27,211	38,884
Inward reinsurance commissions	(65)	-
Change in deferred acquisition costs	-	-
Net inward reinsurance	(511)	38,884

14.2. Outward reinsurance

(CZK thousand)	31 December 2015	31 December 2014
Portion of technical reserves covered by reinsurance (Note 9)	1,446,368	1,234,923
Outward reinsurance premium	(216,014)	(374,968)
Portion of claims paid covered by reinsurance	43,860	68,358
Portion of change in unearned premium reserve covered by reinsurance	5,975	222,020
Portion of change in reserve for claims covered by reinsurance	205,470	131,259
Commissions paid to reinsurers	20,435	22,368
Net outward reinsurance	59,726	69,037

Notes to the financial statements

for the year ended 31 December 2015



15. Technical account – non-life insurance

15.1. Non-life insurance

(CZK thousand)	Gross written premium	Gross earned premium	Gross claims expenses	Gross operating expenses
2015				
Credit insurance (sector 14) - insurance with State support	1,401,584	1,037,925	7,154,790	218,847
Guarantee insurance (sector 15)	46,678	29,430	(15,291)	25,747
Other financial risks insurance (sector 16)	24,406	98,607	142,156	20,598
Total	1,472,668	1,165,962	7,281,655	265,192
2014				
Credit insurance (sector 14) - insurance with State support	1,298,593	449,872	7,117,664	226,874
Guarantee insurance (sector 15)	19,036	33,253	(40,974)	26,441
Other financial risks insurance (sector 16)	21,946	96,038	116,347	21,153
Total	1,339,575	579,163	7,193,037	274,468

15.1.1. Geographical structure of gross written premium

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

Notes to the financial statements

for the year ended 31 December 2015



15.2. Administration expenses

(CZK thousand)

	2015	2014
Personnel costs	205,120	212,024
Other administrative expenses	29,189	27,356
Depreciation and amortisation of fixed assets	2,383	3,227
Building administrative expenses	12,058	12,279
Information and communication services	4,174	3,945
Advisory and other assurance services	3,317	4,280
Compulsory annual audit of the financial statements	1,234	1,298
Total administration expenses	257,475	264,409

Notes to the financial statements

for the year ended 31 December 2015



15.3. Personnel costs

Staff costs can be analysed as follows:

(CZK thousand)	2015	2014
Emoluments of statutory and supervisory bodies	25,092	29,814
Emoluments of other members of senior management	27,419	29,485
Other wages personal costs and emoluments of employees	101,488	101,315
Social costs and health insurance	51,121	51,410
Total personnel costs	205,120	212,024
Staff statistics	2015	2014
Average number of employees (excluding top management)	101	102
Average number of other members of senior management	20	20
Total	121	122
Average number of members of the Board of Directors	5	5
Average number of members of the Supervisory Board	9	9

The Company management includes the CEO, his deputies and executive management - directors of individual departments. Members of the Board of Directors were entrusted to manage individual sections, therefore the chairman fulfilled the role of the CEO and other members served as his deputies.

15.4. Other administration overheads

Other administrative expenses include mainly travel expenses, postal and telecommunication charges, personal

In 2015, approved remuneration was paid to the members of Board of Directors for the performance of their duties. Also, remuneration was paid to members of the Supervisory Board. In 2015, shareholders did not provide members of the Board of Directors or Supervisory Board any advances, loans, credits or guarantees. The Company contributes to capital life insurance schemes

and property insurance, educational courses, repairs and maintenance of the building.

for the management of the Company, which amounted to CZK 6,315,000 in 2015 (2014: CZK 3,287,000).

Company cars are made available for use by management, starting from deputies. Total cost as at 31 December 2015 of such cars was CZK 3,348,000 (31 December 2014: CZK 3,348,000).

Notes to the financial statements

for the year ended 31 December 2015



16. Related party transactions

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

Profit and loss transactions (CZK thousand)	2015	2014
Income		
Direct gross premium written	181,854	309,354
Invoicing from rental agreement	21,278	21,403
Other invoicing from insurance contracts	130	213
Other re-invoicing	9	37
Interest income	1,195	3,752
Other income - Cash recovered from CEB resulting from insurance and ceded to EGAP	41,904	-
Total income	246,370	334,759
Creation of claim reserves	(947,968)	(3,098,761)
Claims paid	(2,280,718)	(2,727,627)
Receivables recovery cost connected with liquidation of insurance	(69,610)	-
Total	(3,298,296)	(5,826,388)
Profit and loss transactions (CZK thousand)	2015	2014
KUPEG		
Other revenues (re-invoicing)	31	29
Gross reinsurance	182	-
Provision from reinsurance	(45)	-
Total	168	29
ČMZRB		
Interest income	8	437
Total	8	437

Transactions related to insurance activity between CEB and EGAP were realised under the Act No. 58/1995 Coll. and in accordance with the Company's business

conditions. Other transactions were realized at normal commercial terms.

Notes to the financial statements

for the year ended 31 December 2015



The following related party balances were outstanding as at:

(CZK thousand)	31 December 2015	31 December 2014
ČEB		
Current accounts	5,196	1,434
Term deposits	-	457,858
Other receivables	16	25
Payables	(6,410)	(4,245)
Total	(1,198)	455,072
RBNS	8,987,125	(8,265,407)
IBNR	280,895	(54,645)
Total	9,268,020	(8,320,052)
KUPEG		
Other receivables	-	29
Total	-	29
ČMZRB		
Current accounts	2,775,018	8
Term deposits	-	122,384
Total	2,775,018	122,392

Current accounts and term deposits bear interest at market interest rates. Other amounts due to and due from

related parties arose under similar terms and conditions as for unrelated parties.

Notes to the financial statements

for the year ended 31 December 2015



17. Contingent liabilities

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

18. Subsequent events

There were no significant events which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2015, other than those already mentioned in these notes to financial statements.

Statutory approvals

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

23 March 2016

Jan Procházka

Chairman of the Board of Directors

Chief Executive Officer

Exportní garanční a pojišťovací společnost, a.s.

(Export Guarantee and Insurance Corporation)

Report of the Board of Directors on the company's business activities and the status of its assets for 2015

Report of the Board of Directors on the business activities of the company and the status of its assets for 2015 according to § 436 paragraph 2 of the Business Corporations Act

For all of 2015, EGAP concluded new insurance policies in a general volume of 40.5 billion CZK, involving a total of 35 countries.

The annual trading result was significantly affected by the same factors that influenced the business activities of EGAP, i.e. support for Czech exporters through state-supported insurance, in the previous year (2014). Particularly, by the political and economic situation in Ukraine and by the impact of the escalating conflict with Russia, including the impact of sanctions against Russia, which resulted in a reduction of the volume of business transactions in these regions, and furthermore by the continuing tension and worsening development in the entire Middle East region.

The overall volume of export credits, investments of Czech corporations and bank guarantees, which EGAP has insured with state support over the past 23 years of its activities as a company (i.e. for the years 1992 — 2015), has reached a total of 758 billion CZK.

As in recent years, two types of insurance predominated **the distribution of insurance products**, namely buyer credit insurance (type D) with an almost 50% share and investment insurance for Czech corporations in foreign countries (type I) with a more than 40% consideration. The share of

all other export insurance for export credits, credits for financing export production and bank guarantees represented the remaining 8.2%.

In the territorial structure two countries predominated in 2015, Azerbaijan (25%) and Russia (17%), and behind them another 6 countries ranging between 5 — 10% (including completely new territories like Laos and Papua New Guinea) with an aggregate share of approximately 45%. Another 27 countries with individual shares below 2% collectively contributed to the overall figure of about 12.5%.

Also of growing importance in 2015 was **insurance for small and medium enterprises (SMEs)**, which included 61 new insurance policies (i.e. almost half of all new contracts in 2015, representing at the same time a 33% annual increase in their number) amounting to 1.7 billion CZK, going to 14 countries and including nearly all of the offered insurance products.

Our insurance commitment, representing the volume of all existing insurance policies in their current amount (i.e. the sum of all possible risks from concluded insurance contracts), reached a total amount of 219.7 billion CZK as of 31 December 2015; of this coverage passive reinsurance accounted for nearly 23 billion CZK, with the remaining 196.8 billion CZK by EGAP, in compliance with Act 58/1995 Coll., on insurance and funding exports with state support, and implementing decree 278/1998 Coll., fully covering its insurance funds and technical reserves.

Premiums written for all of 2015 reached **1.5 billion CZK** and fully reflected the evolution and structure of insurance provided in 2015. Over the same period indemnities amounting to 4.1 billion CZK were paid and 562 million CZK in debts successfully recovered at the same time; activities to prevent damages were also successful (i.e. actively averting new insurance claims) to the extent of approximately 947 million CZK (almost sevenfold compared to 2014).

Economic result for the reporting period of 2015 was negative and amounted to -5,447 million CZK. **This unfavourable development was mainly caused by the extensive creation of reserves for insurance claims, which is an expense negatively and crucially reflected in the company's earnings.**

Jan Procházka

Chairman of the Board of Directors

Chief Executive Officer

Exportní garanční a pojišťovací společnost, a.s.
(Export Guarantee and Insurance Corporation)

Report on relations between related entities

Report on relations between the controlling entity and controlled entity and between the controlled entity and entities controlled by the same controlling entity (hereinafter “related entities”) for the period between 1 January 2015 and 31 December 2015, prepared in accordance with § 82 of Act 90/2012 Coll., Business Corporations Act.

I. Identification data of the Company:(controlled entity):

Business name: Exportní garanční a pojišťovací společnost, a.s. (hereinafter the “EGAP”)
Registered Office: Prague 1, Vodičkova 34/701, zip code 111 21

Company registration number: 45 27 93 14

Tax registration number: CZ 45 27 93 14

Listed in the Commercial Register: entered in the Commercial Register of the Municipal Court in Prague, Section B, File 1619

Share capital: 4,075,000,000 CZK

Paid up: 100 %

Form of shares: shares are registered, not publicly-traded

Identification number of securities (ISIN):
CZ0008040508

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

Number of votes attached to shares: one vote

II. Description of relationship between related entities (structure of relationships, role of the controlled entity and way and means of control):

1. Relations between the controlling entity and controlled entity

EGAP has one shareholder - the state - Czech Republic, which is the controlling entity in relation to EGAP. The state exercises its shareholder rights directly, through the following ministries, each of which holds the following number of votes:

Ministry of Finance, 1630 votes,
The Ministry of Industry and Trade, 1467 votes,
Ministry of Foreign Affairs, 489 votes,
Ministry of Agriculture, 489 votes.

Representatives of the Ministry of Finance, Ministry of Industry and Trade, Ministry of Foreign Affairs and Ministry of Agriculture are also members of the Supervisory Board of EGAP.

2. Relations with other related entities in relation to EGAP:

As the controlling entity of EGAP, the state was in 2015 at the same time, according to the knowledge of EGAP, the controlling entity or founder of the following entities:

Severočeské mlékárny a.s. Teplice, in bankruptcy
Česká exportní banka, a. s.
Or milk a.s., in liquidation
Municipální finanční společnost, a.s. or MUFIS, a. s.
ČEZ, a.s.
ČEPS, a.s.
Kongresové centrum Praha, a.s.
BH CAPITAL, a. s., in liquidation
Výzkumný a zkušební letecký ústav, a. s.
VIPAP VIDEM KRŠKO d. d.

HOLDING KLADNO, a.s., in liquidation
BOHEMIA CRYSTALEX TRADING a.s.
CENTRUM - F, a.s., in liquidation
ČEPRO, a. s.
Český Aeroholding, a. s.
GALILEO REAL, k.s.
Hotelinvest, a. s.
IMOB a. s.
JUNIOR centrum, a. s., in liquidation
MERO ČR, a.s.
Podpůrný a garanční rolnický a lesnický fond, a.s.
PRISKO a.s.
STAVOCENTRAL, a.s., in liquidation
STROJÍRNÝ TATRA PRAHA, a. s., in liquidation
THERMAL - F, a. s.
Českomoravská záruční a rozvojová banka, a.s. (hereinafter “another controlled entity”).

3. Participation of EGAP in other corporations

Throughout 2015 EGAP owned a 20% stake in the registered capital of Česká exportní banka, a.s. (hereinafter ČEB), 80% of the registered capital of ČEB was owned by the state — The Czech Republic.

Throughout 2015 EGAP owned a 34% stake in the registered capital of KUPEG úvěrová pojišťovna, a.s. In relation to it, EGAP concluded a shareholder agreement on 20 April 2011 with the second shareholder Credimundi (formerly: Ducreire — Delcrede- re SA.NV), under which EGAP is not the controlling entity of KUPEG úvěrová pojišťovna, a.s.



III. Relationship of other related entities towards EGAP:

1. Relations between the State (controlling entity) and EGAP (controlled entity) and contracts valid during the period between 1 January 2015 and 31 December 2015

Relations between EGAP and the State did not go beyond the usual relations between a shareholder and EGAP and relations arising from the application of the Act 58/1995 Coll., on insurance and funding of exports with state support and the supplement to Act 166/1993 Coll., on the Supreme Audit Office, as amended (hereinafter “Act 58/1995 Coll.”)

In accordance with Act 90/2012 Coll., Business Corporations Act, and § 10 paragraph 1 of the Articles of EGAP, EGAP received the amount of 2.775 billion CZK from the state budget to increase its registered capital. The increase in registered capital was done by subscribing new shares, and for this purpose a contract for the subscription of shares was concluded on 11 December 2015 between the State represented by the shareholding ministries (Ministry of Finance, Ministry of Industry and Trade, Ministry of Agriculture and Ministry of Foreign Affairs) and EGAP.

No other contracts between the State and EGAP were concluded in 2015 and so were not in force.

2. Relations and contracts between EGAP and ČEB

a) Negotiations conducted during the last financial year at the instigation or in the interest of ČEB

In 2015 EGAP paid insurance claims from insurance policies on behalf of ČEB, and EGAP furthermore reimbursed ČEB for reasonable costs for recovering debts related to the liquidation of insurance claims. Funds paid by a borrower from loan agreements after the payment of indemnity were transferred by ČEB to EGAP. EGAP received from ČEB the premium, in fact fees as per under b) below mentioned contracts.

b) Insurance policies with ČEB concluded in the period of 1 January 2015 to 31 December 2015:

number	character of contracts
1	New single premium policies of type Z
1	Total new single premium policies
2	Insurance decisions made in 2015 on limited insurance policies of type D from previous years
2	Insurance decisions made in 2015 on limited insurance policies of type Bf
4	Insurance decisions made in 2015 on limited insurance policies of type Z
2	Insurance decisions made in 2015 on limited insurance policies of type D
10	Total new insurance decisions made on limited insurance policies (including decisions on limited insurance policies from previous years)
18	Amendments to contracts concluded in 2015 for single premium policies of type D
3	Amendments to contracts concluded in 2015 for decisions from limited insurance policies of type D
20	Amendments to contracts concluded in 2015 for single premium policies of type Z
1	Amendments to contracts concluded in 2015 for single premium policies of type If
1	Amendments to contracts concluded in 2015 for single premium policies of type F

43	Total amendments concluded in 2015 to business in force
54	Total number of new policies and amendments to policies, concluded in 2015

c) Policies with ČEB in force as of 31 December 2015 (including policies concluded in 2015):

number	character of contracts
62	Single premium policies of type D
1	Single premium policies of type F
12	Single premium policies of type If
14	Single premium policies of type Z
89	Total single premium policies in force as of 31 December 2015
22	Limited policies of type D, including insurance decisions to these policies
4	Limited policies of type If, including insurance decisions to these policies
18	Limited policies of type z, including insurance decisions to these policies
44	Total limited policies, including insurance decisions to these policies in force as of 31 December 2015
2	Limited policies of type Bf to which no insurance decision was issued
2	Total limited policies without the issue of an insurance decisions in force as of 31 December 2015
135	Total number of policies (including insurance decisions to limited policies), which were in force as of 31 December 2015



d) Contracts on the rights and obligations with ČEB concluded in the period of 1 January 2015 to 31 December 2015

total number of contracts: 2

e) Contracts on the cession of debts concluded with ČEB in the period of 1 January 2015 to 31 December 2015:

total number of contracts: 1

f) Other contracts with ČEB effective in the period of 1 January 2015 to 31 December 2015:

- Contract for commercial current accounts, no. 21684
- Framework agreement on financial market training
- Contract for the lease of commercial spaces dated 1 April 1998
- Framework agreement on foreign exchange transactions of the SPOT type dated 4 December 2009
- Contract for the use of compatible media in payments dated 6 November 2000
- Cooperation agreement to provide support for small and medium enterprises dated 6 October 2009
- Cooperation agreement to provide support for small and medium enterprises dated 10 December 2009
- Cooperation memorandum to provide support for Czech exporters dated 14 December 2011

3. Contracts with other controlled entities effective in the period of 1 January 2015 to 31 December 2015

- Českomoravská záruční a rozvojová banka, a.s.
- Cooperation agreement to provide support for small and medium enterprises dated 6 October 2009
- Cooperation agreement to provide support for small and medium enterprises dated 10 December 2009
- Cooperation memorandum to provide support for Czech exporters dated 14 December 2011

4. Litigation

There was no litigation with the State or an entity controlled by it in 2015.

Declaration of the Board of Directors



The Board of Directors of EGAP declares that EGAP has not concluded any contracts with the controlling entity during the last financial year and that all relations were conducted in compliance with applicable laws, especially Act 58/1995 Coll. EGAP has concluded contracts with ČEB and other entities controlled by the same controlling entity in the framework of common commercial relations, which do not constitute

a disadvantageous position of EGAP, ČEB, or any other controlled entity. In view of the above, it is possible to state that EGAP has not derived any special advantages, disadvantages or risks above the framework of commercial 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 a conclusion

of a contract that could have been materially damaging to EGAP.

The Board of Directors of EGAP declares that the data stated in the Report are truthful and that the Report contains all ascertainable data on the related entities.

Prague, 07 March 2016

Ing. Jan Procházka

Chairman of the Board of Directors

Chief Executive Officer

Exportní garanční a pojišťovací společnost, a.s.

(Export Guarantee and Insurance Corporation)



Supervisory Board as of 31 December 2015 (with changes during the course of 2015)

Ing. Jaroslav Šulc, CSc. (Adviser to the Prime Minister, adviser to the chairman of ČMKOS)	Chairman since 3 July 2014 Member since 30 April 2014
Ing. Jaroslav Ungerman, CSc. (Macroeconomist at ČMKOS)	Vice Chairman since 28 May 2015 Member since 30 April 2015
Ing. Petr Blažek (Ministry of Finance of the Czech Republic)	Member since 19 June 2014
Ing. Zdeněk Nekula (Ministry of Agriculture of the Czech Republic)	Member since 30 April 2015
Mgr. Martin Pospíšil (Ministry of Industry and Trade of the Czech Republic)	Member since 19 June 2014
Ing. Martin Tlapa, MBA (Ministry of Foreign Affairs of the Czech Republic)	Member since 4 September 2015
Ing. Jan Dubec (representative of EGAP's employees)	Member since 25 April 2013
JUDr. Pavel Řezáč (Ministry of Foreign Affairs of the Czech Republic)	Member between 9 October 2012 and 11 April 2015

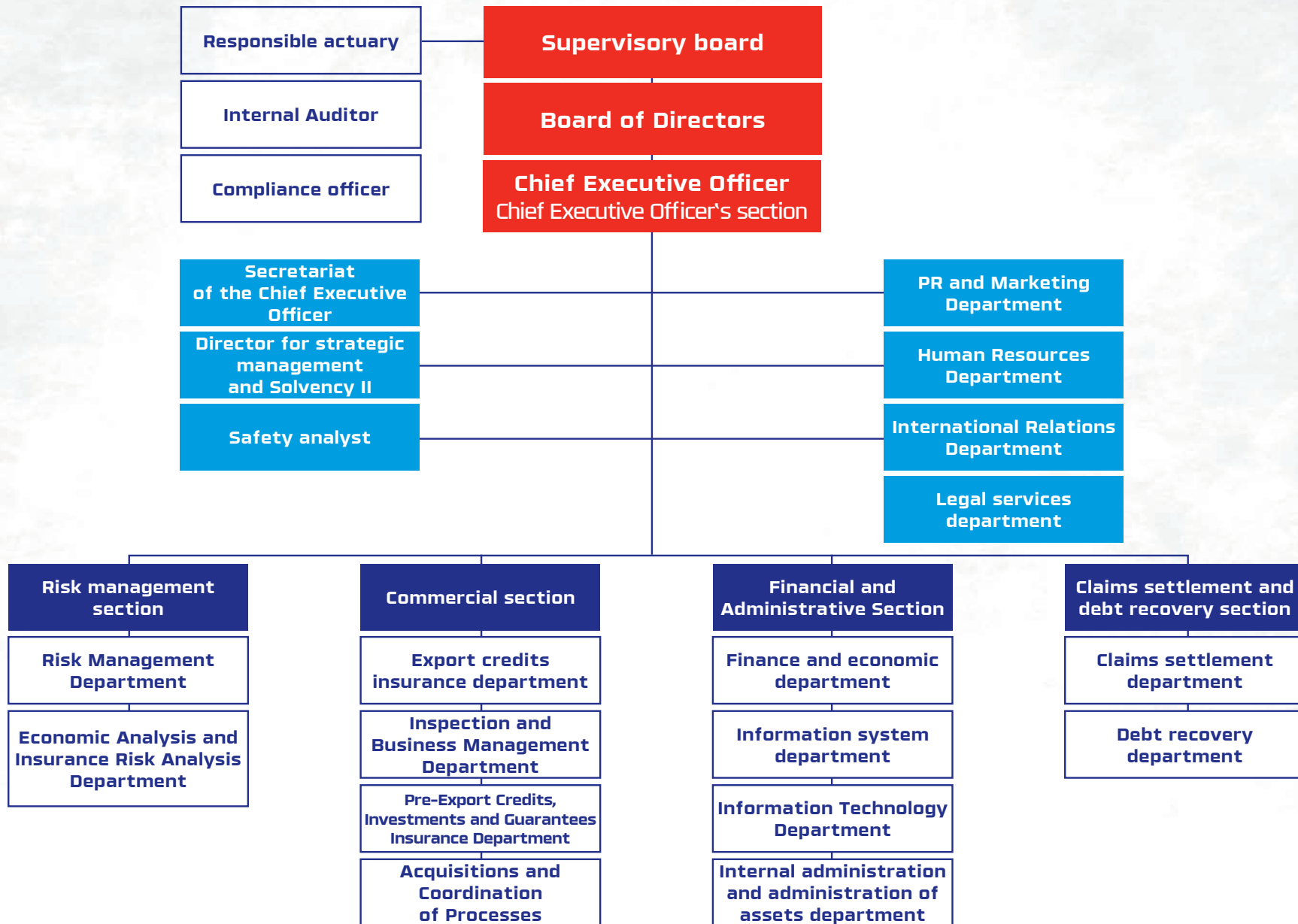
Ing. Jaroslav Koplík
(representative of EGAP's employees) Member between 27 August 2014
and 30 April 2015

Ing. Petr Martásek
(representative of EGAP's employees) Member between 27 August 2014
and 30 April 2015

Board of Directors as of 31 December 2015 (with changes during the course of 2015)

Ing. Jan Procházka Chairman of the Board	Chairman and member since 17 December 2012
Ing. Milan Šimáček, Ph.D. Deputy Chairman of the Board of Directors	Vice chairman and member since 10 February 2014
Members:	
JUDr. Ing. Marek Dlouhý	Member since 28 March 2013
JUDr. Miroslav Somol, CSc.	Member since 11 October 2012
Ing. Ladislav Řezníček, MBA	Member between 26 May 2011 and 9 March 2015

Organisation structure as of 31 December 2015





Independent auditor's report

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

We have audited the accompanying financial statements of Exportní garanční a pojišťovací společnost, a.s., identification number 45279314, with registered office at Vodičkova 34/701, Praha 1 ("the Company"), which comprise the balance sheet as at 31 December 2015, the income statement, statement of changes in equity and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and its financial performance for the year then ended in accordance with Czech accounting legislation.

Other information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 not materially inconsistent with the financial statements or our knowledge about the Company obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.

If, based on the work we have performed, we conclude that the aforementioned requirements of the other information are not met, we are obliged to report that fact herein.

We have nothing to report in this regard.

11 April 2016

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

Marek Richter
Statutory Auditor, Evidence No. 1800

Note

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

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



Business name:	Exportní garanční a pojišťovací společnost, a.s.
Legal form:	Joint-stock company
Company registration number:	45279314
Tax registration number:	CZ45279314
Entry in the Commercial Register:	Entered in the Commercial Register of the Municipal Court in Prague, Section B, File 1619
Date of entry in Commercial Register:	1 June 1992
Registered capital quoted in the Commercial Register:	4,075,000,000 CZK
Form of shares:	Registered capital increased by 2,775 million CZK entered in the Commercial Register on 4 January 2016. The shares are in registered form, not publicly traded
Identification number of securities (ISIN):	CZ0008040508
The type, form and number of shares issued with an indication of their nominal value:	4,075 registered shares with a nominal value of 1,000,000 CZK
Shareholders:	The Czech Republic is the sole shareholder
Number of organisational units:	EGAP is not divided in units
Registered office:	Vodičkova 34/701, 111 21 Prague 1, Czech Republic
Telephone:	+(420) 222 841 111
E-mail:	info@egap.cz
Internet:	www.egap.cz
Bank details:	41908111/0100, Komerční banka, Prague 1