



We support  
Czech exports

ANNUAL REPORT 2009

Export Guarantee and Insurance Corporation



EXPORT GUARANTEE AND  
INSURANCE CORPORATION

Veštekova 34, IIC CO Prague 1, Czech Republic



We ensure your investments in  
hundred countries worldwide

individual and origin solutions of needs

## CONTENTS OF THE ANNUAL REPORT

HOW WAS THE YEAR 2009?	4
Introductory remarks	4
We support Czech exports	5
Business results	6
How was the year 2009?	
We are here for small- and medium-sized enterprises, too	9
International relations	11
Closing remarks	12
OVERVIEW OF INSURANCE PRODUCTS	13
BODIES OF THE COMPANY	15
REPORT ON RELATIONS BETWEEN INTER-RELATED COMPANIES	17
REPORT OF THE SUPERVISORY BOARD	23
FINANCIAL RESULTS	
INDEPENDENT AUDITOR'S REPORT	26
FINANCIAL STATEMENTS	28
NOTES TO FINANCIAL STATEMENTS	33
INDEPENDENT AUDITOR'S REPORT	66
ORGANISATIONAL STRUCTURE	68
IDENTIFICATION AND CONTACT DATA	69

# EGGAP

## HOW WAS THE YEAR 2009?

### Introductory word



Dear business friends,  
At last, the year 2009 ended up very different from what we had expected at its beginning. We absolutely did not anticipate we would be able to reach the record insured volume that we did. However, it did turn out this way – particularly because of and thanks to the global economic crisis. Insured export credits, investments abroad and bank guarantees worth almost CZK 62 billion represented the highest amount EGAP ever insured in its history. What are the reasons? Firstly, and most importantly, they lie in the fact that our exporters have moved themselves up amongst the elite. They are no longer mere sub-suppliers of foreign companies as in previous years but they are now able to complete and to export large capital goods in the order of billions of Czech crowns. They have been building up their business reputation patiently and they are starting to reap the harvest of deserved success. Secondly, and figuratively speaking, similar to 2007 there was a wave of export contracts that had been in preparation for a relatively long time. Such waves do not materialise each year. Thirdly, our exporters have managed to take advantage of the fact that some of their competitors did retreat a little, as they feared the crisis and its impact.

We also contributed to this a little bit. Temporary anti-crisis measures were in force all throughout 2009, the most important of them was a sharp increase, up to 99%, in insurance cover for export credits. We have created very comfortable conditions for both exporters and their financing banks in comparison with foreign competition, too. Moreover, because the crisis has not evidently finished with the end of the year, we have prolonged the validity of this offer in such a way that we have not returned to the original conditions of transactions under negotiation and retained the anti-crisis

levels of insurance cover, although we applied it generally. I dare say, there is only a handful of credit insurers in the world supporting their clients to the extent that EGAP does.

Now, we would like to concentrate in a consistent manner on accelerating the processing of insurance decisions and on their transparency and, subsequently, on the conclusion of insurance contracts. We have already accomplished the first important steps in this direction. In order to improve the quality of internal managerial processes, we detached a department for analysis of insurance risk from the commercial section and strengthened it; we established a totally new system for permanent identification, assessment, monitoring and management of accepted risks. However, the decisive factor will be the change in cooperation with you, our clients. We need you to contact us immediately after it is shown that it would not go on without insurance with state support and not at the moment after the financing has been resolved. On the one hand, you learn everything that we would require from you much earlier and, on the other hand, you enable us to analyse a project from the aspect of the insurance company in parallel with the bank analysis. All of us shall have more time for a thorough preparation that is the basis for future successful business. There will also be fewer unnecessary misunderstandings and stressful situations as well as attempts to save everything through political intervention at the last moment. All this looks simple but practice application is far away. The more the practice approaches this ideal, the better the perspective will be for the Czech export.

A handwritten signature in black ink, appearing to read 'K. Pleva'.

**Karel Pleva**  
Chairman of the Board of Directors and Chief Executive Officer

## We support Czech exports

The mission of Export Guarantee and Insurance Corporation (EGAP) is to provide credit insurance with state support and assist Czech exporters, investors and their banks in situations when they are unable to find insurance for risks connected with financing an export or of a foreign investment on the market. This applies particularly to cases of exports of large capital goods, power producing equipment, machinery and technological equipment as well as of transportation structures and of investments on a credit with the repayment term exceeding 2 years. The already high risk of these large projects is usually further aggravated by the fact that the extended credit should be repaid by a debtor in a country with a higher level of the political risk. The state support in credit insurance is based just on the possibility of insuring such (so-called non-marketable) risks and in this way enables the conclusion and realisation of export projects otherwise well prepared in all other respects. It is a standard pro-growth and anti-crisis tool with a very rapid return of invested financial means used to stimulate the economy in all developed countries.

Through its activities, EGAP fulfils the role of the so-called ECA (Export Credit Agency). It complies with a complex of OECD and EU rules restricting state export support to those products and territories where only commercial credit insurance companies are not interested in operating, i.e. primarily to medium- and long-term export credits and to territories with a higher level of the political risk. These rules also ensure that the exporters from individual countries cannot compete with the help of state support but exclusively through quality and the price of goods and services.

Today, EGAP thoroughly covers a complete spectrum of exporter needs as well as those of their financing banks through its insurance products. EGAP's offer has been continuously widening in the 18 years since its foundation and it includes, in addition to insurance for export buyers and supplier credits which are typically offered by state credit insurers, insurance of credits for pre-export financing of production and recently for pre-export financing of commercial utilisation of results from science and research, insurance of investments made by Czech entrepreneurs abroad as well as of credits for their financing and insurance of guarantees issued by banks on behalf of Czech exporters. Thus, with its insurance, EGAP covers the full range of risks that exporters may face in the preparation and realisation of an export contract.

EGAP's insurance with state support is also important for Czech exporters from the aspect of facilitating access to export financing because it is accepted by banks as a full-sized credit security that is lowering expenses for the creation of reserves pursuant to regulations of the Czech National Bank. In the end, this enables the Czech exporter to also compete successfully with foreign companies in terms and conditions of financing and insurance which are offered together with goods and services. Undoubtedly, EGAP assists in increasing the competitive edge of the Czech exporters on international markets.

## Business results

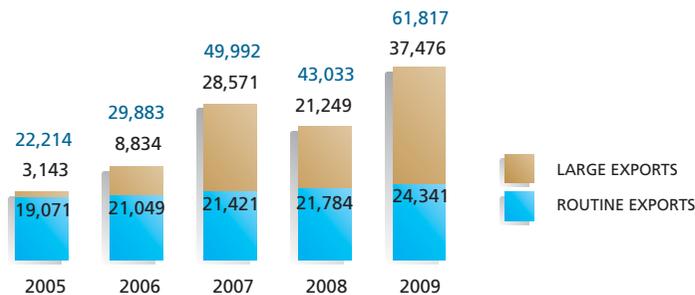
The year 2009 was a record year in our history. We insured export credits, bank guarantees and investments abroad worth CZK 61.8 billion. Out of this, two thirds represent large exports; among which we classify business transactions with the insurance value higher than CZK1 billion. Since starting our activities in 1992, we have insured with state support exports of Czech goods, services and investments with an aggregate value of almost CZK 416 billion.

In 2009, we insured Czech exports to 50 countries from all over the world. More than one half of the insured exports were directed to Russia and other CIS countries, while Russia alone represented almost 40%.

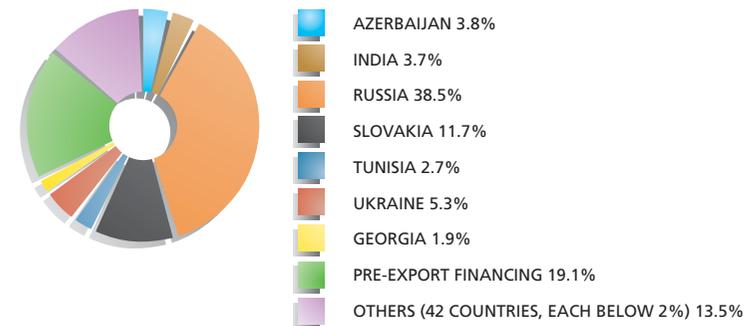
Since 1992, we have insured export credits, bank guarantees and investments to nearly 100 countries around the world. The territorial orientation has been formed as the result on-going demand from exporters and of financing banks. As an insurer, we have never strictly championed restrictions in insurance as a result of high outstanding commitments in a specific territory and we will continue this practice which is standard in other similar international institutions.

This also applies to Russia despite the fact that it has been playing an increasingly dominant role in the territorial orientation of EGAP's outstanding commitments in recent years. It is caused primarily by the traditional relations of large Czech machinery exporters and by language and cultural proximity which represents a considerable competitive advantage on the Russian market. However, since the Russian share of total Czech exports fluctuates around only 2%, the

VALUE OF INSURANCE CONTRACTS WITH STATE SUPPORT  
(IN CZK MILLION)



INSURANCE CONTRACTS BY COUNTRIES



large share of Russia in EGAP's portfolio does not mean any danger for the Czech economy. At the same time, the high concentration of risk in Russia has been somewhat mitigated by the fact that Czech exporters are able to win contracts from various sectors in this country so there is desirable diversification of the portfolio from our perspective.

Insurance of export buyer credits for financing the export of large capital goods worth almost CZK 24 billion represented the biggest share of total insured exports to Russia in 2009. The largest business transactions were deliveries for Magnitogorsk Metallurgical Combine worth nearing CZK 9 billion. They were followed by deliveries of machinery and equipment for several Russian glassworks worth approximately CZK 4 billion.

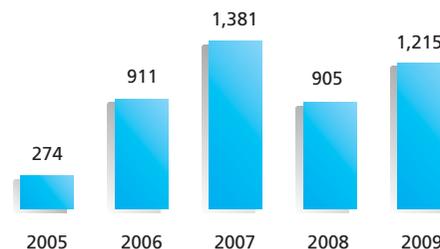
**Types of insurance:**

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

INSURANCE CONTRACTS BY TYPES OF INSURANCE



WRITTEN PREMIUMS (IN CZK MILLION)



Out of the **export buyer credits (type D)** which represented the largest insured volume as in the previous 2 years, approximately one half was the Russian share. 13 out of 56 concluded insurance contracts belonged in the category of large exports with an insurance value over CZK 1 billion. In addition to Russia, they were also directed e.g. to Azerbaijan for reconstruction of the road network, to Tunisia for construction of a block of flats or to Slovakia for delivery of equipment for a steelworks and rolling mill in Strážské.

The steelworks and rolling mill in Strážské in Slovakia were also among the largest business transactions in the insurance of **credits for pre-export financing (type F)**. Insurance of a revolving pre-export credit for production and export of helicopters to the USA continued as well.

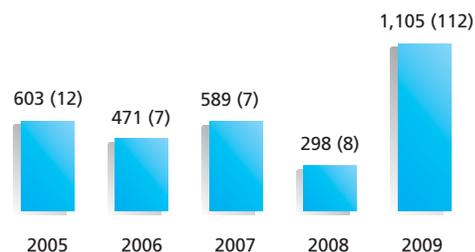
Insurance of credits for a project on the privatisation of hydroelectric power stations and electric power distribution networks in Georgia was significantly reflected in the insurance of **investments abroad and of credits for their financing (types I and If)**.

Insurance of **bank guarantees (type Z)** and of **manufacturing risk (type V)** remained significant by volumes. We also concluded 4 contracts for **active reinsurance (type ZA)** and supported, in this way, Czech sub-supplies to foreign exporters to Serbia and Russia.

**We wrote insurance premiums of CZK 1,215 million** in relation to a total number of 349 concluded insurance contracts. Simultaneously, **we paid claims worth CZK 1,105 million**, primarily as a result of the non-repayment of credits for financing the export to Cuba and for calling performance bonds issued on behalf of a Czech supplier of 2 power stations to Pakistan; **we recovered receivables worth CZK 130 million**.

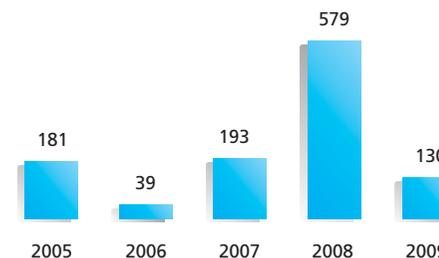
We have recorded a loss in the amount of CZK 2,111 million in the 2009 accounting period. The main reasons were high indemnification payments and the creation of reserves for notified insurance losses. We settle the accounting loss out of the fund created from profits in previous years; its size is sufficient for this purpose.

CLAIMS PAID (IN CZK MILLION)



Note: Numerals in parentheses give numbers of claims paid.

RECOVERED RECEIVABLES (IN CZK MILLION)



## How was the year 2009?

Export support through EGAP was a part of the national anti-crisis plan to moderate unemployment growth and to maintain the stability of public finances adopted by the Czech government in February 2009. The state strengthened our insurance funds by contributing CZK 700 million at the end of 2009 and increased our insurance capacity to CZK 200 billion in the Act on State Budget for 2010.

Meanwhile, we have been applying a full range of anti-crisis measures during the whole year; the most important of them were a temporary increase in insurance cover for export credits up to 99% which made access to financial funds for their projects easier for Czech exporters in situations when banks significantly tightened the criteria for providing finance for individual planned projects. In addition to an increased interest in credit insurance caused by growing apprehension concerning risks of the possible non-payment by a foreign buyer for delivered goods and services, the increased insurance cover contributed to achieving the historically highest insured volume of credits, investments and bank guarantees.

There was another change in our activities having a permanent character. We went over from the principle of supporting the export of goods and services of national origin to the principle of supporting the export of goods and services of national interest. The difference lies in the fact that before we were able to insure exporters having their seat in the Czech Republic, now we can also insure their subsidiaries abroad under the same terms and conditions because we consider their deliveries to be goods and services of Czech origin. However, in order to be able to offer insurance with state support, at least one of predetermined conditions has to be fulfilled in order to keep our basic line, i.e. insurance has to have a positive effect not only for the exporter but also for the state. Therefore, this now includes support of small- and medium-sized enterprises, maintaining the employment, export of sophisticated technology or penetration of new markets. We are convinced that by switching to insurance undertaken in the national interest we will assist in improving the competitiveness of Czech exporters of goods and services on international markets.

The year 2009 was for us convincing proof that, aside from higher annual insured volumes than before, we can also expect a permanent change in the share of large exports in these volumes in the coming years. While business transactions with insurance value exceeding CZK 1 billion were sporadic in the past, in the last 3 years it has been the other way around; large exports represented as much as two thirds of the insured volume in 2009. It is clear that Czech exporters more and more often perform roles of the main suppliers of large capital goods in contrast to previous years.

very comfortable conditions

The record commercial result and a significant share of large exports in 2009 substantially changed our outstanding commitments\*. Parallel to high annual increases there were substantial changes in their structure in favour of business transactions with longer maturities. Beside others, it means for us in EGAP an application of innovative procedures in the risk management, its more frequent sharing with other insurance or reinsurance companies, utilisation of new reinsurance instruments as well as searching, in cooperation with shareholder ministries, for more effective ways of strengthening of insurance funds.

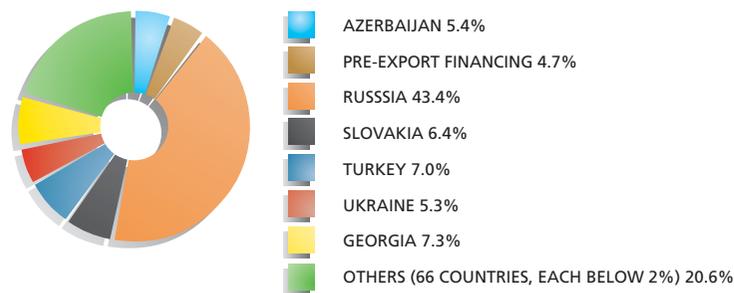
The Russian share of outstanding commitments in the territorial structure again increased slightly as at 31 December 2009; its share was 41.7% at the end of 2008. Together with other CIS countries, Russia represented approximately two thirds of the total outstanding commitments at the end of 2009, which was similar to the previous year. The aggregate outstanding commitments included 73 countries in 2009.

## We are here for small- and medium-sized enterprises, too

Small- and medium-sized enterprises (SMEs), because of the character of their activities and by the orientation of their exports, are usually suitable clients for commercial credit insurance companies which offer insurance of short-term receivables from buyers based in marketable countries such as EU member states and other developed countries. Although SMEs are not normally "bearers" of large and long-term risks connected with exports of capital goods, machinery and technologies, etc., in which we in EGAP specialise in within the framework of international rules for state supported exports, they may and they actually use insurance products with state support. Specifically, they make use of **insurance of pre-export financing of the production and insurance of bank guarantees issued in connection with an export contract**. Since 2006, we have been offering both types of insurance in cooperation with commercial banks under a significantly simplified approval regime accommodating time and the financial limits of clients from among SMEs.

Our important tool in the support of SMEs is the **Commercial Credit Insurance Company EGAP (KUPEG)** where we own a blocking minority share of 34% enabling us to participate in the development of servicing of SMEs. We have concluded a reinsurance treaty with KUPEG in 2009, which systemically creates space for this insurer to widen insurance cover for assistance to SMEs. Similar reinsurance that can substantially increase the possibilities of a commercial insurance company with regard to limits on individual countries as well as limits on industry branches are being offered to other commercial insurers.

OUTSTANDING COMMITMENTS BY COUNTRIES AS AT 31 DECEMBER 2009



\* Note: The indicator of outstanding commitments represents a summary of values of insured export credit risks from concluded insurance contracts in their nominal value, including interest and contractual fees and from the reinsurance activity, reduced by the value of risks which have already expired, and by values of insurance promise contracts to the extent of 50% of their nominal value.

With the special aim to increase SME awareness of the comprehensive offer of state support of exports through EGAP, CEB and Czech Trade Agency in individual regions of the Czech Republic, **Regional Export Sites (RES)** have been established in cooperation with the Czech Chamber of Commerce in 2006. We have been participating the whole time in their management and financing in compliance with the strategy of the Ministry of Industry and Trade. In the interest of maintaining and, if need be, expanding the services extended by the RES, we are prepared to integrate other institutions including those which are active in the commercial sector into the RES project.

### International relations

The first half of 2009 when the Czech Republic held the Presidency of the European Union also meant for us a significant increase in activities in the area of international relations. We presided over the Council Working Group for Export Credits which primarily coordinates the positions of EU member states for negotiations in the OECD. After discussions lasting several years, it was possible during our Presidency to conclude agreements on more advantageous conditions for financing and insuring exports of equipment for the production of renewable energies and to update conditions for exports of equipment for nuclear power plants in the sense of longer repayment terms, more favourable interest rates and repayment flexibility. In connection with the financial crisis, it was possible to reach a temporary lessening of the strictness of some rules of the OECD Arrangement on Officially Supported Export Credits (OECD Consensus), which define the basic terms and conditions of state support of exports in the form of financing and insurance.

On our initiative, trade financing issues were also discussed on the political level within the EU and later at the April G-20 meeting. Its result is a commitment by the participating countries to strengthen world-wide funds to support trade financing by an amount of USD 250 billion.

Our further priority was to reach consensus with negotiators of the European Commission in the World Trade Organisation (WTO) that the "Agreement on Subsidies and Countervailing Measures" which is the foundation stone of the system of state export support remained in the present wording and that amendments proposed by some developing countries would be refused because they could endanger the existing regime. This was accomplished as well as the start of negotiations with China on its accession to the rules of the OECD Arrangement; this noticeably contributed to refinement of international trade.

complex range of needs



### Closing word

To characterise the year 2009 in one word, I would call it exceptional. The management and Supervisory Board in new compositions were confronted with a difficult task: To support Czech exports as much as possible regardless of the global economic crisis. This goal was accomplished better than expected. We offered a really generous lowering of the self-retention to clients and they brought us a spate of quality export contracts; this found its reflection in a record commercial result. It emerged how important it was to have an detailed and institutionally secured system of state export supports that offers a helping hand to exporters wherever private banks and credit insurers lack capacity. Moreover, this applies not only for good times but primarily for bad times. And financial funds utilised for state support of exports belong among those which have been spent most effectively. Specifically in EGAP, they have not been expended in the form of subsidies or concessions to the exporters but they served predominantly to comply with requirements for capital adequacy and created thus necessary space for the acceptance of risks connected with Czech exports, in particular to countries where the risk of non-payment of export credits for political, economic or legal conditions is higher than in developed countries having a standard market economy.

Each crown invested up to now into EGAP's insurance funds from the state budget has supported a volume of export credits that was more than 70 times higher. Each export contract supported by insurance stood for work and earnings not only for exporters but usually also for the whole network of sub-suppliers, including small and medium-sized enterprises. That is why the state support of export is among the important instruments for maintaining macroeconomic stability, employment and growth of wealth of the entire society.

**Ivan Fuksa**

Chairman of the Supervisory Board  
1st Deputy Minister of Finance

insurance for small and medium sized enterprises

## OVERVIEW OF INSURANCE PRODUCTS

### **Insurance of a short-term export supplier credit ("B")**

The insurance product for insuring short-term export supplier credits extended to buyers in commercially uninsurable countries. The risk of non-payment of a credit with the maturity shorter than 2 years is insured. The exporter is the insured party.

### **Insurance of a short-term export supplier credit financed by a bank ("Bf")**

The insurance enables the purchase of a receivable of a Czech exporter in the form of an export supplier credit to a buyer in any country having a maturity shorter than 2 years. The bank is the insured party.

### **Insurance of a medium- and long-term export supplier credit ("C")**

The insurance covers the risk of the non-payment of an export supplier credit having a maturity exceeding 2 years. The exporter is the insured party.

### **Insurance of a medium- and long-term export supplier credit financed by a bank ("Cf")**

The insurance enables the purchase of a receivable of a Czech exporter in the form of the export supplier credit having a maturity exceeding 2 years. The bank is the insured party.

### **Insurance of an export buyer credit ("D")**

The insurance covers the risk of the non-payment of a credit extended by a bank of the Czech exporter to a foreign buyer or to a foreign buyer's bank. The bank is the insured party.

### **Insurance of a confirmed Letter of Credit ("E")**

The insurance covers the risk of full or partial non-payment under conditions of the Letter of Credit.

### **Insurance of a credit for the pre-export financing of production ("F")**

The insurance covers the risk of possible inability of an exporter to fulfil the conditions of an export contract and to thus create funds for the repayment of the credit for the financing of the production for export or of the credit for the investment into production for export. The bank is the insured party.

### **Insurance of investments of Czech legal persons abroad ("I")**

The insurance covers so-called political risks as in the risk of restriction or losses of returns on investments as a result of prevention of their transfer to the Czech Republic, expropriation of the investment without corresponding compensation or politically motivated violent damage and breach of contractual obligations on the part of the host country. The investor is the insured party.

**Insurance of a credit for financing the investments of Czech legal persons abroad ("If")**

In addition to political risks, the insurance also covers commercial risks. The credit may be used either for acquiring long-term tangible, intangible or financial assets abroad as well as for the operational financing of a foreign company owned by a Czech investor. The bank is the insured party.

**Insurance of a credit for the financing of the prospection of foreign markets ("P")**

The insurance covers the risk of a financial loss resulting from a full or partial failure of the prospection made for the purpose of launching and/or increasing the export of goods and services to one or to several countries. The exporter is the insured party.

**Insurance against the risk of inability to fulfil an export contract ("V")**

The insurance of the so-called manufacturing risk covers the risk of losses from irrevocably incurred production expenses in the case that the foreign buyer has interrupted or cancelled the contract before its completion. The exporter is the insured party.

**Insurance of a bank guarantee issued in relation to an export contract ("Z")**

The insurance covers the risk of an unfair as well as fair calling of the guarantee issued by a bank for the obligations an exporter has to a buyer, i.e. EGAP accepts not only the risk of a misuse of the guarantee by the buyer but also the risk that the exporter will be unable to properly fulfil the obligations of the export contract. The bank is the insured party.

record volume of insured investments

## BODIES OF THE COMPANY

### Supervisory Board

**Chairman:** Ivan Fuksa, Ministry of Finance of the Czech Republic

**Vice-Chairman:** Martin Tlapa, Ministry of Industry and Trade of the Czech Republic (until 9 April 2009)

**Members:**

Milan Šimáček, Ministry of Finance of the Czech Republic (until 28 April 2009)

Ms. Milena Horčicová, Ministry of Finance of the Czech Republic (since 24 June 2009)

Ivo Hlaváč, Ministry of Agriculture of the Czech Republic (until 3 September 2009)

Oldřich Černocho, Ministry of Agriculture of the Czech Republic (since 17 December 2009)

Milan Sedláček, Ministry of Foreign Affairs of the Czech Republic (until 5 November 2009)

Ms. Helena Bambasová, Ministry of Foreign Affairs of the Czech Republic (since 17 December 2009)

Václav Petříček, Ministry of Industry and Trade of the Czech Republic (until 27 February 2009)

Ms. Jana Adamcová, Ministry of Industry and Trade of the Czech Republic (since 24 June 2009)

Luboš Vaněk, Ministry of Industry and Trade of the Czech Republic (since 24 June 2009)

Martin Bartoš, EGAP

Pavel Klaban, EGAP

Ms. Jiřina Rovná, EGAP

### Board of Directors

**Chairman:** Karel Pleva, Chief Executive Officer (since 25 February 2009)

Pavol Parížek (until 5 February 2009)

**Members:**

Ms. Jana Ammerlaan, Deputy CEO, Head of the Legal and International Relations Section (until 23 February 2009)

Milan Šimáček, Deputy CEO, Head of the Financial and Administration Section (since 24 June 2009)

Václav Bok, Deputy CEO, Head of the Financial and Administration Section (until 24 June 2009)

Miroslav Somol, Deputy CEO, Head of the Risks Management Section

Dalibor Vainer, Deputy CEO, Head of the Claims Settlement and Debt Recovery Section

Jiří Skuhra, Deputy CEO, Head of the Commercial Section (since 18 September 2009)

## Composition of Company bodies as at 31 March 2010

### Supervisory Board

**Chairman:** Ivan Fuksa, Ministry of Finance of the Czech Republic

**Vice-Chairman:** Luboš Vaněk, Ministry of Industry and Trade of the Czech Republic (since 21 January 2010)

**Members:**

Ms. Helena Bambasová, Ministry of Foreign Affairs of the Czech Republic

Oldřich Černoš, Ministry of Agriculture of the Czech Republic

Ms. Milena Horčicová, Ministry of Finance of the Czech Republic

Ms. Jana Adamcová, Ministry of Industry and Trade of the Czech Republic

Martin Bartoš, EGAP

Pavel Klaban, EGAP

Ms. Jiřina Ravná, EGAP

### EGAP's Board of Directors

**Chairman:** Karel Pleva, Chief Executive Officer

**Members:**

Milan Šimáček, Deputy Chief Executive Officer,  
Head of the Financial and Administration Section

Miroslav Somol, Deputy Chief Executive Officer,  
Head of the Risks Management Section

Dalibor Vainer, Deputy Chief Executive Officer,

Head of the Claims Settlement and Debt Recovery Section

Jiří Skuhra, Deputy Chief Executive Officer,

Head of the Commercial Section

## REPORT ON RELATIONS BETWEEN INTER-RELATED PERSONS

**Report on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity (hereinafter "inter-related persons") for the period from 1 January 2009 to 31 December 2009** pursuant to provisions of § 66a par. 9 of the Commercial Code, as amended.

### Identification data of the Company:

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

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

**Company Registration Number:** 45 27 93 14

**Tax Registration Number:** CZ 45 27 93 14

**Entry into Companies Register:** Companies register kept at the Municipal Court in Prague, Section B, Insert 1619

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

**Paid up:** 100%

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

**Identification number of the security (ISIN):** 770010000519

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

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

Pursuant to Act No. 363/1999 Coll., on insurance and on amendment to some related acts (the Insurance Act) and in compliance with Act No. 58/1995 Coll., on insuring and financing exports with state support and on amendment to Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, as amended (hereinafter "Act No. 58/1995 Coll."), and on the basis of the licence for carrying out insurance and reinsurance activities and activities related hereto issued by the Ministry of Finance, the line of business consisted of the following activities in the period from 1 January 2009 to 31 December 2009:

- a) Insurance activity pursuant to § 7 par. 3 of Act No. 363/1999 Coll., in the extent of insurance classes No. 14, 15 and 16 of the non-life insurance:
  1. Insurance of export credits and domestic receivables against marketable commercial and political risks of the non-payment on the commercial basis and with commercial reinsurance, insurance of short-term export credits against the non-payment caused by political or a combination of political and non-marketable commercial risks.
  2. Insurance of export credit risks in compliance with § 1 par. 2) of Act No. 58/1995 Coll., including:
    - 2.1. Insurance of short-term export credits against the non-payment caused by political or a combination of political and non-marketable commercial risks,

- 2.2. Insurance of long-term export credits against the non-payment caused by political or a combination of political and non-marketable commercial risks, or the non-payment caused by non-marketable commercial risks,
  - 2.3. Insurance of investments of Czech legal persons abroad against political risks, particularly against the risk of prevention of the transfer of returns on the investment, expropriation or politically motivated violent damage,
  - 2.4. Insurance against losses of exporters related to the preparation and realisation of business transactions,
  - 2.5. Insurance of credits extended to a producer or to an exporter for the financing of the production designated for export against the risk of the non-payment of the credits caused by the inability of the producer or exporter to fulfil the terms and conditions of an export contract,
  - 2.6. Insurance of bank guarantees or other services extended by an exporter's bank to a foreign entity on behalf of the exporter against the risk of non-fulfilment of the contractual obligations of the exporter from an export contract,
  - 2.7. Insurance of risks of the exchange rate loss by the Czech crown against foreign currencies arising in the case of the claim payment and resulting from the difference between the exchange rate valid as at the conclusion of the insurance contract and the exchange rate valid as at the claim payment,
- b) Reinsurance pursuant to § 3 par. 3 of the Insurance Act in the extent of facultative reinsurance activity pursuant to § 9 par. 5 of Act No. 363/1999 Coll., on insurance for insurance classes No. 14 and 15 of the non-life insurance, i.e. insurance of the credit, and pursuant to § 1 par. 2 letter h) of Act No. 58/1995 Coll., towards foreign credit insurance companies in relation to insurance provided pursuant to items 2.1., 2.2., and 2.6. in connection with the participation of an exporter in deliveries of goods or extension of services to an importer that have been realised by a foreign entity in the extent of the share of the exporter in these deliveries,
  - c) activities related to the insurance activity pursuant to § 3 par. 4 of Act No. 363/1999 Coll., on insurance:
    - 1) Intermediary activity carried out in connection with the insurance activity,
    - 2) Consultancy activity carried out in connection with the insurance activity,
    - 3) Investigation of insurance losses carried out on the basis of a contract with an insurance company.

## Description of the relationship between inter-related persons

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

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

Pursuant to Act No. 58/1995 Coll., the shareholder's rights of the state have been exercised by the following ministries:

Ministry of Finance, 520 votes

Ministry of Industry and Trade, 468 votes

Ministry of Foreign Affairs, 156 votes

Ministry of Agriculture, 156 votes

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

### 2. Relationship between EGAP and the Commercial Credit Insurance Company EGAP, a joint-stock company

EGAP owns 34% of the Commercial Credit Insurance Company EGAP, a joint-stock company (hereinafter the "KUPEG").

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

EGAP owns 27.1% of the share capital of the Czech Export Bank. (Hereinafter referred to as "CEB") and 72.9% of the share capital of CEB is owned by the state – the Czech Republic.

### 4. Relationship between other inter-related parties and EGAP

EGAP has no capital participation in other companies.

The state as the controlling entity of EGAP is simultaneously, according to EGAP's understanding, a controlling entity or a founder, apart from the Czech Export Bank, of the following entities with whom EGAP has concluded contracts:

Czech Moravian Guarantee and Development Bank, a joint-stock company

Prague Securities Centre

(Hereinafter referred to jointly as "other controlled entities").

## Business relations

### Agreements concluded between the state and EGAP valid as at 31 December 2009

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

### Agreements concluded between EGAP and KUPEG valid as at 31 December 2009

Licence agreement to trademarks

Licence agreement on utilisation of the INCREDIT system

Contract on the provision of information

Framework facultative quota share reinsurance treaty for export receivables

### Agreements concluded between EGAP and CEB

Insurance contracts and contracts related to insurance for the period from 1 January 2009 to 31 December 2009

<b>Number</b>	<b>Character of contracts</b>
8	Contracts on insurance of export credit risks pursuant to General Insurance Conditions type Bf
24	Contracts on insurance of export credit risks pursuant to General Insurance Conditions type D
11	Contracts on insurance of export credit risks pursuant to General Insurance Conditions type F
1	Contract on insurance pursuant to General Insurance Conditions type If
22	Contracts on insurance of export credit risks pursuant to General Insurance Conditions type Z
<b>66</b>	<b>Total Number of Contracts</b>
1	Addendum to the contract on insurance pursuant to General Insurance Conditions type D concluded in previous years
4	Insurance decisions to limit contracts on insurance pursuant to General Insurance Conditions type F concluded in previous years
2	Insurance decisions to limit contract on insurance pursuant to General Insurance Conditions type Z concluded in previous years
<b>7</b>	<b>Insurance decisions in total (adopted in 2009)</b>
1	Agreement on arrangement of rights and obligations concluded in connection with the claim payment from the insurance contract
3	Contracts on cession of receivables (gratuitous transfer of receivables after payment of the indemnification pursuant to the insurance contract)

#### **Further agreements valid as at 31 December 2009**

Current account agreement

Contract lease for non-residential space

Agreement on use of a compatible medium in the system of payments

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

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

#### **Agreements concluded with other inter-related persons valid as at 31 December 2009**

4.1. Czech-Moravian Guarantee and Development Bank, joint-stock company

Contract on settlement of block trades with securities

Contract on opening and operating of a special current account

Framework agreement on term deposits

4.2. Prague Securities Centre

Contract on maintenance of an Issuer's register

Contract on issuance and usage of identity card

#### **Lawsuits**

In 2005, the Czech Consolidation Agency filed a suit against EGAP in order to determine the right of lien in relation to the resolution of an insurance loss. In compliance with § 20 of Act No. 239/Coll., on the Czech Consolidation Agency as amended, the Czech Consolidation Agency ceased to exist as at 31 December 2007 and its legal successor is the state to which all its rights and obligations had passed. In 2009, both EGAP and the state were in the position of secondary litigants only. The lawsuit was resolved in July 2009.

individual and original solution of needs

## Declaration of the Board of Directors

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

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

Prague, on 23 March 2010



**Karel Pleva**  
Chairman of the Board of Directors  
Chief Executive Officer

## REPORT OF THE SUPERVISORY BOARD

**of Export Guarantee and Insurance Corporation (EGAP) on activities of the Supervisory Board in the last period (from 28 April 2009 to 22 April 2010) and the opinion of the Supervisory Board on the financial statements for 2009, on the proposal for settlement of the loss for the year 2009 and on the Report on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity for the period from 1 January 2009 to 31 December 2009 for the meeting of Ministries exercising the right of the state as the sole shareholder of EGAP which is to take place on 29 April 2010.**

The Supervisory Board worked in the following composition in the past period (from 28 April 2009 to 29 April 2010):

Ivan Fuksa, Chairman

Luboš Vaněk, Vice-Chairman (member since 24 June 2009, Vice-Chairman since 21 January 2010)

Ms. Milena Horčicová, member (since 24 June 2009)

Ms. Jana Adamcová, member (since 24 June 2009)

Oldřich Černoš, member (since 17 December 2009)

Ms. Helena Bambasová, member, (since 17 December 2009)

Milan Sedláček, member, (since 5 November 2009)

Ivo Hlaváč, member (until 3 September 2009)

Ms. Jiřina Rovná, member

Martin Bartoš, member

Pavel Klaban, member

(Names of new members of the Supervisory Board for employees reflecting the results of elections on 26 April 2010 shall be added on the meeting of the sole shareholder on 29 April 2010.)

There were 12 meetings of the Supervisory Board in the past period (since the last Report of the Supervisory Board from 28 April 2009 until today) taking place on the following dates:

**10 June 2009, 2 July 2009, 23 July 2009, 3 September 2009, 1 October 2009, 5 November 2009, 25 November 2009, 17 December 2009, 21 January 2010, 11 February 2010, 18 March 2010 and 22 April 2010.**

In these meetings, the Supervisory Board discussed documents and business transactions submitted by the Board of Directors of EGAP.

In the meeting taking place on **3 September 2009**, it debated the resignation of a member of the Supervisory Board, Mr. Ivo Hlaváč, a representative of the Ministry of Agriculture.

In the meeting organised on **5 November 2009**, it took notice of the resignation of a member of the Supervisory Board, Mr. Milan Sedláček, a representative of the Ministry of Foreign Affairs.

In its meeting on **17 December 2009**, the Supervisory Board acquainted itself with results of the per rollam voting and on the basis thereof the Supervisory Board confirmed Ms. Helena Bambasová, a representative of the Ministry of Foreign Affairs, as its new member and as another new member of the Supervisory Board, Mr. Oldřich Černoch, a representative of the Ministry of Agriculture.

In its meeting on **22 April 2010**, the Supervisory Board examined and approved the Report on Fulfilment of EGAP's Business Plan for 2009, including annual financial statements and Proposal for Settlement of the Loss. Further, the Supervisory Board examined with the positive outcome the Report on Relations between the Controlling and Controlled Entities and on Relations between the Controlled Entity and other Entities Controlled by the same Controlling Entity for the Period from 1 January 2009 to 31 December 2009. Among others, the Supervisory Board approved in this meeting the Evaluation of Indicators for Awarding Bonuses to Employees for the Fulfilment of the Business Plan for 2009 and Proposal for Criteria of Material Motivation for 2010.

The Supervisory Board made the examination of the annual financial statements on the basis of documents submitted by the Board of Directors but, primarily, on the basis of the Report on Fulfilment of EGAP's Business Plan for 2009; in doing so, the Supervisory Board had not discovered any discrepancies. The Supervisory Board also took notice of the Report of the Independent Auditor of EGAP on Authentication of the Annual Financial Statements of EGAP for the Year 2009. This report had stated that the financial statements accurately and fairly presented the financial position of the Company in compliance with Czech accounting regulations as at 31 December 2009 and its financial management in 2009.

After the examination:

- 1. The Supervisory Board recommends that ministries exercising the right of the state as the sole shareholder of EGAP approve the Report on Fulfilment of EGAP's Business Plan for 2009.**
- 2. The Supervisory Board takes notice of the opinion of the Auditor "without reservation" and recommends that ministries exercising the right of the state as the sole shareholder of EGAP approve the annual financial statements for the year 2009.**
- 3. The Supervisory Board recommends that ministries exercising the right of the state as the sole shareholder of EGAP approve the submitted Proposal for Settlement of the Loss.**
- 4. The Supervisory Board takes notice of the Report on Relations between the Controlling and Controlled Entities and on Relations between the Controlled Entity and other Entities Controlled by the same Controlling Entity for the Period from 1 January 2009 to 31 December 2009.**

Prague, on 22 April 2009



**Ivan Fuksa**

Chairman of the Supervisory Board

EGAP

FINANCIAL SECTION

Financial Section

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDER OF EXPORTNÍ GARANČNÍ A POJIŠŤOVACÍ SPOLEČNOST, A.S.

We have audited the accompanying financial statements of Exportní a garanční a pojišťovací společnost, a.s., identification number 45279314, with registered office at Vodičkova 34/701, Praha 1 ("the Company"), which comprise the balance sheet as at 31 December 2009, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies ("the financial statements").

#### Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

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

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

**Shareholder of Exportní a garanční  
a pojišťovací společnost, a.s.**

**Independent auditor's report**

Auditor's Responsibility (continued)

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009 and its financial performance for the year then ended in accordance with Czech accounting legislation.

29 March 2010



PricewaterhouseCoopers Audit, s.r.o.  
represented by



Petr Kříž  
Partner



Martin Mančík  
Statutory Auditor,  
Licence No. 1964

## BALANCE SHEET AS AT 31 DECEMBER 2009

CZK'000	NOTE	GROSS AMOUNT	ADJUSTMENT	31 DECEMBER 2009 NET AMOUNT	31 DECEMBER 2008 NET AMOUNT
<b>ASSETS</b>					
<b>B. LONG-TERM INTANGIBLE FIXED ASSETS</b>	<b>5</b>	<b>35,855</b>	<b>33,448</b>	<b>2,407</b>	<b>570</b>
<b>C. FINANCIAL INVESTMENTS</b>	<b>4</b>	<b>16,431,533</b>	<b>–</b>	<b>16,431,533</b>	<b>15,492,750</b>
C.I. LAND AND BUILDINGS (OPERATIONAL)		695,033	–	695,033	694,764
C.II. FINANCIAL INVESTMENTS IN ASSOCIATES		946,809	–	946,809	704,741
C.III. OTHER FINANCIAL INVESTMENTS		14,789,691	–	14,789,691	14,093,245
1. SHARES AND OTHER VARIABLE INCOME SECURITIES		183,196	–	183,196	179,113
2. BONDS AND OTHER DEBT SECURITIES – AVAILABLE FOR SALE		8,071,069	–	8,071,069	9,091,851
3. DEPOSITS WITH FINANCIAL INSTITUTIONS		6,535,426	–	6,535,426	4,822,281
<b>E. DEBTORS</b>	<b>6</b>	<b>507,703</b>	<b>120,001</b>	<b>387,702</b>	<b>158,225</b>
E.I. RECEIVABLES FROM DIRECT INSURANCE – POLICY HOLDERS		164,683	392	164,291	1,960
E.III. OTHER RECEIVABLES, OF WHICH:		343,020	119,609	223,411	156,265
– ASSOCIATES	16	35	–	35	36
<b>F. OTHER ASSETS</b>		<b>74,900</b>	<b>64,281</b>	<b>10,619</b>	<b>12,192</b>
F.I. LONG-TERM TANGIBLE FIXED ASSETS OTHER THAN LAND AND BUILDINGS	5	70,343	64,281	6,062	10,130
F.II. CASH IN HAND AND CASH ON ACCOUNTS WITH FINANCIAL INSTITUTIONS		4,557	–	4,557	2,062
<b>G. PREPAYMENTS AND ACCRUED INCOME</b>	<b>7</b>	<b>31,406</b>	<b>–</b>	<b>31,406</b>	<b>22,770</b>
<b>TOTAL ASSETS</b>		<b>17,081,397</b>	<b>217,730</b>	<b>16,863,667</b>	<b>15,686,507</b>

CZK'000	NOTE	31 DECEMBER 2009	31 DECEMBER 2008
<b>LIABILITIES</b>			
<b>A. EQUITY</b>	<b>8</b>	<b>9,182,874</b>	<b>10,664,560</b>
A.I. SHARE CAPITAL		1,300,000	1,300,000
A.IV. OTHER CAPITAL FUNDS		5,881,262	5,239,194
A.V. STATUTORY RESERVE FUND AND REVENUE RESERVES		4,112,208	3,500,588
A.VII. (LOSS) / PROFIT FOR THE CURRENT PERIOD		(2,110,596)	624,778
<b>C. TECHNICAL RESERVES</b>	<b>9</b>	<b>7,668,077</b>	<b>4,937,021</b>
C.1. UNEARNED PREMIUM RESERVE:		3,593,399	3,148,613
A) GROSS		3,683,496	3,174,803
B) SHARE OF REINSURERS		(90,097)	(26,190)
C.2. RESERVE FOR INSURANCE CLAIMS (GROSS)		4,002,087	1,717,788
C.3. RESERVE FOR BONUSES AND DISCOUNTS (GROSS)		55,192	52,684
C.4. EQUALISATION RESERVE (GROSS)		17,399	17,936
<b>E. OTHER PROVISIONS</b>	<b>10</b>	<b>2,605</b>	<b>3,196</b>
E.2 OTHER PROVISIONS		2,605	3,196
<b>G. CREDITORS</b>	<b>11</b>	<b>9,544</b>	<b>80,706</b>
G.II. PAYABLES FROM REINSURANCE		74	–
G.V. OTHER PAYABLES		9,470	80,706
– OF WHICH: TAX LIABILITIES AND LIABILITIES FROM SOCIAL AND HEALTH INSURANCE		1,664	69,883
<b>H. ACCRUALS AND DEFERRED INCOME</b>		<b>567</b>	<b>1,024</b>
<b>TOTAL LIABILITIES</b>		<b>16,863,667</b>	<b>15,686,507</b>

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

CZK'000	NOTE	BASE	SUBTOTAL	2009 TOTAL	BASE	SUBTOTAL	2008 TOTAL
<b>I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE</b>							
<b>1. EARNED PREMIUMS, NET OF REINSURANCE:</b>							
A) GROSS WRITTEN PREMIUM	15	1,214,846			904,555		
B) OUTWARDS REINSURANCE PREMIUM	14	76,054			–		
SUBTOTAL			1,138,792			904,555	
C) CHANGE IN THE GROSS AMOUNT OF UNEARNED PREMIUM RESERVE		(508,693)			215,708		
D) CHANGE IN THE REINSURER'S SHARE OF THE UNEARNED PREMIUM RESERVE	14	63,907			3,822		
SUBTOTAL			(444,786)			219,530	
<b>TOTAL</b>				<b>694,006</b>			<b>685,025</b>
<b>2. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT</b>							
				<b>283,114</b>			<b>–</b>
<b>3. OTHER TECHNICAL INCOME, NET OF REINSURANCE</b>							
				<b>823</b>			<b>905</b>
<b>4. CLAIMS EXPENSES, NET OF REINSURANCE:</b>							
A) PAID CLAIMS:							
AA) GROSS		1,104,461			298,388		
SUBTOTAL			1,104,461			298,388	
B) CHANGE IN RESERVE FOR CLAIMS:							
BA) GROSS		2,284,299			591,496		
SUBTOTAL			2,284,299			591,496	
<b>TOTAL</b>	<b>15</b>			<b>3,388,760</b>			<b>889,884</b>
<b>5. CHANGE IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE</b>							
				<b>2,508</b>			<b>7,730</b>
<b>6. BONUSES AND DISCOUNTS, NET OF REINSURANCE</b>							
				<b>14,433</b>			<b>–</b>
<b>7. NET OPERATING EXPENSES:</b>							
A) ACQUISITION COSTS	15		16,893			8,143	
B) ADMINISTRATIVE EXPENSES	15		197,367			173,515	
C) COMMISSIONS FROM REINSURERS AND PROFIT PARTICIPATIONS	14		7,605			–	
<b>TOTAL</b>	<b>15</b>			<b>206,655</b>			<b>181,658</b>
<b>8. OTHER TECHNICAL EXPENSES, NET OF REINSURANCE</b>							
				<b>8,811</b>			<b>3,512</b>
<b>9. CHANGE IN THE EQUALISATION RESERVE</b>							
				<b>(537)</b>			<b>10,652</b>
<b>10. RESULT FOR THE TECHNICAL ACCOUNT – NON-LIFE INSURANCE</b>							
				<b>(2,642,687)</b>			<b>(407,506)</b>

CZK'000	NOTE	BASE	SUBTOTAL	2009 TOTAL	BASE	SUBTOTAL	2008 TOTAL
<b>III. NON-TECHNICAL ACCOUNT</b>							
<b>1. RESULT FOR THE TECHNICAL ACCOUNT – NON-LIFE INSURANCE</b>				<b>(2,642,687)</b>			<b>(407,506)</b>
<b>2. INCOME FROM FINANCIAL INVESTMENTS:</b>							
A) INCOME FROM OTHER FINANCIAL INVESTMENTS		438,050			475,862		
SUBTOTAL			438,050			475,862	
B) REVALUATION GAINS ON FINANCIAL INVESTMENTS			364,834			106,386	
C) INCOME FROM SALE OF FINANCIAL INVESTMENT			–			679	
<b>TOTAL</b>				<b>802,884</b>			<b>582,927</b>
<b>3. EXPENSES FROM FINANCIAL INVESTMENTS:</b>							
A) MANAGEMENT FEES AND SIMILAR CHARGES			1,359			1,508	
B) REVALUATION LOSSES ON FINANCIAL INVESTMENTS			112,076			86,354	
C) COST OF FINANCIAL INVESTMENTS REALISATION RELATED TO SALE OF FINANCIAL INVESTMENT			–			678	
<b>TOTAL</b>				<b>113,435</b>			<b>88,540</b>
<b>4. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT –NON-LIFE INSURANCE</b>				<b>(283,114)</b>			<b>–</b>
<b>5. OTHER INCOME</b>	<b>12</b>			<b>105,243</b>			<b>686,323</b>
<b>6. OTHER EXPENSES</b>				<b>45,381</b>			<b>23,846</b>
<b>7. INCOME TAX ON PROFIT FROM ORDINARY ACTIVITIES</b>	<b>13</b>			<b>(67,243)</b>			<b>123,597</b>
<b>8. (LOSS) / PROFIT FROM ORDINARY ACTIVITIES AFTER TAX</b>				<b>(2,109,247)</b>			<b>625,761</b>
<b>9. OTHER TAXES</b>				<b>1,349</b>			<b>983</b>
<b>10. (LOSS) / PROFIT FOR THE CURRENT PERIOD</b>				<b>(2,110,596)</b>			<b>624,778</b>

## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	SHARE CAPITAL	STATUTORY RESERVE FUND	OTHER REVENUE FUNDS	OTHER CAPITAL FUNDS	REVALUATION RESERVE	ACCUMULATED LOSSES	TOTAL
<b>CZK'000</b>								
<b>AS AT 1 JANUARY 2008</b>		<b>1,300,000</b>	<b>260,000</b>	<b>2,353,624</b>	<b>5,086,277</b>	<b>604,032</b>	<b>905,897</b>	<b>10,509,830</b>
REVALUATION DIFFERENCES NOT RECOGNISED IN INCOME STATEMENT		–	–	–	–	(459,217)	–	(459,217)
DEFERRED TAX RESULTING FROM REVALUATION DIFFERENCES NOT RECOGNISED IN INCOME STATEMENT	13	–	–	–	–	8,102	–	8,102
NET PROFIT FOR THE PERIOD	8	–	–	–	–	–	624,778	624,778
DISTRIBUTION OF PROFIT FROM LAST YEAR		–	–	890,897	–	–	(890,897)	–
BONUS DISTRIBUTION		–	–	–	–	–	(15,000)	(15,000)
UTILISATION OF SOCIAL FUND AND FUND OF THE GENERAL MANAGER	8	–	–	(3,933)	–	–	–	(3,933)
<b>AS AT 31 DECEMBER 2008</b>		<b>1,300,000</b>	<b>260,000</b>	<b>3,240,588</b>	<b>5,086,277</b>	<b>152,917</b>	<b>624,778</b>	<b>10,664,560</b>
CAPITAL SUBSIDY FROM THE STATE BUDGET	8	–	–	–	700,000	–	–	700,000
REVALUATION DIFFERENCES NOT RECOGNISED IN INCOME STATEMENT		–	–	–	–	(57,932)	–	(57,932)
NET LOSS FOR THE PERIOD	8	–	–	–	–	–	(2,110,596)	(2,110,596)
DISTRIBUTION OF PROFIT FROM LAST YEAR	8	–	–	614,000	–	–	(614,000)	–
BONUS DISTRIBUTION		–	–	–	–	–	(10,778)	(10,778)
UTILISATION OF SOCIAL FUND AND FUND OF THE GENERAL MANAGER	8	–	–	(2,380)	–	–	–	(2,380)
<b>AS AT 31 DECEMBER 2009</b>		<b>1,300,000</b>	<b>260,000</b>	<b>3,852,208</b>	<b>5,786,277</b>	<b>94,985</b>	<b>(2,110,596)</b>	<b>9,182,874</b>

## NOTES TO FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

Exportní garanční a pojišťovací společnost, a.s. ("the Company" or "EGAP") was incorporated by signing of a Memorandum of Association on 10 February 1992 in compliance with the Resolution of the Government of CSFR No. 721/1991 on the programme for the support of exports and was registered in the Commercial Register on 1 June 1992. On 6 May 1992, the Ministry of Finance issued a decision granting EGAP a licence to perform insurance activities. This licence was replaced as a result of the enactment of the new Act on Insurance 363/1999 Coll., by a new licence issued by the Ministry of Finance on 21 March 2002 to perform insurance, reinsurance and related activities. The main business activity of the Company is the insurance of credit risk with state support based on the Act on insurance and financing of exports with state support No. 58/1995 Coll. ("the Act").

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

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

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

The Company is divided into sections – the managing director, legal and international relations, insurance with State support, administration and finance, and claims liquidation and receivables recovery – departments, divisions and offices. The Organisational Rules of EGAP establish the principles of internal organisation, position, competency and the responsibilities of individual organisational units and managers.

#### Operating environment

The ongoing global economic crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets, have also led to bank failures and bank and other financial institution rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing economic crisis is proving to be difficult to anticipate or completely guard against.

The worsened financial position of foreign customers had an impact on the Company in form of increased claims paid and the necessity to create higher claim provisions. Simultaneously, demand for insurance of exports with state support increased which resulted in growth of written premium.

The lower liquidity situation might also negatively impact the credit standing of the issuers of financial instruments held by the Company and their ability to repay the cash invested into such instruments.

To the extent that information is available, management has properly reflected the revised estimates of expected future cash flows in its impairment assessments.

The fair values of quoted investments in active markets are based on current bid prices (financial assets) or offer prices (financial liabilities). If there is no active market for a financial instrument, the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. The valuation models reflect current market conditions at the measurement date which may not be representative of market conditions either before or after the measurement date. As at the balance sheet date, management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

## 2 ACCOUNTING POLICIES

### (a) Basis of accounts

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

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

## **(b) Financial investments**

The Company classifies the following items as financial investments:

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

### **Land and buildings**

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

### **Financial investments in associates**

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

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

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

### **Investments in securities**

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

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

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

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

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

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

Transfers between portfolios are generally allowed if management's intentions are changed, except as follows:

- transfer to and from the debt securities at fair value through profit or loss portfolio is not allowed; and
- on the sale or transfer of any securities held-to-maturity, the Company must transfer the rest of the portfolio of debt securities held-to-maturity to available-for-sale debt securities and no debt securities can be classified as held-to-maturity within the two following accounting periods. Exceptions to this rule are allowed for sales within the last three months before maturity of the debt security or in the case of a significant deterioration in an issuer's creditworthiness.

### **Deposits with financial institutions**

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

### **(c) Tangible and intangible fixed assets**

Tangible and intangible fixed assets other than land and buildings are initially recorded at cost, which includes costs incurred in bringing the assets to their present location and condition, less depreciation and amortisation in case of depreciable tangible and amortisable intangible fixed assets, respectively. Land and buildings are classified within financial investments (Note 2(b)).

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

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

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

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

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

#### **(d) Receivables**

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

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

Receivables arising from the right to loss compensation are recognised in the Off-balance sheet as defined in the Act on Insurance Contract. The recovered amounts from the right to loss compensation are recognised in Other technical income in the Technical account.

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

### **(e) Foreign currencies**

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

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

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

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

### **(f) Technical reserves**

The technical reserve accounts comprise amounts of assumed obligations resulting from insurance contracts in force with the aim to provide coverage for obligations resulting from those insurance contracts. Technical reserves are stated at fair value, which is determined in compliance with the Czech legislation for insurance companies and as described below.

The Company has established the following insurance technical reserves:

#### **Unearned premium reserve**

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

### Reserve for claims

The reserve for insurance claims is discounted to reflect the time value of money and covers the following:

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

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

IBNR is estimated based on historical experience using mathematical and statistical methods.

### Reserve for bonuses and discounts

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

### Equalisation reserve

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

### (g) Gross written premium

Gross written premium includes all amounts due during the accounting period as defined by an insurance contract, irrespective of whether these amounts refer entirely or partially to a future accounting period and whether or not the insurance contract relates to the transfer of significant insurance risk from the policyholder to the Company by the Company's agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

### (h) Claims expenses

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

### (i) Allocation of technical and non-technical expenses and revenues

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

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

## **(j) Staff costs, pensions and social fund**

Staff costs are included in Administrative expense.

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

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

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

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

## **(k) Inwards and outwards reinsurance**

### **Inwards reinsurance**

Inwards reinsurance contracts are treated the same way as insurance contracts.

### **Outwards reinsurance**

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

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

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

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

### **(l) Deferred taxation**

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

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

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

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

### **(m) Related party transactions**

Related parties are defined as follows:

- Companies, which form a Group of companies with the Company. The Company forms the Group with Česká exportní banka, a.s. (hereinafter “CEB”) and KUP;
- State financial institutions that EGAP enters business relations with: Českomoravská záruční a rozvojová banka, a.s. and Středisko cenných papírů;
- Members of Board of Directors, Supervisory Boards and Company management and parties close to such members.

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

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

### **(n) Subsequent events**

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

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

### 3 RISK MANAGEMENT

The financial position and overall operating results of EGAP are affected by a number of risks, to which EGAP is exposed while providing insurance and while undertaking trades on the money and capital markets. These risks are monitored and managed through its processes, methodical procedures, principles and internal procedures in the day-to-day realisation of its specific role to support Czech exporters. The description of risks and the monitoring thereof are described in the internal Risk management strategy.

EGAP, while defining types of risks and their internal definitions, respects the wording of the application decree of the Czech National Bank. This is all done in connection with the temporary and anticipated activities of EGAP, its strategic goals and the building of a new managing concept and controlling environment.

The following risks are considered:

#### (a) Insurance risk

Insurance risk is a risk arising from the insufficiency of:

- gross written premium from insurance contracts concluded in the following accounting period and from existing insurance contracts, which could not cover expected future liabilities from claims; and
- existing claims provisions.

The Company manages insurance risk through the following:

- maintenance of a surplus of readily available assets over the expected pattern of claim payments;
- the maintenance and use of sophisticated management information systems that provide up to date, reliable data on the risks to which the business is exposed at any point in time;
- the use of prudent underwriting policies;

#### (b) Concentration risk

Concentration risk is a risk of loss arising from concentrations against one single entity, group of entities, industry or country, which would represent an important insurance exposure. Concentration risk, in EGAP, is understood differently because of its specific role in the state support of export, however ordinary insurance companies, manage their risks by using the portfolio approach.

EGAP, from the nature of its activities, cannot significantly influence these risks nor significantly eliminate them as it is obliged to support Czech exporters by its insurance in countries, industries, etc, where they obtain their orders. It is however important for EGAP to monitor these risks, be aware of them and consider them during its activities.

### **(c) Market risk**

Market risk is the risk of loss arising from changes in the market prices of shares and other assets traded on the market, which include interest rates and foreign exchange rates. Market risk arises from open positions in interest rates, currencies and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The management of the Company sets the strategy for the portfolio characteristics and limits on the level of risk that may be accepted, which is monitored on a regular basis. Financial investments are diversified in accordance with currently valid Czech insurance legislation. Limits are set on financial investments for individual types of investment also taking into consideration the risks of the counterparty.

### **(d) Liquidity risk**

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

In compliance with the valid insurance legislation, the Company maintains a sufficient portion of its financial investments in liquid and secure financial instruments, which are used to cover insurance claims.

### **(e) Operating risk**

Operating risk is a risk of losses caused by the lack or failure of the human factor, internal processes, internal systems or as the result of the impact of external facts. Under the umbrella topic of operating risk, the risk of losses incurred as a result of a breach or lack of fulfilment of legal regulations, risk of not fulfilling regulatory measures, risk of loss or misuse of data in information systems, legal risk or compliance risk are also included.

Adherence to the Czech regulatory requirements is monitored by internal compliance managers. Regular reports are also submitted to the Board of Directors.

Compliance risk includes the possibility that transactions may not be enforceable under applicable laws or regulations. The Company seeks to minimise compliance risk by seeking to ensure that transactions are properly authorised and by submitting new or unusual transactions to legal advisers for review.

The insurance company adopts the strategy of using and developing information systems, procedures for adopting this strategy. It also adopts a safety policy for information systems.

The insurance company ensures that the strategy for development of and the security policy of information systems are regularly evaluated and possibly amended, the Company secures the fulfilment of the security policy in respective information systems.

The insurance company concludes contractual relations with providers of services and products for information systems in written form and has to carry out risk analyses attached to information systems.

The insurance company ensures the separate development and operation of information systems.

#### **(f) Other risks**

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

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due.

Insurance with state support is primarily underwritten with the help of intermediaries. Once a year, the Company evaluates available financial and other information about these intermediaries to mitigate that part of credit risk attributable to their involvement.

To manage the insurance risk, the Company also uses reinsurance. By this the Company does not deprive itself of the responsibility of the first insurer and if the reinsurer does not pay the claim for whatever reason, the Company must do so. The Company periodically monitors the credit ratings of each reinsurer and their financial strength.

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

The Board of Directors does not conduct explicit activities in managing strategic, systematic, commercial, legal and reputational risks. The board of directors through its decision making takes note of how the organisation conforms with regulations by the means of controls and the activities of the legal department.

## 4 FINANCIAL INVESTMENTS

### (a) Land and buildings

CZK'000	31 December 2009	31 December 2008
<b>Operating</b>		
<b>Land</b>		
Acquisition costs	103,960	103,960
Revaluation difference	4,633	4,633
	<b>108,593</b>	<b>108,593</b>
<b>Buildings</b>		
Acquisition costs	506,630	506,361
Revaluation difference	79,810	79,810
	<b>586,440</b>	<b>586,171</b>
Total acquisition costs	610,590	610,321
Total revaluation difference (Note 8)	84,443	84,443
<b>Total operating land and buildings at fair value</b>	<b>695,033</b>	<b>694,764</b>

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

The last revaluation of the land and building to fair value based on expert valuation was performed as at 1 October 2008.

### (b) Financial investments in associates

CZK'000	31 December 2009	31 December 2008
Cost	920,222	620,222
Revaluation difference (Note 8)	26,587	84,519
<b>Fair value</b>	<b>946,809</b>	<b>704,741</b>

## Participating interests in associates as at 31 December 2009

Associates	Number of shares	Nominal value CZK'000	Cost CZK'000	Share on share capital %	Share on share capital CZK'000	2009 profit / (loss) CZK'000	Net assets CZK'000
Komerční úvěrová pojišťovna EGAP, a.s. Na Pankráci 1683/127, Praha 4	68	1,000	90,222	34.0	68,000	(115,397)	429,278
<b>Revaluation difference</b>			<b>55,733</b>				
<b>Total fair value *</b>			<b>145,955</b>				
Česká exportní banka, a.s. Vodičkova 34, Praha 1	50	10,000	530,000	27.1	800,000	94,000	2,953,000
	300	1,000	300,000				
<b>Revaluation difference</b>			<b>(29,146)</b>				
<b>Total fair value *</b>			<b>800,854</b>				

\* The carrying amount as at 31 December 2009 is based on the associates' equity.

The Company increased in 2009 its share in CEB by CZK 300,000,000.

## Participating interests in associates as at 31 December 2008

Associates	Number of shares	Nominal value CZK'000	Cost CZK'000	Share on share capital %	Share on share capital CZK'000	2008 profit / (loss) CZK'000	Net assets CZK'000
Komerční úvěrová pojišťovna EGAP, a.s. Na Pankráci 1683/127, Praha 4	68	1,000	90,222	34	68,000	(76,287)	545,035
<b>Revaluation difference</b>			<b>95,090</b>				
<b>Total fair value *</b>			<b>185,312</b>				
Česká exportní banka, a.s. Vodičkova 34, Praha 1	50	10,000	530,000	25	500,000	195,176	2,077,715
<b>Revaluation difference</b>			<b>(10,571)</b>				
<b>Total fair value *</b>			<b>519,429</b>				

\* The carrying amount as at 31 December 2008 is based on the associates' equity.

There were not and are no differences between percentage of ownership and percentage of voting rights in any undertaking mentioned above.

## (c) Other financial investments

### Investments in securities

CZK'000	31 December 2009	31 December 2008
Other variable income securities – mutual fund units	183,196	179,113
<b>Bonds and other debt securities – available-for-sale</b>	<b>8,071,069</b>	<b>9,091,851</b>
<b>Total fair value</b>	<b>8,254,265</b>	<b>9,270,964</b>

As a result of the low liquidity of many securities on the Czech market and market volatility, realisable prices may differ from the stated fair value.

### Other variable income securities – mutual fund units

(CZK'000)	31 December 2009	31 December 2008
<b>Unquoted</b>		
Acquisition costs	170,000	170,000
Revaluation difference	13,196	9,113
<b>Total fair value</b>	<b>183,196</b>	<b>179,113</b>

### Debt securities available-for-sale

CZK'000	31 December 2009	31 December 2008
Main market of recognised stock exchanges	5,955,454	4,458,753
Free market of recognised stock exchanges	1,190,849	1,949,939
Short-term bond market of recognised stock exchanges	477,110	2,479,836
Recognised foreign stock exchanges	179,300	182,154
Amortised cost	7,802,713	9,070,682
Revaluation difference	268,356	21,169
<b>Total fair value</b>	<b>8,071,069</b>	<b>9,091,851</b>

### Deposits with financial institutions

CZK'000	31 December 2009	31 December 2008
Domestic banks	6,535,426	4,822,281

## 5 INTANGIBLE AND TANGIBLE FIXED ASSETS

### Intangible fixed assets

Cost (CZK'000)	1 January 2008	Additions	Disposals	31 December 2008	Additions	Disposals	31 December 2009
Software	29,247	67	443	28,871	2,187	–	31,058
Other intangible assets	4,797	–	–	4,797	–	–	4,797
Acquisition of intangible fixed assets	–	67	67	–	2,187	2,187	–
	<b>34,044</b>	<b>134</b>	<b>510</b>	<b>33,668</b>	<b>4,374</b>	<b>2,187</b>	<b>35,855</b>
<b>Accumulated amortisation</b>							
Software	28,281	463	443	28,301	350	–	28,651
Other intangible assets	4,797	–	–	4,797	–	–	4,797
	<b>33,078</b>	<b>463</b>	<b>443</b>	<b>33,098</b>	<b>350</b>	<b>–</b>	<b>33,448</b>
<b>Net book value</b>	<b>966</b>			<b>570</b>			<b>2,407</b>

### Tangible fixed assets other than land and buildings

Cost (CZK'000)	1 January 2008	Additions	Disposals	31 December 2008	Additions	Disposals	31 December 2009
Machines and equipment	66,486	2,011	4,962	63,535	802	1,070	63,267
Passenger cars	8,458	2,900	3,360	7,998	–	2,542	5,456
Works of art	588	–	–	588	–	–	588
Tangible assets not yet brought into use	121	4,857	4,978	–	2,102	1,070	1,032
	<b>75,653</b>	<b>9,768</b>	<b>13,300</b>	<b>72,121</b>	<b>2,904</b>	<b>4,682</b>	<b>70,343</b>
<b>Accumulated depreciation</b>							
Machines and equipment	58,829	3,194	4,961	57,062	3,612	1,426	59,248
Passenger cars	6,366	1,923	3,360	4,929	1,173	1,069	5,033
	<b>65,195</b>	<b>5,117</b>	<b>8,321</b>	<b>61,991</b>	<b>4,785</b>	<b>2,495</b>	<b>64,281</b>
<b>Net book value</b>	<b>10,458</b>			<b>10,130</b>			<b>6,062</b>

## 6 DEBTORS

CZK'000	Receivables from policy holders	Tax receivables	Other receivables	Total
<b>31 December 2009</b>				
Current	164,492	157,762	64,536	386,790
Overdue	191	–	120,722	120,913
	164,683	157,762	185,258	507,703
Provision for overdue receivables	(392)	–	(119,609)	(120,001)
	<b>164,291</b>	<b>157,762</b>	<b>65,649</b>	<b>387,702</b>
<b>31 December 2008</b>				
Current	2,261	61,165	3,991	67,417
Overdue	90	–	184,205	184,295
	2,351	61,165	188,196	251,712
Provision for overdue receivables	(391)	–	(93,096)	(93,487)
	<b>1,960</b>	<b>61,165</b>	<b>95,100</b>	<b>158,225</b>

Other overdue receivables in 2008 included a receivable from the loan designed to prevent a loss in the amount of CZK 169,000,000 from the company ECIMEX GROUP a.s. (hereafter "ECIMEX"). The expected income from realisation of this collateral was considered to be lower and so a provision for this receivable of CZK 81,000,000 has been created as at 31 December 2008. In 2009, the Company received within the bankruptcy procedures CZK 69,061,000, which represents separate realisation of pledged land and building. At the same time the provision for receivable was increased by CZK 18,939,000 to CZK 99,939,000; this increase represents actual difference between the granted loss prevention loan and its expected recoverability.

Receivables against related parties are disclosed in Note 16.

Insured receivables from insurance products might be transferred to the Company. In 2009, the nominal amount of ceded receivables from policy holders resulting from a receivable claim totalled CZK 78,402,000 (2008: CZK 89,528,000). Recovered amounts from ceded and sold receivables in 2009 amounted to CZK 66,693,000 (2008: CZK 583,096,000) (Note 12).

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

<b>CZK'000</b>	<b>2009</b>	<b>2008</b>
Opening balance as at 1 January	93,487	85,731
Charge for the year	26,790	8,259
Written back during the year	(276)	(503)
<b>Closing balance as at 31 December</b>	<b>120,001</b>	<b>93,487</b>

## 7 PREPAYMENTS AND ACCRUED INCOME

<b>CZK'000</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Accrued income from insurance contracts	12,049	7,999
Prepayment for business data, communications and membership fees	17,674	13,514
Inventory	1,629	1,128
Other	54	129
	<b>31,406</b>	<b>22,770</b>

Accrued income from insurance contracts represents insurance premium invoices issued after the balance sheet date but related to the current accounting period.

## 8 EQUITY

### Authorised and issued share capital

<b>CZK'000</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
1,300 ordinary shares of CZK 1,000,000; fully paid	1,300,000	1,300,000

## Share capital

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

## Statutory reserve fund and revenue funds

CZK'000	31 December 2009	31 December 2008
Statutory reserve fund	260,000	260,000
Other (special-purpose) funds	3,852,208	3,240,588
<b>Total</b>	<b>4,112,208</b>	<b>3,500,588</b>

A statutory reserve fund of CZK 52,000,000 was established on the founding of the Company for covering fluctuations in the business results of the Company. In subsequent years, the statutory reserve fund was increased by at least 5% of annual net profits, with the exception of the unprofitable years of 1999, 2002 and 2005. The statutory reserve fund as at 31 December 2009 and 2008 amounted to CZK 260,000,000, by which the limit of 20% of share capital has been achieved, i.e. the minimum required limit for statutory reserve fund in accordance with the Commercial Code, at which further contributions to the reserve fund need not be made.

## Capital funds

CZK'000	Insurance with state support	Revaluation Difference	Total
<b>2009</b>			
Other capital funds	5,786,277	94,985	5,881,262
of which: subsidies from state budget	5,683,000	–	5,683,000
<b>2008</b>			
Other capital funds	5,086,277	152,917	5,239,194
of which: subsidies from state budget	4,983,000	–	4,983,000

In 2009 the Company received a subsidy from the state budget of CZK 700,000,000 to increase the capital funds designated for coverage of insurance exposure.

Based on the approved state budget, in 2010, the capital funds should be further increased by CZK 1,000,000,000.

### Other (special-purpose) funds

CZK'000	1 January 2008	Additions / Transfers	Usage / Transfers	31 December 2008	Additions / Transfers	Usage / Transfers	31 December 2009
Insurance with State support fund	2,051,223	779,897	–	2,831,120	409,000	–	3,240,120
Loss prevention fund	294,438	–	–	294,438	200,000	–	494,438
Social fund and fund of managing director	7,963	11,000	3,933	15,030	5,000	2,380	17,650
Fund of participation in KUP	–	100,000	–	100,000	–	–	100,000
<b>Total</b>	<b>2,353,624</b>	<b>890,897</b>	<b>3,933</b>	<b>3,240,588</b>	<b>614,000</b>	<b>2,380</b>	<b>3,852,208</b>

The Loss prevention fund as at 31 December 2009 and 2008 includes a blocked amount of CZK 169,000,000, which had been provided to ECIMEX for loss prevention in 2005.

### Revaluation differences

CZK'000	31 December 2009	31 December 2008
Land and buildings (Note 4(a))	84,443	84,443
Financial investments in associates (Note 4(b))	26,587	84,519
Deferred tax (Note 13)	(16,045)	(16,045)
	<b>94,985</b>	<b>152,917</b>

### Profit after taxation

The Annual General Meeting will decide on settlement of losses for 2009 of CZK 2,110,596,000.

Allocation of the 2008 profit is shown in the Statement of changes in shareholder's equity.

## 9 TECHNICAL RESERVES

CZK'000	Unearned premium reserve	Reserve for claims	Reserve for bonuses and discounts	Equalisation reserve	Total
<b>31 December 2009</b>					
Gross reserve	3,480,847	4,002,087	55,192	17,399	7,555,525
Gross reserve – inwards reinsurance (Note 14)	202,649	–	–	–	202,649
Portion covered by reinsurance (Note 14)	(90,097)	–	–	–	(90,097)
<b>Net reserve</b>	<b>3,593,399</b>	<b>4,002,087</b>	<b>55,192</b>	<b>17,399</b>	<b>7,668,077</b>
<b>31 December 2008</b>					
Gross reserve	3,039,567	1,717,788	52,684	17,936	4,827,975
Gross reserve – inwards reinsurance (Note 14)	135,236	–	–	–	135,236
Portion covered by reinsurance (Note 14)	(26,190)	–	–	–	(26,190)
<b>Net reserve</b>	<b>3,148,613</b>	<b>1,717,788</b>	<b>52,684</b>	<b>17,936</b>	<b>4,937,021</b>

### Reserve for claims

CZK'000	31 December 2009	31 December 2008
RBNS	3,597,868	1,239,800
IBNR	404,219	477,988
	<b>4,002,087</b>	<b>1,717,788</b>

Increase of RBNS reserve is caused primarily by insurance claims in Kazakhstan, Pakistan and Cuba.

Due to the current economic problems and uncertainty over the future ability of Cuban companies to repay loans, the Company created an IBNR reserve in 2009 in the amount of CZK 157,153,000 (2008: CZK 433,699,000). As at 31 December 2009, the Company has also created IBNR provision of CZK 247,066,000 for projects realised by the company PA Export a.s. (2008: CZK nil).

## Run off analysis

Estimate of ultimate claims costs as at 31 December 2009 (CZK'000)	Claims arising in the year							Total
	2003	2004	2005	2006	2007	2008	2009	
At the end of accounting period	57,623	518,265	760,169	141,315	644,764	847,087	3,193,344	
One year later	32,223	486,696	453,853	125,824	682,610	728,389		
Two years later	32,295	486,583	449,912	125,493	672,964			
Three years later	34,306	175,433	444,081	116,767				
Four years later	32,085	175,467	432,902					
Five years later	32,126	175,208						
Six years later	31,502							
Current estimate of cumulative claims	31,502	175,208	432,902	116,767	672,964	728,389	3,193,344	5,351,076
Cumulative payments as at 31 December 2009	(31,502)	(170,380)	(432,902)	(112,726)	(194,768)	(436,852)	(63,992)	(1,443,122)
<b>Total reserve for claims</b>	<b>–</b>	<b>4,828</b>	<b>–</b>	<b>4,041</b>	<b>478,196</b>	<b>291,537</b>	<b>3,129,352</b>	<b>3,907,954</b>
Reserves from previous years								94,133
Gross claim reserve as at 31 December 2009								4,002,087

Estimate of ultimate claims costs as at 31 December 2008 (CZK'000)	Claims arising in the year						Total
	2003	2004	2005	2006	2007	2008	
At the end of accounting period	57,623	518,265	760,169	141,315	644,764	847,087	
One year later	32,223	486,696	453,853	125,824	682,610		
Two years later	32,295	486,583	449,912	125,493			
Three years later	34,306	175,433	444,081				
Four years later	32,085	175,467					
Five years later	32,126						
Current estimate of cumulative claims	32,126	175,467	444,081	125,493	682,610	847,087	2,306,864
Cumulative payments as at 31 December 2008	(31,502)	(170,380)	(432,902)	(84,971)	(71,870)	–	(791,625)
<b>Total reserve for claims</b>	<b>624</b>	<b>5,087</b>	<b>11,179</b>	<b>40,522</b>	<b>610,740</b>	<b>847,087</b>	<b>1,515,239</b>
Reserves from previous years							202,549
Gross claim reserve as at 31 December 2008							1,717,788

## Equalisation reserve

CZK'000	31 December 2009	31 December 2008
Insurance class 15 – guarantee insurance	–	6,425
Insurance class 16 – other financial risks insurance	17,399	11,511
<b>Equalisation reserve total</b>	<b>17,399</b>	<b>17,936</b>

Movements on gross technical reserves can be analysed as follows:

CZK'000	Unearned premium reserve	Reserve for claims	Reserve for bonuses and discounts	Equalisation reserve	Total
<b>As at 1 January 2008</b>	<b>2,959,095</b>	<b>1,126,292</b>	<b>44,954</b>	<b>7,284</b>	<b>4,137,625</b>
Additions	817,789	1,106,853	13,112	82,203	2,019,957
Usage	(602,081)	(515,357)	(5,382)	(71,551)	(1,194,371)
<b>As at 31 December 2008</b>	<b>3,174,803</b>	<b>1,717,788</b>	<b>52,684</b>	<b>17,936</b>	<b>4,963,211</b>
Additions	1,106,725	3,674,834	21,480	83,281	4,886,320
Usage	(598,032)	(1,390,535)	(18,972)	(83,818)	(2,091,357)
<b>As at 31 December 2009</b>	<b>3,683,496</b>	<b>4,002,087</b>	<b>55,192</b>	<b>17,399</b>	<b>7,758,174</b>

## 10 OTHER PROVISIONS

Other provisions as at 31 December 2009 represented Provision for untaken holiday of CZK 2,605,000 (2008: CZK 3,196,000).

Movements on other provisions can be analysed as follows:

CZK'000	Provision for taxes	Provision for untaken holidays	Total
<b>As at 1 January 2008</b>	<b>201,545</b>	<b>3,204</b>	<b>204,749</b>
Charge	–	3,196	3,196
Usage	(201,545)	(3,204)	(204,749)
<b>As at 31 December 2008</b>	<b>–</b>	<b>3,196</b>	<b>3,196</b>
Charge	–	2,605	2,605
Usage	–	(3,196)	(3,196)
<b>As at 31 December 2009</b>	<b>–</b>	<b>2,605</b>	<b>2,605</b>

## 11 CREDITORS

CZK'000	31 December 2009	31 December 2008
Long-term payables – due over 5 years	8	7
– due within 1–5 years	7	67,252
Short-term payables – due within 1 year	9,455	13,447
	<b>9,470</b>	<b>80,706</b>

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

Other payables can be analysed as follows:

<b>CZK'000</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Tax payables – including corporate tax	356	108
Deferred tax liability (Note 13)	–	67,243
Social and health insurance payables	1,664	2,640
Payables to employees	4,498	4,232
Operating advances received	15	3,670
Other payables	2,937	2,813
	<b>9,470</b>	<b>80,706</b>

Payables to related parties are disclosed in Note 16.

## 12 OTHER INCOME

Other income may be analysed as follows:

<b>CZK'000</b>	<b>2009</b>	<b>2008</b>
Income from collection of receivables (Note 6)	66,693	583,096
Foreign currency gains	5,045	69,369
Rental and related services	26,787	27,403
Other	6,718	6,455
	<b>105,243</b>	<b>686,323</b>

## 13 TAXATION

Income tax charge in the Income statement comprises:

<b>CZK'000</b>	<b>2009</b>	<b>2008</b>
Current tax expense	–	149,766
Deferred tax income	(67,243)	(26,261)
Adjustment of prior year tax expense	–	92
	<b>(67,243)</b>	<b>123,597</b>

The current tax expense is calculated as follows:

<b>CZK'000</b>	<b>2009</b>	<b>2008</b>
Profit before taxation	(2,177,840)	748,284
Non-taxable income	(159,495)	(200,660)
Non-deductible expenses	151,473	165,973
Net taxable profit	(2,185,862)	713,597
Gifts	–	(425)
<b>Adjusted tax base</b>	<b>(2,185,862)</b>	<b>713,172</b>
Current tax charge at 20% (2008: 21%)	–	149,766
Advances paid	157,762	210,931
<b>Tax receivable as at 31 December (Note 6)</b>	<b>157,762</b>	<b>61,165</b>

The deferred tax asset / (liability) is calculated at 19% (the rate enacted for 2010 and subsequent years). Deferred tax as at 31 December 2008 was calculated at 20% (the rate enacted for 2009) and 19% (the rate enacted for 2010 and subsequent years) depending on the period when temporary differences were expected to reverse.

CZK'000	31 December 2009	31 December 2008
<b>Deferred tax liability</b>		
Buildings revaluation in equity (Note 8)	16,045	16,045
Accelerated tax depreciation	54,344	51,837
	<b>70,389</b>	<b>67,882</b>
<b>Deferred tax asset</b>		
Tax losses	(69,918)	–
Tax losses, allowances and provisions	(471)	(639)
<b>Net deferred tax liability (Note 11)</b>	<b>–</b>	<b>67,243</b>

Deferred tax asset arising from tax losses of 2009 was as at 31 December 2009 recognised only up to the amount of the deferred tax liability due to the uncertainty of utilising the tax losses in the future.

The change in the net deferred tax liability can be analysed as follows:

CZK'000	2009	2008
Net deferred tax liability as at 1 January	67,243	101,606
Deferred tax expense / (income)	(67,243)	(26,261)
Decrease in the deferred tax liability recognised in equity	–	(8,102)
<b>Net deferred tax liability as at 31 December</b>	<b>–</b>	<b>67,243</b>

## 14 REINSURANCE

CZK'000	2009	2008
<b>Inward reinsurance</b>		
<b>Technical reserves related to inward reinsurance (Note 9)</b>	<b>202,649</b>	<b>135,236</b>
Inward reinsurance premium	92,964	(83)
Portion of change in unearned premium reserve covered by reinsurance	(54,547)	20,551
Commissions from re-insurers	(9)	8
<b>Reinsurance result</b>	<b>38,408</b>	<b>20,476</b>
<b>CZK'000</b>	<b>Insurance with State support</b>	
	<b>2009</b>	<b>2008</b>
<b>Outward reinsurance</b>		
Portion of technical reserves covered by reinsurance (Note 9)	90,097	26,190
<b>Net reinsurance</b>	<b>90,097</b>	<b>26,190</b>
Outward reinsurance premium	(76,054)	–
Portion of claims paid covered by reinsurance	63,907	(3,822)
Commissions paid to reinsurers	7,605	–
<b>Reinsurance result</b>	<b>(4,542)</b>	<b>(3,822)</b>

## 15 TECHNICAL ACCOUNT – NON-LIFE INSURANCE

### Non-life insurance

CZK'000	Gross written premium	Gross earned premium	Gross claims expenses	Gross operating expenses
<b>2009</b>				
Credit insurance (sector 14) – insurance with State support	1,111,783	607,961	2,313,352	155,050
Guarantee insurance (sector 15)	48,041	36,979	1,050,321	39,473
Other financial risks insurance (sector 16)	55,022	49,066	25,087	19,737
	<b>1,214,846</b>	<b>694,006</b>	<b>3,388,760</b>	<b>214,260</b>
<b>2008</b>				
Credit insurance (sector 14) – insurance with State support	791,353	595,255	871,004	129,603
Guarantee insurance (sector 15)	23,743	55,785	18,880	34,703
Other financial risks insurance (sector 16)	89,459	37,807	–	17,352
	<b>904,555</b>	<b>688,847</b>	<b>889,884</b>	<b>181,658</b>

### Geographical structure of gross written premium

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

### Administrative expenses

CZK'000	2009	2008
Personnel expenses	136,388	122,831
Other administrative expenses	34,714	25,549
Depreciation and amortisation of fixed assets	5,135	5,580
Building administrative expenses	14,410	12,058
Information and communication services	3,923	3,927
Advisory and other assurance services	877	1,678
Compulsory annual audit of the financial statements	1,920	1,892
	<b>197,367</b>	<b>173,515</b>

## Personnel costs

Staff costs can be analysed as follows:

<b>CZK'000</b>	<b>2009</b>	<b>2008</b>
Emoluments of statutory and supervisory bodies	26,590	34,278
Emoluments of other members of senior management	19,525	10,797
Other wages, personnel costs and emoluments of employees	57,978	48,991
Social costs and health insurance	32,295	28,765
	<b>136,388</b>	<b>122,831</b>

<b>Staff statistics</b>	<b>2009</b>	<b>2008</b>
Number of other members of senior management (excluding top management)	80	80
Average number of employees	19	16
	<b>99</b>	<b>96</b>
Number of members of the Board of Directors	5	5
Number of members of the Supervisory Board	9	9

Management of the Company – Executive management includes the General Manager, his deputies and heads of sections. The Board of Directors in 2009 and 2008 was formed exclusively by members of the executive management of the Company.

Membership functions in the Board of Directors and Supervisory Board earn no extra income. No advances, loans and credits nor guarantees were provided to the shareholder and to the members of the Board of Directors and Supervisory Board during 2009 or 2008. The Company contributes to defined contribution investment life insurance schemes for the management of the Company which amounted to CZK 5,581,000 in 2009 (2008: CZK 3,771,000).

Company cars are made available for use by management, starting from deputies. Total cost as at 31 December 2009 of such cars amounted to CZK 2,415,000 (2008: CZK 5,085,000).

## Other administrative expenses

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

## 16 RELATED PARTY TRANSACTIONS

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

<b>CZK'000</b>	<b>2009</b>	<b>2008</b>
Direct gross premium written	629,662	671,723
Creation of claim reserves	1,506,016	418,071
Invoicing from rental agreement	22,584	24,020
Other invoicing from insurance contracts	235	304
Other re-invoicing	1,950	541
Interest income	29,609	47,602

These transactions were realised on normal commercial terms.

The following related party balances were outstanding as at:

<b>CZK'000</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Current accounts	69	137
Term deposits	1,074,387	1,479,623
Ceded receivables	12,961	7,991
Premium receivables	122,275	0
Other receivables	35	36
	<b>1,209,727</b>	<b>1,487,787</b>
RBNS	1,369,343	532,816
IBNR	170,873	0
	<b>1,540,216</b>	<b>532,816</b>

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

## 17 CONTINGENT LIABILITIES

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2009.

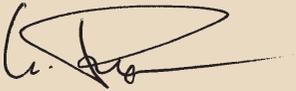
## 18 SUBSEQUENT EVENTS

There were no significant events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2009.

### Statutory approvals

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

29 March 2010



**Karel Pleva, MBA**  
Chairman of the Board of Directors and  
Managing Director



**Milan Šimáček**  
Member of the Board of Directors and  
Deputy of Managing Director

### Translation note

This version of our report is a translation from the original, which was prepared in Czech. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDER OF EXPORTNÍ GARANČNÍ A POJIŠŤOVACÍ SPOLEČNOST, A.S.

We have audited the financial statements of Exportní garanční a pojišťovací společnost, a.s. ("the Company") for the year ended 31 December 2009 disclosed in the annual report on pages 28–65 and issued the opinion dated 29 March 2010 and disclosed on pages 26–27.

#### Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent with the financial statements referred to above. The Board of Directors is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

#### Auditor's Responsibility

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

#### Opinion

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2009 is consistent, in all material respects, with the financial statements.

The maintenance and integrity of the Company's website is the responsibility of its Board of Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2009 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Conclusion

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

4 June 2010



PricewaterhouseCoopers Audit, s.r.o.  
represented by



Petr Kříž  
Partner



Martin Mančík  
Auditor, Licence No. 1964

## ORGANISATIONAL STRUCTURE



## IDENTIFICATION AND CONTACT DATA

Export Guarantee and Insurance Corporation, joint-stock company

**DATE OF ESTABLISHMENT:** June 1, 1992

**SHARE CAPITAL:** CZK 1,300 million

**COMPANY REGISTRATION NUMBER:** 45279314

**TAX REGISTRATION NUMBER:** CZ45279314

**ENTRY INTO COMPANIES REGISTER:** Entry kept at the City Court in Prague, Section B, Insert 1619

**SEAT:** Vodičkova 34/701, 111 21 Prague 1

**PHONE:** + (420) 222 841 111

**FAX:** + (420) 222 844 001

**INTERNET:** [www.egap.cz](http://www.egap.cz)

**BANK CONNECTION:** Account No. 41 908111/0100 with Komerční banka, Prague 1

The Annual Report in its full wording has been published on the website of the company EGAP: [www.egap.cz](http://www.egap.cz)

**SUBSIDIARY:** Commercial Credit Insurance Company EGAP, joint-stock company

**DATE OF ESTABLISHMENT:** June 24, 2005

**SHARE CAPITAL:** CZK 200 million

**SHAREHOLDER STRUCTURE:** 34% EGAP, 66% Ducroire – Delcredere SA. N.V

**COMPANY REGISTRATION NUMBER:** 27245322

**TAX REGISTRATION NUMBER:** CZ27245322

**ENTRY INTO COMPANIES REGISTER:** Entry kept at the City Court in Prague, Section B, Insert 9958

**SEAT:** Na Pankráci 1683/127, 140 00 Prague 4

**PHONE:** + (420) 261 097 575

**FAX:** + (420) 241 409 522

**INTERNET:** [www.kupeg.cz](http://www.kupeg.cz)

**BANK CONNECTION:** Account No. 35-2147420287/0100 with Komerční banka, Prague 1



EXPORT GUARANTEE AND  
INSURANCE CORPORATION

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