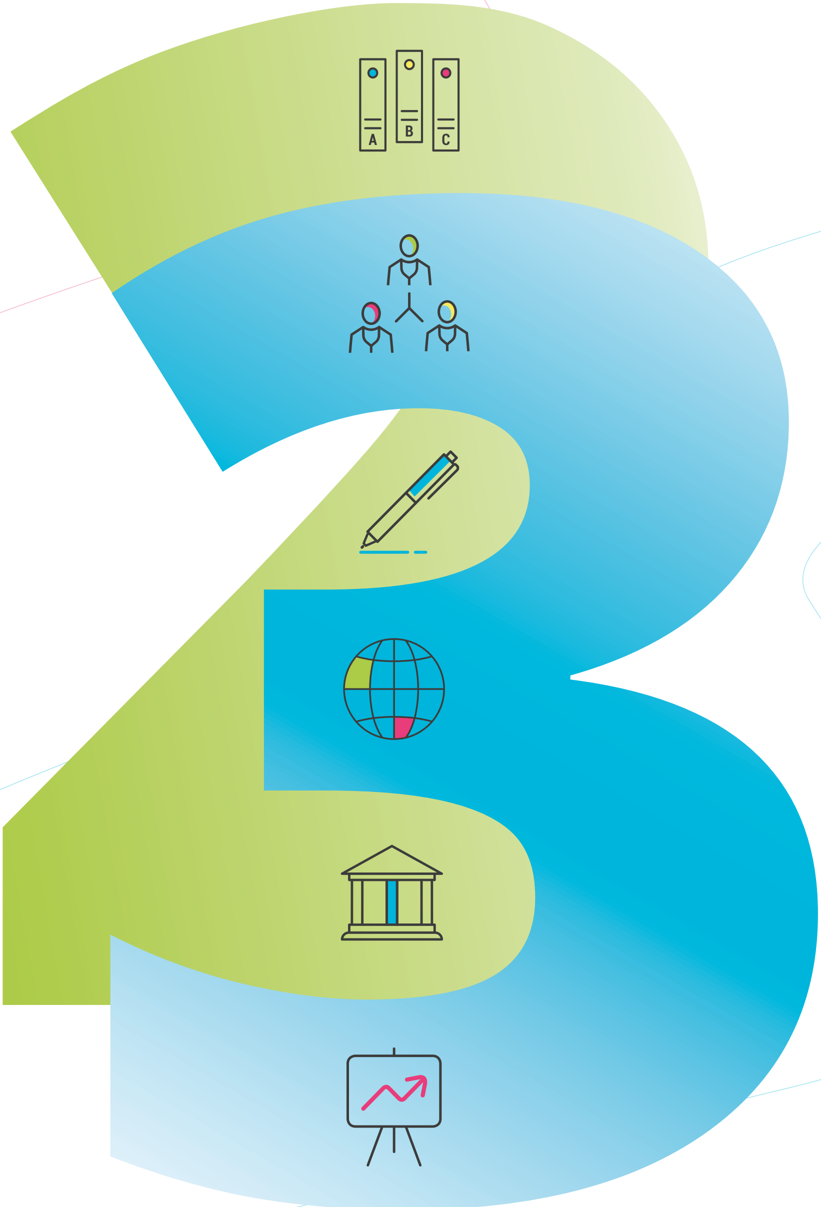

ANNUAL REPORT AS AT 31 DECEMBER 2023

EGAP

Exportní garanční a pojišťovací společnost, a.s.

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INTRODUCTION

Dear business partners,

As confirmed by EGAP's figures for last year, Czech exports are in good shape. Czech companies are again well established on foreign markets, and we are proud to be there for them. Last year, we set a ten-year record in trade and achieved the second best results in the history of the insurance company. In total, Czech exporters supported by EGAP realised exports and investments worth CZK 68.9 billion, which is a great success for EGAP in terms of fulfilling its main goal of maximising support for Czech exporters. These impressive results comprise, e.g., the supply of technology for an irrigation system in Egypt, the insurance of an operating line to increase the annual production of wagons, and smaller business cases such as the export of agricultural equipment to Kazakhstan.

Last year, thanks to a legislative change that now allows us to insure loans for operations or investments in the Czech Republic for companies whose revenues are at least in one quarter made up of exports, we were able to realise for the first time a transaction in the order of several billion Czech crowns intended for an export-oriented company. It appears that the interest of Czech exporters in insuring such loans is very much alive and I am convinced that the role and importance of the new product will continue to grow.

The EGAP Plus guarantee programme, implemented last year, also contributed to the record business results. The programme has been designed for Czech exporting companies facing negative economic consequences because of the war in Ukraine. Exporters have thus drawn loans worth more than CZK 6.7 billion during 2023. This included assistance to maintain the production of aircraft and bicycles, among many others, and a total of 61 guarantees were provided.

Last year, with the support of the Czech government, we also managed to resume insuring exports to Ukraine. In July, we started accepting the first applications for insurance covered by the Ukraine Fund. In 2023, we received more than 30 applications with the required value exceeding CZK 374 million and signed nine insurance contracts. Typically, these are Czech agricultural equipment manufacturers and food processing companies.

Equally important and positive is that we ended 2023 with a record profit of CZK 1.8 billion. A large part of this was income from debt recovery, with almost CZK 1.3 billion recovered from business cases that ended in insurance claims in the past, with a substantial part also coming from Russia, where we reduced our exposure by a further CZK 3.5 billion over the past year. Exposure in Russia now makes up only 3.4% of our insurance portfolio.

Talking about debt recovery and the portfolio, we should also mention the COVID Plus guarantee programme. Through this programme, exporters raised CZK 22 billion from commercial banks in 110 business cases during the pandemic. Although the programme, which helped to save a number of important operations, envisaged only a partial return, we have had to pay out guarantees in only three cases so far, and 70% of the guaranteed claims have already been repaid by the debtors. A much-discussed case in the media was the guarantee paid for a loan to Liberty Ostrava, a. s. In this case, we are in the position of a very well secured creditor, and we are proceeding with the aim of minimising the negative impact.

However, we could not have achieved our success last year without you – our business partners, and for that we owe you our thanks. We also want to thank our employees, who did a tremendous job last year and, among other things, made sure that our reorganisation went smoothly.

We are glad that EGAP was able to serve as a stable and reliable partner of Czech exporters in 2023.

David Havlíček

1

BASIC INFORMATION ABOUT EGAP

and last year's developments
(EGAP 2023 in numbers)

EGAP finished 2023 with a total positive results of operation of CZK 1 816 million. EGAP's financial performance thus ended with a profit for the second consecutive year, and with the highest profit in the entire history of EGAP. This result can be divided into three parts, i.e., profit from the main insurance business of CZK 1 550 million, profit from the COVID Plus guarantee business of CZK 267 million, and a loss on the EGAP Plus guarantee business of CZK -1 million.

The re-establishment of the option to insure exports to Ukraine under the Ukraine Fund represents an important achievement. To improve the situation of Czech exporters, under Resolution of the Government of the Czech Republic No. 525 of 12 July 2023, EGAP received a capital injection and the Ministry of Finance of the Czech Republic, as the sole shareholder of EGAP, instructed us to resume the provision of insurance of exports of goods and services to Ukraine. This, among other things, meets the strategic objective of the Government of the Czech Republic to support war-affected Ukraine. The Ukraine Fund, a pilot project in this area, has received CZK 239 million for this purpose from the Ministry of Finance and another CZK 100 million from EGAP's own resources. EGAP analytically records this fund as a special capital fund intended to support exports to Ukraine, which determines the risk appetite and at the same time the maximum insurance capacity of this new programme.

In 2023, a total of 130 insurance contracts were concluded with a total volume of CZK 63.0 billion. Another 61 contracts were concluded under the EGAP Plus guarantee programme, with a total volume exceeding CZK 6.0 billion. A total of 99 exporters were insured (including 48 new exporters), and their supported exports were directed to a total of 37 countries. The volume of written premiums reached CZK 638 million, with another CZK 303 million collected in remuneration for the guarantees provided by EGAP Plus.

Table 1

Selected insurance results of EGAP for 2022 a 2023

(MCZK/pcs)	2023	2022
Profit or loss	**1 550**	–155
Equity	**11 298**	9 485
Ukraine Fund	**339**	0
Subsidy to insurance funds	**0**	0
Volume of insured exports	**62 952**	41 165
Number of contracts concluded	**130**	117
Number of exporters supported*)	**53**	51
Number of countries to which the supported exports were directed	**37**	39
Gross premiums written	**638**	92
Insurance exposure (as at year-end)	**106 641**	89 258
Technical provisions (net)	**6 497**	7 969
Claims paid	**245**	2 624
Volume of debt recovered before and after claims payment	**1 008**	1 912

* This is the figure for both the COVID Plus and EGAP Plus guarantees.

As at 31 December 2023, total exposure amounted to CZK 117.9 billion, of which CZK 5.1 billion is the exposure associated with the COVID Plus guarantee product and CZK 6.1 billion is the exposure associated with the EGAP Plus guarantee product (geographically, these guarantee supports are provided to Czech companies based in the Czech Republic without exceptions), and the remaining CZK 106.7 billion is attributable to the insurance portfolio. Among the standard insurance products, the largest part of the insurance exposure geographically belongs to Indonesia (22.0%), Turkey (12.2%), and Slovakia (10.2%). In 2023, EGAP's portfolio thus continued to diversify geographically, in particular in the (successful) efforts to reduce EGAP's exposure to Russia and Belarus due to the ongoing war in Ukraine.

We saw a slight year-on-year increase in the volume of new claims (mainly related to cases in Ghana), but the number of new claims was reduced to less than half that of 2022. EGAP paid out almost CZK 3.3 billion in claims and guarantees called in favour of its clients. 2023 was also a successful year for EGAP in terms of recovery. Claims recovered from insurance claims exceeded CZK 1 billion; in addition, more than CZK 270 million was recovered from cases of paid out COVID Plus guarantees. These results exceeded expectations at the beginning of the year and were significantly boosted by the effective recovery of claims from new cases arising in 2023.

The provision of COVID Plus guarantees was discontinued as of 31 December 2021 and only the monitoring of active contracts or their liquidation continues. The EGAP Plus guarantees were actively provided during 2023, however, as of 31 December 2023 this programme was terminated, and the programme is now entering the same phase as the COVID Plus programme.

Table 2

Selected results of EGAP Plus and COVID Plus guarantees in 2022 a 2023

(MCZK/pcs)	2023	2022
Profit or loss*)	**266**	987
Status of the COVID Plus guarantee fund (as at year-end)**)	**3 668**	2 676
Status of the EGAP Plus guarantee fund (as at year-end)**)	**496**	500
Number of provided EGAP Plus guarantees	**61**	X
Volume of provided EGAP Plus guarantees	**6 025**	X
Volume of remunerations for provided EGAP Plus guarantees	**303**	X
Guarantee exposure (as at the year's end)*)	**11 240**	13 977
Volume of debt recovered before and after guarantee claims payment*)	**273**	0

Note: Detailed results of activities related to the provision of guarantees are stated in Notes II.11 and II.12 of the notes to the financial statements.

* This is the figure for both the COVID Plus and EGAP Plus guarantees.

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

2

EGAP 2023 IN PICTURES

At the April **conference of the Association of Exporters**, Chairman of the Board of Directors David Havlíček introduced exporters to the possibility of insurance for export-oriented companies.

At the April **conference on investment and opportunities in the African market**, Czech companies presented their product and service offerings to delegations from Ethiopia, Ghana, South Africa, Kenya and Zambia. EGAP representatives presented insurance options for export contracts to Africa.

The main event of 2023 was the **Claims and Recoveries Specialist Meeting** in June, organised by EGAP under the auspices of the Berne Union. One hundred claims and recovery specialists from more than 45 countries visited Prague.

In June, Semperflex Optimit started construction of a hall for the world's first carbon-neutral hydraulic hose production. The project worth more than CZK 2.5 billion is **EGAP's first transaction for an export-oriented company**.

The first exporter to use the insurance under the Ukraine Fund was **BEDNAR FMT** in August for the supply of wide-harvest cultivators. **The story for the Czech Television's Události ČT** with the company's Managing Director Ladislav Bednář and Chairman of EGAP's Board of Directors David Havlíček was filmed at the company's production plant in Rychnov nad Kněžnou.

In September, **German colleagues from Euler Hermes AG** came to Prague for a bilateral meeting with EGAP. They exchanged experiences with EGAP representatives, compared export trends in both countries and presented innovations introduced by both insurance companies. Maintaining good relationships with other ECAs is an indispensable part of our international activities.

At the International Engineering Fair in October 2023, in the presence of Prime Minister of the Czech Republic Petr Fiala and Prime Minister of Uzbekistan Abdulla Aripov, representatives of the Uzbek Ministry of Investment, Industry and Trade, EGAP and the Czech Export Bank signed a **memorandum which will facilitate Czech exporters' access to contracts in Uzbekistan**.

Chairman of the Board of Directors David Havlicek answered questions of exporters and banks on "How to go safely to Ukraine?" during the programme of the Czech National Exposition at the International Engineering Fair in Brno. Government Commissioner for the Reconstruction of Ukraine Tomas Kopecny and Financial Director of BEDNAR FMT Lucie Nováková also spoke about their experiences with the Ukraine Fund.

3

EGAP'S VISION AND STRATEGY

Exportní garanční a pojišťovací společnost, a.s., is the official export credit agency (ECA) of the Czech Republic. Its primary mission is to strengthen the export focus of the Czech economy. It was established in February 1992 and has become a key player in the government's pro-export policy, offering specific products for risk hedging and funding of business cases for Czech exporters and investors.

In many cases, EGAP is the go-to institution for state support of exports and as such has a significant impact on the success of Czech exporters and investors in international competition, especially through the optimisation of the financial structure. Thanks to its insurance, EGAP can lead other financial institutions to support exports, which increases the effectiveness of support. The form of support provided is by its nature repayable, thus fulfilling the need of the Czech economy to move from a heavily subsidised economy to an economy of repayable financial instruments. This will be inevitable in future years given the reduction of European subsidies and the continued need for the same level of support (unattainable without multiplier factors). It is important to note that EGAP is not a competitor of the commercial sector, but rather its complement when the commercial sector cannot provide the necessary capacity, capital, or risk appetite on its own.

As the risk appetite of commercial insurance and reinsurance companies usually declines during economic crises, EGAP is also strongly countercyclical. This has currently been evident during the energy crisis, high inflation, and the war in Ukraine, and became obvious during the historically worst phase of the COVID-19 pandemic. Moreover, EGAP's countercyclical nature has been underlined by EGAP being a 100% state-owned institution with broad powers backed by special laws and regulations, allowing it to react quickly to current market needs.

Thanks to extensive links with export support institutions in the Czech Republic and abroad, EGAP can provide support to a wide range of entrepreneurs. For significant business cases with an international component, EGAP can use reinsurance provided by export credit agencies abroad, which helps to maximise support for Czech exports. SMEs are another important segment for which EGAP provides export risk insurance as well as valuable advice and experience. For these entities, EGAP offers a less administratively demanding and costly insurance process, faster claims settlement, and quicker of insurance benefit payments. In the future, EGAP will continue to strive for simplification, automation, and reduction of the administrative burden as one of the key ongoing objectives resulting from current market trends and demand.

EGAP principal role is the support of market entities, with added value being generated primarily by the supported exporters and investors across various sectors of the Czech economy. EGAP nonetheless 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 and long-term sustainable operations of EGAP. This balance is supplemented by efficient risk management ensuring the sufficient diversification of accepted risks and correct assessment of the counterparties' credit quality, along with effective claims handling and subsequent debt recovery processes.

EGAP is currently implementing a strategy for the 2021–2025 period, focusing on supporting the competitiveness of Czech exporters on foreign markets, improving financial balances and sufficient equity strength, reducing the loss ratio, continuously improving expert risk assessments, and diversifying Czech exports. EGAP support should be spread across different sectors and tailored closely to the individual needs of individual exporters and investors, with an emphasis on supporting environmentally and socially beneficial projects. A key element towards which the Czech Republic should aim is the adequate diversification of exports, so that any possible failure of individual foreign markets will not jeopardise the stability of the Czech economy as a whole.

A particularly important aspect of EGAP's strategy for 2021–2025 is to contribute to the sustainable development of modern society, with an emphasis on all three ESG (Environmental, Social and Governance) areas. Within the environmental area, EGAP is reducing its environmental impact through, e.g., minimising the materials used, saving energy, reducing plastics consumption, and promoting biodiversity through rooftop bee keeping. EGAP actively seeks to reduce its carbon footprint, e.g., through offset projects. EGAP cooperates with Remobil, z.s., and REMA Systém, a.s., providing the environmentally friendly disposal of electronic waste. EGAP has participated in the Bike to Work and Elevator Free Week projects to reduce energy consumption and promote employee health and plans to continue these activities in the future. The social area is attended to through high working standards, equal opportunities, support for employee development, and participation in charity collections and projects. In governance, emphasis is placed on transparency, effective risk management, quality anti-corruption mechanisms, and maintaining good relations with clients and business partners, all in accordance with the rules of permitted support according to the EU and OECD.

In the future, EGAP will continue to enhance its social responsibility processes, promote this topic, and include its employees in new project ideas and their implementation. Membership in the Corporate Social Responsibility Association further helps to achieve the objectives in all areas of ESG, providing inspiration, support for the implementation of projects, a valuable source of information, and the opportunity to learn through various workshops.

4

PRODUCT PORTFOLIO

Table 3
EGAP product portfolio in 2023

	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 – loans to export-oriented enterprises to increase international competitiveness and loans to finance production for export
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 guarantees related to exports and investments
ZA/ZAS	Inwards reinsurance
U	EGAP Plus guarantee

In 2023, two significant developments occurred in EGAP's product portfolio. One of them was providing the first guarantees under the EGAP Plus guarantee programme, aiming at providing support to companies which have encountered direct or indirect difficulties due to major disruptions of economy caused by the war in Ukraine. In the second half of the year, the insurance of loans for operational financing or investments in the domestic market was launched under insurance product F for export-oriented enterprises to increase their international competitiveness. This new product option proved to be in high demand shortly after its introduction.

In insurance, the most used product in 2023 was product Z – the insurance of bank guarantees related to exports and investments, with 49 contracts concluded for this product. This product had already seen a significant increase in the previous year. A further upgrade of this product is in the pipeline for 2024, with the addition of the possibility to insure guarantees for export-oriented enterprises.

After several years of decline, product D – the insurance of export buyer credits came to the fore, which together with product B – the insurance of short-term supplier credits, became the second most used product. Product D is often used for larger engineering, infrastructure, and transport deliveries, including spare parts and services. The B product saw a decline from the previous year due to the loss of key export destinations Russia, Belarus, and Ukraine, where much of the short-term supplier credit insurance had been directed in recent 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 and foreign investments. In investment insurance and investment financing, investment insurance products against territorial risks and insurance of loans for investments have been used for a long time. While loans for investments are usually insured only in units per year, more permanent and essentially unlimited use is made of the classic I product, which provides protection for Czech investments abroad against territorial risks that are beyond the control of investors. Both products are among the main products supporting the competitiveness of Czech companies abroad. The importance of investment protection has continued to grow in recent years as the instability of global supply chains persists and Czech firms are thus motivated to invest in further localisation of production abroad and as close to final consumption as possible while strengthening control over the provision of inputs to production.

These products are upgraded on a continuous basis and automated to ensure a faster and more efficient processing of client applications.

In 2023, the currency of the insurance contracts was aligned with the underlying export or credit contracts for all products. In practice, new clients can take advantage of the contractual collection of any insurance claim in the underlying foreign currency, thus completely eliminating currency risks. In addition, EGAP is moving to standardise single claim indemnities for long-term buyer loans, which is linked to the banks' requirement to accelerate repayment in the event of borrower default. For new insurance policies, this will thus be another welcome innovation, especially for cooperating commercial banks.

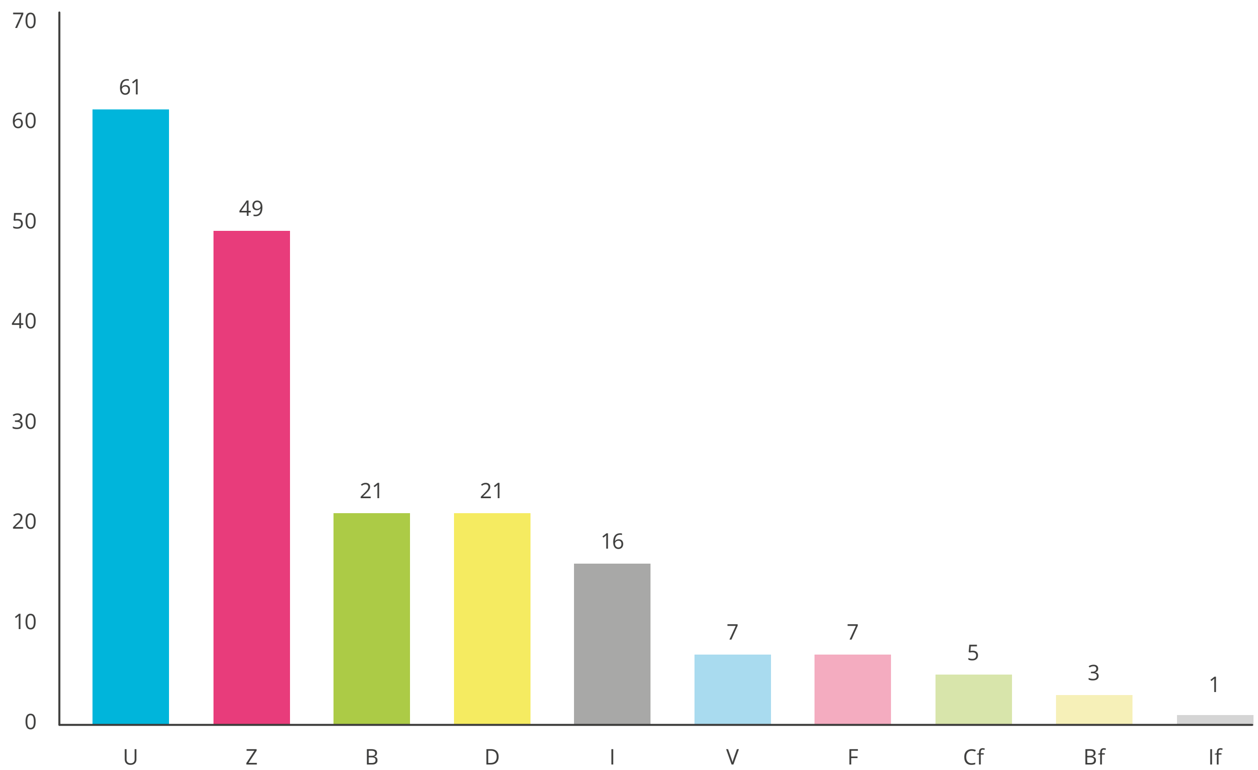
In addition, insurance products Bf – Insurance of bank-financed short-term export supplier credit and Z – Insurance of bank guarantees related to exports and investments were digitised last year, and applicants can apply for insurance through the CLICK FOR EXPORT portal, accessible from the EGAP website. In addition, the modernisation of the insurance terms and conditions of product E, insurance of confirmed letters of credit product was completed. These terms and conditions will make the product more attractive and simplify the process of concluding individual insurance contracts.

The CLICK FOR EXPORT service – the online environment for clients is gradually expanding with new products and also acquiring new functionalities. Now, in addition to the already established applications, a request can be sent via this service to prescoring[1] for Bf and Z insurance products. In the near future, it is also planned to deploy product F – Credit insurance for pre-export financing – loans to export-oriented enterprises to increase international competitiveness and loans to finance production for export, both requests for insurance and for prescoring.

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

Chart 1

Number of contracts concluded in 2023 (no. of pcs)



1 Abbreviated analytical assessment setting a non-binding indicative limit and rating.

5

BUSINESS RESULTS

”

2023 saw revived demand for the insurance of bank guarantees for exporters’ liabilities to their foreign customers and a renewed increase in the insurance of customer loans.

Both products indicate that after a period of some downturn caused by uncertainty in global markets in recent years, Czech exporters are again succeeding in winning significant contracts that require the involvement of more sophisticated financing products, including EGAP insurance.

JUDr. Ing. Marek Dlouhý
Head of Sales Section

“

In terms of business results, 2023 was a record year despite the ongoing war in Ukraine. A total of 191 EGAP Plus insurance policies, decisions, and guarantees were concluded and issued. Gross premiums written including remunerations for the EGAP Plus guarantee totalled CZK 941 million. A significant contribution to this result was made by the customer credit insurance product, under which a total of 21 insurance contracts related to credit insurance amounting to more than CZK 21 billion were concluded. These included several large-volume transactions that had been negotiated over the previous few years, as well as several smaller cases.

As in previous years, the insurance of foreign investments product contributed significantly to the total volume, with a total of 16 contracts and decisions concluded and issued. Furthermore, the bank guarantee product was the most used insurance product. A total of 49 insurance contracts were concluded under this product.

The insurance of short-term export supplier credits product is slowly returning to pre-covid figures. The continued lower number of insured transactions was in large part influenced by Russia's aggression towards Ukraine and the subsequent sanctions, which made it impossible to finance and insure exports and investments in Russia and Belarus. Both these countries and Ukraine have long been important trading partners of Czech exporters and investors and territories where this type of EGAP insurance was widely used.

In addition to insurance products, EGAP also provided EGAP Plus guarantees in 2023, based on Regulation No. 364/2022 Coll., adopted by the Government of the Czech Republic at the end of 2022 in response to geopolitical tensions and a sharp increase in energy commodity prices. There was extreme interest in this guarantee, which caused the programme to run out of funds around the middle of the year. In total, 61 guarantees worth more than CZK 6 billion were issued. This programme was designed to provide help with liquidity of companies affected directly or indirectly by the serious economic disruption caused by the conflict in Ukraine.

As part of its acquisition activities, EGAP cooperates with a number of companies with whom it organises various seminars and business breakfasts, where prospective clients can learn, for example, news from the insurance sector. Other events are organised in cooperation with the Chamber of Commerce and some ministries. A new development in product distribution is the establishment of closer cooperation with insurance brokers and factoring companies, which in the coming years should result in an increase in the number of insured business cases intended directly for exporters.

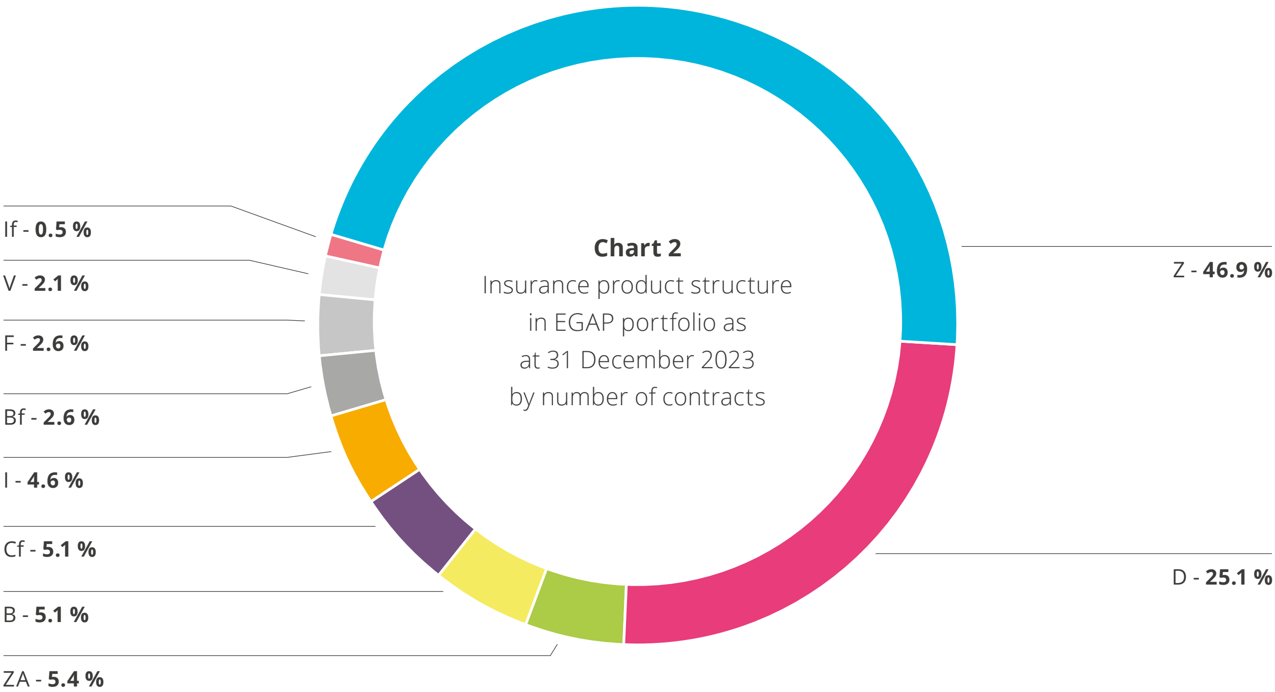


Chart 2
Insurance product structure in EGAP portfolio as at 31 December 2023 by number of contracts

In 2023, the trend of the previous year continued and there was a great interest in product Z – insurance of bank guarantees. In addition to being the most demanded product within the insurance products, it is also the most represented product in EGAP's portfolio. Compared to 2022, in 2023, the number of Z insurance contracts concluded increased by 12 to 49. Among other things, this is due to the modernisation of the general terms and conditions that has taken place in recent years, which has made the product more attractive. These included guarantees for SMEs, and larger business cases, primarily in the engineering and energy segments. Going forward, we expect demand growth for this product to continue.

In the overview of the selected products in terms of geographical breakdown of export insurance (Chart 3), Mauritius and Kazakhstan took the first two places, as in the previous year. Indonesia came in third, with exports mainly insured by buyer credits, followed by Ukraine, with supplies of agricultural equipment and food products insured under the Ukraine Fund. For the other countries, supplies were more of a one-off nature.

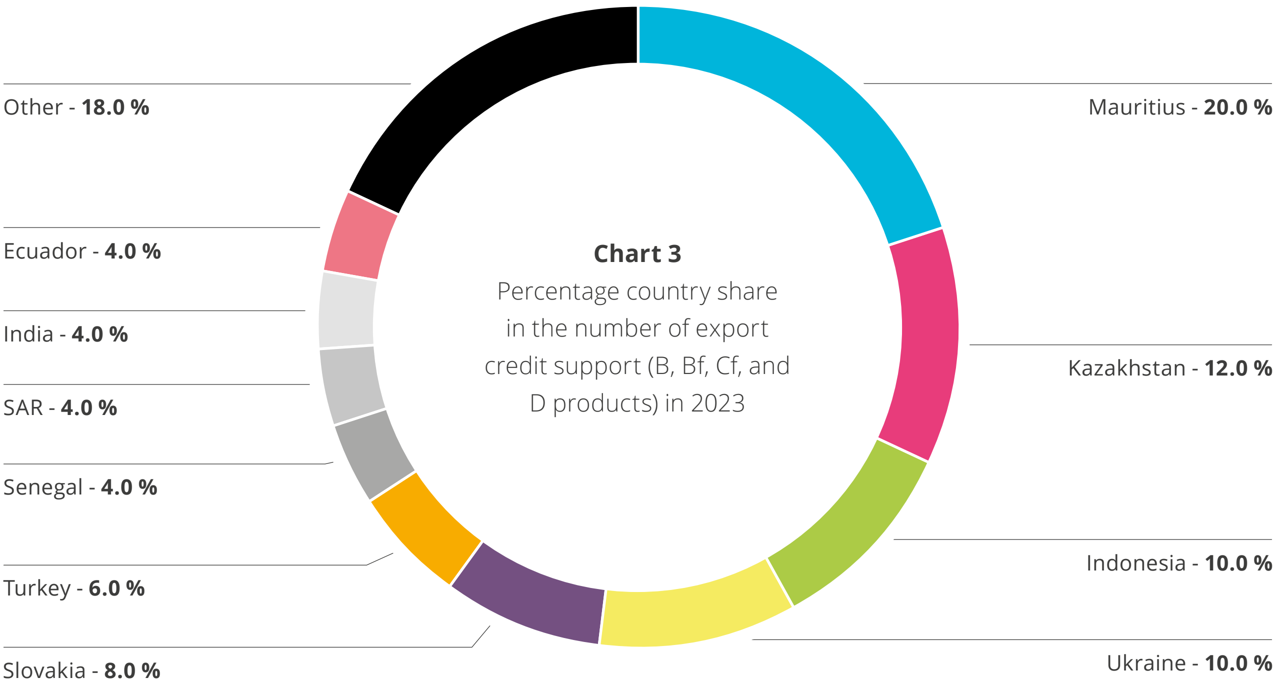


Chart 3
Percentage country share in the number of export credit support (B, Bf, Cf, and D products) in 2023

Chart 4 shows the annual insured volume of investments abroad and loans for investments. There have been partial year-on-year changes, with Turkey in particular coming in fourth behind the previously dominant India, Georgia, and China, due to a decline in exposure to Russia and the underwriting of new insurance in Turkey. Again, the largest volumes are in classic type I insurance against territorial risks only, while If insurance, i.e., bank loans for investment, was represented by only one minor case. It can be concluded that in the long term, interest in insuring investments tends to be driven by larger and more experienced investors who are more aware of the increasing territorial risks in the current complex geopolitical situation and are willing to insure against these risks.

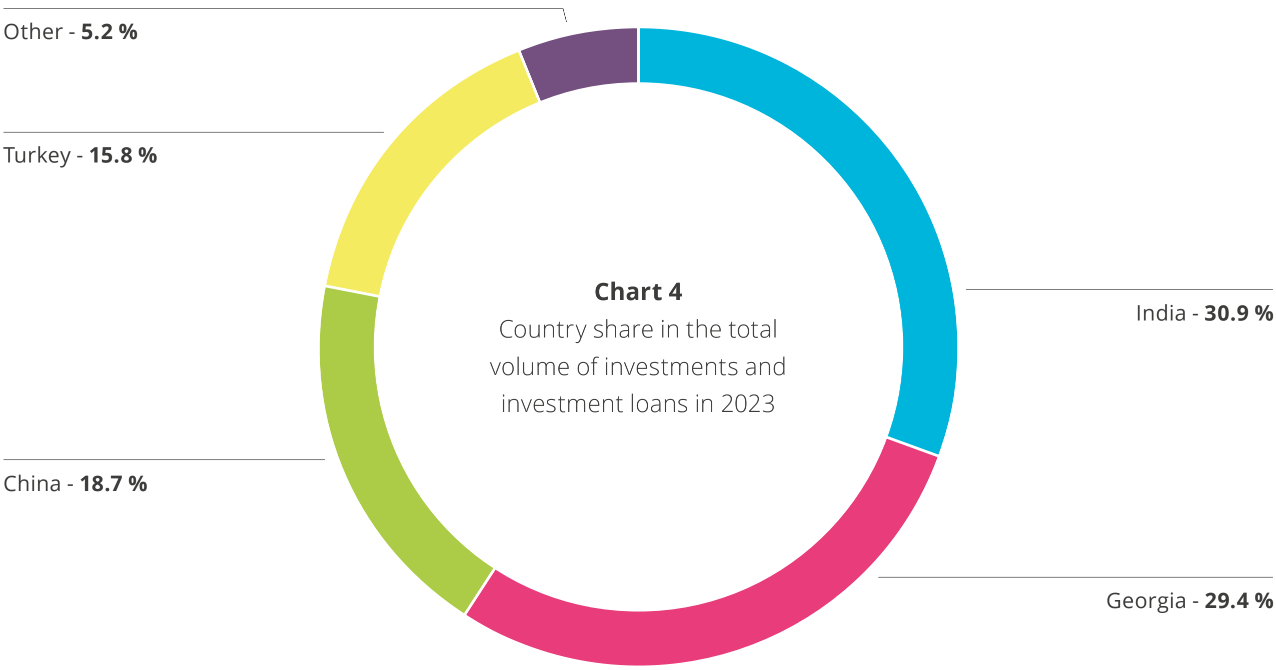
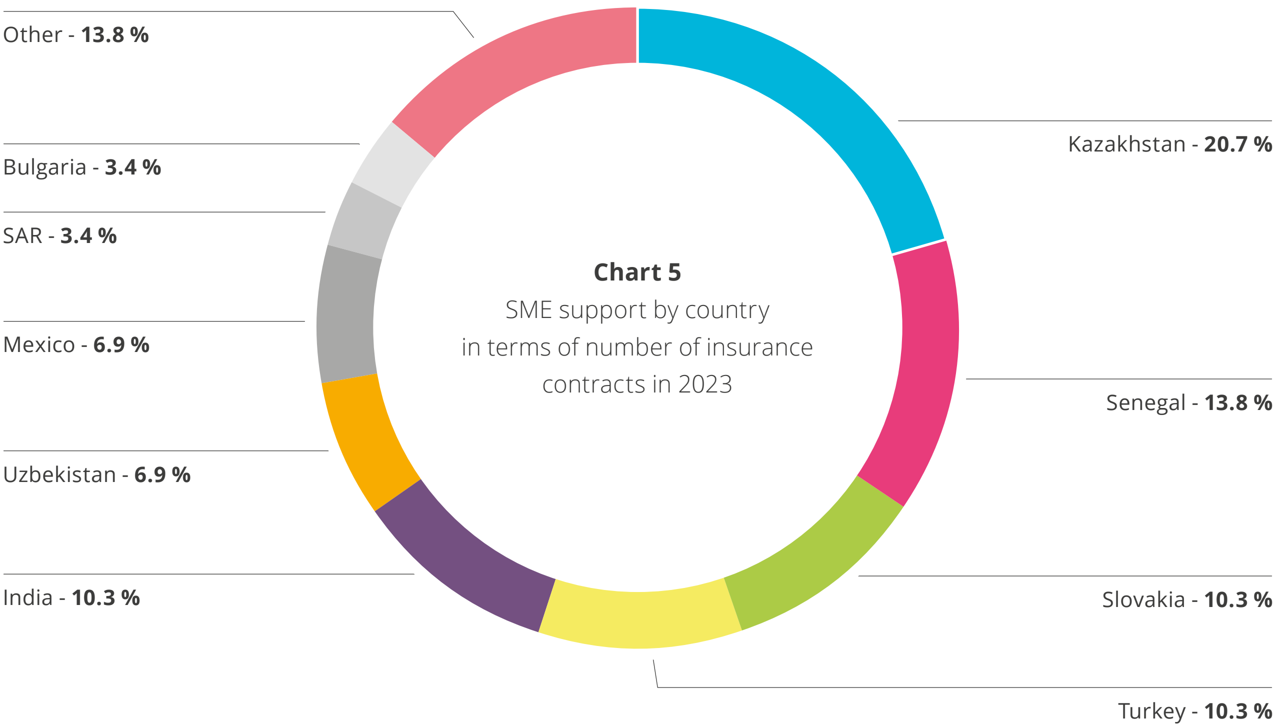


Chart 4
Country share in the total volume of investments and investment loans in 2023

The support for SMEs in 2023 is shown in Chart 5. Most insurance contracts in this category involved the territory of Kazakhstan, followed by Senegal and Slovakia. There are also new territories that EGAP has not insured much in the past and which are newly in demand by exporters in view of the reorientation and exit from Russia and Belarus. These are South Africa, Bulgaria, and Uzbekistan. Thus, a total of 29 insurance contracts to 13 countries were concluded under SME support.



Note: Does not include data related to COVID Plus and EGAP Plus guarantees.

There were several significant changes in the distribution of the insurance portfolio in terms of territorial exposure (Chart 6) year-on-year. Indonesia took the top spot due to the underwriting of new bulk insurance in 2023, pushing the previous top territories of Turkey and Slovakia to second and third place, respectively. Furthermore, the trend of minimising EGAP's exposure to Russia is clearly confirmed, as it has fallen to 3% of the total portfolio, and its share will continue to decline due to the non-underwriting of new insurance (while it was still in fifth place in 2022 with a share of almost 8%). We can conclude that the country portfolio was relatively balanced at the end of the year, with the largest territories in terms of volume still characterised by a relatively favourable territorial risk profile.

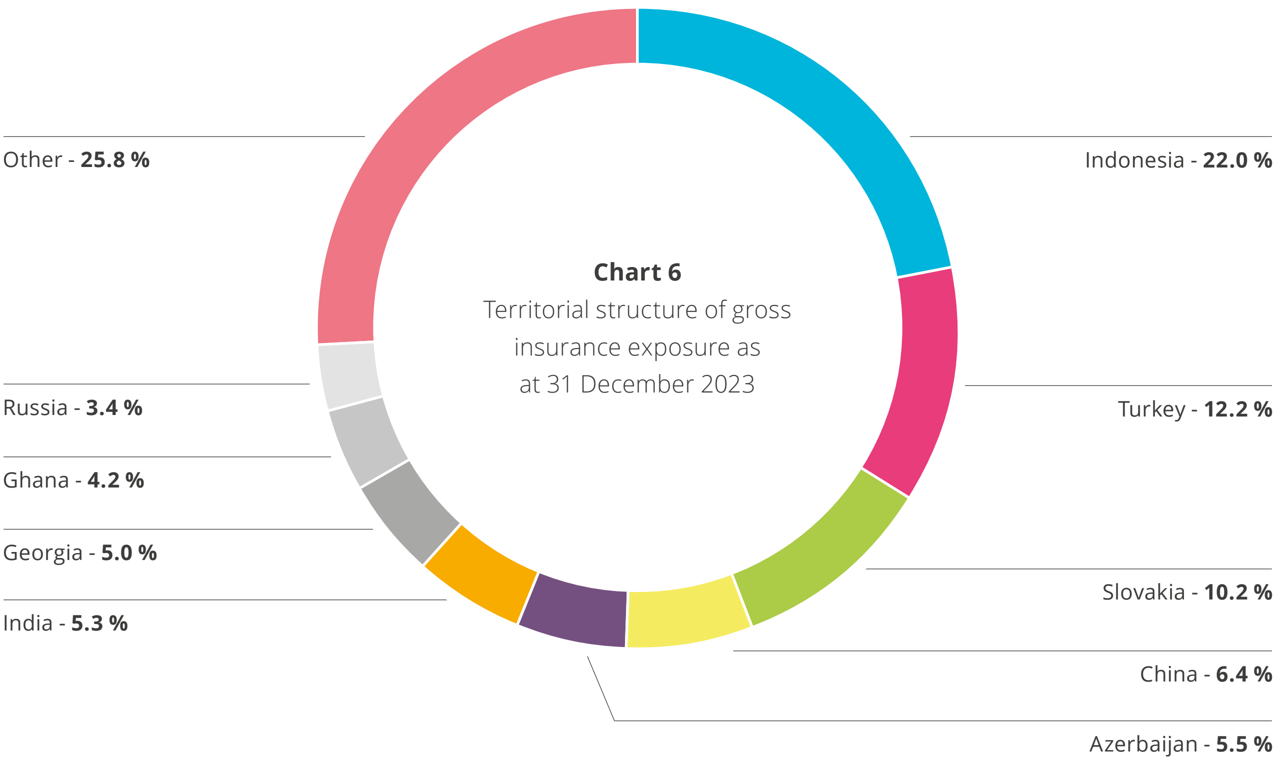


Chart 6
Territorial structure of gross insurance exposure as at 31 December 2023

Note: Does not include exposure from provided guarantees under the COVID Plus and EGAP Plus programmes.

The client structure shows a noticeable increase in the volumes of product D – insurance of export buyer credit (a classic banking product), which resulted in a decrease in the share of non-banking clients. Among bank clients, Česká exportní banka, a.s. is still historically in the first place, but its share in EGAP's total exposure continues to decline. In contrast, the share of commercial banks has been growing over the long term: second-ranked Česká spořitelna, a.s. and third-ranked UniCredit Bank Czech Republic and Slovakia, a.s., each of which increased their share by some 5% compared to 2022. In addition to this significant growth, fourth-ranked Komerční banka, a.s. and fifth-ranked Československá obchodní banka, a.s. also improved.

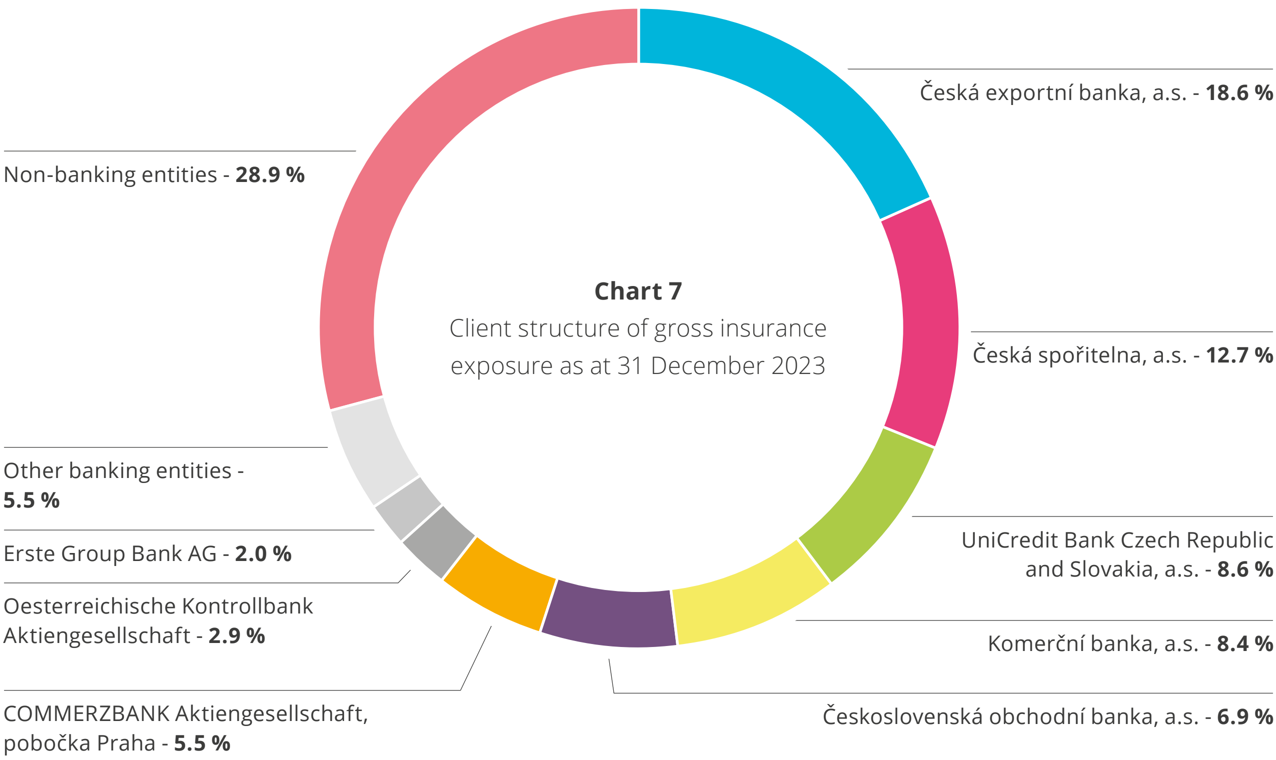


Chart 7
Client structure of gross insurance exposure as at 31 December 2023

Note: Does not include exposure from provided guarantees under the COVID Plus and EGAP Plus programmes.

International activities

In terms of bilateral cooperation, during 2023, EGAP concluded four memoranda (agreements) of cooperation with Etihad Credit Insurance (United Arab Emirates, Dubai), the Development Bank of Kazakhstan JSC (Kazakhstan), the African Trade Insurance Agency (pan-African insurance institution with headquarters in Kenya), and together with Czech Export Bank, a.s., also with the Ministry of Investment, Industry and Trade of Uzbekistan. Both the conclusion of new agreements and the factual implementation of those already concluded form an integral part of bilateral cooperation between ECAs and other entities involved in the financing of trade activities. Framework reinsurance contracts facilitate risk sharing of joint business between ECAs in reinsuring individual national deliveries. Apart from the option to share know-how, memoranda of cooperation offer means to provide reinsurance (guarantees), as well as simplifying cooperation with financing banks whose transactions then have a better identifiable risk profile from EGAP's point of view. In general, cooperation at ECA and similar subjects level allows to share risks and information in case of joint transactions in third markets. This cooperation is further enhanced when there is a need to jointly address impending claims and damages.

During 2023, the traditional bilateral meeting with German colleagues from the state section of Euler Hermes took place. Representatives of EGAP also met with their counterparts from Japanese NEXI and a representative of the Czech branch of the Japanese government agency JETRO. Such meetings serve to share experience and deepen the cooperation between the ECAs.

Work within the EU structures also continued as usual, where EGAP representatives from the Czech Republic presented activities related to the EU Council Working Group on Export Credits. Within the framework of the meetings at the level of this working group, positions were formulated on behalf of the EU Participants for the OECD Participants' meeting, where EGAP is active as a representative of the Czech Republic. This also applies to other entities related to the OECD and officially supported export credit financing and insurance.

An important event of the past year was the modernisation of the OECD Consensus, which sets out the framework rules for officially supported export credits and their insurance. As of July 2023, a significantly more flexible set of export financing rules is available, which helps make exporters from developed countries more competitive in financing their activities. The main areas of modernisation of the Consensus include:

- increase in maximum repayment terms
- opportunities for increased flexibility related to repayment profiles
- flattening the premium rate curve by adjusting the model for setting premium rates.

In December 2023, the OECD Participants agreed on a new wording of a specific and time-limited exemption (valid for one year until the beginning of December 2024) from the current OECD Consensus rules. Under this extended exemption, a temporary reduction of the down payment to up to 5% of the value of the export contract from the current 15% will continue to be possible, provided that the transactions are with government buyers (i.e., sovereign buyers) from category II countries with a 5, 6, and 7 risk classification. These transactions are expected to benefit from guarantees from the Ministry of Finance or the central bank of the importing country. Such flexibility need not be offset by any other means, such as increases in the insurance rate.

At the end of 2023, the two-year term of EGAP's representative as the chairman of the Prague Club of the worldwide Berne Union of Credit and Investment Insurance Companies (BU) completed. This was also a clear recognition of EGAP's long-term efforts as a member of BU and the Prague Club of BU.

6

DEBT RECOVERY AND CLAIMS SETTLEMENT

”

The overall debt recovery results for 2023 of CZK 1.3 billion are above standard in the history of EGAP.

After a record year of 2022, expectations for the following year were significantly lower, given the volume and status of receivables managed at the beginning of 2023, which represented only limited revenue potential by the end of the year. The significant volume of recoveries above the original expectations was thus mainly due to the efficient recovery process for claims and guarantees newly arising only in 2023. The speed with which cases are resolved is a factor that contributes significantly to the overall recovery rate and usually also leads to a reduction in the associated costs.

Ing. David Havlíček, Ph.D., CFA
Chairman of the Board of Directors

“

As of 31 December 2023, EGAP directly or in cooperation with insured parties managed a portfolio of receivables of CZK 39 billion, i.e., approximately CZK 3 billion more than in the previous year.

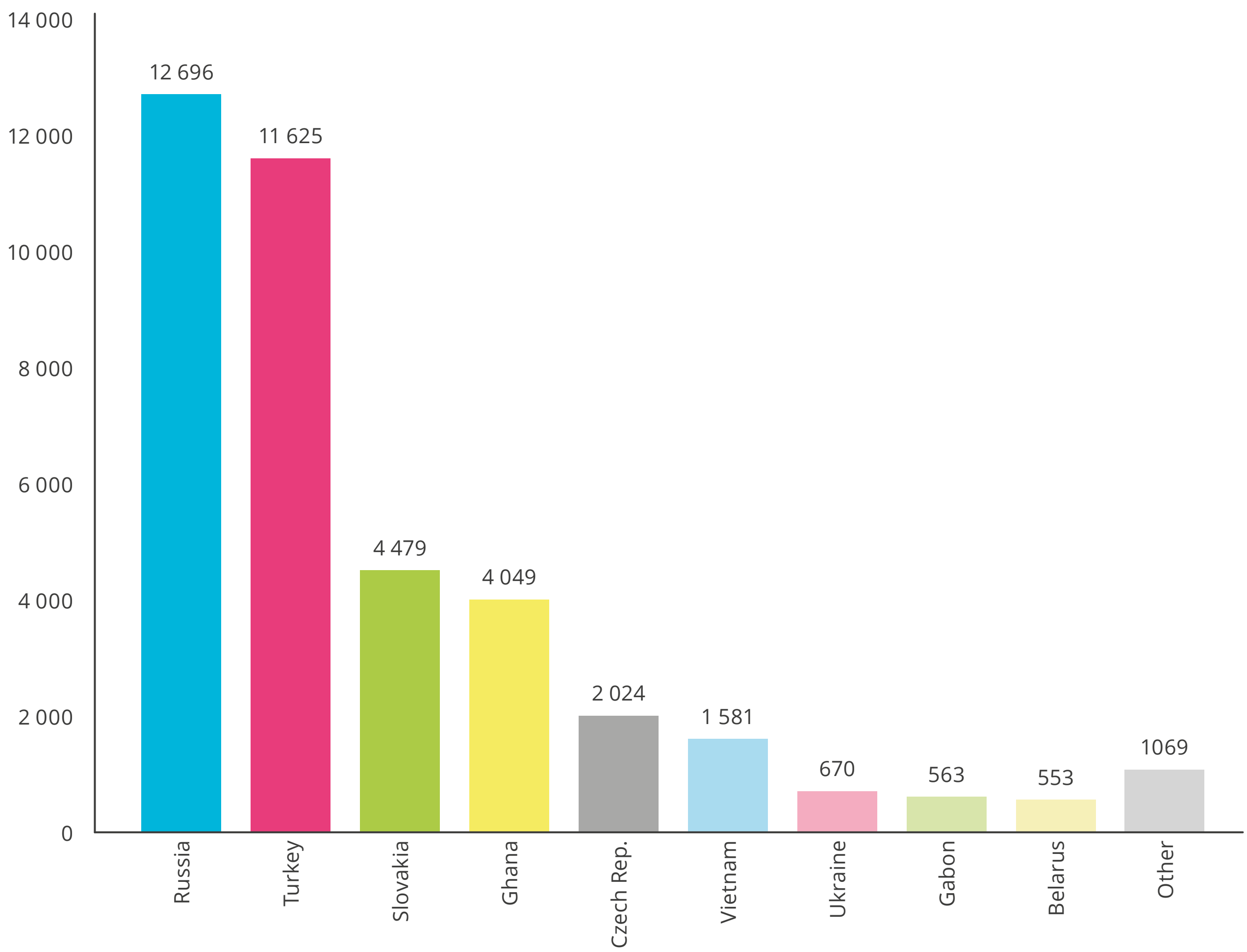
The total number of newly reported claims and guarantees called was significantly lower compared to 2022, with 31 reported in the previous year and only 13 in 2023.

However, in terms of volume, this represented an increase of almost CZK 6 billion, primarily due to the volume of claims settled under claims arising from Ghana becoming insolvent. The increase in the volume of managed claims is also significantly supported by the claim related to the COVID Plus guarantee paid to Liberty Ostrava a.s.

As in previous years, from a regional perspective, we record the most significant volume of claims from insurance claims for exports to Russia and Turkey. For both of these countries, we have seen a decline at the end of 2023 compared to 2022, driven by the volume of recoveries and, in the case of Russia, the general termination of cases with maximised recoveries, which is EGAP's priority in this territory.

Chart 8

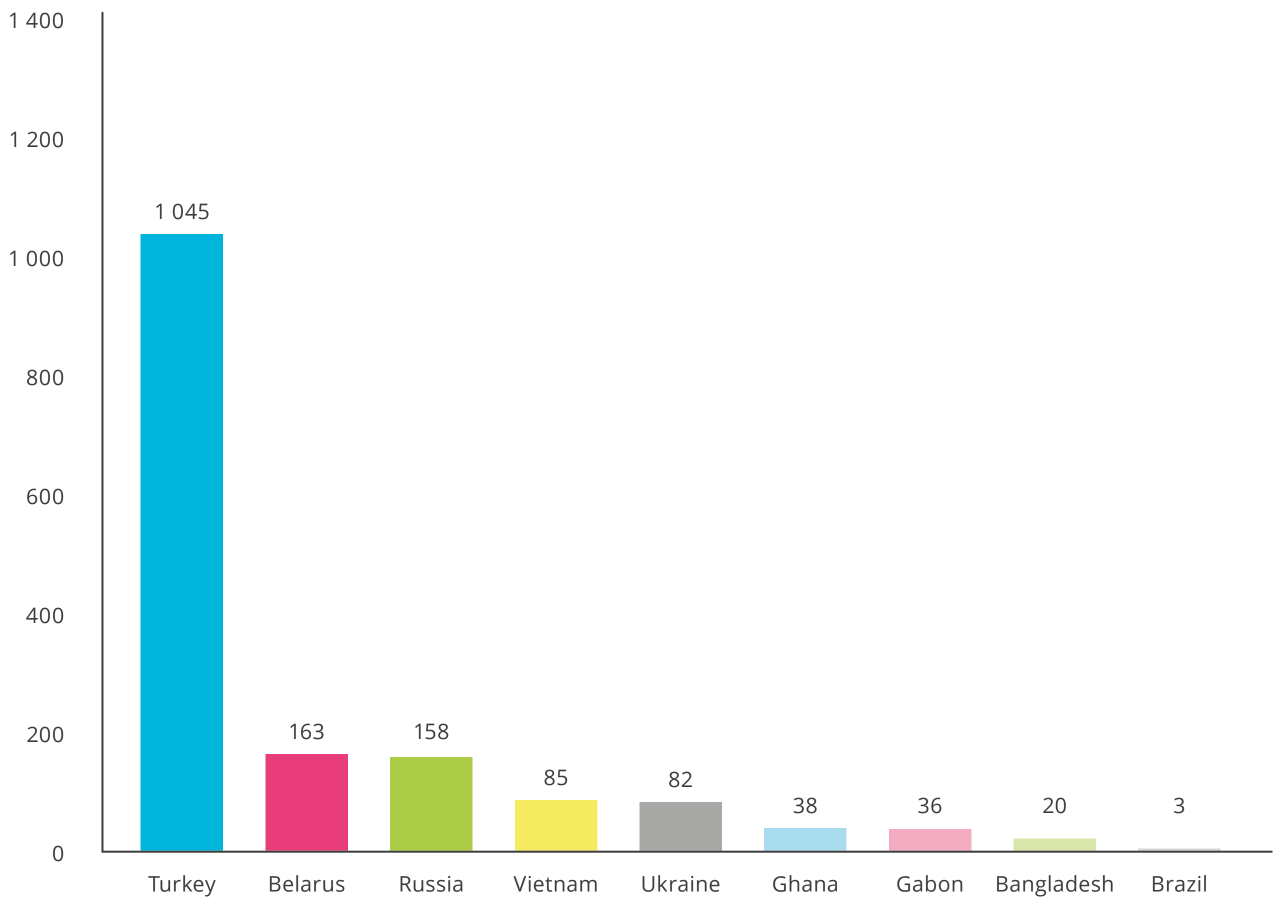
Volume of unsettled claims by countries as at 31 December 2023 (in MCZK)



The total volume of insurance claims and guarantee payments for 2023 reached almost CZK 3.3 billion. The volume of claims paid out from export insurance and guarantees was comparable. Insurance claims paid out CZK 1.7 billion, with the largest part of this amount (about 85%) traditionally attributable to claims for insurance product D. A total of CZK 1.6 billion was paid out on financial guarantees called, specifically two guarantees under the COVID Plus programme. Of this, the settlement for the guarantee for Liberty Ostrava a.s. amounted to almost CZK 1.5 billion.

Chart 9

Claims paid by countries in 2023 (in MCZK)

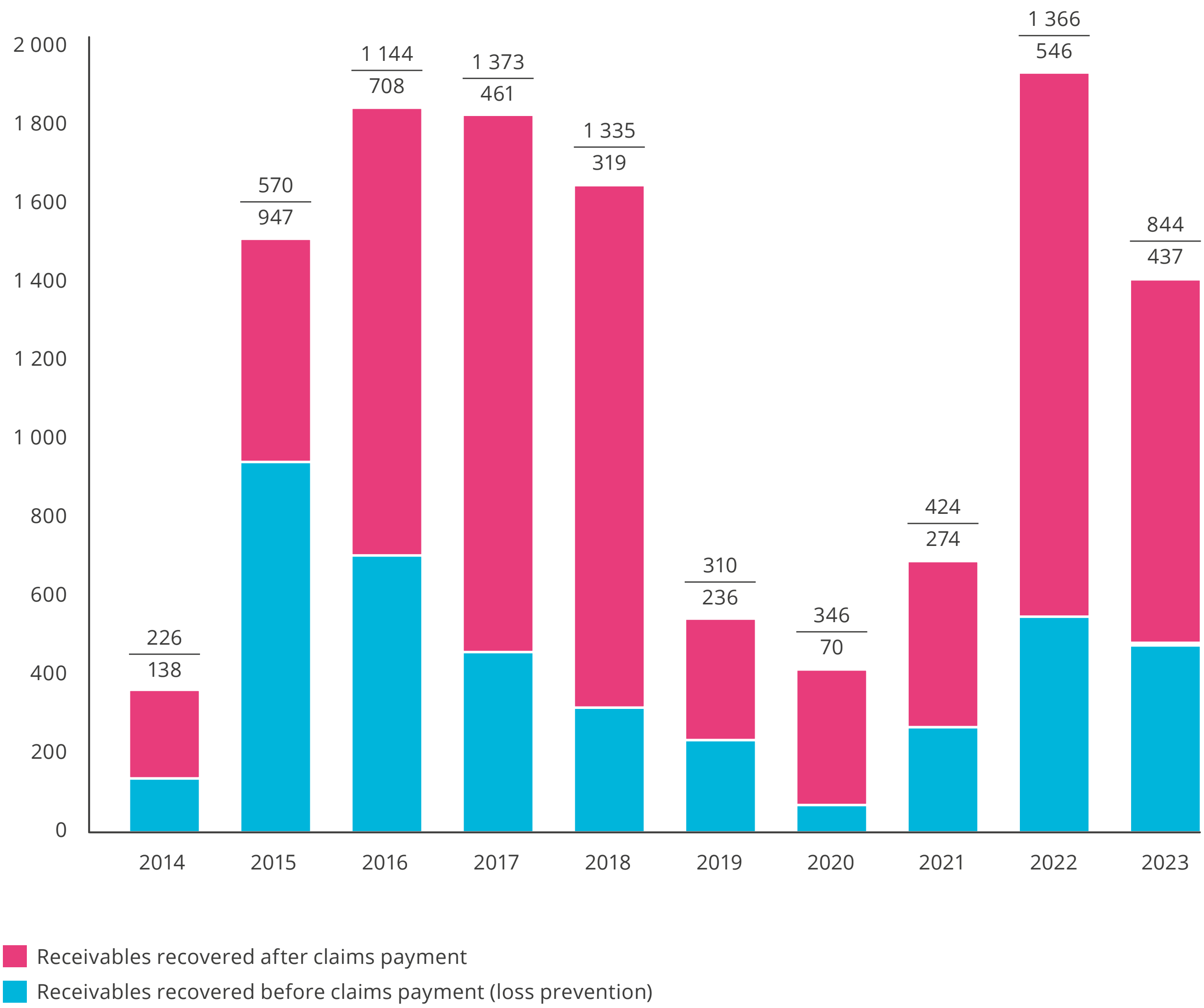


Note: Excludes settlements from guarantees provided under COVID Plus and EGAP Plus programmes.

Total results in the debt recovery segment amount to CZK 1.3 billion for 2023. Of the debts from newly reported claims in 2023 and for new guarantees called in 2023, CZK 436 million were recovered. These newly settled cases thus account for an above average 34% of the total recovery result for 2023. The reduction in the number of new cases can also be illustrated by almost CZK 111 million of additional recoveries being attributable to claims registered only in December 2022, so that recoveries from new claims and guarantees (i.e., arising during 2023 or at the very end of 2022) total CZK 547 million.

Chart 10

Recovered receivables and their historical development (in MCZK)



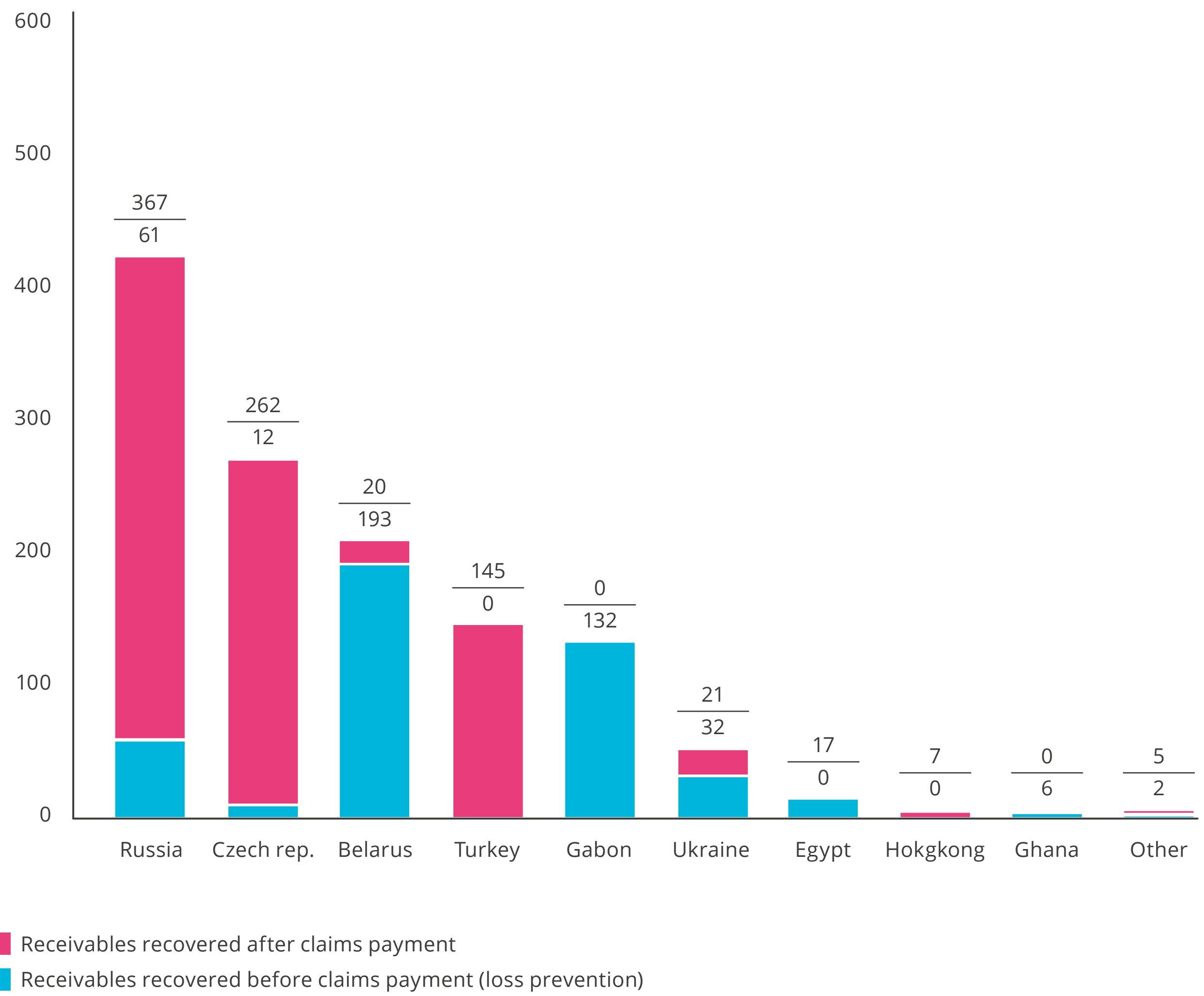
Note: Includes recoveries from guarantees provided under COVID Plus and EGAP Plus programmes.

In terms of territory, the most significant volume of claims was recovered in Russia. The Czech Republic's second place is a new addition, with claims recovered from guarantees paid under the COVID Plus programme. In previous years, the volume of claims recovered in the Czech Republic was rather marginal.

Another noticeable change compared to the previous year is the CZK 213 million of claims recovered from insurance claims in Belarus. These are claims arising in December 2022 and early 2023. Similarly to its exposition in Russia, EGAP continues to reduce its exposure here.

Chart 11

Debt recovery before and after claims payment by countries in 2023 (in MCZK)



7

RISK MANAGEMENT AND RISK PROFILE

Risk management in 2023 maintained the original risk appetite and adequacy of risk acceptance in view of EGAP's core mission to support Czech exports.

Limit boundaries were not too restrictive but effective against excessive concentration, and risk acceptance demonstrated a sound base with a slight preference for sovereign foreign risks, which was in line with European export credit insurance trends, along with EGAP's shift towards insuring loans for pre-export financing of investments or operations of export-oriented enterprises.

Ing. Martin Růžička
Head of Risk Management Section

The management of all risks to which EGAP is exposed was given its due attention in 2023.

International geopolitical tensions and higher energy commodity prices continued to impact risk management in 2023. In response to the geopolitical tensions and the sharp increase in energy raw material prices, the Czech government adopted a resolution at the end of 2022, approving the provision of EGAP Plus guarantees to assist companies directly and indirectly affected by the war in Ukraine or by the increase in electricity generation or energy raw material prices. Following the provision of EGAP Plus guarantees, rules for the assessment and approval of risks related to the product were adopted in 2023.

Under the conditions stipulated by the relevant resolution of the Government of the Czech Republic and based on the decision of the sole shareholder of EGAP, the insurance of exports to Ukraine was resumed to a limited extent in the second half of 2023. The insurance of export receivables with maturity of up to one year was resumed upon the fulfilment of the condition of a positive individual assessment of the importer's insurability by EGAP and upon fulfilment of other entry conditions given by the related government resolution. However, the acceptance of risks to this country, or the maximum volume of insurance of receivables, was limited by the amount of funds allocated for this insurance (in the total amount of CZK 339 million). Following the provision of EGAP Plus guarantees, rules for the assessment and approval of risks related to the product were adopted in 2023.

The adverse effects of the war in Ukraine expected in previous years have not significantly affected EGAP's current insurance portfolio. There have been some complications in the repayment of insured claims in the conflict-affected territories, however, in 2023, the EGAP insurance portfolio was stable, as can be seen in charts 12 to 16 in this section.

The impact of the COVID-19 pandemic on EGAP activities was no longer noticeable in 2023. Previously issued COVID Plus guarantees continued to be actively monitored and the creditworthiness of the entities (borrowers) was regularly reassessed. A number of COVID Plus guarantees was repaid in 2023, and overall, the portfolio of these guarantees is developing better than forecasted.

In 2023, following the amendment to Act No. 58/1995 Coll. effective as of 1 December 2022, the change of credit insurance for pre-export financing was implemented, specifically, this insurance was extended to include the insurance of operating and investment credits provided to export-oriented enterprises to increase international competitiveness (note: an export-oriented enterprise must show at least 25% share of exports in annual sales). No changes were made to the risk management system for the insurance of investment and operating loans to export-oriented enterprises, i.e., standard tools and methods of risk assessment of domestic entities were used, with an emphasis on the use of appropriate risk mitigation in the form of risk hedging techniques.

In information and communication technology (ICT), EGAP in 2023 focused on improving the operation of information systems, with the aim of ensuring adequate conditions for the fulfilment of EGAP's business objectives both in day-to-day operation and in case of unforeseen events. For these cases, EGAP used both technical security elements and set internal processes to ensure regular monitoring of information systems and related threats, updating of information systems, their necessary maintenance, regular testing, and development.

EGAP's risk appetite

In connection with its risk management goals in insurance, in 2023, 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, which remained at the same level for 2021 to 2023.

In 2023, there were no adjustments to the rating models used in EGAP. The next validation of the Czech rating model for the rating of non-banks which is carried out on a regular biannual basis on newly available data is planned for 2024.

In 2023, the implementation of ESG risk management continued gradually, both in relation to EGAP itself and to its activities as an insurance company.

In terms of risks already underwritten, EGAP observed a stagnation or rather a slight depreciation of the exchange rate of the domestic currency against foreign currencies compared to 2022, which has had an impact on the revaluation of liabilities in CZK. The original liabilities are almost exclusively underwritten in foreign currencies while the insurance benefits are mostly provided in CZK.

EGAP insurance portfolio risk profile

The weighted average rating of EGAP's portfolio and the credit risk of the active entities in the insurance portfolio as of 31 December 2023 improved from BB- to BB+ (measured according to the S&P rating scale), which was mainly due to the reduction of insurance exposure in Russia and the signing of several new insurance contracts with higher insured value involving better-rated entities. However, EGAP's portfolio remains in the speculative zone and is therefore relatively risky. Nevertheless, the riskiness of the portfolio is entirely consistent with EGAP's predestination as an export insurer underwriting territorial and non-marketable commercial risks, which in reality represents a rating of BBB+ or worse.

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 and EGAP Plus programmes). In all the charts below showing the structure of the portfolios, including the guarantee portfolios, the ratings are shown without notches for better clarity, e.g., BBB+, BBB and BBB- are shown together as BBB. AAA and AA ratings (all notches) are not present in EGAP's portfolio and are therefore not shown in the charts.

In the charts below, "entity" means the entity to which the risk has been underwritten (the borrower or guarantor in a given transaction).

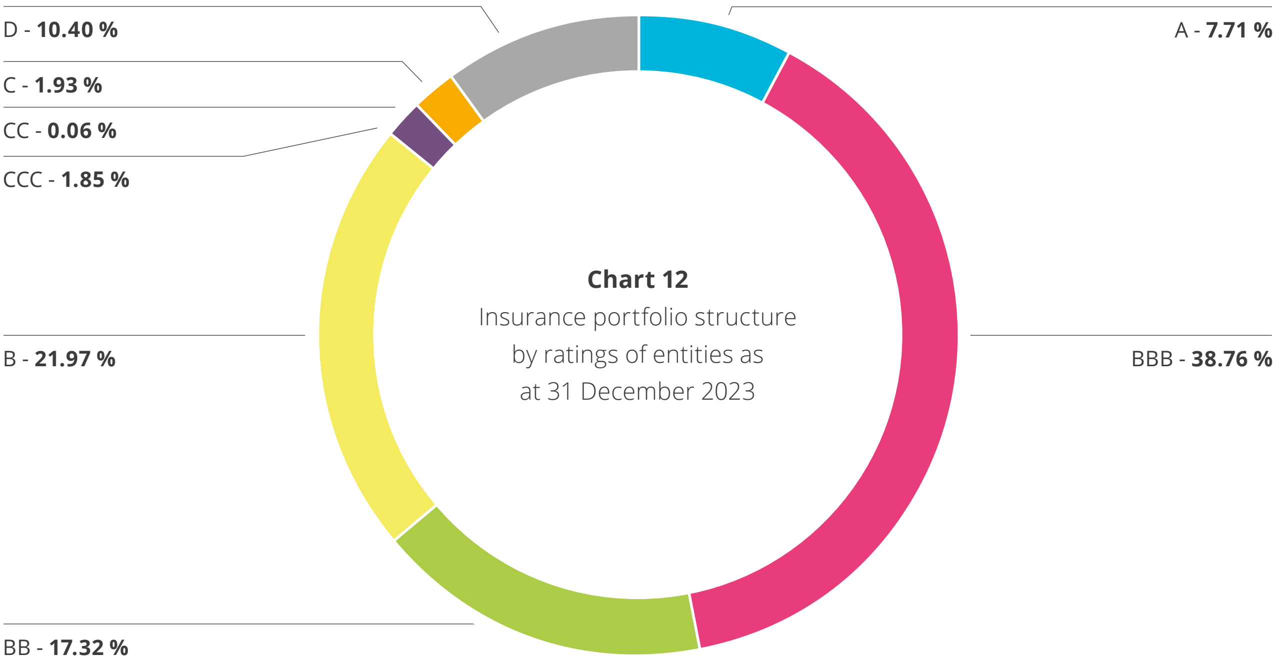


Chart 12
Insurance portfolio structure by ratings of entities as at 31 December 2023

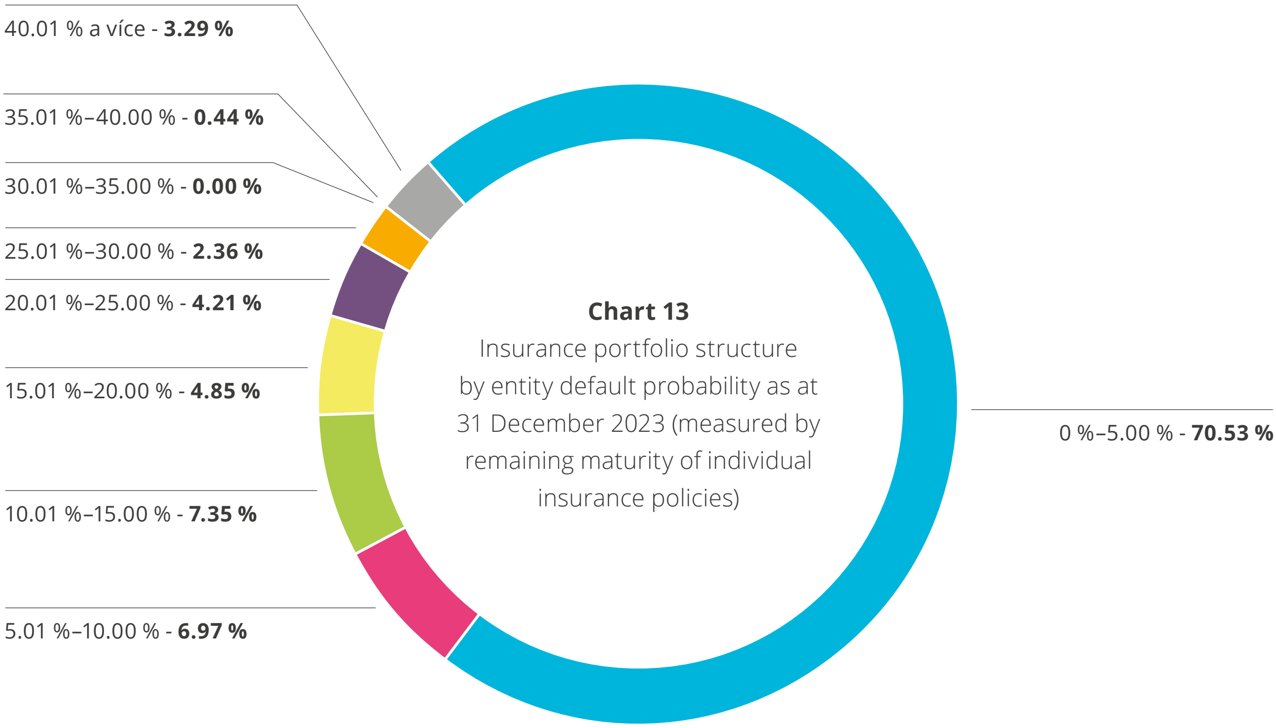


Chart 13
Insurance portfolio structure by entity default probability as at 31 December 2023 (measured by remaining maturity of individual insurance policies)

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

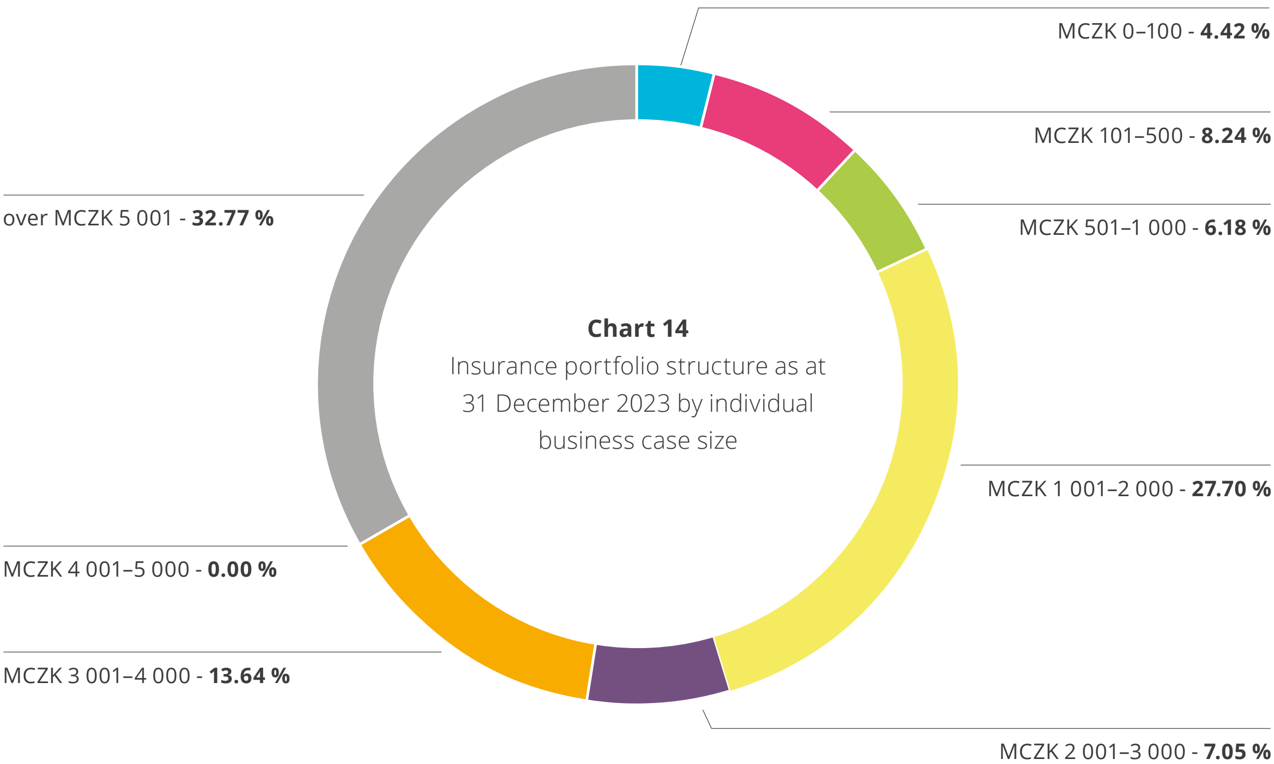
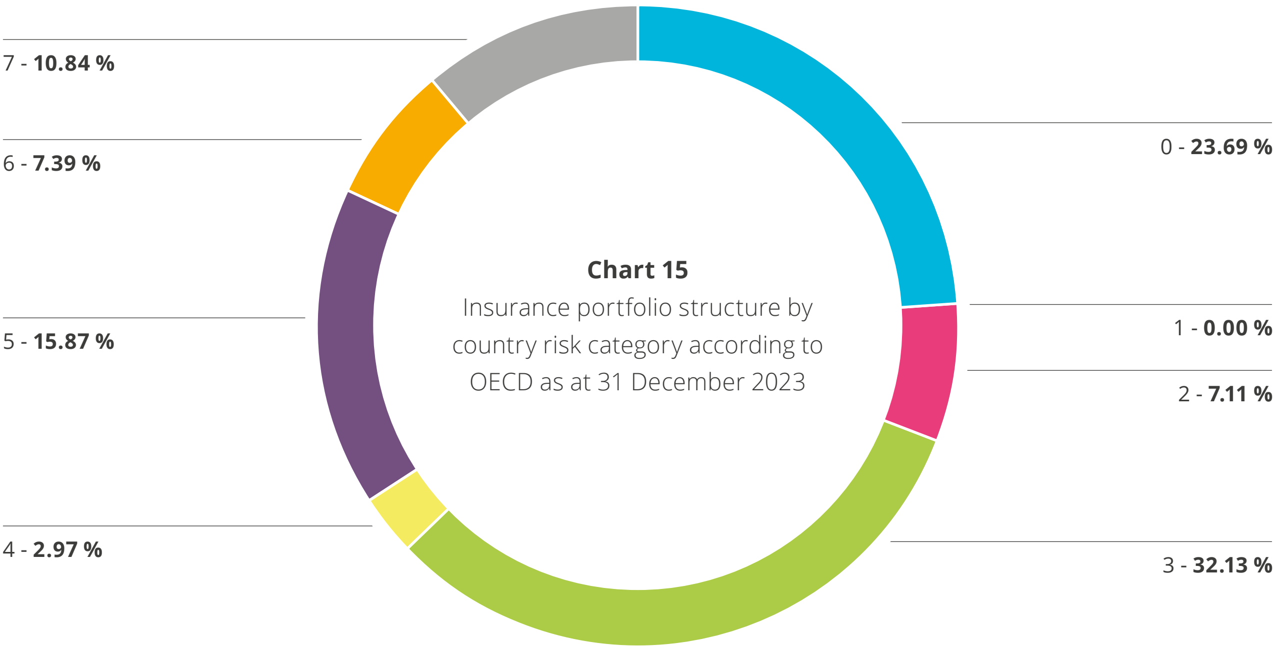
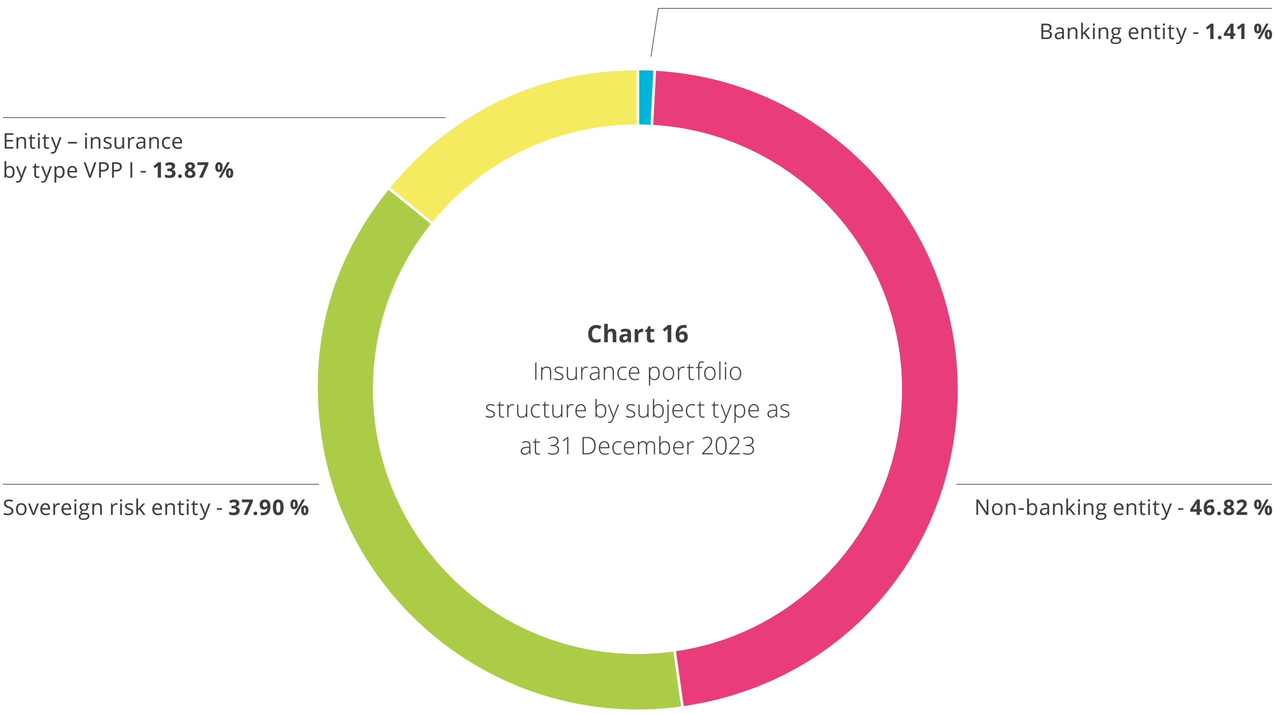


Chart 14
Insurance portfolio structure as at 31 December 2023 by individual business case size


7 - **10.84 %**
6 - **7.39 %**
5 - **15.87 %**
4 - **2.97 %**
0 - **23.69 %**
1 - **0.00 %**
2 - **7.11 %**
3 - **32.13 %**
Chart 15
Insurance portfolio structure by country risk category according to OECD as at 31 December 2023


Banking entity - **1.41 %**
Entity – insurance by type VPP I - **13.87 %**
Sovereign risk entity - **37.90 %**
Non-banking entity - **46.82 %**
Chart 16
Insurance portfolio structure by subject type as at 31 December 2023

Risk profile of the COVID Plus Guarantee portfolio

Compared to 2022, the average weighted rating deteriorated from BB- to B+. The following charts show the key risk parameters of the portfolio of guarantees provided under the COVID Plus guarantee programme.

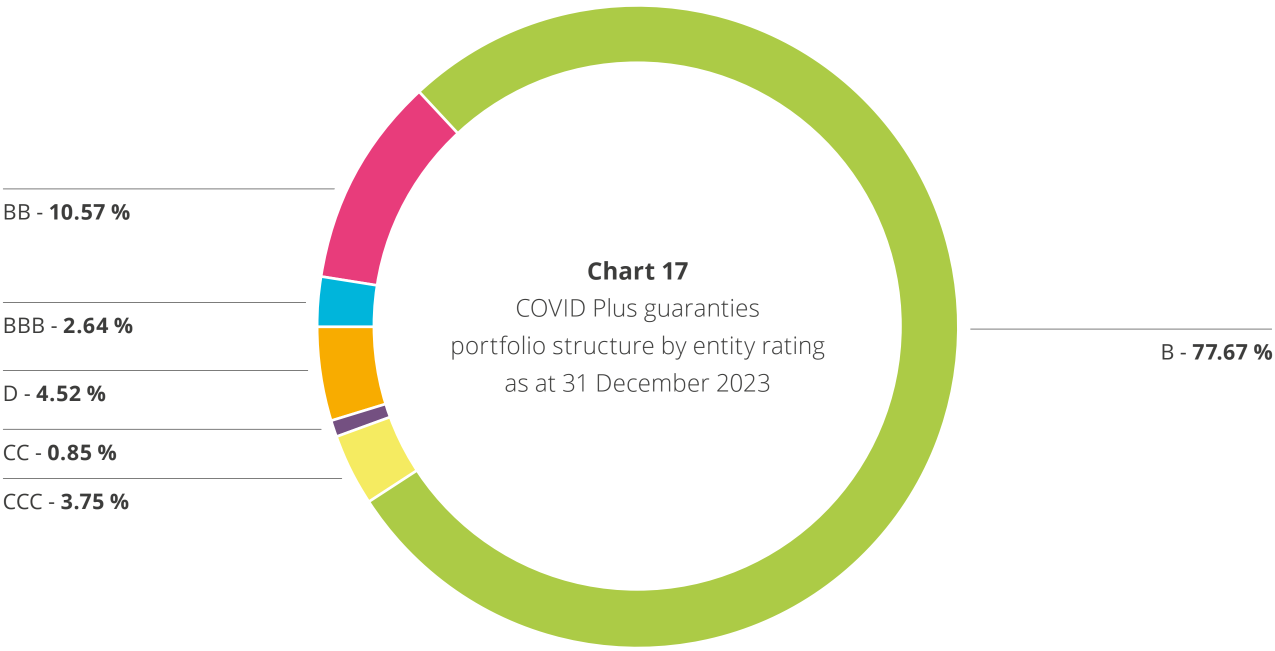


Chart 17
COVID Plus guaranties portfolio structure by entity rating as at 31 December 2023

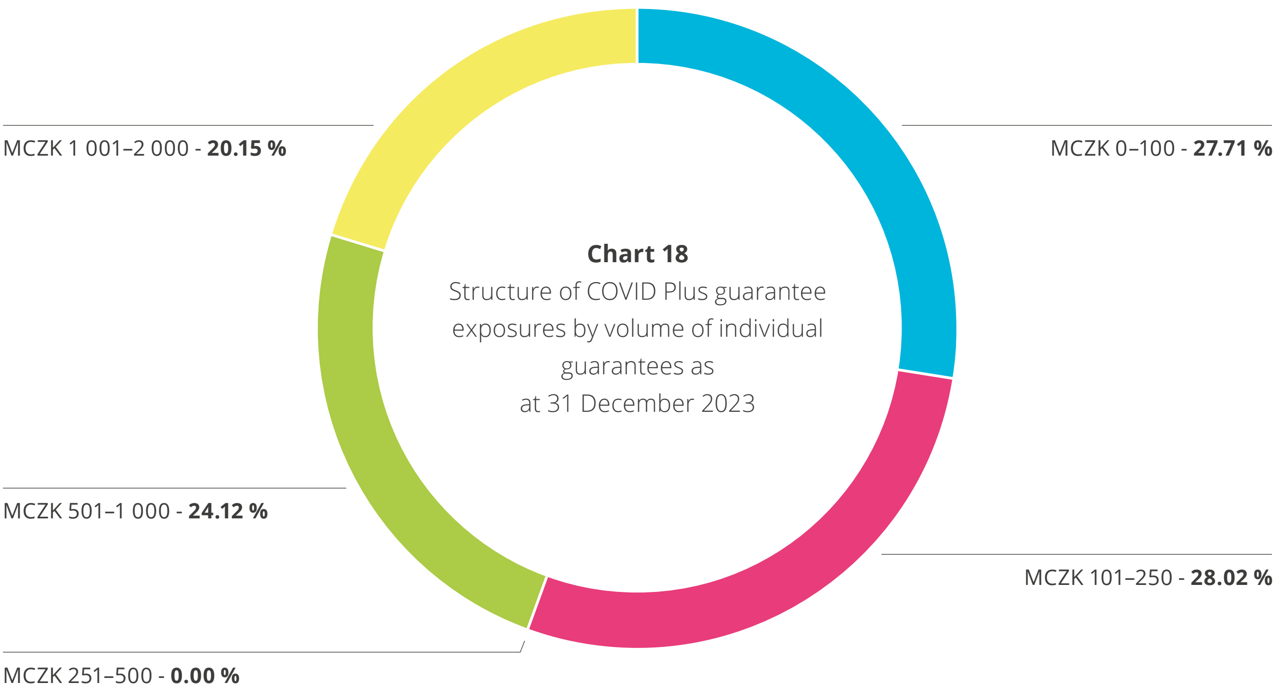


Chart 18
Structure of COVID Plus guarantee exposures by volume of individual guarantees as at 31 December 2023

Risk profile of the EGAP Plus Guarantee portfolio

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

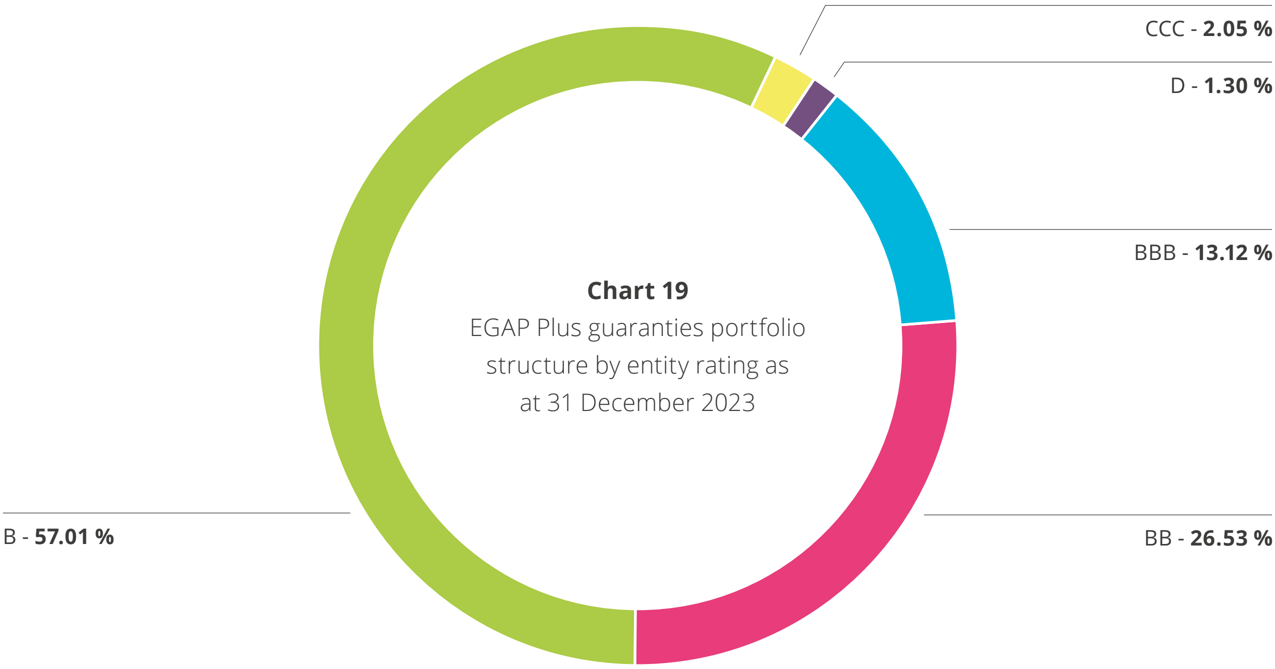


Chart 19
EGAP Plus guaranties portfolio structure by entity rating as at 31 December 2023

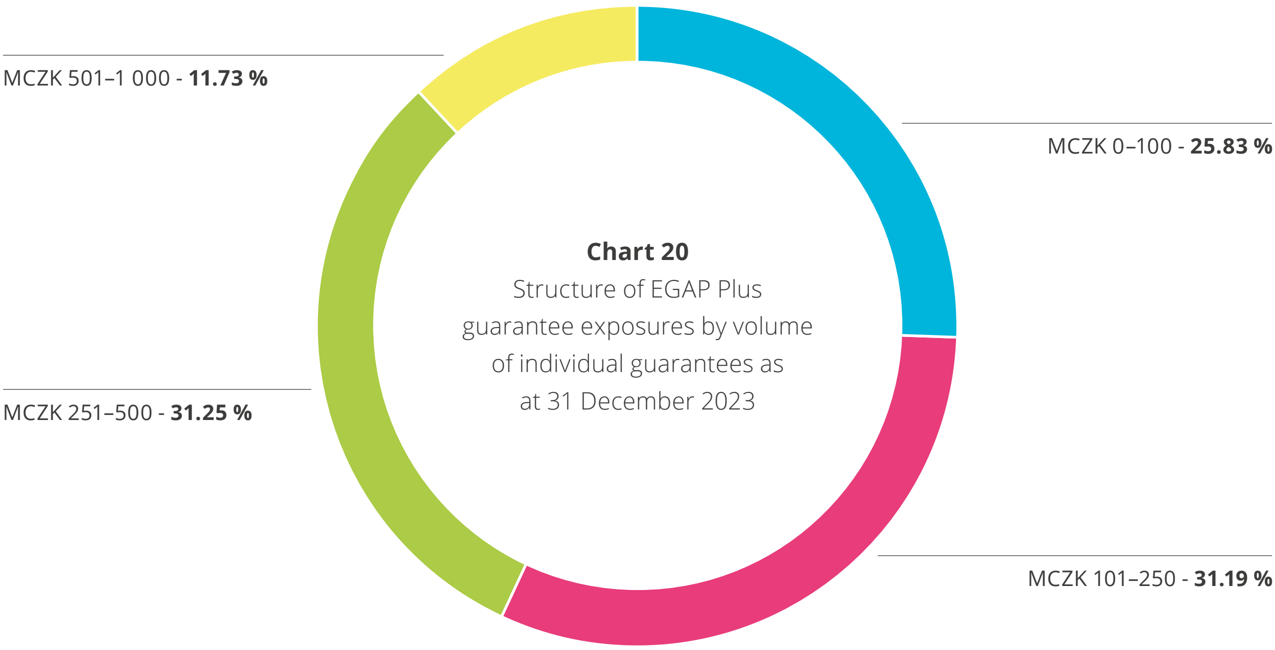


Chart 20
Structure of EGAP Plus guarantee exposures by volume of individual guarantees as at 31 December 2023

8

OUTLOOK

In 2024, we will have to consider the continuing outage of Russian and Belarussian markets due to the imposed European and international sanctions, which prohibit government support for export into these regions and severely complicate any transactions. This will most likely not change in the near future. On the other hand, exports to war-affected Ukraine should increase thanks to the Ukraine Fund. Should the war end, exports to Ukraine would accelerate even more significantly.

According to current estimates, 2024 will be marked by a gradual recovery of the Czech and global economy, a reduction and subsequent stabilisation of inflationary pressures, and the restoration of disrupted supplier-customer relations. The situation of exporters and importers, especially in Europe, will still continue to be considerably affected by the state or outcome of the military conflict in Ukraine. Thus, EGAP will continue to rely on the diversification of insured transactions in the coming year. Among the largest business cases already in the pipeline are the insurance of intercity train exports to Uzbekistan, the modernisation of airports in Senegal, and the delivery of civil aircraft to the two countries mentioned above.

EGAP's role in the Czech economy will continue to grow as the country is gradually transitioning from a net recipient of European subsidies to a moderate contributor. This means that our economy must, voluntarily or involuntarily, move from a subsidy-dependent economy to an economy using repayable financial instruments. The recovery function of financial assistance is strongly rooted in EGAP's insurance and guarantee products, and their use with the help of public funds will allow to maintain a similar level of final support for Czech companies even when funds available to support the economy decline.

In the framework of the COVID Plus and EGAP Plus guarantee activities, due to the termination of both programmes, only the monitoring of contracts and their eventual liquidation will continue. The amount of the respective funds and the guarantee exposure will thus gradually decrease in the future for the same reason.

9

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 2023

Number of filed requests for information	**9**	
Number of decisions issued to dismiss a request	**8**	(in four cases, part of the request to provide information was dismissed)
Number of filed appeals against decisions	**3**	
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 as at 31 December 2023

(TCZK)		Note	31 December 2023 Gross amount	31 December 2023 Adjustment	31 December 2023 Net amount	31 December 2022 Net amount
I. ASSETS						
B.	**Intangible assets**	II.1.	**69 585**	**59 756**	**9 829**	**4 842**
C.	**Investments**	II.2.	**21 511 533**	**194 226**	**21 317 307**	**19 256 230**
C.I.	Land and buildings, thereof:		727 044	194 226	532 818	544 500
	1. Land		123 202		123 202	127 679
	2. Buildings		603 842	194 226	409 616	416 821
	a) land and buildings – self-occupied		603 842	194 226	409 616	416 821
C.III.	Other investments		20 784 488		20 784 488	18 711 730
	1. Shares and other variable-yield securities, other participating interests		830 000		830 000	830 000
	2. Debt securities valued at fair value		2 160 090		2 160 090	6 237 456
	6. Deposits with financial institutions		17 794 399		17 794 399	11 644 274
E.	**Debtors**	II.3.	**1 068 161**	**35 712**	**1 032 449**	**103 310**
E.I.	Receivables arising from direct insurance operations – policyholders		7		7	0
E.III.	Other receivables		1 068 154	35 712	1 032 442	103 310
F.	**Other assets**		**599 973**	**61 955**	**538 018**	**3 212 206**
F.I.	Tangible fixed assets other than those listed under "C.I. Land and buildings", and inventories	II.4.	67 100	61 955	5 145	3 932
F.II.	Cash on accounts in financial institutions and cash in hand		532 873		532 873	3 208 274
G.	**Temporary asset accounts**	II.5.	**29 528**		**29 528**	**21 461**
G.III.	Other temporary asset accounts, thereof:		29 528		29 528	21 461
	a) estimated receivables		7 379		7 379	4 795
TOTAL ASSETS			**23 278 779**	**351 648**	**22 927 131**	**22 598 049**

			31 December 2023	31 December 2022
(TCZK)		Note		
II. LIABILITIES AND EQUITY				
A.	**Equity**	II.6.	**15 727 495**	**13 648 458**
A.I.	Registered capital		5 814 000	5 575 000
A.IV.	Other capital contributions		7 913 088	7 055 511
A.V.	Reserve fund and other funds from profit		184 850	185 724
A.VII.	Profit or loss for the financial year		1 815 557	832 223
C.	**Technical provisions**	II.7.	**6 496 755**	**7 969 078**
C.1.	Provision for unearned premiums:		1 789 310	1 819 262
	a) gross amount		2 142 705	2 276 276
	b) reinsurance share (-)		353 395	457 014
C.3.	Provision for outstanding claims:		4 707 445	6 149 816
	a) gross amount		4 964 913	6 279 285
	b) reinsurance share (-)		257 468	129 469
E.	**Provisions**	II.8.	**166 779**	**636 871**
E.3.	Other provisions		166 779	636 871
G.	**Creditors**	II.9.	**102 123**	**125 763**
G.V.	Other payables, thereof:		102 123	125 763
	a) tax liabilities and social security liabilities		72 600	81 311
H.	**Temporary liability accounts**	II.10.	**433 979**	**217 879**
H.I.	Accrued expenses and deferred revenues		432 179	216 399
H.II.	Other temporary liability accounts, thereof:		1 800	1 480
	a) Estimated payables		1 800	1 480
TOTAL LIABILITIES AND EQUITY			**22 927 131**	**22 598 049**

Income statement for the year ended 31 December 2023

I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE				2023			2022
(TCZK)	Note	Base	Subtotal	Result	Base	Subtotal	Result
1. Earned premiums, net of reinsurance:							
a) gross premiums written	III.1.	638 030			92 424		
b) outward reinsurance premiums (-)	III.2.						
Subtotal			638 030			92 424	
c) change in the gross provision for unearned premiums (+/-)		133 571			1 157 476		
d) change in the provision for unearned premiums, reinsurance share (+/-)		–103 619			–157 876		
Subtotal			29 952			999 600	
Result				**667 982**			**1 092 024**
2. Allocated investment return transferred from the non-technical account (item III. 6.)				**645 148**			**179 777**
3. Other technical income, net of reinsurance				**376**			**462**
4. Claims incurred, net of reinsurance:							
a) claims paid:							
aa) gross amount		1 689 652			1 998 818		
bb) reinsurance share (-)		2 125			373		
Subtotal			1 687 527			1 998 445	
b) change in the provision for outstanding claims (+/−):							
aa) gross amount		–1 314 371			738 856		
bb) reinsurance share (−)		127 999			112 938		
Subtotal			–1 442 370			625 918	
Result	**III.1.**			**245 157**			**2 624 363**

I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE				2023			2022
(TCZK)	Note	Base	Subtotal	Result	Base	Subtotal	Result
7. Net operating expenses:							
a) acquisition costs			8 506			10 779	
c) administrative expenses	III.3.		254 691			264 429	
d) reinsurance commissions and profit participation (–)	III.2.						
Result				**263 197**			**275 208**
8. Other technical expenses, net of reinsurance				**927**			**951**
10. Result of the technical account for non-life insurance				**804 225**			**–1 628 259**

III. NON-TECHNICAL ACCOUNT				2023			2022
(TCZK)	Note	Base	Subtotal	Result	Base	Subtotal	Result
1. Result of the technical account for non-life insurance (item I.10)				**804 225**			**–1 628 259**
3. Income from investments:							
b) income from other investments			723 127			367 371	
c) value adjustments on investments			435 103			377 166	
Result				**1 158 230**			**744 537**
5. Expenses connected with investments:							
a) investment management charges, including interest			9 270			8 942	
b) value adjustments on investments			304 822			364 836	
Result				**314 092**			**373 778**
6. Allocated investment return transferred to the technical account for non-life-insurance (item I.2.)				**–645 148**			**–179 777**
7. Other income	**III.6.**			**3 183 760**			**2 976 301**
8. Other expenses	**III.7.**			**2 365 119**			**696 918**
9. Income tax on ordinary activities	**III.8.**			**0**			**4 427**
10. Profit or loss on ordinary activities after tax				**1 821 857**			**837 679**
15. Other taxes not shown under the preceding items				**6 300**			**5 456**
16. Profit or loss for the period				**1 815 557**			**832 223**

Statement of changes in equity for the year ended 31 December 2023

(TCZK)	Note	Registered capital	Other capital contribu- tions	Revaluation differences	Other funds from profit	Reserve fund	Retained profit	Total
Balance at 1 January 2022		**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		0	500 000	0	0	0	0	500 000
Utilisation of social fund and fund of the General Manager		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**
Distribution of profit for 2022		0	832 223	0	0	0	–832 223	0
Contributions from the state budget	II.6.	239 000	0	0	0	0	0	239 000
Utilisation of social fund and fund of the General Manager	II.6.	0	0	0	–874	0	0	–874
Revaluation differences		0	0	25 354	0	0	0	25 354
Profit for the financial year	II.6.	0	0	0	0	0	1 815 557	1 815 557
Balance at 31 December 2023		**5 814 000**	**7 904 018**	**9 069**	**98 043**	**86 807**	**1 815 557**	**15 727 494**

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. 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, as amended ("Act No. 58/1995 Coll."). On 27 April 2016, the Czech National Bank issued a certificate under Article II (2) of Act No. 220/2015 Coll., amending Act No. 166/1993 Coll., 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. 58/ 1995 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 were 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 Coll., as amended.

Subsequently, at the end of 2022, the EGAP Plus guarantee was introduced, with a structure similar to that of the COVID Plus guarantees. These were 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 a better availability of liquidity. Although it was possible to provide these guarantees from the end of 2022, the first EGAP Plus guarantees were not issued until February 2023. These guarantees were provided in line with Act No. 363/2022 Coll., with more specific procedures and rules determined by Government Decree No. 364/2022 Coll. These guarantees were discontinued at the end of 2023, with demand for this temporary product exceeding supplies and the guarantees’ maximum capacity. EGAP thus had to reject some applicants for the EGAP Plus guarantees after their capacity of slightly more than CZK 6 billion had been exhausted.

In the course of 2023 and based on Resolution of the Government of the Czech Republic No. 525 of 12 July 2023, EGAP to a limited extent resumed the provision of short-term insurance products to Ukraine. This pilot project aims to support Czech exporters with the aim of helping Ukraine, contribute to the maintenance of trade relations between the Czech Republic and Ukraine, and prepare space for the flexible expansion of this activity in the future after a ceasefire between the warring parties is negotiated. This activity is being provided within the framework of standard insurance activities, and EGAP has specially earmarked CZK 339 million, with CZK 239 million provided by the Ministry of Finance.

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, and sales 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 Prague 1

Members of the board of directors

Ing. Jan Procházka (head of the chief executive officer section)	chairman from 21 December 2022 to 12 February 2023 member from 19 December 2022 to 12 February 2023
Ing. David Havlíček, Ph.D., CFA (head of the chief executive officer section)	chairman from 20 March 2023 member from 20 March 2023
JUDr. Ing. Marek Dlouhý (head of the sales section)	vice-chairman from 5 April 2018; again from 30 March 2023 member from 29 March 2018; again from 30 March 2023
Ing. Martin Růžička (head of the risk management section)	member from 2 July 2021

Members of the supervisory board

Mgr. Veronika Peřinová	chairwoman from 4 November 2022 member from 1 October 2022
Mgr. Martin Pospíšil	vice-chairman from 2 September 2022; again from 10 November 2023 member from 27 August 2019; again from 1 October 2023
Ing. Karel Fíla, M.Sc.	member from 1 September 2022
Mgr. Dominik Grůza	member from 1 August 2022
Mgr. David Satke	member from 1 July 2022

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 ("Act No. 563/1991 Coll."), 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, "TCZK"), unless stated otherwise, and the financial statements are not consolidated.

I.3. Significant accounting policies

a) Tangible and intangible fixed 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 60 000 per asset are considered tangible and intangible inventories and are expensed upon consumption.

The annual depreciation and amortisation rates used are as follows:

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

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

The cost of repairs and maintenance of tangible and intangible fixed assets is charged to expenses. The improvement of an asset exceeding CZK 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 1does not apply are stated at acquisition cost increased or decreased by interest income or expense as at the balance sheet date or as at the date of preparing the financial statements; if the cost of receivables includes the above income or expense, it may also be increased or decreased in the same manner.

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

As a result of an amendment to Act No. 58/1995 Coll., 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.

Receivables relating to the COVID Plus and EGAP Plus guarantees consist of receivables in the amount of the anticipated revenues from recovered receivables with prudent consideration of related risks. The Technical Reserves Committee decides on the creation of such receivables.

d) Impairment of assets

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

e) Foreign currencies

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

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

f) Technical provisions

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

The Company established the following technical provisions:

Provision for unearned premiums

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

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

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

Based on testing the adequacy of the provision for unearned premiums, the Company establishes or releases the provision for unexpired risks (the so-called LAT provision – Liability Adequacy Test). The value of this provision provides for the total provision for unearned premiums to cover all expected costs connected with future claims. The main calculation parameter of the adequacy of this provision is the difference between the expected insurance loss and the unused (or unearned) portion of premiums recognised within the provision for unearned premiums. The expected loss depends on the probability of default of the debtor, or of the guarantor (PD), and on the loss-given default (LGD) and related exposure at default (EAD). As at 31 December 2023 the value of this provision is negative, which is the reason for its zero accounting value. The provision for unearned premiums is thus sufficient with a slight reserve.

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. EGAP is in the position of a state export institution using special state guarantees ensuring long-term capital stability. At the same time it uses international negotiations at the government level in the enforcement process with the aim of maximising enforceability. This position enables EGAP not to speed up the recovery process in those cases where it does not make economic sense for EGAP. This is then considered in the calculation of technical provisions at two levels, firstly as a portfolio within the value of LGD for individual homogeneous product groups (taking into account EGAP's historical experience) and secondly individually in the estimation of the recoverability of a specific insured event.

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 3.0% of the total gross provision for outstanding claims in 2023. The percentage amount is updated on an annual basis and slightly changed as at 31 December 2023, newly determined at 4.0%. This amount will also be used in 2024.

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.13.

o) Loss prevention fund

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

p) Provision of guarantees under the COVID Plus programme

An amendment to Act No. 58/ 1995 Coll., 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 are 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) derives from EGAP's own historical experience in the field of insurance of export activity and from stress scenarios of the CNB for Czech firms and is assumed to be 50%. 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 that is recognised through deferred revenues (VPO).

Equation for calculating expected losses from provided guarantees: EL = PD × LGD × EAD

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

- Provision for payments from guarantees

  When creating, using and verifying the adequacy of provisions for payments from guarantees, the procedures regulated by the internal regulation governing the creation of technical provisions shall be followed in accordance with the rules for the accounting of insurance companies, and if necessary, such creation or use shall be approved by the relevant committee established by the Board of Directors of the Company.

  When guarantees are called by the lending bank, the guarantee is paid out without delay within 30 days from the date of the call. The provision for claims does not last long, if created at all before the actual payout. However, EGAP also creates prudential loss provisions for guarantees that are at risk of being called in the future (analogy of IBNR insurance premiums). These provisions for claims have a much longer duration and are related to the borrower's credit status.

q) Provision of guarantees under the EGAP Plus programme

An amendment to Act No. 58/1995 Coll., 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 in December 2022 with first guarantees provided within the programme in February 2023. The provision was terminated as at 31 December 2023, which brought the EGAP Plus guarantee programme into the same phase as the COVID Plus programme is now, i.e., the phase of monitoring or liquidating active contracts.

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 are 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 amount of this provision is calculated analogically with the provision of COVID Plus guarantees mentioned in note p), section concerning the provision for unexpired risks above.

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

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

- Provision for payments from guarantees

  When creating and using provisions for claims in respect of EGAP Plus guarantees, the procedure is similar to that for COVID Plus described in note p) above.

I.4. Subsequent events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognised in the financial statements if these events provide additional evidence about conditions that existed at the balance sheet date.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognised in the financial statements.

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

In 2023, 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 2015 supplementing Solvency II Directive and the related implementing regulations (EIOPA general guidelines, implementing regulations of the European Commission), as amended.

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

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 2023, while the creditworthiness of the borrowers is regularly reassessed to correctly determine the provisions for these guarantees.

Act No. 58/1995 Coll. 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.

The provision of guarantees pursuant to Government Regulation No. 364/2022 Coll., on the implementation of certain provisions of the Act on Insurance and Financing of Exports with State Support, in relation to the guarantee provided under state support of the economy in response to Russia's aggression against Ukraine, was terminated at the end of 2023. Now these guarantees will also only be repaid, and the creditworthiness of debtors will be regularly reassessed for the same purpose as for the guarantees mentioned above.

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. 58/1995 Coll. and therefore is not regulated by insurance legislation. To ensure professional activities involved in the issue and administration of guarantees, EGAP has reasonably used its established functional risk management system applicable to insurance activities.

Also in 2023 and based on an amendment to Act No. 58/1995 Coll., effective as of 1 December 2022, a change in credit insurance to pre-export financing was implemented. Specifically, this insurance was extended to include the insurance of operating and investment credits provided to export-oriented enterprises to increase international competitiveness (note: an export-oriented enterprise must report at least a 25% share of exports in its annual sales). The risk management system did not change for the insurance of investment and operating credits to export-oriented enterprises, i.e., standard tools and methods of risk assessment of domestic entities are used, with an emphasis on the implementation of adequate risk mitigates in the form of risk hedging techniques.

Under the conditions set out in Resolution of the Government of the Czech Republic No. 525 of 12 July 2023[2] and based on the decision of EGAP's sole shareholder, in the second half of 2023 the insurance of exports to Ukraine was renewed to a limited extent. The insurance of export receivables with a maturity of up to one year was renewed if the condition of a positive individual assessment of the importer's insurability by EGAP was met, while meeting other input conditions. In view of the exceptional nature of insurance to a country with a high level of risk (a country in a state of war), the sole shareholder provided the necessary funds for this insurance in the form of an increase of EGAP's registered capital amounting to approximately CZK 239 million, and based on the sole shareholder's instruction, EGAP provided another CZK 100 million internally. Risk acceptance, or the maximum volume of credit insurance, is limited by the amount of funds earmarked for this insurance in the total value of CZK 339 million.

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, which is implemented primarily according to the Solvency II rules, was also adequately used for the provision of COVID Plus and EGAP Plus guarantees at the time of their provision. The provision of these guarantees is not subject to Solvency II rules, i.e., they are not subject to a solvency capital requirement. Within the framework of the risk management system, the regular credit assessment of counterparties for issued guarantees is carried out according to rules similar as for underwritten insurance contracts.

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. All risk management regulations are issued in a form whose position in the hierarchy of internal regulations is appropriate to their importance for the activities of EGAP. 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

2 Resolution of the Government of the Czech Republic on the capital strengthening of Exportní garanční a pojišťovací společnost, a.s. for the purpose of insuring export credit risks to Ukraine

of the total solvency position of EGAP in the future. The conception of the ORSA process comprises the following main items and principles:

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

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

In 2023, increased emphasis was placed on data quality and risks in information and communication technology (ICT) management.

Regarding ICT risk, EGAP focuses mainly on ensuring the functioning of information systems, with the aim to ensure adequate conditions for the fulfilment of EGAP's business objectives both in normal operation and during unforeseeable events. For these cases, EGAP uses both elements of technical security and set internal processes ensuring regular monitoring of information systems and related threats, updating of information systems, their necessary maintenance, regular testing and development. The set internal processes together with the elements of technical security enable EGAP to effectively manage ICT risk.

Furthermore, in risk management, EGAP continued to implement ESG (environmental, social and corporate governance) risk management due to the necessity to meet the requirements of the EU regulation and the Czech National Bank.

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 risk management limits within the individual risk categories in accordance with EGAP's risk appetite;

- 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;

- 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, whose inseparable part is inwards reinsurance, 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 to manage most risks. 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/SCR_{PUR})

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

In 2023, EGAP with the Czech National Bank's consent 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, when calculating the risk margin and when testing contingency plans relating to insurance (underwriting) risk using stress scenarios, or for other uses according to ad-hoc requirements from the insurance business.

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, including its subsequent projection into the created system of limits for risk management as the limit of risk acceptability (the amount of limits), is within the competence of the board of directors, which actively influences the formation of the risk appetite of EGAP. The risk appetite also fulfils the requirements imposed on EGAP by Act No. 58/1995 Coll., for example in the fact that the volume of the assumed risk must not exceed the insurance capacity of EGAP[3].

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, financial group, 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, was determined by government via its decree.

3 Insurance capacity for 2023 amounted to CZK 218 billion - CZK 188 billion for insurance and CZK 30 billion for COVID Plus and EGAP Plus guarantees).

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 2014–2023[4] which were duly discussed by the statutory bodies of EGAP and reported to the Czech National Bank.

As part of the ORSA process for 2023, there was a change in EGAP's risk profile assessment/description of market, credit and ESG risk.

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

i. 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.

4 The ORSA process for 2023 is running; the ORSA report as at 31 December 2023 will be submitted to the CNB before 30 June 2024.

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 regularly updating entities' (debtors'/creditors') ratings
- by concluding reinsurance contracts with other ECAs ("Export Credit Agencies") and commercial reinsurers;
- through a systematic and consistent enforcement of receivables.

ii. 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.

EGAP's insurance exposure is primarily monitored at current FX rates; therefore, the currency risk associated with insurance contracts is daily reflected in the amount of EGAP's insurance exposure. EGAP does not actively hedge the currency risk. It uses only a natural hedging where the financial means denominated in foreign currencies are kept on EGAP's foreign currency accounts. The currency risk is also naturally reduced by insurance settlement payments which relate to insurance contracts concluded in a foreign currency to which technical provisions carrying the currency risk have been established before.

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

Market risks also relate to the placement of available financial means (investment). These risks are managed through procedures set out in the Investment Strategy and the Investment Risk Management Concept (note: in 2023, they merged into the Asset and Liability Management Concept, including the Concept of Liquidity and Concentration Risk Management, and the Investment Concept, including Investment Risk Management), however, these were significantly reduced after the amendment to Act No. 58/1995 Coll., which significantly limited EGAP's investment activities outside of depositing funds with the Czech National Bank.

iii. 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.

iv. 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.

v. 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 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.

vi. 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.

vii. 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). EGAP has established an audit committee.

viii. 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 Operational risk Catalogue. 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.

ix. ESG risk

ESG risk is a potential event or situation concerning environmental, social or governance aspects which could have an actual or potential adverse impact on the value of the investment or on the value of the liability (note: the risk is evaluated in relation to clients and in relation to EGAP).

EGAP started with the implementation of this risk into the risk management system already in 2022. 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.

II. Additional Information on the Balance Sheet

II.1. Intangible assets

Intangible fixed assets as at 31 December 2023 comprised the following items:

(TCZK)	1 January 2022	Additions	Dispo-sals	31 December 2022	Additions	Dispo-sals	31 December 2023
Acquisition cost							
Software	51 022	875	0	51 897	8 536	0	60 433
Other intangible assets	7 662	1 489	0	9 151	0	0	9 151
Total acquisition cost	**58 684**	**2 364**	**0**	**61 048**	**8 536**	**0**	**69 584**
Accumulated amortisation							
Software	48 272	1 664	0	49 936	2 872	0	52 808
Other intangible assets	5 820	450	0	6 270	678	0	6 947
Total accumulated amortisation	**54 092**	**2 114**	**0**	**56 206**	**3 550**	**0**	**59 755**
Net book value	**4 592**			**4 842**			**9 829**

II.2. Investments

a) Land and buildings

2023	Operating land	Operating buildings	Buildings	Total
Acquisition cost at 1/1/2023	127 679	603 123	0	730 802
Additions	0	719	0	719
Disposals	4 477	0	0	4 477
Acquisition cost at 31/12/2023	**123 202**	**603 842**	**0**	**727 044**
Accumulated depreciation at 1/1/2023	0	186 302	0	186 302
Amortisation expense	0	7 924	0	7 924
Decrease in adjustments	0	0	0	0
Disposals	0	0	0	0
Accumulated amortisation at 31/12/2023	**0**	**194 226**	**0**	**194 226**
Net book value at 1/1/2023	127 679	416 821	0	544 500
Net book value at 31/12/2023	**123 202**	**409 616**	**0**	**532 818**

Fair value	Operating land	Operating buildings	Buildings	Total
2023	123 202	421 298	0	**544 500**
2022	127 679	416 821	0	**544 500**

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.

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

(TCZK)	31 December 2023	31 December 2022
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 2023	31 December 2022
Debt securities issued by government sector and listed on a recognised CR exchange		
Acquisition cost	2 161 920	5 993 857
Fair value	2 160 090	5 933 293
Debt securities issued by non-financial institutions and listed elsewhere		
Acquisition cost	0	305 340
Fair value	0	304 163
Total acquisition cost	**2 161 920**	**6 299 197**
Total fair value	**2 160 090**	**6 237 456**

As a result of an amendment to Act No. 58/1995 Coll., 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 2023	31 December 2022
Domestic banks	17 794 399	11 644 274

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

II.3. Receivables

31 December 2023 (TCZK)	Receivables from policyholders	Other receivables	Total
Due	7	85	92
Past due	0	1 068 069	1 068 069
thereof expected income from guarantee recovery	0	895 000	895 000
thereof Sberbank CZ, a.s. in liquidation	0	142 403	142 403
Total	**7**	**1 068 154**	**1 068 161**
Adjustment	0	–35 712	–35 712
thereof Sberbank CZ, a.s.	0	–7 120	–7 120
Total net receivables	**7**	**1 032 442**	**1 032 449**

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**

Receivables from related parties are stated in note II.13.

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 addition to standard receivables within the scope of insurance activities, in 2023 a receivable from Liberty Ostrava, a.s. was established, in the amount of expected income from recovered receivables, i.e., TCZK 895 000.

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. As at 31 December 2023, the receivable amounts to TCZK 142 403. The recoverability of the receivable was assumed to be 95%; an adjustment amounting to 5% of the registered receivable, i.e., TCZK 7 120, was created to reflect the current risk of loss from the ongoing insolvency proceedings.

In 2023, the agreed-upon value of the receivables assigned to EGAP was TCZK 0 (2022: TCZK 0).

As at 31 December 2023, the total value of receivables assigned to the Company free of charge by the policyholders in connection with claims totalled TCZK 6 291 846 (2022: TCZK 4 707 727).

Long-term receivables as at 31 December 2023 amounted to TCZK 172 079 (2022: TCZK 28 714).

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

(TCZK)	2023	2022
Opening balance at 1 January	**71 832**	**28 714**
Release of adjustment	36 120	0
Use for write-off	0	0
Additions	0	43 118
Closing balance at 31 December	**35 712**	**71 832**

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

(TCZK)	1 January 2022	Additions	Dispo-sals	31 December 2022	Additions	Dispo-sals	31 December 2023
Acquisition cost							
Machines and equipment	63 468	2 170	83	65 555	3 256	3 859	64 952
Motor vehicles	3 340	0	664	2 676	0	1 338	1 338
Works of art	625	0	0	625	0	16	609
Tangible assets under construction	0	2 347	2 255	92	4 169	4 059	201
Total acquisition cost	**67 433**	**4 517**	**3 002**	**68 948**	**7 425**	**9 272**	**67 100**
Accumulated depreciation							
Machines and equipment	60 139	2 284	83	62 340	2 136	3 859	60 617
Motor vehicles	3 340	0	664	2 676	0	1 338	1 338
Total accumulated depreciation	**63 479**	**2 284**	**747**	**65 016**	**2 136**	**5 197**	**61 955**
Net book value	**3 954**			**3 932**			**5 145**

II.5. Temporary asset accounts

(TCZK)	31 December 2023	31 December 2022
Deferred revenues	0	3
Prepayments for business data, communications and other services and membership fees	21 236	15 900
Inventories	913	763
Estimated receivables	7 379	4 795
Total	**29 528**	**21 461**

II.6. Equity

a) Registered capital

	31 December 2023		31 December 2022	
	Number (pieces)	(TCZK)	Number (pieces)	(TCZK)
Ordinary shares at the nominal value of MCZK 1, fully paid-up	5 814	5 814 000	5 575	5 575 000

In connection with the partial renewal of insurance to Ukraine, the Ministry of Finance increased EGAP's registered capital by MCZK 239 during 2023. The Ministry of Finance also authorised EGAP to carry out this activity in order to meet the government's priorities.

b) Other capital contributions

(TCZK)	31 December 2023	31 December 2022
Insurance funds	3 740 306	3 895 413
Fund to cover liabilities from provided COVID Plus guarantees	3 667 508	2 676 383
Fund to cover liabilities from provided EGAP Plus guarantees	496 205	500 000
Revaluation differences	9 069	–16 285
Total other capital contributions	**7 913 088**	**7 055 511**

The Company establishes insurance funds in compliance with Act No. 58/1995 Coll.

In 2023, the Company did not receive any subsidies for its insurance funds from the state budget (2022: TCZK 0).

EGAP monitors and analyses the development of the capital value of the Ukraine Fund, which as at 31 December 2023 amounts to MCZK 339. This value consists of the contribution of MCZK 239 by the Ministry of Finance to the registered capital of the Company and of MCZK 100 allocated from internal funds. EGAP provides support for exports to Ukraine up to the value of the analytically calculated amount of the Ukraine Fund, while this value cannot exceed the initial value of MCZK 339. On the other hand, a decrease in value is possible due to the realisation of insured events, i.e., the creation of technical provisions and the payment of insurance benefits. Retroactive regressions subsequently increase the amount of this Fund.

c) Revaluation differences

(TCZK)	31 December 2023	31 December 2022
Land and buildings (note II.2.a)	19 242	54 326
Available-for-sale debt securities (note II.2.c)	–6 517	–60 289
Deferred tax (note III.7)	–3 656	–10 322
Total revaluation differences	**9 069**	**–16 285**

The decrease in revaluation differences on available-for-sale debt securities is influenced by price developments in financial markets. At present the Company's portfolio comprises only a variable-rate bond, which is mostly affected by interest rates set by a monetary authority. The amount of the revaluation differences is also significantly affected by the decreasing time to maturity and significant maturity of the securities during the period.

d) Reserve fund and other funds from profit

(TCZK)	1 January 2022	Utilisation/ transfer	31 December 2022	Utilisation/ transfer	31 December 2023
Statutory reserve fund	10 520	76 287	86 807	0	86 807
Loss prevention fund	92 853	0	92 853	0	92 853
Social fund and fund of the General Manager	4 969	1 095	6 064	–874	5 190
Total	**108 342**	**77 382**	**185 724**	**–874**	**184 850**

e) Profit after tax

The Company's general meeting will decide on the distribution of profit for 2023 of TCZK 1 815 557.

A profit of TCZK 832 223 for 2022 and the manner of its distribution was approved by the Company's general meeting held on 25 April 2023:

(TCZK)	Other capital Contributions	Other funds from profit	Reserve fund	Total
Distribution of profit for 2022	**832 223**	**0**	**0**	**832 223**
Distribution of profit or loss from insurance activity for 2022	–155 107	0	0	–155 107
Distribution of profit or loss from guarantee activity for 2022	987 330	0	0	987 330
	832 223	**0**	**0**	**832 223**

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.

The Company now has sufficient capital to ensure the required level of solvency.

II.7. Technical provisions

	Gross provision			
31 December 2023 (TCZK)	**Direct insurance**	**Inwards reinsurance**	**Reinsurance share**	**Net provision**
Provision for unearned premiums	2 086 034	56 671	–353 395	1 789 310
Provision for outstanding claims	4 644 488	320 425	–257 468	4 707 455
Total	**6 730 522**	**377 096**	**–610 863**	**6 496 755**

	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**

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 2023	31 December 2022
Gross provision for claims reported but not settled (RBNS)	4 176 862	4 440 230
Gross provision for claims incurred but not reported (IBNR)	788 052	1 839 055
Total provision for outstanding claims	**4 964 913**	**6 279 285**

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 approximately BCZK 1.5 net compared with the balance as at 31 December 2022. The provision for unearned premiums did not change significantly; compared to the last only the ratio of the gross provision and the related reinsurance changed.

A significant decrease was recorded in the provision for outstanding claims. The value of the IBNR provision decreased by more than BCZK 1, from which some minor volume cases were excluded year-on-year. This specific decrease concerned the provision for cases in Ghana, which was transferred to the RBNS provision. Although this transfer slightly increased the RBNS provision, the increase was offset by the release of other RBNS provisions, especially the provision in the Adularya case (either because of changes in enforceability or as a result of the payment of damages). RBNS also declined year-on-year, by approximately MCZK 260.

b) Change in the gross provision for outstanding claims

Estimated total claims paid:

Total gross claims as at 31 December 2023													(TCZK)
	Claims arising in												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At the end of the accounting period	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	2 854 750	
1 year later	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	517 163		
2 years later	2 772 319	4 561 706	6 227 234	4 465 807	11 981 343	317 913	1 749 834	85 071	4 748	235 818			
3 years later	3 031 569	3 967 902	6 086 024	4 819 525	15 055 579	390 648	1 803 207	89 481	4 748				
4 years later	3 229 270	4 411 434	6 501 617	4 906 090	15 297 634	390 648	1 803 207	96 758					
5 years later	2 964 953	4 409 223	6 497 428	4 940 417	14 785 085	390 648	1 803 207						
6 years later	2 966 362	4 562 009	6 402 321	5 058 075	15 345 132	390 648							
7 years later	2 967 222	4 570 098	6 402 321	5 042 633	14 959 433								
8 years later	2 967 222	4 559 707	6 402 321	5 082 594									
9 years later	2 967 222	4 572 435	6 402 321										
10 years later	2 967 222	4 572 828											
11 years later	2 967 222												
Current estimate of total claims	2 967 222	4 572 828	6 402 321	5 082 594	14 959 433	390 648	1 803 207	96 758	4 748	235 819	517 163	2 854 750	**39 887 491**
Accumulated claims paid at 31 December 2023	−2 967 222	−4 572 828	−6 402 321	−4 935 253	−13 355 015	−390 648	−1 803 207	−83 679	−4 748	−153 963	−353 269	−91 383	**−35 113 536**
Provision for expenses connected with claims settlement					0	0	0	0	0	0	0	190 958	**190 958**
Total provision for outstanding claims	**0**	**0**	**0**	**147 341**	**1 604 418**	**0**	**0**	**13 079**	**0**	**81 856**	**163 894**	**2 954 325**	**4 964 913**

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

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

Total gross claims as at 31 December 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**
Accumulated 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**

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

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

Total insurance exposure as at 31 December 2023 was BCZK 106.6 while the concentration of the five major cases was BCZK 40.2 and the concentration of 10 major cases was BCZK 61.5 (31 December 2022: BCZK 89.3 while the concentration of the five major cases was BCZK 32.8 and the concentration of 10 major cases BCZK 49.2).

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

(TCZK)	Provision for unearned premiums	Provision for outstanding claims	Total
At 1 January 2022	**3 433 752**	**5 540 429**	**8 974 181**
Additions	209 563	3 879 757	4 089 320
Utilisation and release	–1 367 039	–3 140 901	–4 507 940
At 31 December 2022	**2 276 276**	**6 279 285**	**8 555 561**
Additions	585 441	2 699 336	3 284 777
Utilisation and release	–719 012	–4 013 708	–4 732 720
At 31 December 2023	**2 142 705**	**4 964 913**	**7 107 618**

The utilisation of a provision for outstanding claims in 2023, amounting to over BCZK 4.0, is mainly associated with the high value of claims paid and with changes in the estimates of recoverability relating to certain claims or business cases for which an IBNR provision is established; additions of BCZK 2.7 to this provision primarily relate to the creation of provisions for new or deteriorating claims, including both RBNS provisions.

For the 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 was not the case in 2023. We, therefore do not observe a surge decrease of this provision in 2023.

II.8. Other provisions

Other provisions as at 31 December 2023 comprise a provision for unsettled payments relating to guarantees provided under the COVID Plus and EGAP Plus programmes and a provision for untaken holidays. The change in these provisions can be analysed as follows:

(TCZK)	Provisions relating to the provision of guarantees	Provision for untaken holidays	Total
At 1 January 2022	**1 654 617**	**2 395**	**1 657 012**
Additions	74 460	2 411	76 871
Utilisation and release	–1 094 617	–2 395	–1 097 012
At 31 December 2022	**634 460**	**2 411**	**636 871**
Additions	531 421	2 597	534 018
Utilisation and release	–1 001 699	–2 411	–1 004 110
At 31 December 2023	**164 182**	**2 597**	**166 779**

Within the provisions related to the provision of COVID Plus and EGAP Plus guarantees, as at 31 December 2023, the Company did not recognise a provision for unexpired risks related to the provision the guarantees resulting from the change in expected losses from the moment of the 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 the provision of the guarantees represents the difference between the expected loss on guarantees issued and the amount of deferred revenues. The amount of this provision as at 31 December 2023 was CZK 0 (31 December 2022: TCZK 0). The reason for creating or recognising the provision at nil is that as at 31 December 2023 the unearned portion of the bonuses 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 2023, additions to the provision for payments relating to guarantees under the COVID Plus and EGAP Plus programmes, made to provide for the impending repayment of certain guaranteed loans, amounted to TCZK 164 183 (31 December 2022: TCZK 634 460). This decrease is first related to the payout of one large COVID Plus guarantee due to borrower default and, secondly, to a slight improvement in the credit quality of borrowers for the provided guarantees, which were previously classified as higher risk and for which a corresponding provision was made. Conversely, the creation of this provision is linked to the deterioration of the above-mentioned large case followed by the payment of the guarantee in the same financial year.

II.9. Payables

(TCZK)	31 December 2023	31 December 2022
Payables arising from direct insurance operations	0	0
Payables arising from reinsurance operations	0	0
Other payables	102 123	125 763
Total creditors	**102 123**	**125 763**

The maturity of liabilities can be analysed as follows:

(TCZK)	31 December 2023	31 December 2022
Short-term liabilities		
– due within 1 year	41 092	58 066
Total	**41 092**	**58 066**

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 2023	31 December 2022
Payables to employees from employment	14 415	16 588
Social security and health insurance liabilities	7 515	8 658
Deferred tax liability	61 031	67 697
Other tax liabilities	4 053	4 956
Operating advances received	5 726	6 458
Other payables	9 383	21 406
Total	**102 123**	**125 763**

Payables to related parties are disclosed in note II.13.

II.10. Temporary liability accounts

(TCZK)	31 December 2023	31 December 2022
Accrued expenses and deferred revenues	432 179	216 399
Estimated payables	1 800	1 480
Total	**433 979**	**217 879**

Accrued expenses and deferred revenues primarily include revenues from the earning of fee income on guarantees in the amount of TCZK 429 958. The increase in deferred revenues is due to the recording of fees for the provision of guarantees under the EGAP Plus programme, which were not recorded in 2022.

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)	2023	2022
Revenues from premiums for the provision of guarantees related to current period	99 020	197 144
Fees for the provision of guarantees	28	0
Interest revenue	195 747	47 612
Foreign exchange gains	16 940	11 535
Utilisation and release of provisions relating to guarantees (note II.8.)	1 001 524	1 094 616
Realised and expected revenues from recoverability	1 156 277	0
Total revenues (note III.6.)	**2 469 536**	**1 350 907**
Directly attributable operating expenses	–1 224	–333
Allocated operating expenses	–10 035	–7 308
Cost of claims under guarantees	–1 600 043	–236 077
Foreign exchange losses	–10 373	–19 426
Expenses connected with placement of temporarily free funds	0	–22 178
Additions to provisions relating to guarantees (note II.8.)	–483 523	–74 460
Other expenses	–96 982	0
Total expenses	**–2 202 180**	**–359 782**
Profit (loss) from the provision of guarantees	**267 356**	**991 125**

The most significant cost item is the payment of insurance claims of TCZK 1 489 904.

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

(TCZK)	31 December 2023	31 December 2022
Current accounts	50 335	281 895
Deposits with financial institutions (note II.2.d)	3 266 135	4 236 487
Receivables from expected revenues from guarantees recovered	895 000	0
Other assets	–1 699	0
Total assets	**4 209 771**	**4 518 382**
Fund to cover liabilities from provided guarantees (note II.6.b)	3 667 508	2 676 383
Total equity	**3 667 508**	**2 676 383**
Provision for payments from guarantees	116 458	634 459
Insurance-related payables relating to allocation of overheads	2 907	1 799
Accrued expenses and deferred revenues (note II.10.)	155 026	214 543
Other payables	516	72
Total provisions and liabilities	**274 907**	**850 873**

Note: "Total equity" does not contain profit or loss for the financial year. Exposure associated with provided guarantees as at 31 December 2023 amounted to MCZK 6 138 (31 December 2022: MCZK 13 977), while the volume of provided guarantees remained unchanged from 31 December 2022 (31 December 2022: 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)	2023	2022
Revenues from premiums for the provision of guarantees related to current period	28 454	0
Fees for the provision of guarantees	1 233	0
Interest revenue	27 786	120
Foreign exchange gains	10 756	0
Utilisation and release of provisions relating to guarantees (note II.8.)	175	0
Other income	3 239	0
Total revenues (note III.6.)	**71 643**	**120**
Directly attributable operating expenses	–4	0
Allocated operating expenses	–22 023	–3 915
Foreign exchange losses	–2 916	0
Additions to provisions relating to guarantees (note II.8.)	–47 898	–0
Other expenses	–126	0
Total expenses	**–72 967**	**–3 915**
Profit (loss) from the provision of guarantees	**–1 324**	**–3 795**

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

(TCZK)	31 December 2023	31 December 2022
Current accounts	40 216	20 000
Deposits with financial institutions (note II.2.d)	775 856	480 120
Receivables arising from guarantee operations	30	0
Other assets	3 286	0
Total assets	**819 388**	**500 120**
Fund to cover liabilities from provided guarantees (note II.6.b)	496 205	500 000
Total equity	**496 205**	**500 000**
Provision for payments from guarantees	47 724	0
Accrued expenses and deferred revenues (note II.10.)	274 932	0
Other payables	1 850	3 915
Total provisions and liabilities	**324 507**	**3 915**

Note: "Total equity" does not contain profit or loss for the financial year.

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)	2023	2022
Czech Republic, Ministry of Finance of the Czech Republic		
Revenue from CR state bonds	221 883	288 348
Czech Republic, Ministry for Local Development of the Czech Republic		
Invoicing from lease agreement	1 700	0
ČEB		
Direct gross premiums written	18 521	19 313
Invoicing from lease agreement	17 748	18 059
Other invoicing from insurance contracts	129	75
Other re-invoicing	282	2
Interest revenue	85 201	24 877
Other income – cash recovered by ČEB from insured events and ceded to EGAP	225 034	988 182
Total revenues	**570 498**	**1 338 856**
Release of provision for outstanding claims	1 415 340	1 211 971
Insurance settlements	–611 155	–1 747 077
Cost of receivables recovery in connection with claims settlement	–13 130	–16 946
Total expenses	**791 055**	**–552 052**

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:

(tis. Kč)	31. prosince 2023	31. prosince 2022
Czech Republic, Ministry of Finance of the Czech Republic		
CR state bond var/27	2 160 090	2 135 639
ČEB		
Current accounts	23 667	14 014
Term deposits	1 442 129	1 717 003
Other receivables	0	0
Payables	0	–19 068
Total	**3 625 886**	**3 847 588**
RBNS	1 771 526	3 134 210
IBNR	300 399	353 054
Total	**2 071 925**	**3 487 264**

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

2023

(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	503 717	–119 852	–813 917	199 524
Surety insurance (insurance class 15)	38 993	–9 693	–2 478	38 204
Various financial losses insurance (insurance class 16)	95 320	–4 026	441 114	25 469
Total	**638 030**	**–133 571**	**–375 281**	**263 197**

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**

The negative balance of gross claims paid as at 31 December 2022 and 2023 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)	2023	2022
Technical provisions relating to inwards reinsurance (note II.7)	**377 096**	**268 672**
Gross premiums written	0	73
Claims paid	–50 369	–6 989
Change in technical provisions from inwards reinsurance	108 424	16 608
Inwards reinsurance commissions	0	38
Inwards reinsurance result	**58 055**	**9 730**

b) Ceded reinsurance

(TCZK)	2023	2022
Share of technical provisions covered by reinsurance (note II.7)	**610 864**	**586 483**
Gross premiums written ceded to reinsurers	0	0
Reinsurers' share of claims paid	2 125	373
Change in the provision for unearned premiums, reinsurers' share	–103 619	–157 875
Change in the provision for outstanding claims, reinsurers' share	127 999	112 937
Reinsurance commissions	0	0
Balance – ceded reinsurance	**26 505**	**–44 565**

III.3. Administrative expenses

	Administrative expenses		Allocated to other expenses	
(TCZK)	2023	2022	2023	2022
Personnel expenses	196 772	196 519	16 989	10 763
Other administrative expenses	31 202	32 457	1 162	181
Depreciation of fixed assets	3 895	4 338	1 772	61
Operating expenses connected with the building	9 759	18 753	5 306	31
Information and communication services	10 359	9 239	5 212	139
Advisory and other assurance services	1 705	1 852	0	0
Audit of statutory financial statements	999	1 271	345	48
Total administrative expenses	**254 691**	**264 429**	**30 786**	**11 223**

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 management

Personnel expenses comprise as follows:

(TCZK)	2023	2022
Remuneration to directors and supervisory board members	17 512	16 457
Payroll expense and remuneration to top management	35 250	34 317
Payroll expense and remuneration to other employees	109 139	106 893
Social security and health insurance	51 860	49 615
Total personnel expenses	**213 761**	**207 282**

Number of employees	2023	2022
Number of employees excluding top management	90	93
Number of top management members	15	13
Total	**105**	**106**

Average number of employees excluding top management	104	106
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 2023, 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 2023, 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 2023, 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 2023 amount to TCZK 1 319 (2022: TCZK 1 319). The fee comprises the following items:

(TCZK)	2023	2022
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)	2023	2022
Revenues from recovered and ceded receivables for insurance	551 149	1 366 133
Revenues from recovered and ceded receivables for guarantee provision	1 156 277	0
Foreign exchange gains	42 080	202 397
Revenue from the provision of guarantees	364 456	256 411
of which interest revenue	223 532	47 732
Rental and related services	26 081	25 669
Utilisation and release of other provisions (note II.8)	1 004 110	1 097 012
Revenues from sales of assets	845	28 119
Other	38 762	560
of which utilisation of adjustments	36 120	0
Total other income	**3 183 760**	**2 976 301**

Revenues from the recovery of guarantees are recorded together with revenues from the recovery of insurance. Other revenues from guarantees are recorded in "Revenue from the provision of guarantees".

III.7. Other expenses

Other expenses can be analysed as follows:

(TCZK)	2023	2022
Operating expenses associated with COVID Plus guarantees	11 259	11 556
Expenses for performance from COVID Plus guarantees	1 600 043	277 682
Operating expenses associated with EGAP Plus guarantees	22 027	0
Expenses for performance from EGAP Plus guarantees	0	0
Foreign exchange losses	88 230	183 619
Operating expenses connected with the building	2 584	4 635
Additions to other provisions (note II.8)	534 018	76 870
Additions to adjustments, write-off of receivables	1 324	96 948
Net book value of sold assets	16	45 565
Other	105 618	43
Of which expenses for the creation of UPR in respect of guarantees	96 808	0
Total other expenses	**2 365 119**	**696 918**

Tables of other income or other expenses primarily include income and expenses related to the provision of guarantee activities. In addition, there are other items of income and expenses that do not directly fall under the technical account. The value of the total other expenses considered the value of the creation of the UPR provision for guarantees in the amount of TCZK 96 808, i.e., the total other revenues and the total other expenses were increased by this amount. The items Utilisation and release of other provisions and Creation of other provisions have been adjusted to include the offsetting of provisions for the Liberty Ostrava, a.s. case.

III.8. Income tax

Current tax was calculated as follows:

(TCZK)	2023	2022
Profit/loss before tax	1 815 556	832 223
Non-taxable income	–1 906 925	–1 097 124
Items increasing the tax base	–9 560	193 071
Tax base decreased by differences in technical provisions	–478 746	–530 084
Tax base	**–579 674**	**–601 914**
Tax losses – utilisation	0	0
Change in deferred tax liability	2 239	4 427
Income tax in the income statement	**0**	**4 427**

No corporate income tax liability arises for the Company in 2023.

Deferred tax assets (+) and deferred tax liabilities (–) as at 31 December 2023 and 31 December 2022 were calculated using a 19% tax rate and can be analysed as follows:

(TCZK)	2023	2022
Land and buildings revaluation in equity (note II.6.c)	–3 656	–10 322
Declining balance tax depreciation, adjustments, provisions	–57 375	–57 375
Total deferred tax liability	**–61 031**	**–67 697**
Tax losses carried forward	787 653	609 306
Other	10 440	137 050
Total deferred tax asset	**798 093**	**746 356**
Potential net deferred tax asset / liability (+/–)	**737 062**	**678 659**

As at 31 December 2023, the Company recognised a deferred tax liability of TCZK 61 031 (31 December 2022: TCZK 67 697) resulting primarily from a difference between the accounting and tax values of operating real estate.

As at 31 December 2023, the Company reports tax losses of TCZK 3 171 038 (31 December 2022: TCZK 3 206 873).

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 2023 and 31 December 2022 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 2023 and 31 December 2022.

IV.2. Other facts

Regarding the impact of the war conflict in Ukraine, it can be stated that based on the monitoring of active contracts or their liquidation in 2023, the Company has reassessed that this ongoing war conflict will not significantly affect the financial statements for the year ended 31 December 2023.

Considering the legal reasons given by the state guarantee defined in Section 8 of Act No. 58/1995 Coll. 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

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2023.

IV.4. Statutory approvals

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

2 April 2024

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 2023

Insurance industry

In 2023, EGAP concluded 130 insurance contracts and insurance-related decisions with a total volume of CZK 63 billion, with exports to 37 countries. As part of territorial diversification, new and ongoing projects were supported in 2023, going to Egypt, Turkey, India, Indonesia, Kazakhstan, and Mauritius, among others. Export support to Ukraine was also renewed.

Written premiums amounted to CZK 638 million. The high underwriting thus in part compensated for the previous year's result, when only CZK 92 million in premiums were collected and a large portion of the originally anticipated collections was postponed to 2023.

The most successful product of 2023 in terms of insurance volume was the investment insurance product. This primarily involved ongoing investments in India, Georgia, and China, and growing investments in Turkey. In terms of closed cases, the most successful product was bank guarantee insurance. Following its tradition, EGAP focused on its acquisition activities and support to SMEs and supported 29 business cases involving SMEs in 2023.

As at 31 December 2023, insurance exposure reached nearly CZK 107 billion. In terms of territorial distribution of insurance exposure, Indonesia, Turkey, Slovakia, and China continue to dominate. The exposure in these countries represents in total some 51% of EGAP's total insurance exposure. In 2023, EGAP was able to continuously reduce its exposure to Russia and Belarus.

In 2023, a total of CZK 1 billion was recovered in insurance activity, of which CZK 583 million were receivables recovered after the claim settlement. Despite the difficult political and economic situation, large volumes of receivables were recovered in Russia, Turkey, Ukraine, and Belarus.

Looking back at 2023, the loss ratio fell again, specifically ending at 177% as at 31 December 2023, thus recording a reduction of around 7 p.p. compared to the end of 2022.

EGAP ended 2023 with a record result of CZK 1.55 billion in its core insurance business (i.e., excluding the results from the guarantees provided under COVID Plus and EGAP Plus). The result was positively influenced mainly by a high volume of recoveries, investment income and a significant dissolution of reserves. In terms of capital, EGAP has sufficient resources and does not expect to have to resort to applying for state subsidies in the future.

Guarantee provision

Apart from its standard insurance activities, in 2023 EGAP continued to provide liquidity guarantees to Czech companies under its anti-crisis programme. The provision of COVID Plus guarantees was definitively discontinued as of 31 December 2021, so in 2023 this activity included the monitoring and liquidation of currently managed guarantees. At the same time, the provision of guarantees under the EGAP Plus programme, ending as of 31 December 2023, continued. The result of operations for the year totalled CZK 266 million, of which CZK 267 million was profit attributable to the COVID Plus programme. A slight loss of CZK -1 million was attributable to the EGAP Plus programme. Among other things, the positive result was also due to recovered receivables, which totalled CZK 273 million, of which CZK 261 million represents the amount of recoveries after payment of claims from provided guarantees. As at 31 December 2023, the exposure from the COVID Plus and EGAP Plus guarantees amounted to approximately CZK 5 billion and CZK 6 billion, respectively.

12

REPORT ON RELATIONS

Report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity (“the Related Parties”) for the period from 1 January 2023 to 31 December 2023, 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 5 814 000 000 (paid up: 100%)

Type of shares:
book-entered, not publicly traded

International Securities Identification Number (ISIN):
CZ0008040508

Nominal value of one share:
CZK 1 000 000

Number of votes per share:
one vote

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 shareholder voting rights directly, through the Ministry of Finance, holding 5 814 votes.

12.2.2. Relations between other parties related to EGAP

To EGAP's knowledge, in 2023, the state acting as EGAP's controlling entity was the controlling entity or incorporator of the following entities:

- Severočeské mlékárny a.s. Teplice – the entity was deleted from the Public Register on 26 July 2023
- 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 (https://www.cez.cz/cs/o-cez/skupina-cez/vyznamne-spolecnosti-skupiny-cez, https://www.cez.cz/cs/o-cez/skupina-cez/dcerine-spolecnosti-cez-v-zahranici, https://www.cez.cz/cs/o-cez/skupina-cez/koncern-cez)
- ČEPS, a.s.
- Kongresové centrum Praha, a.s.
- Výzkumný a zkušební letecký ústav, a.s., which as the sole shareholder simultaneously controlled VZLU TECHNOLOGIES, a.s., VZLU TEST, a.s., and SERENUM, a.s.
- HOLDING KLADNO a.s. "in liquidation"
- ČEPRO, a.s.
- GALILEO REAL, k.s. in liquidation (IMOB a.s. in liquidation as the general partner)
- IMOB a.s. in liquidation
- MERO ČR, a.s., which as the sole shareholder simultaneously controlled MERO Germany GmbH
- PRISKO a.s., which as the sole shareholder simultaneously controlled OKD, a.s., while OKD, a.s. as the sole shareholder controlled OKD, HBZS, a.s.
- THERMAL-F, a.s.
- Letiště Praha, a. s., which as the sole shareholder simultaneously controlled Czech Airlines Handling, a.s., Czech Airlines Technics, a.s., and B. aircraft, a.s.
- 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 2023, 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 2023 to 31 December 2023

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.

On 21 July 2023, an agreement on subscription of shares based on which the state increased the registered capital of EGAP by CZK 239 000 000 was concluded between EGAP and the Czech Republic – the Ministry of Finance.

On 25 July 2023, a lease agreement was concluded between EGAP and the Czech Republic – the Ministry of Regional Development.

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 2023, 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 2023, EGAP did not act as the controlling entity in relation to ČEB and the state as EGAP did not act in agreement with the state when exercising EGAP's voting rights in ČEB.

b) Policies and amendments to policies concluded with ČEB in the period from 1 January 2023 to 31 December 2023

Number	Description of insurance policies/amendments to policies
1	New limited premium policies, type Bf
1	New limited premium policies, type D
1	Amendments to limited premium policies, type Bf
10	Amendments to premium policies, type D
9	Amendments to premium policies, type Z
22	**Total new single premium and limited policies and amendments to policies**
2	Insurance-related decisions issued in 2023 on limited policies of type Bf
10	Insurance-related decisions issued in 2023 on limited policies of type D
12	**Total new insurance-related decisions and amendments thereof issued on limited policies (incl. decisions on limited policies from previous years)**
34	**Total number of new policies and amendments to policies concluded in 2023 and insurance-related decisions on policies concluded in 2023 (incl. decisions on limited policies from previous years)**

c) Insurance policies concluded with ČEB and effective as at 31 December 2023 (including insurance policies concluded in 2023)

Number	Description of policies
1	Single premium policy, If type
7	Single premium policies, type Z
21	Single premium policies, type D
29	**Total single premium policies effective as at 31 December 2023**
4	Limited insurance policies of type Bf including insurance-related decisions on these policies
36	Limited insurance policies 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 2023**
69	**Total number of insurance policies (incl. insurance-related decisions on limited policies) in effect as at 31 December 2023**

d) Contracts (incl. contracts from previous years) effective in the period from 1 January 2023 to 31 December 2023

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
Agreement on a change of the insurance settlement currency – 1
Amendment to policy - 2

e) Other contracts with ČEB effective in the period from 1 January 2023 to 31 December 2023

- Lease agreement dated 9 December 2022 and Amendment no. 1 dated 26 September 2023
- Contract for establishment of deposit accounts and for the rules and terms 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
- Contract on protection and non-disclosure of confidential information dated 1 June 2020
- Agreement on centralised preparation of tender procedure – mobile telecommunication service – dated 10 September 2021
- Agreement on reinvoicing of the share in catering expenses and social evening event held in course of the International Engineering Fair Brno 2023 dated 2 October 2023

12.3.3. Contracts with other controlled entities effective in the period from 1 January 2023 to 31 December 2023

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 2023.

12.3.5. 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 2023

Supervisory board

as at 31 December 2023 (incl. changes made throughout 2023)

Mgr. Veronika Peřinová	chairperson since 4 November 2022 member since 1 October 2022
Mgr. Martin Pospíšil	deputy chairman since 2 September 2022, re-elected on 10 November 2023 member since 27 August 2019, re-elected on 01 October 2023
Ing. Karel Fíla, M.Sc.	member since 1 September 2022
Mgr. Dominik Grůza	member since 1 August 2022
Mgr. David Satke	member since 1 July 2022

Board of Directors

at 31 December 2023 (incl. changes made throughout 2023)

Ing. David Havlíček, Ph.D., CFA (Head of CEO's section)	chairman since 20 March 2023 member since 20 March 2023
JUDr. Ing. Marek Dlouhý (Head of Sales section)	vice-chairman since 5 April 2018 re-elected 30 March 2023 member from 29 March 2018, re-elected on 30 March 2023
Ing. Martin Růžička (Head of Risk Management Section)	member since 2 July 2021
Ing. Jan Procházka (Head of CEO's section)	chairman from 21 December 2022 to 12 February 2023 member from 19 December 2022 to 12 February 2023

Audit committee

as at 31 December 2023 (incl. changes made throughout 2023)

Ing. Pavel Závitkovský	chairman since 6 May 2020 member since 29 April 2020
Ing. Bohuslav Poduška, CIA, CRMA	vice-chairman since 13 January 2021 member since 21 December 2020
Ing. František Linhart	member since 1 May 2022

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ORGANISATIONAL STRUCTURE

at 31 December 2023

Board of Directors **Supervisory Board** **Audit Committee**

- Compliance Officer
- Internal Audit
- Appointed Actuary
- Security Analyst

- **CEO's section**
  - CEO's secretariat
  - HR management
  - Strategic management
  - Claims Settlement and Debt Recovery
- **Risk Management Section**
  - Risk management
  - Insurance and territorial risk analysis
  - IT department
  - Finance and Administration
- **Sales Section**
  - International Relations
  - Inspection and Business Management
  - Insurance of Export Credits and Investments
  - Acquisitions and Supplier Credit Insurance
  - Legal

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AUDITOR'S REPORT

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

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

Independent Auditor's Report

to the 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 2023, and the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, comprising material accounting policies. 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 2023, 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.

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, provision for guarantees provided, and receivables from guarantee payments

Provision for outstanding claims totalling CZK 4 707 million as at 31 December 2023 (CZK 6 150 million as at 31 December 2022); change in the provision for outstanding claims of CZK 1 442 million for the year ended 31 December 2023 (CZK 626 million for the year ended 31 December 2022).

Provision for guarantees provided totalling CZK 167 million as at 31 December 2023 (CZK 637 million as at 31 December 2022); receivables from guarantees provided totalling CZK 895 million as at 31 December 2023 (CZK 0 million as at 31 December 2022); change in provisions for guarantees provided totalling CZK 470 million as at 31 December 2023 (CZK 1 020 million as at 31 December 2022).

Refer to Notes I.3 f), II.3, II.7, II.8 of the notes to the financial statements.

The key audit matter

Provisions for outstanding claims and for guarantees are intended to cover liabilities resulting from claims and to cover claims arising under guarantees (the "Provisions"):

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

For settlements under a guarantee, the Company recognises a receivable in the amount of the expected realisation.

In the process, the Company individually assesses and estimates the settlement amount for individual risk-bearing business cases based on available information.

The IBNR provision is determined primarily based on an individual assessment and estimate of the insurance settlement for individual risk-bearing business cases, where the claim was incurred but not yet reported or where the claim for settlement under the guarantee was not yet submitted by the client.

The RBNS provision is determined as the total expected loss of the Company following a reported claim or application for settlement under the guarantee.

The increased estimation uncertainty associated with these provisions stems from the nature of the risks undertaken by the Company (mainly export loans, bank guarantees, and foreign investments). The amounts of the provisions and receivables from guarantees paid depend primarily on the subjective assessment of uncertain future events, namely the credit risk assessment for individual cases and the expected amount and time of realisation of the collateral.

The risk is further increased by the fact that the Company also insures exports to countries with higher political and security risks in accordance with Act No. 58/1995 Coll.

We consider the 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 Company making significant assumptions and judgments in determining the amount of those provisions and the expected realisation of receivables from guarantees.

How the matter was addressed in our audit

Assisted by our own actuarial and business valuation specialists, we performed the following procedures in the area, among others:

- 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 and the expected realisation of receivables from guarantees.
- We critically evaluated the methods used in determining these provisions and the expected realisation of receivables against relevant regulatory and financial reporting requirements, and

assessed any changes since the previous year.

- For a sample of insured loans and relying on the information derived from the Company's claim files and inquiries of the relevant finance employees, we:
  - assessed whether the IBNR and RBNS provisions capture the Company's liabilities in full in respect of all of the loans in the sample determined to be credit-impaired or in default;
  - challenged the key estimates underlying the provision amounts and the expected realisation of receivables from guarantees, namely the probability of expected recoveries and their amounts, generally by reference to the value of underlying loan collaterals.
- We evaluated the reasonableness of the provisions by comparing the actual experience to the previously expected results.
- We also assessed whether the Company's disclosures in Notes II.7 and II.8 in respect of the above mentioned provisions comply with the qualitative and quantitative requirements of the relevant financial reporting standards.

Other Information

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

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

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

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

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any 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 8 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 20 March 2024 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 that have not been disclosed in notes to the financial statements.

Statutory Auditor Responsible for the Engagement

Blanka Dvořáková is the statutory auditor responsible for the audit of the financial statements of Exportní garanční a pojišťovací společnost, a.s. as at 31 December 2023, based on which this independent auditor's report has been prepared.

Prague
2 April 2024

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

Signed by

Blanka Dvořáková
Partner
Registration number 2031

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COMPANY INFORMATION

Company name:	Exportní garanční a pojišťovací společnost, a.s.
Legal form:	joint-stock company
Identification number:	452 79 314
Tax Identification number:	CZ45279314
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 5 814 000 000
Type of shares:	book-entered, not publicly traded[5]
International Securities Identification Number (ISIN):	CZ0008040508
Type, form and number of issued shares and their nominal values:	5 814 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[6]
Registered office:	Praha 1, Vodičkova 34/ 701, postcode 111 21
Phone:	+(420) 222 841 111
E-mail:	info@egap.cz
Internet:	www.egap.cz
Bank details:	2103011/0710 at the Czech National Bank

5 In 2023, EGAP did not acquire any of its own shares or equity investments.
6 EGAP does not operate any branches or affiliates abroad.