

Annual report 2022

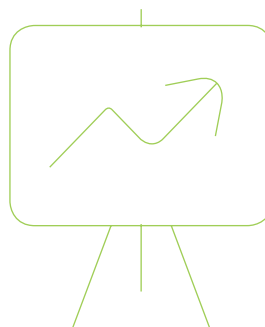
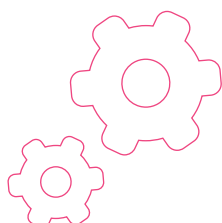
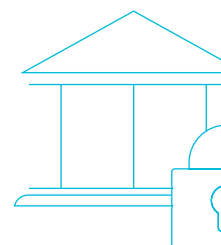


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Introduction

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

The thirtieth year of cooperation between Czech exporters and the EGAP insurance company will forever be marked by an unexpected humanitarian and subsequent economic disaster. Russia's military invasion of Ukraine shocked the whole democratic world, and the consequent economic sanctions imposed on Russia negatively impacted many entities including several Czech export-oriented companies. On 24 February 2022, Ukraine, Russia, and Belarus became unfinanceable practically overnight, and the receivables of these markets immediately dropped into the highest risk-of-default category. EGAP had previously reduced its exposure in Russia, and so its exposure in 2022 was only a quarter of what it had been in 2017. Nevertheless, even this lower exposure represented a considerable amount at the start of the conflict. Alongside the exposure in Ukraine and Belarus, the business activities of a significant portion of the current markets of the Company became endangered. Despite the ongoing war and through concentrated efforts of the Company and the co-funding banks, the business cases in the war-affected regions are partially being repaid. Since the beginning of the conflict, EGAP's exposure in Russia, Belarus and Ukraine has dropped by more than CZK 3 billion. Despite our joint efforts it is obvious that many receivables will remain unpaid. The good and important news is that EGAP remains able to compensate these claims from its own results of operation. While it has been necessary to create provisions for many claims, the Company ended the year with a profit of CZK 832 million. This great balance was achieved primarily through the good results of the COVID Plus guarantees provided in 2020 and 2021. Thanks to improving the credit quality of these debtors, last year it was necessary to create lower provisions to cover potential damages, which positively impacted the results of operations of the Company.

To mitigate the economic impact related to the war in Ukraine, the Company has been providing EGAP Plus guarantees to export-oriented companies since the end of 2022. The new guarantee programme budget expects to cover loans of up to CZK 6.25 billion.

Despite the war which stopped exports to major territories, the volume of new insurance contracts and decisions reached CZK 41.2 billion compared to the planned CZK 36.5 billion. In total, EGAP concluded 117 insurance contracts and decisions last year, 27 of which involved the support of SMEs. These included, e.g., export insurance for exports of a machining centre to Turkey, bearings to India, a business centre project in Uzbekistan, beer deliveries to Israel, and irrigation pumps to Egypt.

EGAP also succeeded in recovering unpaid receivables. From the business cases that ended as claims in the past, the Company managed to recover CZK 1.9 billion last year, the highest amount in the last five years.

To conclude, I would also like to use this opportunity to say goodbye. My eleventh introduction is also my last in the position of the chairman of the board of directors of EGAP. Looking back at the last ten years, I am proud to report that in this period, EGAP increased the volume of new business cases by one fifth, tripled the volume of recovered debts, and reduced its loss ratio to almost a quarter.

I believe that EGAP has been and will remain a reliable partner of Czech exports and a well operating institution, as also evident from last year's figures.

Jan Procházka

01

Basic information about EGAP

and last year's developments
(EGAP 2022 in numbers)



Despite a difficult global political and economic situation, EGAP managed to achieve many of its objectives and plans for 2022, and even exceed them in several instances.

EGAP concluded 2022 with aggregate business results totalling CZK 832 million, of which CZK 155 million represented losses from its principal insurance activity, and CZK 987 million represented profit from other activities like the provision of COVID Plus and EGAP Plus guarantees.

In terms of business and due to the suspension of insurance provisions in countries affected by the war in Ukraine and due to the operative preparation of the new U – EGAP Plus guarantee, we did not manage to achieve our planned targets in gross premiums written.

The preparation stage of several anticipated business cases was not de facto suspended but only postponed until 2023, when their full implementation is expected. On the other hand, the volume of insured trades increased compared to 2021, namely due to the I – Insurance of foreign investments product.

2022 was extraordinary for EGAP in claims settlements as well. EGAP recovered over CZK 1.9 billion, which is over CZK 1.2 billion more than in the previous period. 2022 will thus rank among the most successful periods in EGAP's history. The recovery of the OP Adularya claim was another partial success. This claim represents the largest share of recovered receivables in 2022. Apart from Turkey, Russia and Gabon were among the territories with the highest claim recovery, both before and after settlement.

Table 1

Selected insurance results of EGAP for 2022

(MCZK/pcs)	2022	2021
Profit or loss*	-155	1,526
Equity	9,485	9,649
Subsidy to insurance funds	0	0
Volume of insured exports	41,165	34,113
Number of contracts concluded**	117	251
Number of exporters supported	51	72
Number of countries to which the supported exports were directed	39	54
Gross premiums written	92	481
Insurance exposure	89,258	95,830
Technical provisions (net)	7,969	8,343
Claims paid	2,624	-544***
Volume of debt recovered before and after claims payment	1,912	693

* Net results are divided into two parts: Table 1 presents the results related to the insurance activities net of the results related to the provision of guarantees, which are presented separately in Table 2 below.

** The major decrease compared to 2021 was caused by the termination of the temporary exemption on short-term credit insurance in EU countries.

*** The negative value is due to the release of provisions, principally claims provisions.

Besides the above debt recovery, the results from our principal insurance activity were affected by the significant creation of technical provisions related to the deteriorating situation in countries affected by the war. The negative result of operations caused by the creation of these provisions could not be overcome by more positive factors, such as a strengthening of the domestic currency or above standard investment revenues caused by interest rate growth in 2022. Despite a slight loss, the Company managed to meet its capital requirements throughout the year with a sufficient margin, and EGAP again did not have to apply government subsidies to its insurance funds.

The loss from insurance activities was overcompensated by high profits from the provision of COVID Plus guarantees. At this time, in the COVID Plus programme, active contracts are monitored or liquidated only. On the other hand, the EGAP Plus programme accepts and approves new guarantees. Under current legislation, this will be possible until the end of 2023.

Although no new guarantees were provided under either of these programmes in 2022, due to the improved situation of the debtors, the relevant provisions for guarantees were released, which together with interest revenues yielded a profit of almost CZK 1 billion.

Table 2

Selected results of EGAP Plus and COVID Plus guarantees in 2022

(MCZK/pcs)	2022	2021
Profit or loss	987	-1,084
COVID Plus guarantee fund (as at year-end)*	2,676	3,760
EGAP Plus guarantee fund (as at year-end)*	500	X
Contribution to the fund for coverage of liabilities from provided guarantees**	500	0
Guarantee exposure (as at the year's end)	13,977	16,509

Note: Detailed results of activities related to the provision of guarantees are stated in Note II.11 of the notes to the financial statements.

* Profit or loss from the year is not reflected in the funds.

** Contribution to the EGAP Plus guarantee fund in December 2022.

02

EGAP 2022 in pictures





In February, the meeting of the **Prague Club of the Berne Union** took place in Dubai. There, Jan Procházka, the chairman of the board of directors, signed a **Memorandum of Understanding** with export insurance company SAE Etihad Credit Insurance on closer cooperation.



At the **Health Forum Czech Republic - Africa** conference organised by the Czech Ministry of Foreign Affairs in cooperation with EGAP and commercial banks in Prague, representatives of eight African countries participated, discussing potential deliveries from Czech companies into the health sector of the respective countries.



Mikuláš Pýcha, head of Strategic Management, discussed business and the impact of the war in Ukraine at the AlterEko platform.



To celebrate its 30-year anniversary, EGAP in June organised an **international ECAs conference on the Current Challenges of Export Financing**, with speakers from European ECAs from Germany, Austria, Poland, Hungary, Italy, and Switzerland.



In the second half of the year, the Czech Republic presided over **the Council of the European Union**. Josef Jirkal, head of International Relations, took over chairing the Export Credits Group from his French colleagues.



In August, České Budějovice traditionally hosted **Země živitelka**, an international agriculture trade fair, where EGAP was represented by a group of people headed by Jan Dubec, head of Acquisitions and Supplier Credit Insurance.

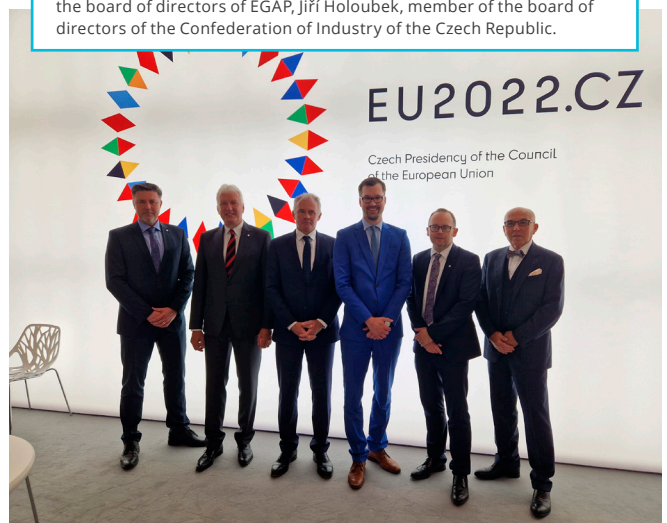


In October, EGAP representatives again attended the **Czech National Exhibition** at the **MSV International Engineering Fair in Brno**, together with other institutions supporting Czech export, production, and research.



At the fair, the Czech National Exhibition introduced projects supported through the joint project for *support of export of research, and development results* of the Technology Agency of the Czech Republic (TACR), EGAP, CzechTrade, and the National Development Bank. In the photograph from the left: Michal Pluta, NDB marketing director, Petr Konvalinka, TACR chairman, Jiří Jirásek, chairman of the board of directors of NDB, David Havlíček, EGAP CFO, Jan Procházka, chairman of the board of directors of EGAP, Jiří Holoubek, member of the board of directors of the Confederation of Industry of the Czech Republic.

Our international travel in 2022 ended with a **bilateral meeting with the Austrian ECA OeKB**, where we discussed future cooperation, export support strategies, and the potential for a post-war reconstruction of Ukraine, as well as environmental issues, CSR, and PR activities.



03

EGAP vision and strategy



Exportní garanční a pojišťovací společnost, a.s. is the official export credit agency (ECA) of the Czech Republic. Its mission is the support of the pro-export orientation of the Czech economy. EGAP was established in February 1992 and has been fulfilling its task for over 30 years in which it helped with exports exceeding CZK 1 trillion.

As one of the key institutions of governmental pro-export policy offering specific products for risk hedging and funding of business cases for Czech exporters and investors, EGAP is often the go-to institution for state support of export business cases, where the structure of funding often decides the success or failure of a Czech exporter or investor in global competition. Through its insurance, EGAP can bring other financial institutions into the system, thus increasing the leverage of export support. EGAP's activities do not compete with the commercial sector but supplement it, should capacity, capital, or risk appetite be lacking. Since the risk appetite of commercial players usually decreases during an economic crisis, EGAP provides a strong anti-cyclic element which has become ever more obvious with the energy crisis, high inflation, and the war in Ukraine, and was also highly noticeable during the worst stage of the COVID-19 pandemic. This anti-cyclic element is further supported by EGAP being a 100% state-owned institution, and due to special legislation having a wide range of options to react automatically and speedily to market needs.

Thanks to a large network of contacts with institutions providing export support in the Czech Republic and abroad, EGAP can provide support to a higher number of entrepreneurs and companies. For large business cases with foreign involvement, EGAP can make use of the guarantees of foreign export agencies, or in the future, of commercial reinsurers used for this purpose in the past to maximise support for Czech export. SMEs represent an important segment to which EGAP offers not only export risks insurance but also advisory services and experience. At the same time, SMEs can make use of accelerated and less administratively and cost demanding insurance processes, claims settlements, and payments. Reducing the administrative burden for exporters and the related automation and acceleration of processes is one of EGAP's main objectives for the current year and next years.

EGAP's role towards market subjects is supportive, and profit is created primarily from exporters and investors, i.e., in the different sectors of the Czech economy profiting from export made possible through EGAP's support. Having said that, EGAP aims at financial stability and tries to achieve a long-term economic balance, as required by the OECD Consensus. Therefore, insurance rates are calculated to ensure the long-term economic balance of EGAP. This is supported by quality risk management ensuring the sufficient diversification of accepted risks, the correct assessment of the counterparties' credit quality, as well as efficient claims resolution and related receivables collection processes. Nevertheless, in 2022 EGAP achieved slightly negative results from its standard insurance activities. These nevertheless did not disrupt the long-term economic balance, as losses were offset by significant profits in previous years. EGAP's economic balance in insurance activities is further confirmed by the loss ratio for the past 10 years, which has steadily remained below 100%.

EGAP currently employs its strategy for 2021–2025 and will continue to support the competitiveness of Czech exporters on foreign markets, its financial balance and sufficient equity strength, a reduction of the loss ratio, expert risk assessments, and the enhancement of the diversity of Czech exports. This support should work across industries and should be adapted to the needs of individual exporter categories, while adhering to social responsibility principles, including an emphasis on support for environmentally-friendly and socially beneficial projects. In this area, the Czech Republic should strive to achieve sufficient export diversification to prevent any weakening of the Czech economy as a whole should individual foreign markets fail. In the past year, EGAP and many Czech exporters had to deal with such a risk. In this area, EGAP makes every effort to proactively support Czech investors in looking for new markets in countries not affected by war.

Apart from the above, EGAP also tries to contribute to the sustainable development of modern society. This is also an important part of the 2021–2025 strategy. In this context, emphasis is put on all three ESG activities (*Environmental, Social, and Corporate Governance*). EGAP attempts to mitigate the environmental impact of its activities by minimising its material consumption and waste production, energy savings, environmentally

friendly liquidation of electric waste, and biodiversity support. With its urban beekeeping project, EGAP actively participated in the national-wide SGDs Awards 2022 competition (Climate change category). As the road to carbon neutrality is an important element in every responsible company, EGAP measures its carbon footprint created by its activities and plans to reduce this footprint through offset projects consisting of selected measures that actively contribute to the reduction of greenhouse gases in the atmosphere. In the social area, EGAP focuses on high working standards, equal opportunities, employee education, and employee feedback for future development. EGAP also actively participates in several charity collections and projects. EGAP wants to achieve economic sustainability through transparency, efficient risk management, good anti-corruption mechanisms, and good client and business partner relationships, all in compliance with the permitted support of the EU and OECD.

In the future, EGAP will continue to enhance its social responsibility processes and promote this topic and include its employees in new project ideas and their implementation.

In 2022, new measures were implemented to reduce electricity consumption in response to the ongoing energy crisis. Through these measures, we were able to reduce natural gas consumption by some 20%, and electricity consumption by 3% (compared to the last pre-covid period without many home office days, these savings are almost 18%). To a certain extent, the measures implemented in 2021 to reduce the probability of COVID-19 infection remain in force.

04

Product portfolio



Table 3

EGAP product portfolio in 2022

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

As at 1 January 2022, the provision of guarantees under the COVID Plus programme was terminated, and throughout the year only the administration of already concluded agreements continued. In December 2022, EGAP Plus, a new guarantee programme, was launched, providing support to companies which have encountered direct or indirect difficulties due to major disruptions of economy caused by the war in Ukraine.

In insurance, the most used product in 2022 was the Z – Insurance of bank guarantees product, with 37 contracts concluded for this product, which had already recorded significant growth in 2021 and continued to show high demand in 2022.

The second favourite product was B – Insurance of short-term export supplier credits. This insurance product is primarily used by SMEs to cover their receivables from foreign clients, and 32 business cases were concluded under this product. Nonetheless, this product showed a significant decrease compared to 2021, which is due to the termination of the temporary exemption of the European Commission allowing for export insurance to EU countries, and the cancellation of key export destinations in Russia, Belarus and Ukraine,

where major part of short-term supplier credit insurance went in previous years.

Apart from the above, EGAP offers a portfolio of its traditional insurance products for Czech exporters, investors, and banks to cover export-related risks. These products are modernised on a continuous basis, and automated to ensure the faster and more efficient processing of client applications. In 2022, the modernisation of the insurance terms and conditions of the E – Insurance of confirmed letters of credit product continued. These new terms and conditions should make the product more attractive and simplify the process of concluding individual insurance contracts. In 2022, the policy conditions for the Z – bank guarantees insurance product were updated with an extended option of insurance for other types of guarantees related to export and Czech foreign investments.

The *Click For Export* service with online environment for our clients was also expanded. Now clients can easily submit reports on the threat of a claim and report the drawing and payments of insured credit. We are currently preparing other banking products under this service as well.

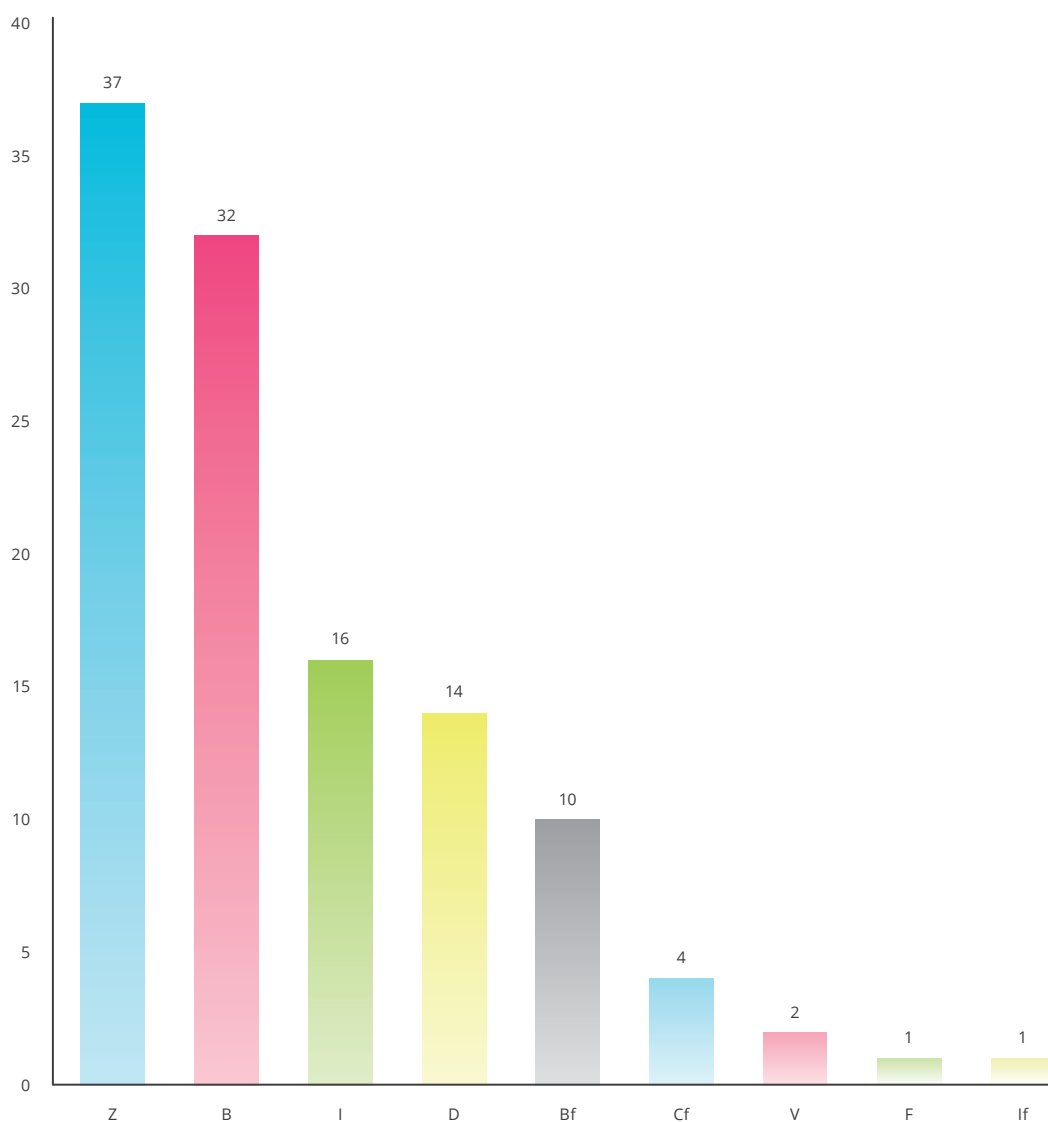
The online CLICK FOR EXPORT system is accessible at <https://eol.egap.cz>.

In 2022, 16 contracts were concluded for the I – Insurance of investments against political risks product, a stable result for this product. This portfolio includes both small investments and large projects with big investors. The If – investment credit insurance product is used for long-term investment funding in countries

with medium to high investment risk rates. So even though the number of concluded contracts is small, this product offers banks the required capacity which supplements the commercial market. Investment design preparation is very complex, and each new concluded insurance is the result of a detailed preparation of documents and business negotiations lasting months, sometimes even years.

Chart 1

Number of contracts concluded in 2022 (no. of pcs)



05

Business results





EGAP reacts to the turbulent global economy and changes in the target markets of the Czech export by increased flexibility in providing export and investment funding insurance, modernising current insurance products and their digitisation.

With the changing needs and opportunities of Czech exporters, EGAP adapts its business policy and allocates necessary capacities. Following the previous success of the COVID Plus programme, in 2022 we introduced EGAP Plus, our second guarantee programme. Thus, the usual support of export and investment funding is supplemented with liquidity support of export-oriented businesses.



Marek Dlouhý

Marek Dlouhý, Head of Sales Section

Business activity in 2022 was significantly impacted by Russia's invasion of Ukraine, which caused major disruptions to the Ukrainian infrastructure and economy and broke off existing economic relations with Russia and Belarus. At the same time, economic sanctions imposed against Russia and Belarus cancelled any funding or insurance of exports and investments into these two countries. All three countries were previously major destinations of Czech export and investments with EGAP insurance. The restrictions thus significantly impacted the overall development and insurance structure of new business in 2022. Besides the new sanctions, another issue was the growth of prices of input material, goods and energy. As well as looking for new territories and customers, together with Czech exporters, EGAP had to deal with the issue of projecting these factors into its already insured business cases in progress. Especially for long-term infrastructure projects whose implementation had started before or during the COVID-19 pandemic, the issue of increasing the project price and the amount of funding and insurance was key for successful project completion. In new projects and projects under discussion, the price growth was reflected primarily in the pre-negotiations of the terms and conditions with the customer, which led to several planned projects' postponement in 2022 or to subsequent years.

Compared to last year, the drop in the number of insured suppliers and customer credits is obvious, which also affected the total number of policies and insurance-related decisions which reached 117 in 2022. Gross premiums written including remunerations for the COVID Plus guarantee totalled CZK 126 million in 2022. This result is primarily due to a lower number of concluded long-term customer credits which were postponed. This situation was not much improved by significant growth in interest in guarantee and investment insurance, which was due to the insecurity caused by the war and global price growth. Nevertheless, the premiums collection for this product did not

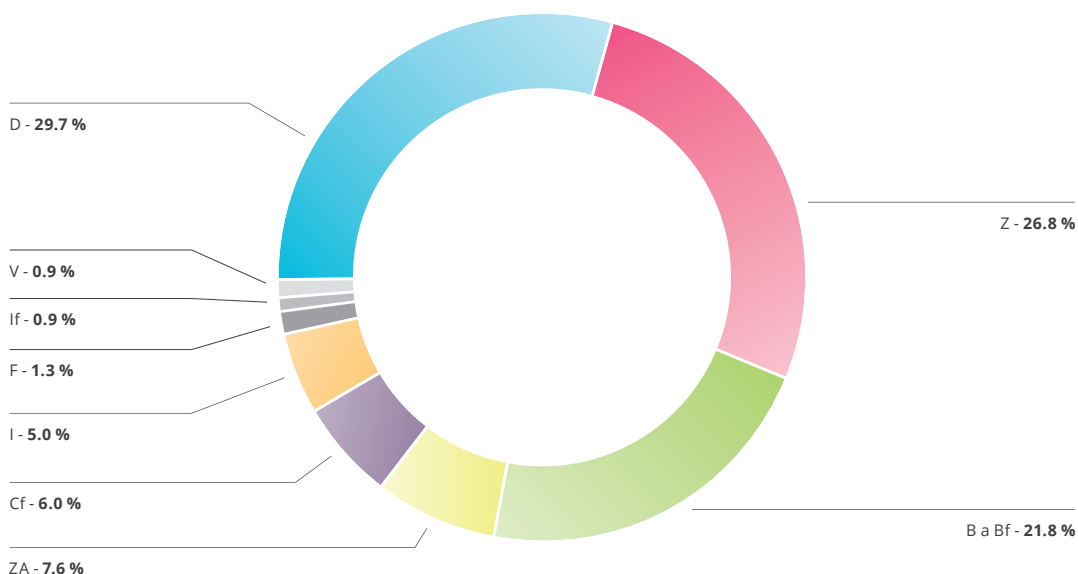
fully compensate the planned premium collection in customer credit due to a markedly lower risk. In any case, the results of insured export and investments exceeding CZK 41 billion represents a success and shows a solid insured volume, following the trend of the last five years.

In guarantees, EGAP provided COVID Plus guarantees until the end of 2021. As of the beginning of 2022, these guarantees are no longer provided. However, the programme fulfilled its objective and helped many businesses to overcome the crisis caused by the COVID-19 pandemic. In 2022, we could see an improvement in the financial situation of many companies which repaid early their credit guaranteed by an EGAP guarantee. Exposure thus decreased by almost CZK 3 billion. At the end of the year, EGAP launched its new EGAP Plus guarantee programme, an anti-crisis programme with similar terms, conditions and objectives as the previous COVID Plus programme, and aimed at helping the liquidity of businesses directly or indirectly affected by economic disruptions caused by the war in Ukraine. The EGAP Plus programme was launched in December 2022, and EGAP immediately received the first applications for this guarantee. The programme is currently planned to run until the end of 2023.

In acquisitions, EGAP cooperates with several businesses, organising seminars and business breakfasts where future clients can among other things receive news from the insurance segment. In product distribution, cooperation with insurance brokers should be newly offered in 2023.

Chart 2

Insurance product structure in EGAP portfolio as at 31 December 2022 by number of contracts

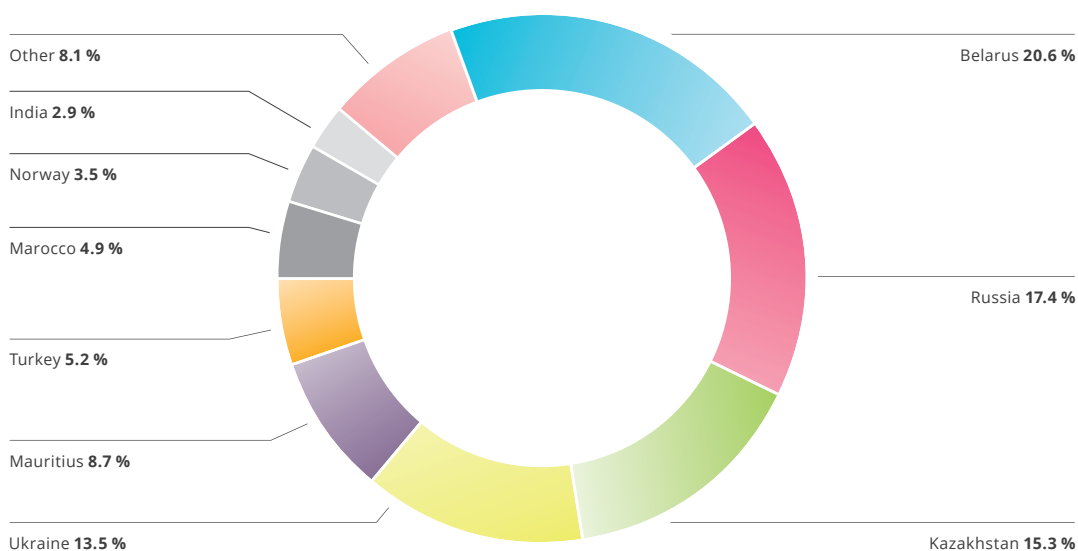


In the EGAP portfolio, insurance of customer and supplier credit represents the majority of contracts in the long-term. Last year, the Z – bank guarantees insurance product again returned to the top products in terms of number of contracts, with enormous interest. In 2022, this product was the most demanded EGAP product. EGAP was able to react flexibly to the growth in demand for bank guarantees and pre-export credit insurance by banks, as shown by the 38 new insurance policies of this type, including guarantees for SMEs, and larger business cases, primarily in the engineering and energy segments. Despite the problems encountered by Czech exporters in terms of maintaining profitability and adhering to the timetables of ongoing and new projects, deliveries related to the insured bank guarantees successfully continued throughout the year. This means that the resilience of Czech manufacturers and exporters to market fluctuations is at a good level. The growth trend in these products is expected to continue in 2023.

Before the start of the Russian invasion of Ukraine, several major insurance business cases for export insurance to Ukraine, Russia, and Belarus were concluded. In the following months, Czech exporters started looking for new markets, which is why Kazakhstan, Mauritius and Turkey are now among the top markets. In other countries, only individual business cases were concluded.

Chart 3

Percentage country share in the volume of export credits (B, Bf, Cf, and D products) in 2022



The stability in investment and investment credit insurance continued in 2022. I – the insurance of long-term foreign investments of Czech businesses against territorial risks product was again dominant in the overall results of investments. The regional composition has not changed – with three large territories: India, Georgia, and China, with the largest volumes of investments. In terms of investment projects in new regions, in 2022, a major Czech investment was the insurance of an investment credit in Saudi Arabia, following former successes of Czech businesses in the Middle East region, and the insurance of a smaller Czech investment in Uzbekistan, which is becoming an increasingly attractive market in the current unstable geopolitical situation.

Regarding investment insurance exposure, Turkey remains an important segment (not shown in Chart 4, as the insurance contracts from previous years in Turkey were of a one-off type), with insurance of significant investments in water energy, which successfully continue in operation. The role of Turkey as an investment region seems to be on the rise as well.

Chart 4

Country share in the total volume of investments and investment loans in 2022

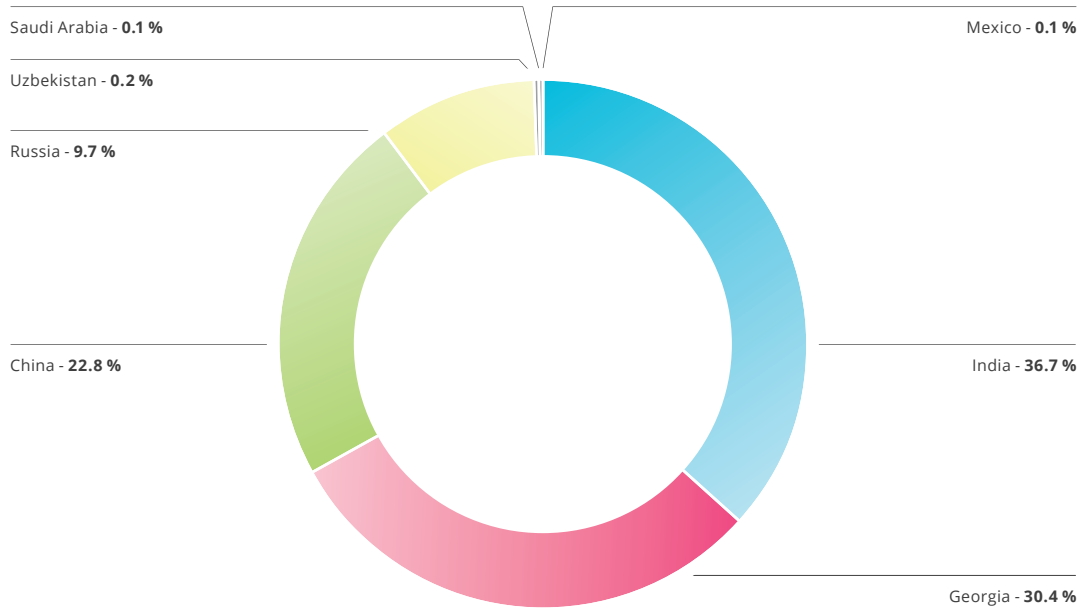
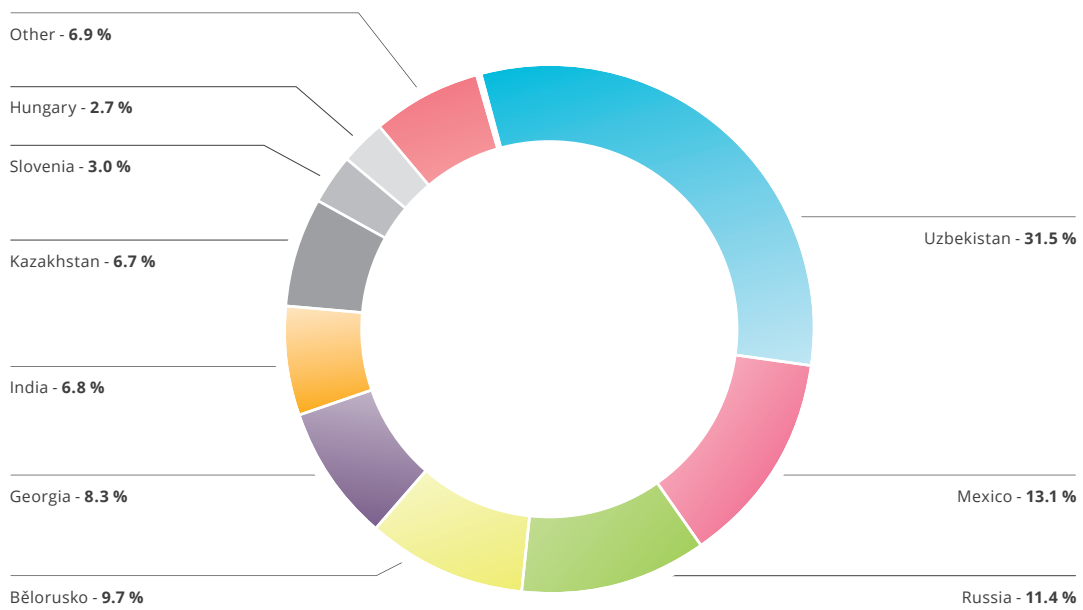


Chart 5

SME support by country and volume of supported export in 2022



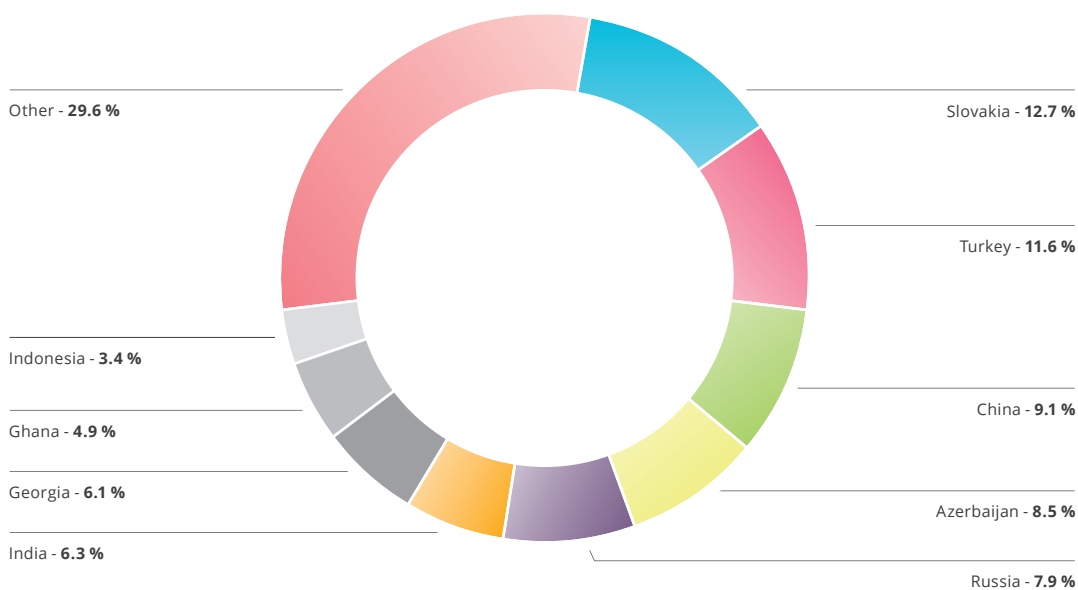
In 2022, EGAP continued to provide support to SMEs, with 27 insurance policies concluded in 17 countries, which represents almost one-quarter of all insurance policies.

Exposure, i.e., the total volume of all currently covered export risks (including provided guarantees), as at 31 December 2022 reached CZK 103.2 billion, of which insurance exposure was CZK 89.3 billion. At the same time, the countries in the top positions of insurance exposure have changed as seen in Chart 6, with Slovakia

and Turkey overtaking Russia and Azerbaijan who had been in first place for several years. The constant decrease of exposure in Russia has been ongoing since its annexation of Crimea. For EGAP, the gradual diversification of the insurance portfolio is important, as more and more countries participate in the overall exposure, thus significantly reducing the concentration risk. No country currently has a share exceeding 13%, and large shares belong to countries with low territorial risks (Slovakia, China, India, Indonesia), which is a positive result.

Chart 6

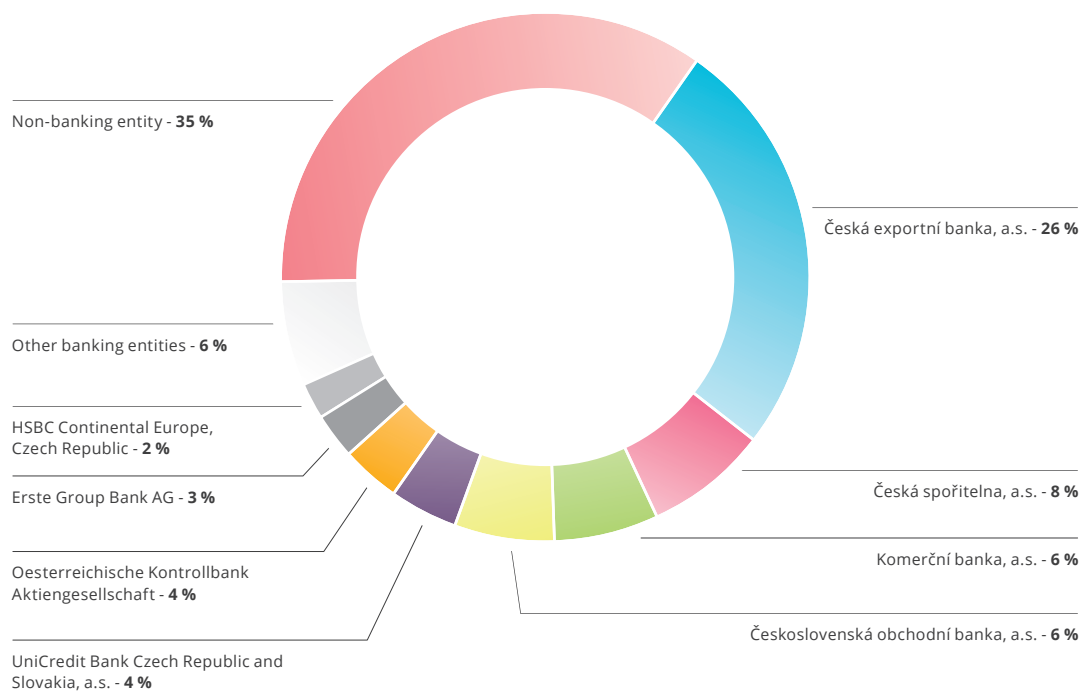
Territorial structure of gross insurance exposure as at 31 December 2022



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

Chart 7

Client structure of gross insurance exposure as at 31 December 2022



Note: Does not include exposure from provided guarantees under the COVID Plus programme

No significant changes occurred in the client structure compared to last year. The number of non-banking entities in the insurance portfolio grew again slightly due to the growth in investment insurance and the decrease in the customer credit insurance (D) product.

International activities

In bilateral cooperation with partner ECAs, we managed to fulfil the concluded framework reinsurance agreements and memoranda of cooperation, although no new contracts were concluded during 2022. The factual performance of the subject of the already concluded agreements is an inherent part of bilateral cooperation between ECAs and other entities operating in business activity funding. Framework reinsurance contracts simplify the provision of reinsurance (both active and passive position) between ECAs in reinsuring individual national deliveries. Apart from the option to share know-how, memoranda of cooperation offer means to provide reinsurance (guarantee), as well as simplifying cooperation with financing banks whose transactions then have a better identifiable risk profile from EGAP's point of view. In general, mutual cooperation at ECA level and similar subjects allows to share risks in case of joint transactions in third markets.

In 2022, two bilateral meetings with Swiss SERV and Austrian OeKB took place. Such meetings serve for sharing of experience and deepening of cooperation between the ECAs. Switzerland and Austria are partner economies which show an overlap in production capacities. This shows potential for cooperation between exporters in export projects in third countries as well as closer cooperation in reinsurance between ECAs participating in funding such joint export transactions. This close cooperation continues with those and other close ECAs in suitable and sustainable prices in export support provision (insurance rates), as well as the standardisation of the credit rating of counter parties in pricing, which should correspond to market standards in terms of its granularity and setting.

The second half of 2022 was primarily marked by the Czech presidency of the Council of European Union (CZ PRES). During this period and on behalf of the Czech Republic, EGAP representatives supported activities related to the EU Council Working Group on Export

Credits, which they led within the framework of CZ PRES. In September 2022, under the CZ PRES, an informal meeting of the EU Council Working Group on Export Credits (CWG) took place in Prague as a traditional event of the presiding country. The informal meeting focused on opportunities for cooperation between officially supported financing and insurance institutions (ECAs) and development finance institutions (DFIs).


OECD agreed on a one-year extension of the specific and time-limited exemption (until November 2023) from the current OECD Consensus rules in 2022. According to this extended exemption, it will be possible to continue to temporarily reduce advance payments from today's 15% to 5% of the Export Contract Value (ECV), provided the transaction is with sovereign buyers.

In 2022, an EGAP representative continued as the chairman of the Prague Club of the Berne Union (BU, International Union of Credit and Investment Insurers). This role will end at the end of 2023, showing clear acknowledgement of the long-term efforts of EGAP as a member of the BU and the Prague Club of the BU.

06

Debt recovery and claims settlement





Despite the ongoing war in Ukraine caused by Russian aggression, 2022 was very successful for EGAP in the recovery of insured receivables. Over CZK 1.9 billion was recovered in 2022, which is an excellent result in view of the difficult year. On the other hand, we must state that new claims grew in 2022.

Over three quarters of the total number of new claims are related to countries participating in the war (Russia, Belarus, Ukraine). However, in many of the new claims, we managed to prevent imminent damage and thus reduce the risk of future claims payments.



David Havlíček

Head of Finance and Claims Management Section

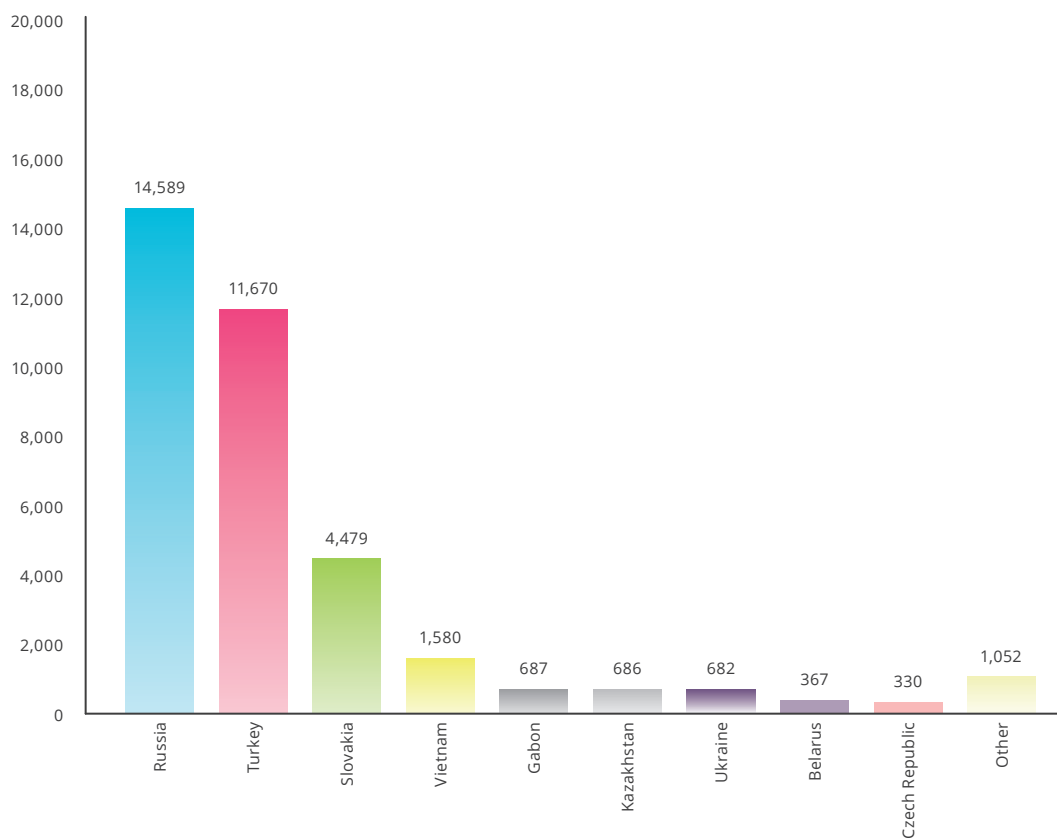
As at 31 December 2022, EGAP managed receivables related to claim settlements totalling over CZK 36 billion, representing a decrease of about CZK 3 billion compared to the end of 2021. This was primarily due to the extraordinary results in the recovery of insured receivables and the number of completed claims. On the other hand, compared to 2021, the number of newly reported claims increased significantly. In total, 31 new claims were reported in 2022, of which 24 relate to countries that participate in the war in Ukraine (10 claims relate to receivables from Ukraine, 7 claims to receivables from Russia, and 7 to Belarus).

The total original imminent damage of the new claims exceeded CZK 1.4 billion. Seven of these claims were resolved before the payment of the insurance claim, reducing any imminent damage from newly reported claims by almost half.

The structure of countries where EGAP records managed claims is similar to that of 2021. At the end of 2022, most claims were reported in Russia and Turkey.

Chart 8

Volume of unsettled claims by countries as at 31 December 2022 (in MCZK)



In 2022, EGAP reimbursed its clients for unpaid receivables totalling over CZK 1.9 billion. Compared to 2021, the overall sum decreased by some CZK 50 million; from a financial point of view, the claims were rather lower in average.

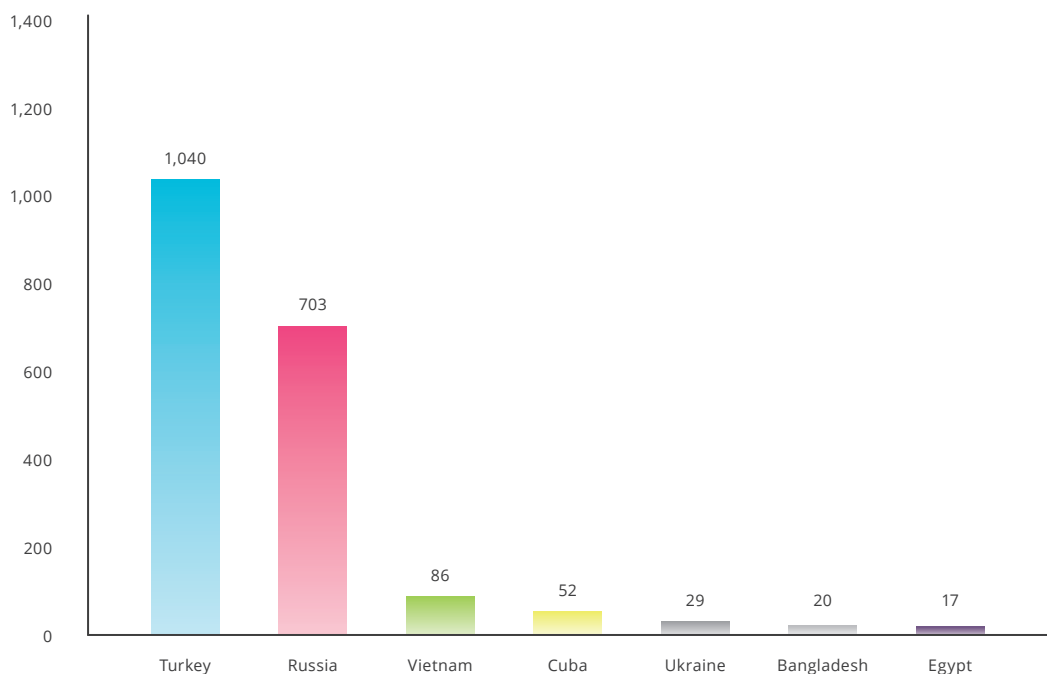
In 2022, EGAP also paid three guarantees under the COVID Plus programme, but this payment was related to the failure of only one debtor. Total payments under these guarantees were CZK 236 million. The loss ratio of the COVID Plus portfolio thus shows a more positive development compared to previous expectations; however, the largest debtors' payments are planned for the next two years, and these can impact the results of this support programme.

As in 2021, the largest volume of paid claims in 2022 was in Turkey – over 53%, which is nominally over CZK 1 billion. CZK 702 million were paid in relation to claims resolved in Russia. These claims related primarily to insurance events from 2015 to 2016.

Most paid claims in 2022 as in previous years related to the D – Insurance of export buyer credits product. In percentages, claims related to the D product represented 95% of the total volume of paid claims.

Chart 9

Claims paid by countries in 2022 (in MCZK)



In 2022, the total volume of recovered receivables reached a new high. In total, CZK 1.9 billion was recovered, i.e., CZK 1.2 billion more than in 2021. Receivables recovered after claims payment reached almost CZK 1.4 billion and represent the majority of the volume of recovered receivables. Receivables recovered before claims settlement, i.e., loss prevention, exceeded CZK 0.5 billion in 2022.

Thus, in debt recovery, we managed to achieve truly excellent results. This result had a very positive impact on the progress of the Adulyara claim, where the insured ČEB managed to sell the related receivable. In 2022, over CZK 700 million was recovered from claims in Russia. We managed to conclude several bankruptcy proceedings and collect the revenue, and several major

debtors so far continue to comply with the agreed payment schedules. The initial worries following the outbreak of the war in Ukraine, that payments of receivables from Russia would stop, did not come true. In many cases, debtors attempt to meet their obligations. On the other hand, Russian administrative measures limiting the volume of funds transferred abroad have had a negative impact on the volume of recovered receivables.

Chart 10
Recovered receivables and their historical development (in MCZK)

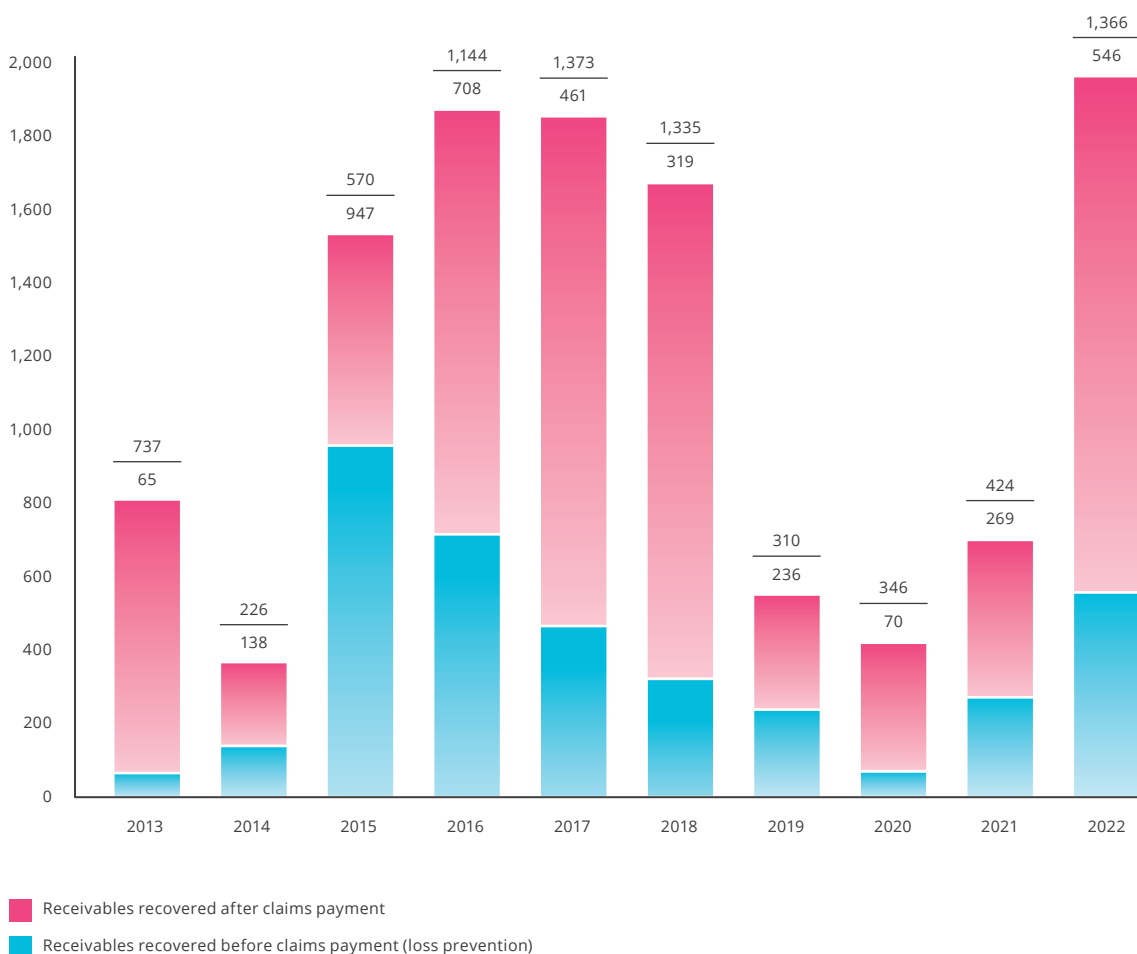
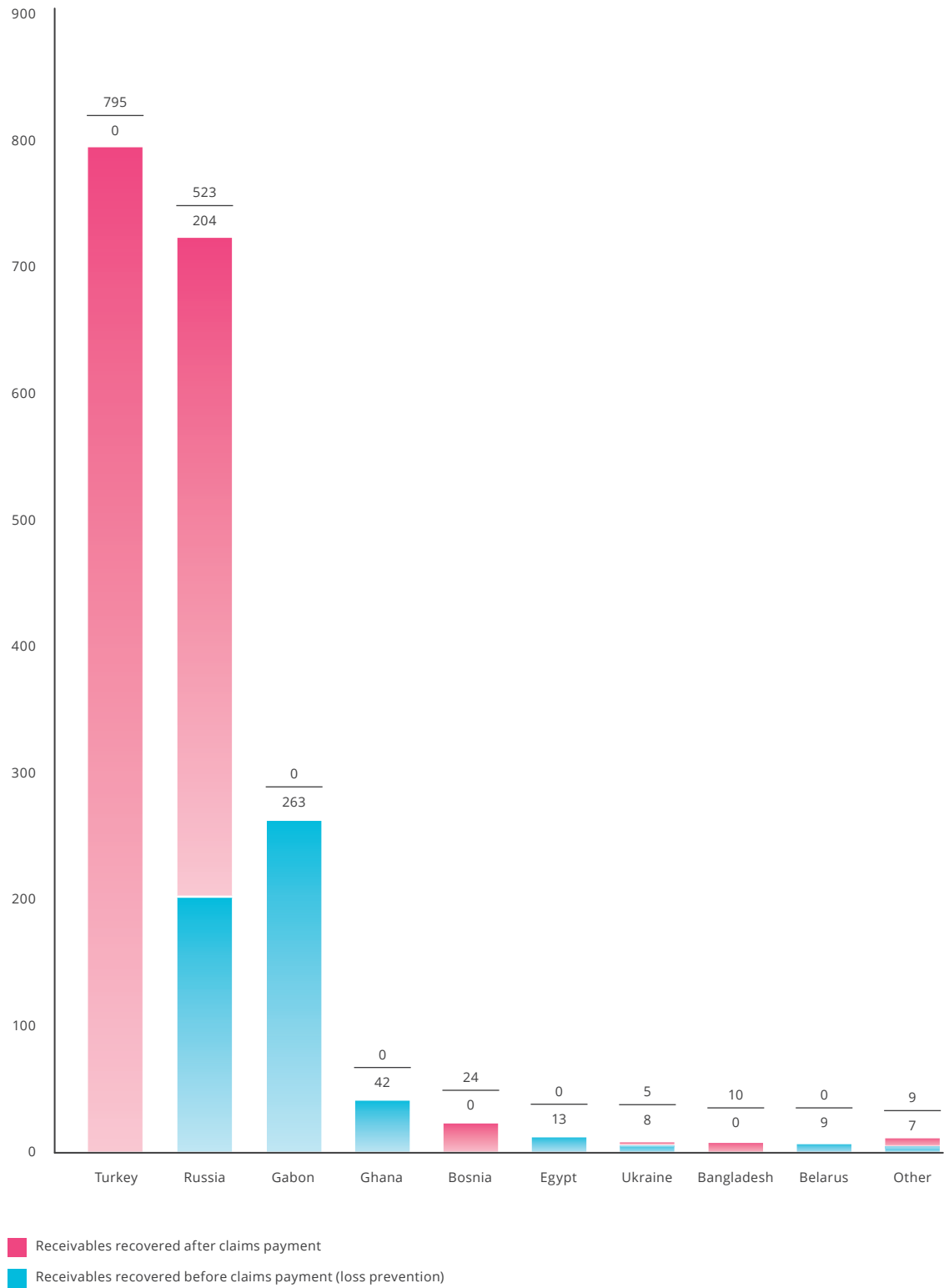


Chart 11

Debt recovery before and after claims payment by countries in 2022 (in MCZK)




Compared to 2021, the structure of recovered receivables shows some changes in territory. Apart from the above-mentioned Adularya case in Turkey and claims in Russia, another major volume of recovered receivables came from Gabon. Before the claims settlement, we managed to recover CZK 263 million from receivables recovered after due date, i.e., it was not necessary to pay the claims. However, this debtor is still in default of other payments and the risks thus remain.

07

Risk management and risk profile





In 2022, besides the usual tasks and the response to difficult challenges of the year (such as the war in Ukraine), EGAP focused on the wide demand for sustainability in risk management, which primarily identifies and mitigates risks accepted for insurance.

The impact of environmental issues, social responsibility and system of governance (ESG) is indirect, as it is not caused directly by EGAP but through its activities, such as the support of the export development of Czech businesses. Thus, EGAP is looking for ways to reflect ESG issues properly into the evaluation of creditworthiness of individual entities and business cases. However, this is very difficult, as ESG represents a new phenomenon in the creditworthiness evaluation of an entity or a country, with still insufficient data supporting its real impact. There is also high uncertainty whether some phenomena which are positively evaluated today might show major negative values in the future, e.g., due to the scarcity of resources or changes in the priorities of their allocation.



Martin Růžička

Head of Risk Management Section

In risk management in 2022, the situation was hugely affected by international events, primarily the Russian aggression against Ukraine. The situation was reflected in the reassessment and amendment of the method for rating and limits determination for countries affected by this aggression. At the same time, it was necessary to respond to the sanctions imposed on Russia and Belarus and on selected entities in those two countries. In general, we amended risk management processes and the ratings and limits to allow us to react more efficiently should a similar situation occur in any other region.

Responding to the Russian aggression against Ukraine, and following Government Decree No. 364/2022 Coll., EGAP approved the EGAP Plus guarantee programme at the end of 2022. EGAP risk management was thus amended to include risk management of this product as well.

The Russian aggression in Ukraine also translated to a significant rise in oil and natural gas prices, which led to steep increases in energy prices with negative impacts on companies and households. Despite the measures adopted by governments (and coordinated across the EU), we can expect a negative impact on many entities, which may be forced to terminate their business.

So far, according to a preliminary assessment, the above negative impacts have not appeared in the EGAP insurance portfolio. There were some issues with the payments of insured receivables in the regions affected by the war; also, the highest number of new claims was reported in these regions. However, the insurance portfolio was rather stable in 2022, as shown in charts 12 to 16 below.

EGAP's risk appetite

In connection with its risk management goals in insurance, in 2022, EGAP worked with a risk appetite derived from the insurance capacity, determined at CZK 188 billion for 2020 (for insurance industry), in accordance with the Act on the State Budget, and remained at the same level for 2021 and 2022.

In 2022, the impact of the COVID-19 pandemic on EGAP's business was already subsiding, and no new COVID Plus guarantees were provided. Previously issued guarantees of this type were actively monitored and the entities' (debtors') creditworthiness regularly reviewed. Against expectations, the COVID Plus guarantee portfolio in 2022 showed better results, as reported in the charts below.

In 2022, EGAP successfully met its objectives defined in the Information and Communication Technologies Security Policy. In this policy, EGAP undertook necessary steps, updating current technologies and introducing new principles and processes to maintain security of the EGAP information systems operation.

The risk management of all risks that EGAP faces was taken care of appropriately in 2022. In 2022, EGAP began to focus more on ESG risks, both in relation to EGAP itself and to its activities as an insurance company. Among other things, EGAP approved a summary document on ESG risk management comprising the primary objectives and steps to ensure their completion, which in EGAP's view will need to be implemented in the next period.

In terms of risks already underwritten, compared to 2021, EGAP reported the revaluation of foreign exchange rates of the domestic currency against foreign currencies, which leads to a decrease (revaluation) of liabilities denominated in CZK, as the original liabilities are almost exclusively stated in a foreign currency in the insurance policies, while the claims are settled in CZK.

In 2022, the Czech rating model for non-banking entities assessment was validated as planned. This validation is carried out every two years with newly available data. Due to the Russian military aggression in Ukraine and the subsequent discontinuance of the provision of insurance for business cases in Russia, the validation of the rating model for this region was postponed.

EGAP insurance portfolio risk profile

The quality of the EGAP insurance portfolio was affected by the Russian military aggression against Ukraine in 2022. The average weighted rating and the expressed credit risk of active entities in the insurance portfolio as at 31 December 2022 dropped slightly to BB- from a BB rating (assessed in accordance with the S&P rating scale). This means that EGAP, acting as an ECA, insures

commercially uninsurable risks, which actually reflects a BBB+ rating and lower.

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

Chart 12
Insurance portfolio structure by ratings as at 31 December 2022

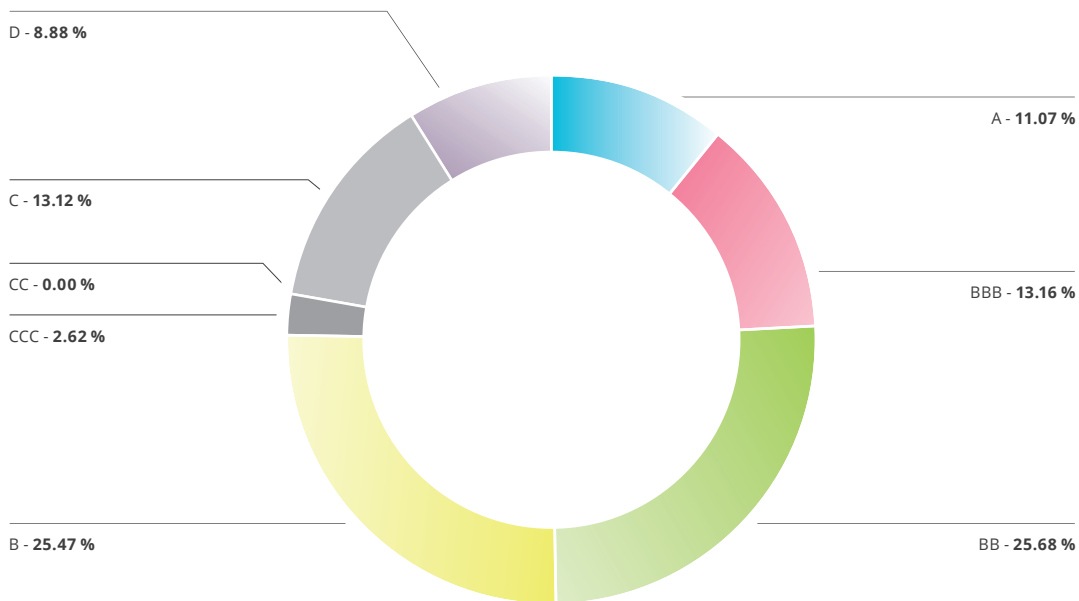
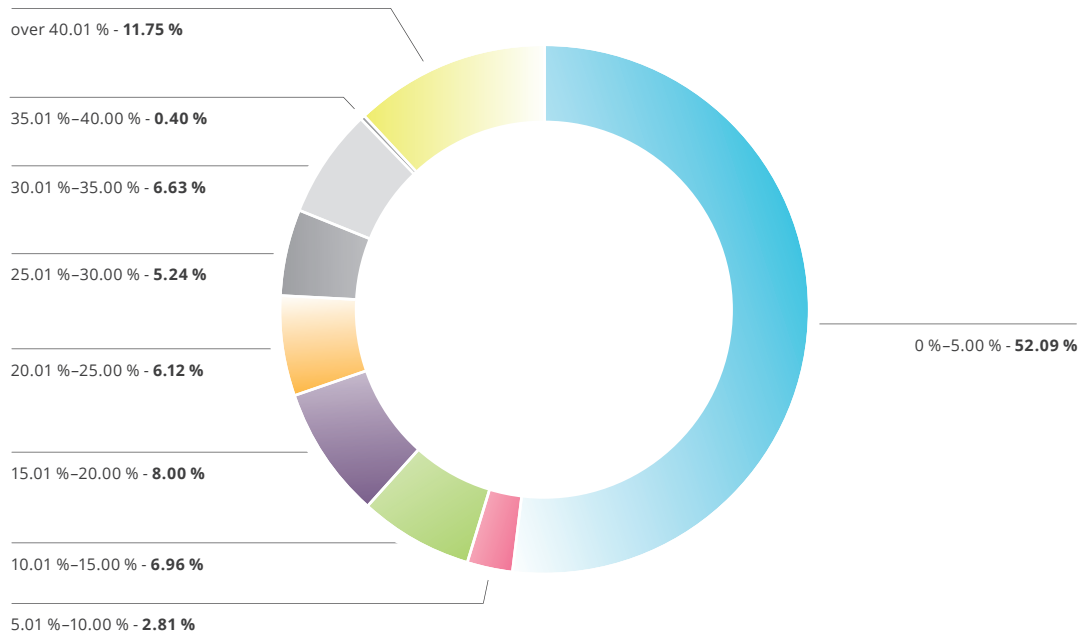


Chart 13

Insurance portfolio structure by default probability as at 31 December 2022
(measured by remaining maturity of individual insurance policies)



Note: PD calculation does not include PU contracts, active contracts, or D-rating subjects.

Chart 14

Insurance portfolio structure as at 31 December 2022 by individual business case size

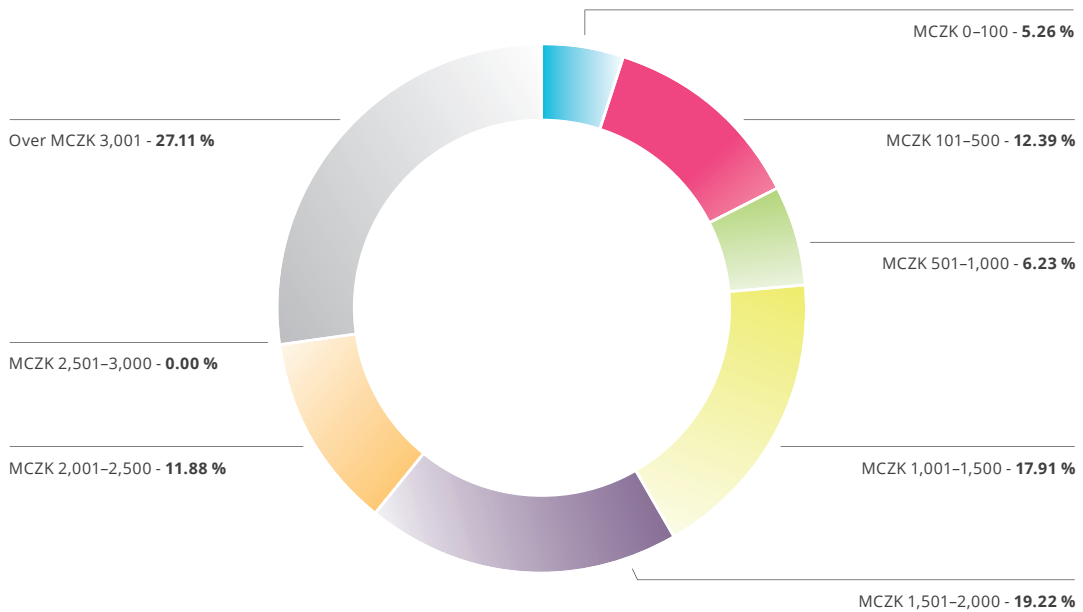


Chart 15

Insurance portfolio structure by country risk category according to OECD as at 31 December 2022

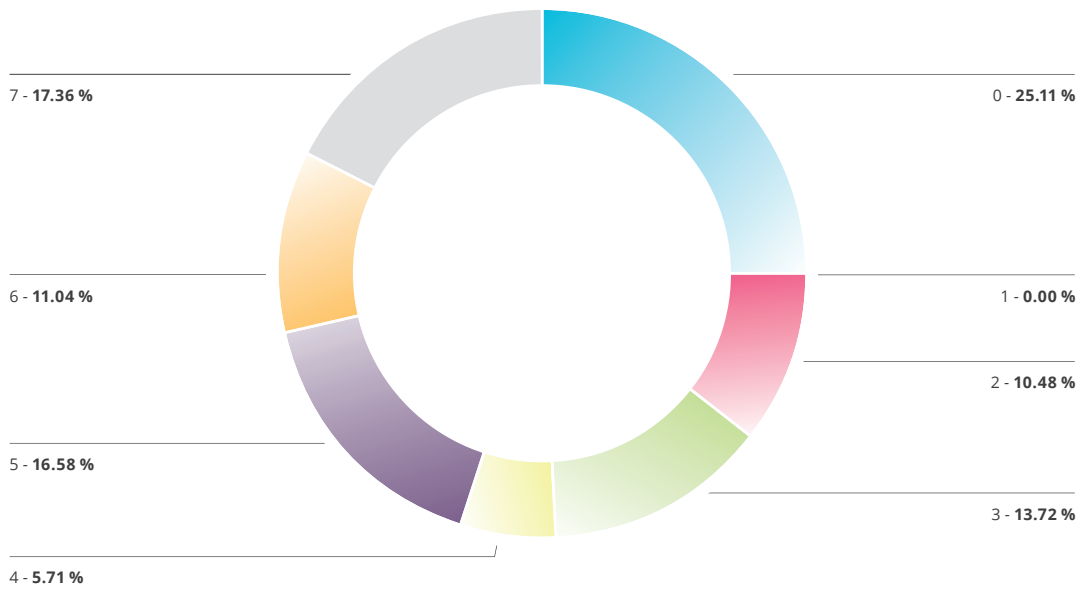
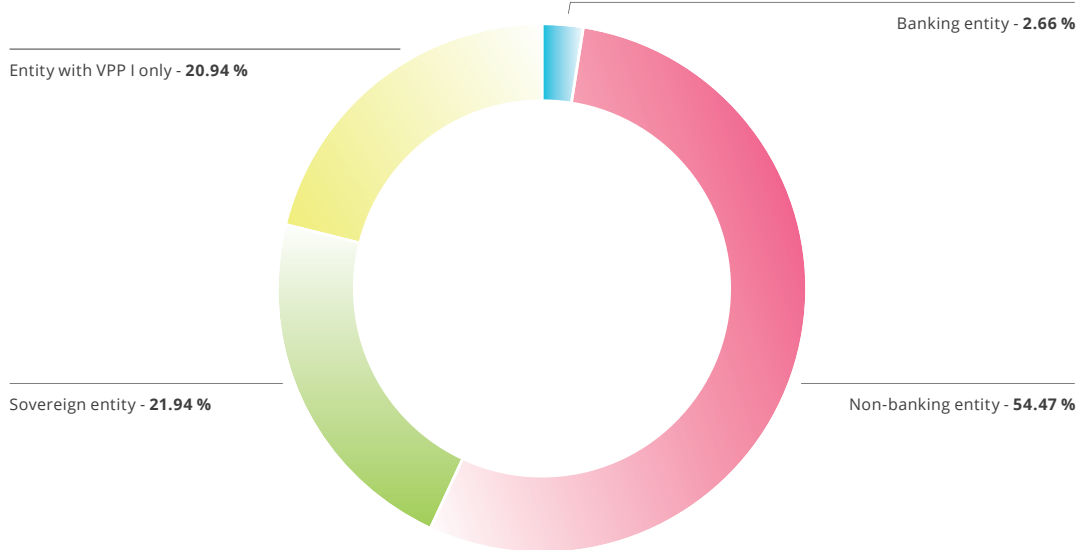


Chart 16

Insurance portfolio structure by subject type as at 31 December 2022



Guarantee portfolio risk profile

No new COVID Plus guarantees were provided in 2022. Previously issued guarantees were actively monitored and the entities' (debtors') creditworthiness regularly reviewed. Compared to 2021, the average weighted

rating improved from B to BB-. The following charts show the basic risk parameters of the portfolio of guarantees provided under the COVID Plus guarantee programme.

Chart 17
Guaranties portfolio structure by rating as at 31 December 2022

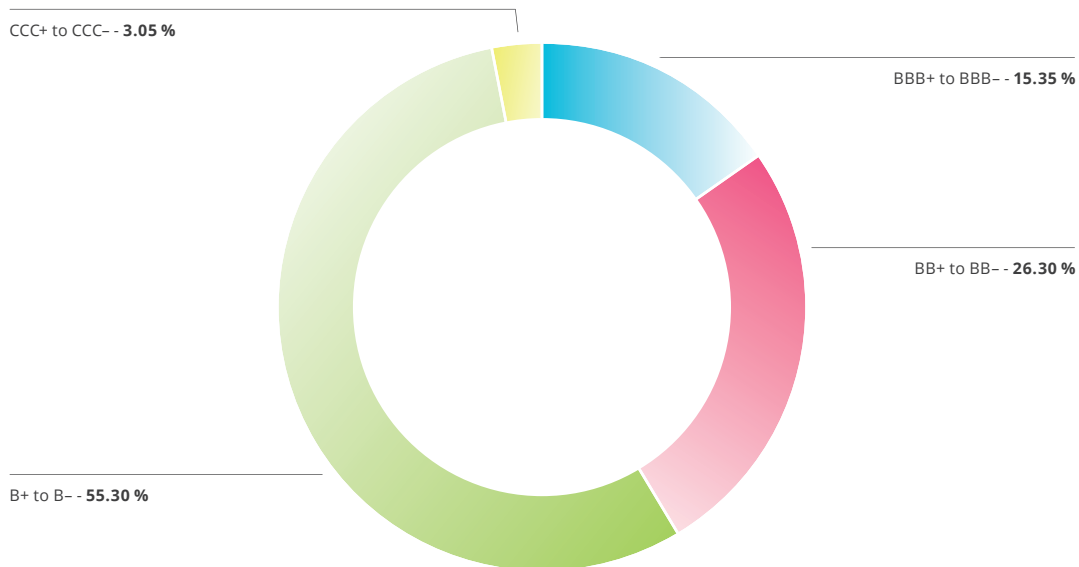


Chart 18

Guarantee portfolio structure by guarantee size as at 31 December 2022



In 2023, we have had to consider the continuing outage of Russian and Belarussian markets due to the imposed European and international sanctions, which forbid government support for export into these regions and severely complicate any transactions. At the same time, due to the ongoing war, destroyed infrastructure, a difficult economic situation and continuing foreign currency regulation, the Ukrainian market will be hard to reach in terms of export funding. Czech investors and exporters will thus have to look for alternative markets, where EGAP will actively provide support through its instruments for export and investment funding insurance and export-oriented entities through its EGAP Plus guarantee programme and pre-export credit insurance products and bank guarantees.

In 2023, we can also expect several major business cases in South-East Asia and Africa, which will be supported by customer credit insurance provided directly to the sovereign risk of the specific country. In short-term customer credit insurance, we expect the continuation of the trend of the second half of 2022 in the demand for insurance into Central Asia and Middle East countries.

Apart from traditional products, the EGAP Plus guarantee programme, which replaced the COVID Plus guarantee, will continue throughout 2023. This programme was launched in December 2022 in accordance with the amendment of Act No. 58/1995 Coll. It is a guarantee programme for exporters, export-oriented companies, and producers in the SME segment. Guaranteed loans are aimed at supporting the liquidity of entities through operating and investment loans.

Apart from the EGAP Plus programme, the amendment of Act No. 58/1995 Coll. also introduced a wider area of export insurance (and funding) with state support, now also including support for export-oriented entities. This means the expansion of the F and Z insurance products to include domestic transactions of entities whose share of export in the annual volume of revenues from the sale of products, services and goods in the last reporting period was at least 25%. This new expansion is expected in the first half of 2023.

09

Provision of information

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



Table 4

Provision of information pursuant to Act No. 106/1999 Coll., on Free Access to Information, as amended, for 2022

Number of filed requests for information	3	
Number of decisions issued to dismiss a request	2	(in one case, part of the request to provide information was dismissed)
Number of filed appeals against decisions	0	
Copies of essential parts of every court judgment on the examination of the lawfulness of a decision to dismiss a request for information	0	
Summary of all expenses incurred in connection with court proceedings discussing the rights and duties arising from the above act (including expenses incurred for own employees and legal representation expenses (CZK))	0	
List of provided exclusive licences	0	
Number of complaints filed pursuant to Section 16a of the above act	0	

10

Financial results

– notes to the
financial statements



Balance sheet at 31 December 2022

		31 December 2022		31 December 2021		
(TCZK)	Note	Gross amount	Adjustment	Net amount	Net amount	
I. ASSETS						
B.	Intangible assets	II.1.	61,048	56,206	4,842	4,592
C.	Investments	II.2.	19,442,532	186,302	19,256,230	18,761,134
C.I.	Land and buildings, thereof:		730,802	186,302	544,500	562,204
	1. Land		127,679		127,679	123,202
	2. Buildings		603,123	186,302	416,821	439,002
	a) land and buildings – self-occupied		603,123	186,302	416,821	393,438
C.III.	Other investments		18,711,730		18,711,730	18,198,930
	1. Shares and other variable-yield securities, other participating interests		830,000		830,000	830,000
	2. Debt securities valued at fair value		6,237,456		6,237,456	6,291,805
	5. Deposits with financial institutions		11,644,274		11,644,274	11,077,125
E.	Debtors	II.3.	175,142	71,832	103,310	1,297
E.I.	Receivables arising from direct insurance operations – policyholders		0		0	14
E.III.	Other receivables:		175,142	71,832	103,310	1,283
F.	Other assets		3,277,222	65,016	3,212,206	4,048,041
F.I.	Tangible fixed assets other than those listed under „C.I. Land and buildings“, and inventories	II.4.	68,948	65,016	3,932	3,954
F.II.	Cash on accounts in financial institutions and cash in hand		3,208,274		3,208,274	4,044,087
G.	Temporary asset accounts	II.5.	21,461		21,461	23,890
G.III.	Other temporary asset accounts, thereof:		21,461		21,461	23,873
	a) estimated receivables		4,795		4,795	4,961
TOTAL ASSETS			22,977,405	379,356	22,598,049	22,838,954

		31 December 2022	31 December 2021	
(TCZK)	Note			
II. LIABILITIES AND EQUITY				
A.	Equity	II.6.	13,648,458	12,325,634
A.I.	Registered capital		5,575,000	5,575,000
A.IV.	Other capital contributions		7,055,511	6,200,511
A.V.	Reserve fund and other funds from profit		185,724	108,342
A.VII.	Profit or loss for the financial year		832,223	441,781
C.	Technical provisions	II.7.	7,969,078	8,342,760
C.1.	Provision for unearned premiums:		1,819,262	2,818,862
	a) gross amount		2,276,276	3,433,752
	b) reinsurance share (-)		457,014	614,890
C.3.	Provision for outstanding claims:		6,149,816	5,523,898
	a) gross amount		6,279,285	5,540,429
	b) reinsurance share (-)		129,469	16,531
E.	Provisions	II.8.	636,871	1,657,011
E.3.	Other provisions		636,871	1,657,011
G.	Creditors	II.9.	125,763	100,519
G.V.	Other payables, thereof:		125,763	100,519
	a) tax liabilities and social security liabilities		81,311	70,013
H.	Temporary liability accounts	II.10.	217,879	413,030
H.I.	Accrued expenses and deferred revenues		216,399	404,048
H.II.	Other temporary liability accounts, thereof:		1,480	8,982
	a) Estimated payables		1,480	8,982
TOTAL LIABILITIES AND EQUITY			22,598,049	22,838,954

Income statement for the year ended 31 December 2022

I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE				2022		2021	
(TCZK)	Note	Base	Subtotal	Result	Base	Subtotal	Result
1. Earned premiums, net of reinsurance							
a) gross premiums written	III.1.	92,424			480,877		
b) outward reinsurance premiums (-)	III.2.				-48,962		
Subtotal			92,424			431,915	
c) change in the gross provision for unearned premiums (+/-)		1,157,476			382,521		
d) change in the provision for unearned premiums, reinsurance share (+/-)		-157,876			-99,261		
Subtotal			999,600			283,260	
Result				1,092,024			715,175
2. Allocated investment return transferred from the non-technical account (item III. 6.)				179,777			91,315
3. Other technical income, net of reinsurance				462			542
4. Claims incurred, net of reinsurance:							
a) claims paid:							
aa) gross amount		1,998,818			2,078,632		
bb) reinsurance share (-)		373			266		
Subtotal			1,998,445			2,078,366	
b) change in the provision for outstanding claims (+/-):							
aa) gross amount		738,856			-2,659,845		
bb) reinsurance share (-)		112,938			-37,493		
Subtotal			625,918			-2,622,352	
Result	III.1.			2,624,363			-543,986

I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE				2022		2021	
(TCZK)	Note	Base	Subtotal	Result	Base	Subtotal	Result
7. Net operating expenses:							
a) acquisition costs			10,779			14,006	
c) administrative expenses	III.3.		264,429			244,881	
d) reinsurance commissions and profit participation (-)	III.2.					4,896	
Result				275,208			253,991
8. Other technical expenses, net of reinsurance				951			928
10. Result of the technical account for non-life insurance				-1,628,259			1,096,099

III. NON-TECHNICAL ACCOUNT				2022		2021	
(TCZK)	Note	Base	Subtotal	Result	Base	Subtotal	Result
1. Result of the technical account for non-life insurance (item I.10)							
				-1,628,259			1,096,099
3. Income from investments:							
			367,371			150,581	
			377,166			258,044	
				744,537			408,625
5. Expenses connected with investments:							
			8,942			9,495	
			364,836			230,520	
				373,778			240,015
6. Allocated investment return transferred to the technical account for non-life-insurance (item I.2.)							
				-179,777			-91,315
7. Other income	III.6.			2,976,301			1,051,693
8. Other expenses	III.7.			696,918			1,781,451
9. Income tax on ordinary activities	III.8.			4,427			-1,581
10. Profit or loss on ordinary activities after tax							
				837,679			445,216
15. Other taxes not shown under the preceding items							
				5,456			3,435
16. Profit or loss for the period							
				832,223			441,781

Statement of changes in equity for the year ended 31 December 2022

(TCZK)	Note	Registered capital	Other capital contributions	Revaluation differences	Other funds from profit	Reserve fund	Loss brought forward/retained profit	Total
Balance at 1 January 2021		5,575,000	6,685,075	100,056	98,641	10,520	-477,274	11,992,018
Settlement of loss brought forward		0	-477,274	0	0	0	477,274	0
Utilisation of social fund and fund of the General Manager		0	0	0	-819	0	0	-819
Revaluation differences		0	0	-107,346	0	0	0	-107,346
Profit for the financial year	II.6.	0	0	0	0	0	441,781	441,781
Balance at 31 December 2021		5,575,000	6,207,801	-7,290	97,822	10,520	441,781	12,325,634
Distribution of profit for 2021		0	363,994	0	1,500	76,287	-441,781	0
Contributions from the state budget	II.6.	0	500,000	0	0	0	0	500,000
Utilisation of social fund and fund of the General Manager	II.6.	0	0	0	-405	0	0	-405
Revaluation differences		0	0	-8,995	0	0	0	-8,995
Profit for the financial year	II.6.	0	0	0	0	0	832,223	832,223
Balance at 31 December 2022		5,575,000	7,071,795	-16,285	98,917	86,807	832,223	13,648,457

I. GENERAL INFORMATION

I.1. Description and principal activities

Exportní garanční a pojišťovací společnost, a.s. ("the Company" or "EGAP") was incorporated by signing a Memorandum of Association on 10 February 1992 in compliance with Government Resolution CSFR No. 721/1991 on the programme for the support of exports and was recorded in the Commercial Register on 1 June 1992. In 1992, the Ministry of Finance issued a decision granting EGAP a licence to perform insurance activities. This licence was replaced as a result of the enactment of the Act on Insurance No. 363/1999 Coll., through the issuance of a new licence by the Ministry of Finance on 21 March 2002 to perform insurance, reinsurance and related activities. The principal activity of the Company is insurance of credit risks with state support based on Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support ("Act No. 58/1995) and Supplementing Act No. 166/1993 Coll., on Supreme Audit Office, as amended ("Act No. 166/1993"). On 27 April 2016, the Czech National Bank issued 166/ 1993 a certificate under Article II (2) of Act No. 220/2015 Coll., amending Act No. 166/1993, attesting the fact that EGAP is authorised to carry out activities specified in the previous permit from the effective date of Act No. 220/2015 Coll.

An amendment to Act No. 166/1993 implemented by Act No. 214/ 2020 Coll., in effect from 29 April 2020, expands EGAP's activities by the provision of guarantees for the repayment of loans provided to exporters, manufacturers and traders. These guarantees are provided by the Company as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic. The purpose and extent of guarantees, conditions for their provision, the amount of coverage for the unpaid principal, and the procedure for the payment of all funds from the state budget in favour of EGAP in connection with the provision of guarantees are regulated by Government Decree No. 215/2020 Coll., implementing certain provisions of Act No. 58/1995, as amended.

In 2022, the EGAP Plus Guarantee was newly introduced, which is identical in structure to the COVID Plus Guarantee. These are guarantees for the repayment of new loans provided to Czech companies as part of state economic support in response to Russia's aggression against Ukraine to ensure greater availability of liquidity. The possibility to provide these guarantees is defined in Act No. 363/2022 Coll., with more specific procedures and rules determined by Government Decree No. 364/2022 Coll. No guarantees for the repayment of new loans were provided by EGAP in 2022. Therefore, the provision of these guarantees will technically only take place in 2023 and will be discontinued at the end of this year. As this product was actively rolled out in 2022, EGAP records the associated upfront costs for this year. Similarly, EGAP records interest income for 2022 associated with the investment of free financial resources from the EGAP Plus Guarantee Fund. The state (Czech Republic) as the sole shareholder exercised its rights in the Company through a single central governing body, namely:

Ministry of Finance of the Czech Republic	100 %
-------------------------------------------	-------

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

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

The Company has no foreign organisational unit.

Registered office

Vodičkova 34/701, 111 21 Praha 1

Board of directors as at 31 December 2022

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

Supervisory board as at 31 December 2022

Chairman:	Mgr. Veronika Peřinová, Praha 6
Vice-chairman:	Mgr. Martin Pospíšil, Praha 8
Members:	Ing. Karel Fíla, M.Sc., Praha 4 Mgr. Dominik Grůza, Brno Mgr. David Satke, Praha 10

I.2. Basis of preparation

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

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

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

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

I.3. Significant accounting policies

a) Tangible and intangible assets

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

Tangible and intangible fixed assets other than land and buildings are depreciated on the straight-line basis or declining balance basis over their estimated useful lives. Tangible assets costing less than CZK 80 000 per asset and intangible assets costing less than CZK 6 000 per asset are considered tangible and intangible inventories and are expensed upon consumption.

The annual depreciation and amortisation rates used are as follows:

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

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

The cost of repairs and maintenance of tangible and intangible fixed assets is charged to expenses. The improvement of an asset exceeding CZK 80 000 per year is capitalised.

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

b) Investments

The Company classifies the following items as investments:

- Land and buildings;
- Investments in securities;
- Deposits with financial institutions.

Land and buildings

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

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

Investments in securities

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

Interest income is defined as:

- a) (for coupon debt securities) the accrued coupon specified in issue terms and conditions and the accrued difference between the nominal value and net cost, described as a premium or discount. Net cost is defined as the cost of a coupon bond reduced by the accrued coupon as at the date of acquisition of the security,
- b) (for zero-coupon bonds and bills of exchange/promissory notes) the accrued difference between the nominal value and cost.

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

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

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

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

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

- a) it is classified as held for trading;
- b) upon initial recognition it is designated by the accounting entity as a security at fair value.

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

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

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

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

As a result of an amendment to Act No. 58/1995 and Act No. 166/1993, as amended, entering into effect on 29 April 2020, EGAP may not invest its funds in financial instruments in the financial market.

Deposits with financial institutions

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

c) Receivables

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

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

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

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

d) Impairment of assets

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

e) Foreign currencies

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

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

f) Technical provisions

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

The Company established the following technical provisions:

Provision for unearned premiums

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

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

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

Based on testing the adequacy of the provision for unearned premiums, the Company establishes or releases the provision for unexpired risks (the so-called LAT provision – Liability Adequacy Test). The value of this provision provides for the total provision for unearned premiums to cover all expected costs connected with future claims. The main calculation parameter of the adequacy of this provision is

the difference between the expected insurance loss and the unused (or unearned) portion of premiums recognised within the provision for unearned premiums. The expected loss depends on the probability of default of the debtor, or of the guarantor (PD), and on the loss-given default (LGD) and related exposure at default (EAD).

There were additions to the provision for unexpired risks as at 31 December 2022, which is exceptional, highlighting the slightly deteriorating credit quality of the insurance portfolio. However, this is not material inadequacy of the provision for unearned premiums at the end of 2022, in relative terms it is approximately 5% inadequate.

Provision for outstanding claims

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

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

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

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

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

The provision for outstanding claims also includes all expected expenses connected with the settlement of claims. These expenses, estimated using actuarial methods, amounted to 4.3% of the total gross provision for outstanding claims in 2022. The percentage amount is updated on an annual basis and slightly changed as at 31 December 2022, newly determined at 3.0%. This amount will also be used in 2023.

g) Gross premiums written

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

h) Claims paid

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

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

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

All expenses and revenues clearly attributable to insurance activities are recorded to the relevant technical accounts. All other expenses and income are recorded in the non-technical account. The non-technical account is also used for reporting expenses and income associated with the provision of COVID Plus Guarantees as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic as well as expenses and income associated with the provision of EGAP Plus Guarantees as support in the form of guarantees for the repayment of new loans granted to Czech companies as part of state economic aid in response to Russia's aggression against Ukraine to ensure greater availability of liquidity.

j) Transfer of income from investments

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

k) Personnel expenses, supplementary pension insurance and social fund

Personnel expenses are included in administrative expenses.

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

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

l) Assumed and ceded reinsurance**Inwards reinsurance**

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

Ceded reinsurance

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

Receivables from and payables to reinsurers are stated at cost.

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

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

m) Deferred tax

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

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

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

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

n) Transactions with related parties

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

- companies that form a group of companies with the Company. The Company forms a group with Česká exportní banka, a.s. ("ČEB");
- state financial institutions that EGAP enters into business relations with: Národní rozvojová banka, a.s., former Českomoravská záruční a rozvojová banka, a.s. ("NRB");
- members of the Board of Directors, Supervisory Board, Audit Committee and the Company's management and parties close to such members.

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

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

o) Loss prevention fund

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

p) Provision of guarantees under the COVID Plus programme

An amendment to Act No. 58/1995 and Act No. 166/1993, as amended, in effect from 29 April 2020, expands EGAP's activities by the provision of guarantees for the repayment of loans provided to exporters, manufacturers and traders.

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

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

- Fees for the provision of guarantees

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

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

- Expenses arising in connection with the provision of guarantees

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

- Provision for unexpired risks

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

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

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

q) **Provision of guarantees under the EGAP Plus programme**

An amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and Supplementing Act No. 166/1993 Coll., on Supreme Audit Office, as amended, entering into effect on 30 November 2022, expands EGAP's activities by the provision of guarantees to support business and economy in response to the Russia's aggression towards Ukraine.

The purpose and extent of guarantees, conditions for their provision, the amount of coverage for the unpaid principal, and the procedure for the payment of all funds from the state budget in favour of EGAP in connection with the provision of guarantees are regulated by Government Decree No. 364/2022 Coll, as amended.

The EGAP Plus programme was launched on 30 November 2022 with guarantees expected to be provided in 2023.

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

- Fees for the provision of guarantees

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

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

- Expenses arising in connection with the provision of guarantees

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

- Provision for unexpired risks

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

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

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

I.4. Subsequent events

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

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

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

In 2022, the Company did not make any other changes to its accounting methods and procedures nor did it use any deviations from these methods and procedures during the period or correct any prior period errors.

I.6. Risk management

a) Legislative framework

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

The risks to which EGAP is exposed are primarily influenced by the nature of its activity related to support of exports through providing export credit risk insurance. In managing risks, next to the above legal regulations EGAP also follows the provisions of Act No. 58/1995 and additions to Act No. 166/1993, as amended.

In 2020, Act No. 58/1995 was amended, authorising EGAP to provide guarantees for the repayment of loans provided to exporters, manufacturers and traders where these guarantees are understood to be guarantees for the repayment of principal regarding loans to finance operations, working capital, innovation and production quality enhancement and for the purposes of maintaining business by exporters, manufacturers and traders. These guarantees were provided by the Company until the end of 2021 as an extraordinary measure to minimise the economic and social implications of the COVID-19 pandemic. The guarantees were already being repaid in 2022 and the creditworthiness of the borrowers is regularly reassessed to correctly determine the provisions for these guarantees.

Act No. 58/1995 was further amended at the end of 2022 when EGAP was entrusted with the provision of guarantees for the repayment of loans of exporters, manufacturers, and export-oriented enterprises.

The purpose and extent of guarantees, conditions for their provision, the amount of coverage for the unpaid principal, and the procedure for the payment of all funds from the state budget in favour of EGAP in connection with the provision of guarantees are regulated by government via its decrees.

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

b) Risk management system

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

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

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

- timing of the ORSA process and the annual frequency of the full ORSA process, following the audited results for the given year;
- overview of the main ORSA process inputs;
- description of the individual ORSA process steps, or description of the individual activities carried out within the ORSA process and tasks following from this process, including the manner of performance of stress tests and the analysis of their results, definition/review of the risk appetite in relation to EGAP's strategy, assessment of suitability of set limits for risk management, assessment of the current risk management system and related regulations, identification and assessment of key risks, description of the current solvency and capital position, etc.;
- description of the roles and responsibilities of the individual organisational departments of EGAP in the ORSA process, and;
- description of the documentation of the ORSA process.

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

In 2022, increased emphasis was again placed on data quality. In 2022, a new element in risk management was the focus on the implementation of ESG (environmental, social and corporate governance) risk management. EGAP also dealt with some parts of ESG risk in the past, e.g. in the evaluation/assessment of entities and investments/business cases with insurance of more than 2 years when it carefully monitored compliance with environmental and overall sustainability requirements under the conditions set by the OECD, or in its own operational activities. However, the comprehensive approach as required by the EU regulations and hence by the Czech National Bank started to be implemented mostly in 2022.

c) Risk management strategy

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

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

d) Main risk management principles

- Compact and interconnected system with decentralised features

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

- Continuous process (systematic process)

Risk management is a continuous process, consisting of 6 basic phases which are as follows: (1) risk identification, (2) risk assessment, (3) risk measurement (quantification), (4) risk monitoring, (5) risk

reporting, and (6) measures to remove or mitigate risk. These risk management phases represent a cycle during which certain phases can mingle or proceed simultaneously.

- Feedback (stress and regression tests)

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

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

EGAP carries out the calculation of capital requirements, or SCR, to manage the capital by comparing them with the capital requirements stated in Act No. 58/1995.

In 2022, with the Czech National Bank's consent, EGAP used a partial internal model for the calculation of SCR relating to insurance (underwriting) risk („SCRPUR“), which was first used for the calculation of SCR at the end of 2017. In addition, the calculated SCR/SCRPUR is used when underwriting/ changing selected business case insurance within the ORSA process or when approving, planning, making decisions regarding ceded reinsurance or when determining selected insurance limits per country or when calculating the risk margin.

e) **Risk appetite**

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

Approval of the Risk appetite of EGAP is in the competency of the board of directors which actively influences the establishment of the risk appetite.

The risk appetite also fulfils the requirements imposed on EGAP by Act No. 58/1995, as amended, for example in the fact that the volume of the assumed risk must not exceed the insurance capacity of EGAP¹.

¹ EGAP's insurance capacity for 2020 was increased to BCZK 330 based on a resolution of the Czech government in March 2020 in connection with the decision to provide the COVID Plus Guarantees (BCZK 188 for insurance activities and BCZK 142 for guarantee activities). The amount of EGAP's insurance capacity for insurance activities was the same in 2021 and in 2022. Insurance capacity for 2023 amounts to BCZK 218, BCZK 188 for insurance and BCZK 30 for providing COVID Plus and EGAP Plus guarantees).

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

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

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

f) Risk profile

The risk profile comprises the key risks identified by EGAP:

- insurance (underwriting) risk;
- market risk;
- asset and liability management risk;
- credit risk;
- strategic risk;
- reputation risk;
- regulatory and compliance risk;
- operational risk
- ESG risk, i.e. the risk relating to sustainability.

Each of the key risks is further divided into partial risks while the division of the risks both respects division under legal regulations and expresses the results of the ORSA processes carried out in EGAP in 2014-2022² which were duly discussed by the statutory bodies of EGAP and reported to the Czech National Bank.

At the end of 2022, for the above reasons, ESG risk – defined as an environmental, social or governance event or situation that, if it were to occur, could have an actual or potential adverse impact on the value of the investment or liability – was newly incorporated into the risk profile (note: the risk is assessed in relation to clients and also in relation to EGAP).

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

² The ORSA process for 2022 is running; the ORSA report as at 31 December 2022 will be submitted to the CNB before 30 June 2023.

g) Insurance (underwriting) risk

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

EGAP manages the insurance (underwriting) risk primarily:

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

h) Market risk

The market risk is defined as the risk of a loss resulting from changes in the market prices of shares and other assets traded on the market, interest rates, and foreign exchange rates. The market risk generally arises from open positions in currencies, interest rates and equity or other tradeable products (e.g. commodities and real estate), all of which are exposed to general and specific market movements. The market risk comprises the interest rate risk, currency risk, equity risk, real estate risk, and spread risk.

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

EGAP does not actively hedge the currency risk. It uses only a natural hedging where the financial means denominated in foreign currencies are kept on EGAP's foreign currency accounts. The currency risk is

also naturally reduced by insurance settlement payments which relate to insurance contracts concluded in a foreign currency to which technical provisions carrying the currency risk have been established before. Over the last 3-4 years, EGAP reduced the currency gap to less than half of its value, and this downward trend remains ongoing.

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

Market risks also relate to the placement of available financial means (investment). These risks are managed through procedures set out in the Investment Strategy and the Investment Risk Management Concept; however, these were significantly reduced after the amendment to Act No. 58/1995, which had significantly limited EGAP's investment activities outside of depositing funds with the Czech National Bank.

i) Asset and liability management risk

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

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

- Liquidity risk

EGAP defines the liquidity risk as a risk of the loss of the ability to meet its financial obligations at the moment when they become due. EGAP draws on its available cash resources on a daily basis and there is always some risk that payment of liabilities will not be made in a timely manner at a reasonable cost.

In compliance with the valid legislation and EGAP's internal policies, the Company maintains a sufficient portion of funds on the accounts of the Czech National Bank and other financial institutions (approved by the Ministry of Finance of the Czech Republic) and in liquid and secure financial instruments (held-to-maturity).

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

- Risk of discrepancy between assets and liabilities

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

From the point of view of EGAP, the major partial risk is the risk of monetary discrepancy between assets and liabilities which follows from the fact that EGAP's assets are primarily kept at CZK while EGAP's liabilities (technical provisions connected with insurance contracts concluded in a foreign currency) are linked to EUR, USD, and exceptionally other foreign currencies. The monetary discrepancy between assets and liabilities results in an increase in EGAP's capital requirement on the currency risk. However, the resulting impact is limited by the fact that EGAP is required to meet a capital requirement of only 30% of the SCR, i.e. the full impact of currency risk, or the currency mismatch between assets and liabilities, does not affect EGAP.

j) Credit risk

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

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

k) Strategic risk

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

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

l) Reputation risk

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

m) Regulatory and compliance risk

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

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

n) Operational risk

EGAP defines the operational risk as the risk of a loss resulting from inadequacy or failure of internal processes, employees or persons working for EGAP, internal systems, or from external events. In EGAP, legal risk and now information and communication system management risk are now classified as operational sub-risks, since these risks are directly listed in the prudential rules. Identified operational risks are evaluated in EGAP using the OR Catalogue. From 2021 onwards, operational risks in EGAP are managed according to processes.

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

II. Additional information on the balance sheet

II.1. Intangible assets

Intangible fixed assets as at 31 December 2022 comprised the following items:

(TCZK)	1 January 2021	Additions	Disposals	31 December 2021	Additions	Disposals	31 December 2022
Acquisition cost							
Software	49,294	1,728	0	51,022	875	0	51,897
Other intangible assets	6,586	1,076	0	7,662	1,489	0	9,151
Total acquisition cost	55,880	2,804	0	58,684	2,364	0	61,048
Accumulated depreciation							
Software	45,624	2,649	0	48,272	1,664	0	49,936
Other intangible assets	5,496	323	0	5,820	450	0	6,270
Total accumulated depreciation	51,120	2,972	0	54,092	2,114	0	56,206
Net book value	4,760			4,592			4,842

II.2. Investments

a) Land and buildings

2022	Operating land	Operating buildings	Buildings	Total
Acquisition cost at 01/01/2022	123,202	603,038	69,646	795,886
Additions	4,477	85	0	4,562
Disposals	0	0	69,646	69,646
Acquisition cost at 31/12/2022	127,679	603,123	0	730,802
Accumulated depreciation at 01/01/2022	0	209,600	24,082	233,682
Depreciation	0	7,309	0	7,309
Decrease in adjustments	0	30,607	0	30,607
Disposals	0	0	24,082	24,082
Accumulated depreciation at 31/12/2022	0	186,302	0	186,302
Net book value at 01/01/2022	123,202	393,438	45,504	562,204
Net book value at 31/12/2022	127,678	416,821	0	544,500

Fair value	Operating land	Operating buildings	Buildings	Total
2022	127,679	416,821	0	544,500
2021	123,202	419,798	45,564	588,564

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

The last valuation of the land lots and a building was carried out by A-Consult plus, spol. s r.o. in 2022. The value of land was increased to TCZK 4,477. The value of the building was increased by TCZK 30,607 by reducing accumulated depreciation at the same amount.

Within the debt recovery process in 2019, the Company acquired a building complex for the storage of cereals with a total area of 5,836.5 m² in the Mykolaiv area, village Berizky in Ukraine. The complex was reported under Buildings and was sold in 2022.

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

(TCZK)	31 December 2022	31 December 2021
Unlisted shares issued by financial institutions		
Acquisition cost	830,000	830,000
Fair value	830,000	830,000
Total acquisition cost	830,000	830,000
Total fair value	830,000	830,000

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

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

c) Available-for-sale debt securities

(TCZK)	31 December 2022	31 December 2021
Debt securities issued by government sector and listed on a recognised CR exchange		
Acquisition cost	5,993,857	6,142,268
Fair value	5,933,293	5,985,929
Debt securities issued by non-financial institutions and listed elsewhere		
Acquisition cost	305,340	305,340
Fair value	304,163	305,876
Total acquisition cost	6,299,197	6,447,608
Total fair value	6,237,456	6,291 805

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

d) Deposits with financial institutions

(TCZK)	31 December 2022	31 December 2021
Domestic banks	11,644,274	11,077,125

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

II.3. Receivables

31 December 2022 (TCZK)	Receivables from policyholders	Other receivables	Total
Due	0	146,428	146,428
Past due	0	28,714	28,714
Total	0	175,142	175,142
Adjustment	0	-71,832	-71,832
Total net receivables	0	103,310	103,310

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

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

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

In 2022, the agreed-upon value of the receivables assigned to EGAP was TCZK 0 (2021: TCZK 0).

As at 31 December 2022, the total value of receivables assigned to the Company free of charge by the policyholders in connection with claims totalled TCZK 4,707,727 (2021: TCZK 4,878,500).

Long-term receivables as at 31 December 2022 amounted to TCZK 28,714 (2021: TCZK 28,714). 100% adjustments were created to these receivables.

In connection with the insolvency of Sberbank a.s., the value of the current account and time deposit balances with this banking institution was transferred to receivables. The receivable was lodged in insolvency proceedings. To proceed prudently, a 30% adjustment was created for this receivable.

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

(TCZK)	2022	2021
Opening balance at 1 January	28,714	28,714
Release of adjustment	0	0
Use for write-off	0	0
Additions to adjustment	43,118	0
Closing balance at 31 December	71,832	28,714

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

(TCZK)	1 January 2021	Additions	Disposals	31 December 2021	Additions	Disposals	31 December 2022
Acquisition cost							
Machines and equipment	62,908	575	15	63,468	2,170	83	65,555
Motor vehicles	3,340	0	0	3,340	0	664	2,676
Works of art	625	0	0	625	0	0	625
Tangible assets under construction	87	4,483	4,570	0	2,347	2,255	92
Total acquisition cost	66,960	5,058	4,585	67,433	4,517	3,002	68,948
Accumulated depreciation							
Machines and equipment	57,541	2,613	15	60,139	2,284	83	62,340
Motor vehicles	3,340	0	0	3,340		664	2,676
Total accumulated depreciation	60,881	2,613	15	63,479	2,284	747	65,016
Net book value	6,079			3,954			3,932

II.5. Temporary asset accounts

(TCZK)	31 December 2022	31 December 2021
Deferred revenues	3	16
Prepayments for business data, communications and other services and membership fees	15,900	17,947
Inventories	763	966
Estimated receivables	4,795	4,961
Total	21,461	23,890

II.6. Equity

a) Registered capital

	31 December 2022		31 December 2021	
	Number (pieces)	(TCZK)	Number (pieces)	(TCZK)
Ordinary shares at the nominal value of MCZK 1, fully paid-up	5,575	5,575,000	5,575	5,575,000

b) Other capital contributions

(TCZK)	31 December 2022	31 December 2021
Insurance funds	3,895,413	2,447,457
Fund to cover liabilities from provided COVID Plus Guarantees	2,676,383	3,760,344
Fund to cover liabilities from provided EGAP Plus Guarantees	500,000	0
Revaluation differences	-16,285	-7,290
Total other capital contributions	7,055,511	6,200,511

The Company establishes insurance funds in compliance with Act No. 58/1995 and Act No. 166/1993, as amended.

In 2022, the Company did not receive any subsidy for its insurance funds from the state budget (2021: TCZK 0).

An amendment to Act No. 58/1995 and additions to Act No. 166/1993, as amended, entering into effect on 30 November 2022, expands EGAP's activities by the provision of guarantees to support business and economy in response to the Russia's aggression towards Ukraine. In compliance with Government Decree No. 364/2022 Coll., on 23 December 2022, the first monetary contribution of TCZK 500,000 was transferred from the state budget to a fund to cover liabilities from provided EGAP Plus Guarantees.

c) **Revaluation differences**

(TCZK)	31 December 2022	31 December 2021
Land and buildings (note II.2.a)	54,326	19,242
Available-for-sale debt securities (II.2.c)	-60,289	-22,876
Deferred tax (note III.7)	-10,322	-3,656
Total revaluation differences	-16,285	-7,290

The growth in revaluation differences on available-for-sale debt securities is influenced by price developments in financial markets, particularly for variable-rate bonds, which were mostly affected by significant increases in interest rates by monetary authorities. The amount of the revaluation differences is also affected by the decreasing time to maturity of the securities and any maturity during the period.

d) **Reserve fund and other funds from profit**

(TCZK)	1 January 2021	Utilisation/ transfer	31 December 2021	Utilisation/ transfer	31 December 2022
Statutory reserve fund	10,520	0	10,520	76,287	86,807
Loss prevention fund	92,853	0	92,853	0	92,853
Social fund and fund of the General Manager	5,788	-819	4,969	1,095	6,064
Total	109,161	-819	108,342	77,382	185,724

e) **Profit after tax**

The Company's general meeting will decide on the distribution of profit for 2022 of TCZK 832,223.

A profit of TCZK 441,781 for 2021 and the manner of its distribution was approved by the Company's general meeting held on 29 April 2022:

(TCZK)	Other capital contributions	Other funds from profit	Reserve fund	Total
Distribution of profit for 2021	363,994	1,500	76,287	441,781
Distribution of profit from insurance activity for 2021	1,447,955	1,500	76,287	1,525,742
Distribution of profit from guarantees for 2021	-1,083,961			-1,083,961

f) **Ensuring the Company's solvency**

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

II.7. Technical provisions

Gross provision				
31 December 2022 (TCZK)	Direct insurance	Inwards reinsurance	Reinsurance share	Net provision
Provision for unearned premiums	2,211,355	64,921	-457,014	1,819,262
Provision for outstanding claims	6,075,534	203,751	-129,469	6,149,816
Total	8,286,889	268,672	-586,483	7,969,078

Gross provision				
31 December 2022 (TCZK)	Direct insurance	Inwards reinsurance	Reinsurance share	Net provision
Provision for unearned premiums	3,324,356	109,396	-614,890	2,818,862
Provision for outstanding claims	5,397,761	142,668	-16,531	5,523,898
Total	8,722,117	252,064	-631,421	8,342,760

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

a) Provision for outstanding claims

(TCZK)	31 December 2022	31 December 2021
Gross provision for claims reported but not settled (RBNS)	4,440,230	5,088,483
Gross provision for claims incurred but not reported (IBNR)	1,839,055	451,946
Total provision for outstanding claims	6,279,285	5,540,429

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

Total technical provisions decreased by MCZK 374 net compared with the balance as at 31 December 2021. This decrease was mainly due to the following three factors:

- a) There was a noticeable decrease in the provision for unearned premiums on a net basis compared to 31 December 2021. This was mainly due to the fact that in 2022, premiums written amounted to MCZK 92, with earned premiums significantly exceeding this amount, which resulted in a decrease in the net amount of a provision for unearned premiums of almost BCZK 1. This significant release of the provision for unearned premiums is also due to the increased frequency of claims reported this year.
- b) By contrast, the provision for outstanding claims increased, especially the IBNR provision. Compared to the balance as at 31 December 2021, it increased more than fourfold (i.e. by almost BCZK 1.4), partly due to the deterioration of the situation of some debtors in connection with the war in Ukraine. The

RBNS provision, on the other hand, decreased slightly by approximately MCZK 650 compared to the previous year, e.g. due to the continuous payment of claims under ongoing insurance settlements.

- c) The Company slightly changed its approach to claims covered by ceded reinsurance within a provision for outstanding claims. As at 31 December 2022, EGAP again reported a difference between the gross and net amount of a provision for outstanding claims (and unearned premiums), whereas the reinsurer's share in both technical provisions amounts to MCZK 586 (31 December 2021: MCZK 631). A more significant part of ceded reinsurance moved to the provision for outstanding claims due to the above increase in the frequency of reported claims.

b) Change in the gross provision for outstanding claims

Estimated total claims paid:

Total gross claims as at 31 December 2022													(TCZK)
Claims arising in													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At the end of the accounting period	3,017,333	4,172,351	3,812,040	6,237,607	7,075,866	7,905,122	1,811,192	2,193,836	626,065	917,711	742,445	2,589,150	
1 year later	1,653,676	2,738,530	4,320,779	5,615,082	4,078,155	11,187,338	315,160	1,357,140	80,371	4,748	322,547		
2 years later	1,671,794	2,772,319	4,561,706	6,227,234	4,465,807	11,981,343	317,913	1,749,834	85,071	4,748			
3 years later	1,965,863	3,031,569	3,967,902	6,086,024	4,819,525	15,055,579	390,648	1,803,207	89,481				
4 years later	2,095,028	3,229,270	4,411,434	6,501,617	4,906,090	15,297,634	390,648	1,803,207					
5 years later	2,000,665	2,964,953	4,409,223	6,497,428	4,940,417	14,785,085	390,648						
6 years later	2,091,603	2,966,362	4,562,009	6,402,321	5,058,075	15,345,132							
7 years later	2,085,648	2,967,222	4,570,098	6,402,321	5,042,633								
8 years later	2,097,201	2,967,222	4,559,707	6,402,321									
9 years later	2,105,449	2,967,222	4,572,435										
10 years later	2,085,648	2,967,222											
11 years later	2,085,648												
Current estimate of total claims	2,085,648	2,967,222	4,572,435	6,402,321	5,042,633	15,345,132	390,648	1,803,207	89,481	4,748	322,547	2,589,150	41,615,172
Accumulate claims paid at 31 December 2022	-2,085,648	-2,967,222	-4,487,618	-6,402,321	-4,832,772	-12,310,054	-390,648	-1,803,207	-64,070	-4,748	-117,706	-52,765	-35,518,779
Provision for expenses connected with claims settlement	0	0	0	0	0	0	0	0	0	0	0	182,892	182,892
Total provision for outstanding claims	0	0	84,817	0	209,861	3,035,078	0	0	25,411	0	204,841	2,719,277	6,279,285

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

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

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

Total insurance exposure as at 31 December 2022 was BCZK 89.3 while the concentration of the five major cases was BCZK 32.8 and the concentration of 10 major cases was BCZK 49.2 (31 December 2021: BCZK 95.8 while the concentration of the five major cases was BCZK 33.7 and the concentration of 10 major cases BCZK 49.6).

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

(TCZK)	Provision for unexpired risks unearned premiums	Provision for outstanding claims	Total
At 1 January 2021	3,816,272	8,200,274	12,016,546
Additions	443,550	450,244	893,794
Utilisation	-826,070	-3,110,089	-3,936,159
At 31 December 2021	3,433,752	5,540,429	8 974 181
Additions	209,563	3,879,757	4,089,320
Utilisation	-1,367,039	-3,140,901	-4,507,940
At 31 December 2022	2,276,276	6,279,285	8,555,561

The utilisation of a provision for outstanding claims in 2022, amounting to MCZK 3.1, is mainly associated with the high value of claims paid (almost BCZK 2) and with changes in the estimates of recoverability relating to certain claims; additions to this provision primarily relates to the creation of provisions for new or deteriorating claims, including both IBNR provisions. For a provision for unearned premiums, additions are directly related to the amount of premiums underwritten or, exceptionally, to the termination of a claim and the transfer of such an insurance contract to the no-claims category. The utilisation of a provision for unearned premiums corresponds with the release of the collected premiums over time and is relatively stable. A surge increase can only arise from a new claim on an insurance policy with a significant amount of a provision for unearned premiums, which is the case in 2022, and therefore we observe an over-use of this provision in 2022 when compared to the original expectation.

II.8. Other provisions

Other provisions as at 31 December 2022 comprise a provision for unexpired risks relating to the COVID Plus Guarantees, a provision for unsettled payments relating to guarantees provided under the COVID Plus programme, and also a provision for untaken holidays. The change in these provisions can be analysed as follows:

(TCZK)	Provisions relating to guarantees under COVID Plus programme	Provision for untaken holidays	Total
At 1 January 2021	289,299	2,909	292,208
Additions	1,619,662	2,395	1,622,057
Release	-254,344	-2,909	-257,253
At 31 December 2021	1,654,617	2,395	1,657,012
Additions	74,460	2,411	76,871
Release	-1,094,617	-2,395	-1,097,012
At 31 December 2022	634,460	2,411	636,871

Within the provisions related to the provision of COVID Plus Guarantees, as at 31 December 31 2022, the Company did not recognise a provision for unexpired risks related to the provision of COVID Plus Guarantees resulting from the change in expected losses from the moment of provision of the guarantee, which responds to the development of individual guarantee contracts in EGAP's portfolio and then evaluates their sufficiency or insufficiency. The provision for unexpired risks relating to guarantees under the COVID Plus programme represents the difference between the expected loss on guarantees issued and the amount of deferred income. The amount of this provision as at 31 December 2022 was CZK 0 (31 December 2021: TCZK 618,793). The reason for recognising the provision at nil is that as at 31 December 2022 the expected revenue from earned premiums exceeds the expected loss on guarantees provided; the provision for unexpired risks is therefore negative but is not recognised at a negative amount in the accounts for prudential reasons.

As at 31 December 2022, additions to the provision for unsettled payments relating to guarantees under the COVID Plus programme, made to provide for the impending repayment of certain guaranteed loans, amounted to TCZK 634,460 (31 December 2021: TCZK 1,035,823). This decrease is related, first, to the payout of one guarantee due to borrower default and, second, to a slight improvement in the credit quality of borrowers for the guarantees provided, which were previously classified as higher risk and for which a corresponding provision was made.

II.9. Payables

(TCZK)	31 December 2022	31 December 2021
Payables arising from direct insurance operations	0	0
Payables arising from reinsurance operations	0	0
Other payables	125,763	100,519
Total creditors	125,763	100,519

The maturity of liabilities can be analysed as follows:

(TCZK)	31 December 2022	31 December 2021
Short-term liabilities		
- due within 1 year	125,763	100,519
Total	125,763	100,519

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

Other liabilities comprise as follows:

(TCZK)	31 December 2022	31 December 2021
Payables to employees from employment	16,588	16,412
Social security and health insurance liabilities	8,658	8,097
Deferred tax liability	67,697	56,605
Other tax liabilities	4,956	5,311
Operating advances received	6,458	4,526
Other payables	21,406	9,568
Total	125,763	100,519

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

II.10. Temporary liability accounts

(TCZK)	31 December 2022	31 December 2021
Accrued expenses and deferred revenues	216,399	404,048
Estimated payables	1,480	8,982
Total	217,879	413,030

The decrease in accrued expenses was due to the derecognition of the accrual of the COVID Plus guarantee fee attributable to the current period.

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

As part of the COVID Plus Guarantee activities, the Company was involved in the following transactions:

Profit and loss transactions (TCZK)	2022	2021
Revenues from premiums for the provision of guarantees related to current period	197,144	273,021
Fees for the provision of guarantees	0	1,291
Interest revenue	47,612	37,361
Foreign exchange gains	11,535	4,009
Utilisation of provisions for unexpired risks relating to provided guarantees (note II.8.)	1,094,616	254,344
Total revenues (note III.6.)	1,350,907	570,026
Directly attributable operating expenses	-333	-2,050
Allocated operating expenses	-7,308	-15,977
Cost of claims under guarantees	-236,077	
Foreign exchange losses	-19,426	-16,298
Expenses connected with placement of temporarily free funds	-22,178	0
Additions to provisions relating to guarantees under COVID Plus programme (Note II.8.)	-74,460	-1,619,662
Total expenses	-359,782	-1,653,987
Profit (loss) from the provision of guarantees	991,125	-1,083,961

The most significant cost item is the payment of insurance claims of TCZK 235,822.

The balances reported in the balance sheet in connection with the provision of COVID Plus Guarantees were as follows:

(TCZK)	31 December 2022	31 December 2021
Current accounts	281,895	715,347
Deposits with financial institutions (note II.2.d)	4,236,487	4,022,178
Receivables from the provision of guarantees (note II.3)	0	125
Total assets	4,518,382	4,737,650
Fund to cover liabilities from provided guarantees (note II.6.b)	2,676,383	3,760,344
Total equity	2,676,383	3,760,344
Provision for unexpired risks relating to provided guarantees (note II.8.)	634,459	1,654,617
Liabilities (note II.9)	72	20
Insurance-related payables relating to allocation of overheads	1,799	3,351
Accrued expenses	0	34
Deferred revenues (note II.10.)	214,543	403,245
Total provisions and liabilities	850,873	2,061,267

Exposure associated with provided guarantees as at 31 December 2022 amounted to MCZK 13,977 (31 December 2021: MCZK 16,509), while the volume of provided guarantees remained unchanged from 31 December 2021 (31 December 2021: MCZK 18,085).

II.12. Transactions associated with the provision of guarantees under the EGAP Plus programme

As part of preparation for the provision of the EGAP Plus Guarantee activities, the Company was involved in the following transactions:

Profit and loss transactions (TCZK)	2022
Revenues from premiums for the provision of guarantees related to current period	0
Fees for the provision of guarantees	0
Interest revenue	120
Foreign exchange gains	0
Utilisation of provisions for unexpired risks relating to provided guarantees (note II.8.)	0
Total revenues (note III.6.)	120
Directly attributable operating expenses	0
Allocated operating expenses	-3,915
Foreign exchange losses	0
Additions to provisions for unexpired risks relating to provided guarantees (note II.8.)	-0
Total expenses	-3,915
Profit (loss) from the provision of guarantees	-3,795

The balances reported in the balance sheet in connection with the provision of EGAP Plus Guarantees were as follows:

(TCZK)	31 December 2022
Current accounts	20,000
Deposits with financial institutions (note II.2.d)	480,120
Receivables arising from guarantee operations	0
Total assets	500,120
Fund to cover liabilities from provided guarantees (note II.6.b)	500,000
Total equity	500,000
Provision for unexpired risks relating to provided guarantees	0
Payables	0
Insurance-related payables relating to allocation of overheads	3,915
Accrued expenses	0
Deferred revenues	0
Total provisions and liabilities	3,915

In 2022, the Company incurred costs related to the preparation of the EGAP Plus programme, amounting to TCZK 3,915; the guarantees themselves will be provided after 1 January 2023 once the applications have been approved.

II.13. Transactions with related parties

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

Profit and loss transactions (TCZK)	2022	2021
ČEB		
Direct gross premiums written	19,313	23,484
Invoicing from lease agreement	18,059	17,950
Other invoicing from insurance contracts	75	96
Other re-invoicing	2	97
Interest revenue	24,877	11,008
Other income – cash recovered by ČEB from insured events and ceded to EGAP	988,182	93,120
Total income	1,050,508	145,755
Release of provision for outstanding claims	1,211,971	2,221,677
Insurance settlements	-1,747,077	-1,729,159
Cost of receivables recovery in connection with claims settlement	-16,946	-20,131
Total	-552,052	472,387

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

The Company recognised the following related party balances:

Profit and loss transactions (TCZK)	31 December 2022	31 December 2021
ČEB		
Current accounts	14,014	320
Term deposits	1,717,003	1,933,163
Other receivables	0	1
Payables	-19,068	-6,867
Total	1,711,949	1,926,617
RBNS	3,134,210	4,286,849
IBNR	353,054	412,386
Total	3,487,264	4,699,235

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

III. Additional information on the income statement

III.1. Non-life insurance

2022

(TCZK)	Gross premiums written	Change in the gross provision for unearned premiums	Gross claims paid	Gross operating expenses
Credit insurance (insurance class 14) – insurance with state support	15,667	954,933	-2,345,294	209,101
Surety insurance (insurance class 15)	16,940	11,868	88	39,664
Various financial losses insurance (insurance class 16)	59,817	32,799	-392,468	26,443
Total	92,424	999,600	2,737,674	275,208

2021

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

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

Gross premiums written by geographical segments

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

III.2. Reinsurance

a) Inwards reinsurance

(TCZK)	31 December 2022	31 December 2021
Technical provisions relating to inwards reinsurance (note II. 7.)	268,672	252,064
Gross premiums written	73	51,455
Claims paid	-6,989	-172,536
Change in technical provisions from inwards reinsurance	16,608	107,770
Inwards reinsurance commissions	38	-5 332
Inwards reinsurance result	9,730	-18,643

b) Ceded reinsurance

(TCZK)	31 December 2022	31 December 2021
Share of technical provisions covered by reinsurance (note II.7)	586,483	631,421
Gross premiums written ceded to reinsurers	0	-48,962
Reinsurers' share of claims paid	373	266
Change in the provision for unearned premiums, reinsurers' share	-157,875	-99,261
Change in the provision for outstanding claims, reinsurers' share	112,937	-37,493
Reinsurance commissions	0	4,896
Balance - ceded reinsurance	-44,565	-180,554

III.3. Administrative expenses

(TCZK)	Administrative expenses		Allocated to other expenses	
	2022	2021	2022	2021
Allocated to other expenses	196,519	196,157	10,763	11,655
Other administrative expenses	32,457	23,453	181	1,683
Depreciation of fixed assets	4,338	4,470	61	1,115
Operating expenses connected with the building	18 753	13,531	31	0
Information and communication services	9,239	5,165	139	1,224
Advisory and other assurance services	1,852	1,008	0	78
Audit of statutory financial statements	1,271	1,097	48	222
Total administrative expenses	264,429	244,881	11,223	15,977

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

Expenses associated with the provision of the COVID Plus Guarantees and the EGAP Plus Guarantees are initially charged to administrative overheads and subsequently allocated to other expenses of the non-technical account. The amount of allocated costs is determined on the basis of a regularly updated internal regulation.

III.4. Employees and executives

Personnel expenses comprise as follows:

(TCZK)	2022	2021
Remuneration to directors and supervisory board members	16,457	15,575
Payroll expense and remuneration to executives	34,317	35,833
Payroll expense and remuneration to other employees	106,893	107,063
Social security and health insurance	49,615	49,341
Total personnel expenses	207,282	207,812

Number of employees	2022	2021
Number of employees excluding top management	93	98
Number of top management members	13	14
Total	106	112
Average number of employees excluding top management	106	112
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	5	5
Number of members of the Audit Committee	3	3

Members of statutory and supervisory bodies include members of the Board of Directors, Supervisory Board, and Audit Committee. In 2022, monthly fees were paid to existing members of the Company's bodies and an annual and three-year bonus with deferred maturity was paid to existing and former members based on relevant service contracts.

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

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

Members of the Company's top management are the holders of key functions and other persons with key functions – employees of the Company. In 2022, annual bonuses with deferred maturity were paid out to existing and former top management members.

III.5. Fees payable to statutory auditors

Fees payable to statutory auditors are reported within administrative expenses. Total fees payable to statutory auditors for their services for 2022 amount to TCZK 1,319 (2021: TCZK 1,319). The fee comprises the following items:

(TCZK)	2022	2021
Statutory audit	1,319	1,319
Other non-audit services	0	0
Total fee	1,319	1,319

III.6. Other income

Other income comprises as follows:

(TCZK)	31 December 2022	31 December 2021
Revenues from recovered and ceded receivables	1,366,133	413,582
Foreign exchange gains	202,397	38,463
Revenue from the provision of guarantees (note II.11)	256,411	315,682
Rental and related services	25,669	26,525
Utilisation of other provisions (note II.8)	1,097,012	257,253
Revenues from sales of assets	28,119	1
Other	560	187
Total other income	2,976,301	1,051,693

III.7. Other expenses

Other expenses can be analysed as follows:

(TCZK)	31 December 2022	31 December 2021
Operating expenses associated with COVID Plus Guarantees	289,238	18,027
Foreign exchange losses	183,619	136,740
Operating expenses connected with the building	4,635	4,489
Additions to other provisions (note II.8)	76,870	1,622,056
Additions to adjustments, write-off of receivables	96,948	0
Net book value of sold assets	45,565	0
Other	43	139
Total other expenses	696,918	1,781,451

The Company records a receivable from Sberbank CZ, filed in insolvency proceedings, amounting to TCZK 143,727. The recoverability of a receivable was assumed to be 70%; an adjustment amounting to 30% of the registered receivable, i.e. TCZK 43,118, was created to reflect the current risk of loss from the ongoing insolvency proceedings.

III.8. Income tax

Current tax was calculated as follows:

(TCZK)	2022	2021
Profit/loss before tax	832,223	441,781
Non-taxable income	-1,097,124	-257,233
Items increasing the tax base	193,071	1,625,294
Tax base decreased by differences in technical provisions	-530,084	438,003
Tax base	-601,914	2,247,845
Tax losses – utilisation	0	2,247,845
Change in deferred tax liability	4,427	1,581
Income tax in the income statement	4,427	1,581

No corporate income tax liability arose for the Company in 2022.

Deferred tax assets (+) and deferred tax liabilities (-) as at 31 December 2022 and 31 December 2021 were calculated using a 19% tax rate and can be analysed as follows:

(TCZK)	2022	2021
Land and buildings revaluation in equity (note II.6.c)	-10,322	-3,656
Accelerated tax depreciation, adjustments, provisions	-57,375	-52,949
Total deferred tax liability	-67,697	-56,605
Tax losses	609,306	1,251,352
Other	137,050	321,733
Total deferred tax asset	746,356	1,573,085
Potential net deferred tax asset / liability (+/-)	678,659	1,516,480

As at 31 December 2022, the Company recognised a deferred tax liability of TCZK 67,697 (at 31 December 2021: TCZK 56,605), resulting primarily from a difference between the accounting and tax values of operating real estate. A deferred tax asset – other of TCZK 137,050 is recognised mainly in respect of a provision for claims under guarantees.

As at 31 December 2022, the Company reports tax losses of TCZK 3,206,873 (31 December 2021: TCZK 5,186,196).

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

The resulting potential deferred tax asset as at 31 December 2022 and 31 December 2021 was not recognised as the Company's management believes that its future utilisation is not probable due to high year-on-year volatility of operating profit or loss. The deferred tax liability is not offset mainly due to the different timing compared to the deferred tax asset.

IV. Other information

IV.1. Contingencies and commitments

The Company's management is not aware of any contingent liabilities as at 31 December 2022 and 31 December 2021.

IV.2. Other facts

The Company has reassessed all the possible consequences arising from the almost year-long Russian invasion of Ukraine, with the main risks being the partial or complete failure of counterparties in the affected countries and the resulting increasing number and volume of claims. However, these risks are not new to the Company at the moment and it has become clear over the past 12 months that borrowers in the affected countries are not only willing to repay their debts but in several cases to prepay them due to expected punitive restrictions on payment channels. Based on the experience gained, the Company remains of the opinion that the continuing war conflict will not materially affect the financial statements for the year ending 31 December 2022.

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

IV.3. Subsequent events

On 20 March 2023, Mr. Ing. David Havlíček, Ph.D., CFA, was appointed chairman of the board of directors.

Other than the above, the Company's management is not aware of any significant subsequent events at the time of preparing these financial statements that would affect the financial statements as at 31 December 2022.

IV.4. Statutory approvals

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

Ing. David Havlíček, Ph.D., CFA

Chairman of the Board of Directors
and Chief Executive Officer

JUDr. Ing. Marek Dlouhý

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

11

Report of the board of directors

on the Company's business activities
and the state of its assets for 2022



Insurance industry

In 2022, EGAP entered into insurance contracts with a total volume of CZK 41.2 billion, supporting a total of 51 exporters in exports to 39 countries. In terms of territorial diversification in 2022, EGAP provided support to new and ongoing projects involving, among others, Georgia, India, China, Kazakhstan, Turkey, and Mauritius. Due to the war, the provision of insurance to Russia, Belarus, and Ukraine decreased. Major business cases include the support of hospital constructions in Ghana, the insurance of injection pump exports in Belarus, the insurance of mining locomotive deliveries in Kazakhstan, etc.

The most successful product of 2022 in terms of insurance volume was the investment insurance product. This primarily involved ongoing investments in India, Georgia, and China. In terms of closed cases, the most successful product was the bank guarantees insurance.

Following its tradition, EGAP focused on its acquisition activities and support to SMEs. In 2022, EGAP supported 27 business cases involving SMEs, including exports to Uzbekistan, Mexico, Russia, Belarus, Hungary, Slovenia, and Kazakhstan.

Compared to 2021, insurance exposure decreased slightly, and some changes occurred in terms of

territorial structure. The largest change occurred due to the drop in the Russian market (from 13.3% to below 8%). The largest exposure is now in Slovakia (12.7%), followed by Turkey (11.6%), China (9.1%), and Azerbaijan (8.5%). The share of banks in the total insurance exposure was 65% in 2022; the remaining 35% relates to non-banking entities, exporters, and investors.

In 2022, CZK 1.9 billion was recovered, which is over 275% growth against 2021, of which CZK 1,366 million are receivables recovered after the claim settlement. Despite a difficult political and economic situation, large volumes of receivables were recovered in Turkey, Russia, Gabon, and Ghana.

EGAP finished 2022 with a slightly negative results of operation from its primary insurance activities of CZK -155 million, primarily due to the creation of significant claims provision related to the insecurity of business cases in war-affected countries. The impact of this provision creation was partially offset by the high volume of recovered receivables, the favourable development of domestic currency, and high interest revenue on investments. In terms of capital, EGAP has a sufficient amount and does not expect to have to resort to applying for state subsidies in the future.

Guarantee provision

Besides its standard insurance activities, in 2022, EGAP continued to provide liquidity guarantees under its anti-crisis programme. The provision of the COVID Plus guarantee was terminated as at 31 December 2021. In 2022, this activity comprised the monitoring and liquidation of currently managed COVID Plus guarantees, as well as the preparation of the launch of the new EGAP Plus guarantee. In this area, the good news is that in 2022 the formerly expected deterioration of the economic situation of the beneficiaries of guaranteed credit did not occur, resulting in a major release of provisions related to guarantees, as well as low payments and profit of CZK 987 million. This offset the loss of CZK 1.1 billion from the previous year almost in

full. Nevertheless, the results from guarantees did not affect the capital solvency position of EGAP and were fully included in the funds from guarantees which were established for this reason in 2020 and 2022.

Report on relations between the controlling entity and the controlled entity and entities controlled by the same controlling entity (“the Related Parties”) for the period from 1 January 2022 to 31 December 2022, prepared pursuant to Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (“the Corporations Act”), as amended.

12.1. Company background (the controlled entity)

Company name:

Exportní garanční a pojišťovací společnost, a.s. (“EGAP”)

Registered office:

Praha 1, Vodičkova 34/701, postcode 111 21

Identification number:

452 79 314

Tax identification number:

CZ45279314

Entry in the Commercial Register:

recorded in the Commercial Register maintained by the Municipal Court in Prague under file no. B 1619

Registered capital:

CZK 5 575 000 000,- Kč (paid up: 100 %)

Type of shares:

book-entered, not publicly traded

International Securities Identification Number (ISIN):

CZ0008040508

Nominal value of one share:

CZK 1 000 000

Number of votes per share:

one vote

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

12.2.1. Relations between the controlling and controlled entity

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

12.2.2. Relations between other parties related to EGAP

To EGAP's knowledge, in 2022, the state acting as EGAP's controlling entity was the controlling entity or incorporator of the following entities:

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

("Other Controlled Entities").

Within the group of controlled entities, EGAP provides support of exports in form of insurance against export credit risks.

12.2.3. EGAP's interest in business corporations

Throughout 2022, EGAP held a 16% share in the registered capital of Česká exportní banka, a.s. (the Czech Export Bank, "CEB"). 84% of CEB's registered capital is owned by the Czech Republic.

12.3. Business relations with Related Parties

12.3.1. Relations between the state (the controlling entity) and EGAP (the controlled entity) and agreements effective in the period from 1 January 2022 to 31 December 2022

The relations between EGAP and the state did not extend beyond the scope of relations that are common between the shareholder and EGAP and relations arising from the application of Act No. 58/1995 Coll., on Insuring and Financing Exports with State Support, as amended ("Act No. 58/1995 Coll.").

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

12.3.2. Relations and contracts between EGAP and ČEB

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

In 2022, EGAP paid claims to ČEB as well as expenses efficiently incurred for the recovery of debt in relation to claims settlements. ČEB transferred to EGAP funds that had been paid by debtors from credit contracts after the claims settlement. EGAP received premiums from ČEB, namely charges arising from the contracts mentioned below under b).

In 2022, EGAP did not act as the controlling entity in relation to ČEB and the state as EGAP did not act in agreement with the state in exercising its voting rights in ČEB.

b) Insurance policies and amendments to policies signed with ČEB in the period from 1 January 2022 to 31 December 2022

Number	Description of insurance policies/amendments to policies
9	Amendments to premium policies, type Z
1	New limited premium policies, type Bf
2	New limited premium policies, type D
18	Amendments to premium policies, type D
30	Total new single premium and limited policies and amendments to policies
4	Insurance-related decisions issued in 2022 on limited policies of type Bf
13	Insurance-related decisions issued in 2022 on limited policies of type D
17	Total new insurance-related decisions and amendments thereof issued on limited policies (incl. decisions on limited policies from previous years)
47	Total number of new insurance policies and amendments concluded in 2022 and insurance-related decisions on policies concluded in 2022 (incl. decisions on limited insurance policies from previous years)

c) Insurance policies concluded signed with ČEB and effective as at 31 December 2022 (including insurance policies concluded in 2022)

Number	Description of policies
1	Single premium policy, If type
7	Single premium policies, type Z
23	Single premium policies, type D
31	Total single premium policies effective as at 31 December 2022
12	Limited insurance polices of type Bf including insurance-related decisions on these policies
28	Limited insurance polices of type D including insurance-related decisions on these policies
40	Total limited policies and insurance-related decisions issued on limited policies (incl. decisions on limited policies from previous years) effective as at 31 December 2022
71	Total number of insurance policies (incl. insurance-related decisions on limited policies) in effect as at 31 December 2022

d) Contracts (incl. contracts from previous years) effective in the period from 1 January 2022 to 31 December 2022

Contracts to regulate rights and obligations – 15
 Contracts to assign receivables, incl. two amendments – 11
 Contracts on arbitrary proceedings – 3
 Contract to extend limitation period – 1
 Agreement to extend the waiting period – 1
 Settlement agreement – 3
 Conciliation agreement – 1
 Agreement on joint action – 1
 Mandate contract – 1
 Current bank account agreement – 1

e) Other contracts with ČEB effective in the period from 1 January 2022 to 31 December 2022

- Contract for the lease of non-residential premises dated 1 April 1998
- Contract for the use of compatible media in the system of payments dated 6 November 2000 (terminated on 30 November 2022)
- Contract on the establishment of deposit accounts and on the rules and conditions for making fixed-term deposits with an individual interest rate in deposit accounts dated 1 December 2005, including amendment No. 1 dated 15 August 2018, amendment No. 2 dated 17 April 2019, amendment No. 3 dated 30 September 2020, and amendment No. 4 dated 17 June 2022
- Cooperation agreement on insuring business transactions – pre-export credits – against risk of default and bank guarantees against the risk of their utilisation, provided to SMEs, signed on 26 June 2008
- Cooperation agreement to provide support to small and medium-size enterprises dated 6 October 2009
- Cooperation agreement to provide support to small and medium-size enterprises dated 10 December 2009
- Cooperation memorandum to provide support to Czech exporters dated 14 December 2011
- Contract for commercial current accounts No. 21684 dated 23 April 2014, incl. amendment No. 1 dated 10 August 2020, and amendment No. 2 dated 7 October 2020
- Framework agreement on financial market trading dated 4 April 2014
- Agreement on temporary assignment of employees dated 28 May 2020 (the agreement was terminated on 30 September 2022)
- Contract on protection and non-disclosure of confidential information dated 1 June 2020
- Agreement on joint preparation of tender procedure dated 30 June 2020
- Agreement on centralised preparation of tender procedure – mobile telecommunication service – dated 10 September 2021

- Agreement on re invoicing of the share in expenses on the common Round-table discussion held on 16 June 2022 - dated 12 July 2022
- Agreement on preparation of an exposition for the International Engineering Fair dated 20 September 2022
- Agreement on re invoicing of the share in catering expenses and common evening event held in course of the International Engineering Fair Brno 2022 dated 25 October 2022

12.3.3. Contracts with other controlled entities effective in the period from 1 January 2022 to 31 December 2022

Národní rozvojová banka, a.s.

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

12.3.4. Litigations (arbitrations)

No litigations or arbitrary proceedings were held against ČEB in 2022.

12.4. Declaration of the board of directors

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

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

Ing. David Havlíček, Ph.D., CFA

Chairman of the Board of Directors
and Chief Executive Officer

JUDr. Ing. Marek Dlouhý

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

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Company's statutory bodies

at 31 December 2022



Supervisory board as at 31 December 2022

(incl. changes made throughout 2022)

Veronika Peřinová	chairperson since 4 November 2022 member since 1 October 2022
Martin Pospíšil	deputy chairman since 2 September 2022 member since 27 August 2019
Karel Fíla	member since 1 September 2022
Dominik Grůza	member since 1 August 2022
David Satke	member since 1 July 2022
Július Kudla	chairman from 11 May 2020 to 30 September 2022 member from 29 April 2020 to 30 September 2022
Jaroslav Ungerman	vice-chairman from 7 June 2019 to 30 June 2022 member from 1 May 2019 to 30 June 2022
Eduard Muřický	member from 1 May 2018 to 1 May 2022
Martin Tlapa	member from 13 November 2019 to 31 August 2022

Board of Directors at 31 December 2022

(incl. changes made throughout 2022)

Jan Procházka (Head of CEO's section)	chairman from 18 December 2017, re-elected on 21 December 2022 member from 18 December 2017, re-elected on 19 December 2022
Marek Dlouhý (Head of Sales section)	vice-chairman since 5 April 2018 member since 29 March 2018
Martin Růžička (Head of Risk Management Section)	member since 2 July 2021

Audit committee as at 31 December 2022

(incl. changes made throughout 2022)

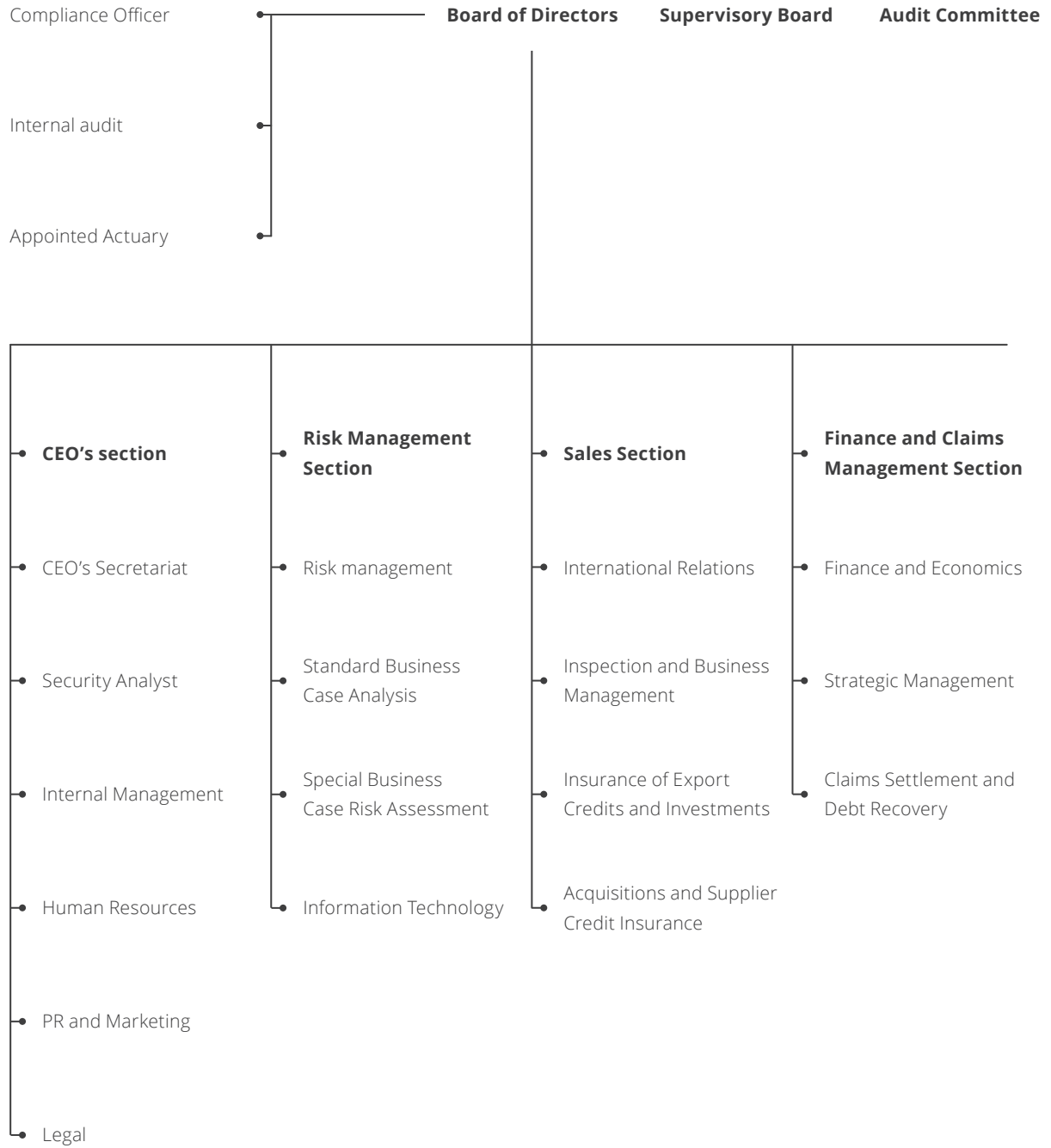
Pavel Závitkovský	chairman since 6 May 2020 member from 28 April 2016, re-elected on 29 April 2020
Bohuslav Poduška	vice-chairman from 25 January 2017, re-elected on 13 January 2021 member from 21 December 2016, re-elected on 21 December 2020
František Linhart	member from 1 May 2018, re-elected on 1 May 2022

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Organisational structure

as at 31 December 2022





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Auditor's report





KPMG Česká republika Audit, s.r.o.

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Exportní garanční a pojišťovací společnost, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2022, and the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra



Key Audit Matters

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

Adequacy of provisions for outstanding claims

The carrying amount of Provision for outstanding claims of MCZK 6 150 as at 31 December 2022 (MCZK 5 524 as at 31 December 2021); change in Provision for outstanding claims for the year ended 31 December 2022: MCZK 626 (for the year ended 31 December 2021: MCZK 2 622)

Refer to Notes I.3 f) and II.7 for accounting policy and financial disclosures

Key audit matter	How the audit matter was addressed
<p>Provisions for outstanding claims are intended to cover liabilities resulting from claims:</p> <ul style="list-style-type: none"> - incurred but not reported till the end of period (IBNR), - reported but not settled till the end of period (RBNS). <p>In the process, the Company individually assesses and estimates the amount of insurance settlement for individual risk-bearing business cases based on available information. The IBNR provision is determined primarily based on individual assessment and estimate of the insurance settlement for individual risk-bearing business cases, where the claim was incurred but not yet reported by the insured, while the RBNS provision is determined as the total expected loss following from a reported claim.</p> <p>The increased estimation uncertainty associated with these provisions stems from the nature of the risks insured by the Company (mainly export loans, bank guarantees, and foreign investments), and the reliance on subjective assessment of uncertain</p>	<p>Assisted by our own actuarial specialists, we performed, among others, the following procedures in the area:</p> <ul style="list-style-type: none"> • We critically evaluated the methods used in determining the claims provisions against relevant regulatory and financial reporting requirements, and also assessed any changes since the previous year. • We tested the design, implementation and operating effectiveness of selected key controls over the monitoring of the individual insurance cases, and estimating and validating the amounts of the provisions in question. • For a sample of insured loans, relying on the information derived from the Company's claim files and inquiries of the relevant finance employees, we: <ul style="list-style-type: none"> — Assessed whether IBNR and RBNS provisions capture the Company's liabilities in respect of all of the loans in the sample determined to be credit-impaired or in default; — Challenged key estimates underlying the provision amounts,



<p>future events, primarily the credit risk assessment for individual cases. The risk is further increased by the fact that the Company also insures exports to countries with higher political and security risks.</p> <p>We consider adequacy of the provisions for outstanding claims to be a key audit matter due to the magnitude of the amounts involved as well as the fact that the Company makes significant assumptions and judgments in determining the amount of those provisions.</p>	<p>including the probability of expected recoveries and the amounts thereof, generally by reference to the value of underlying loan collaterals.</p> <ul style="list-style-type: none"> • We evaluated the reasonableness of the IBNR and RBNS claim reserves by performing the comparison of the actual experience to previously expected results; • We assessed whether the Company's disclosures in Note II.7 in respect of the above mentioned provisions comply with the qualitative and quantitative requirements of the relevant financial reporting standards.
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Other Information

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

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

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 21 April 2021 and our uninterrupted engagement has lasted for 7 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 16 March 2022 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

Except for the statutory audit, we did not provide the Company with any other services.



Statutory Auditor Responsible for the Engagement

Ing. Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Exportní garanční a pojišťovací společnost, a.s. as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
27 March 2023

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

Ing. Jindřich Vašina
Partner
Registration number 2059

Company name:	Exportní garanční a pojišťovací společnost, a.s.
Legal form:	joint-stock company
Identification number:	45 27 93 14
Tax Identification number:	CZ45 27 93 14
Registration in the Commercial Register:	Registered in the Commercial Register of the Municipal Court in Prague, under file No. B 1619
Date of registration in the Commercial Register:	1 June 1992
Registered capital in the Commercial Register:	CZK 5,575,000,000
Type of shares:	book-entered, not publicly traded ¹
International Securities Identification Number (ISIN):	CZ0008040508
Type, form and number of issued shares and their nominal values:	5,575 registered shares with a nominal value of CZK 1,000,000
Shareholders:	The Czech Republic is the sole shareholder
Number of organisational units:	EGAP is not divided into units ²
Registered office:	Praha 1, Vodičkova 34/ 701, postcode 111 21
Phone:	+(420) 222 841 111
Email:	info@egap.cz
Internet:	www.egap.cz
Bank details:	2103011/0710 at the Czech National Bank

¹ In 2022, EGAP did not acquire any of its own shares or equity investments.

² EGAP does not operate any branches or affiliates abroad.

