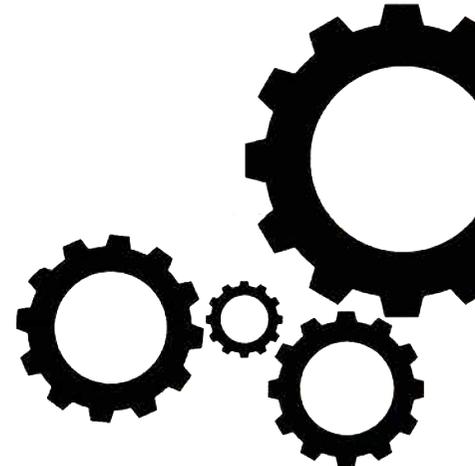
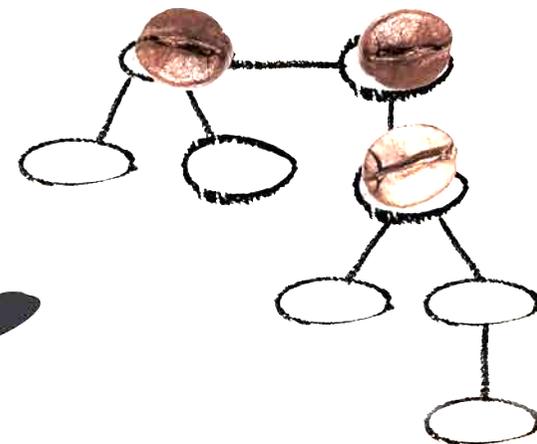
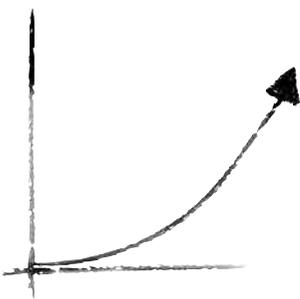




Annual Report

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



2014



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Balancing of the year of 2014 is not quite cheerful. We expected a relatively calm year, with newly set rules and conditions that we have been preparing with the banks and exporters during the year of 2013. In mid-January, however, it was already clear that this will be no peaceful year – the Police intervention regarding older business transactions affected not only EGAP itself but, in general, cast not quite a good light on the entire State support for exports.

It was followed by culmination of the situation in Ukraine, discontinuation of insurance business into this country. The expected business transactions for at least CZK 10 billion really could not be concluded. Subsequent complications in business with Russia, EU sanctions against Russia approved in summer, exchange rate decrease in the Ruble and generally unfavourable development of the Russian economy – these are the facts that logically affected the export, as well as already implemented transactions in the Russian Federation. But export support is not targeted only on Ukraine and Russia. Except that there were not many positive reports from other continents as well – problems of Argentina and Brazil, very complicated situation in the Middle East, culmination of conflict in Iraq and Syria, deceleration of projects in West African countries.

In spite of these problems, EGAP managed to insure export worth of CZK 47.2 billion into 38 countries of the world. The whole territorial structure of the supported export has become significantly more equal. It was thus confirmed that EGAP continues to be one of the key instruments to diversify the Czech export, especially from the viewpoint of export outside the European Union.

The situation in Ukraine and in Russia resulted in partial redirecting of the Czech export – particularly to projects in Belarus and Azerbaijan. In addition, reinsurers from London are still interested in both of these countries. Thanks to reinsurance contracts, EGAP thus reduces the risk of the Czech state. For example, in Belarus the London reinsurers reinsured a business transaction for the first time after six years – it is in London where EGAP earned strong international reputation and this cooperation will surely continue.

EGAP's good international position is also indicated by cooperation with other credit insurance companies – the contract concluded with American EXIM Bank has already generated several common business transactions where Czech companies, in the position of sub-contractors, exported their goods to Uruguay, China, Brazil or Israel. Similar results should also be generated from the newly concluded agreements with Korean K-sure or Israeli ASHRA. In this case, EGAP aims at helping Czech companies get access to Korean or Israeli contracts in third countries in the role of sub-contractors.

The year of 2014 also saw increase in the support for exporters from amongst small and medium-sized companies. In 2013, we began to organise workshops relating to our services especially for this segment of exporters. In the last year alone, the presentation involving “Mr. Hammer” was watched by more than 1,500 entrepreneurs. And new contracts with small companies begin to accrue. In 2014, 46 new insurance contracts in the total value of CZK 3.2 billion were concluded.

We continue to show high stability in the sector structure. The dominant element continues to be the export of machinery technologies and first of all of the power engineering equipment. These are goods from the branches being extraordinary important for maintaining the employment in the Czech Republic.

But the world's economy is still struggling with the aftermath of the crisis and we have to admit, that EGAP will feel this for next several years; especially for the reason that the average length of credit repayment is about 7 years. In the last year, we paid indemnification of CZK 3.5 billion, it is a quite high amount. On the other hand, the prescribed premium reached the amount of CZK 1.3 billion. The economic result is negative and amounts to CZK –5,922 million. Such a large drop was mainly caused by creation of reserves for indemnities, particularly for the project of construction of a small steel plant in Strážské in Slovakia.

Our most important goal is the create a long term viable model of functioning EGAP, institution supporting the Czech export, Czech competitiveness, employment and minimizing the impacts of its activity on the state budget. Also in 2015, we are planning on supporting exporters as much as possible and insuring economically meaningful projects in the risk territories. Unfortunately, it still holds that we will continue to struggle with the aftermath of older business transactions.

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



In 2014, i.e. in the twenty-second year of its existence (the company was established on 1 June 1992), EGAP insured new export loans, bank guarantees and investments abroad in the total volume of CZK 47.2 billion. The export headed into 38 countries of the world in total.

The achieved annual business result was significantly lower than was expected at the beginning of 2014. However, the plan was based on the then-known foreign political situation. The overall result was then significantly affected in particular by the political situation in Ukraine and subsequent escalation of the conflict with Russia in connection with annexation of Crimea and establishment of separatist republics in eastern Ukraine. Deteriorating political, economic and security situation in Ukraine resulted in

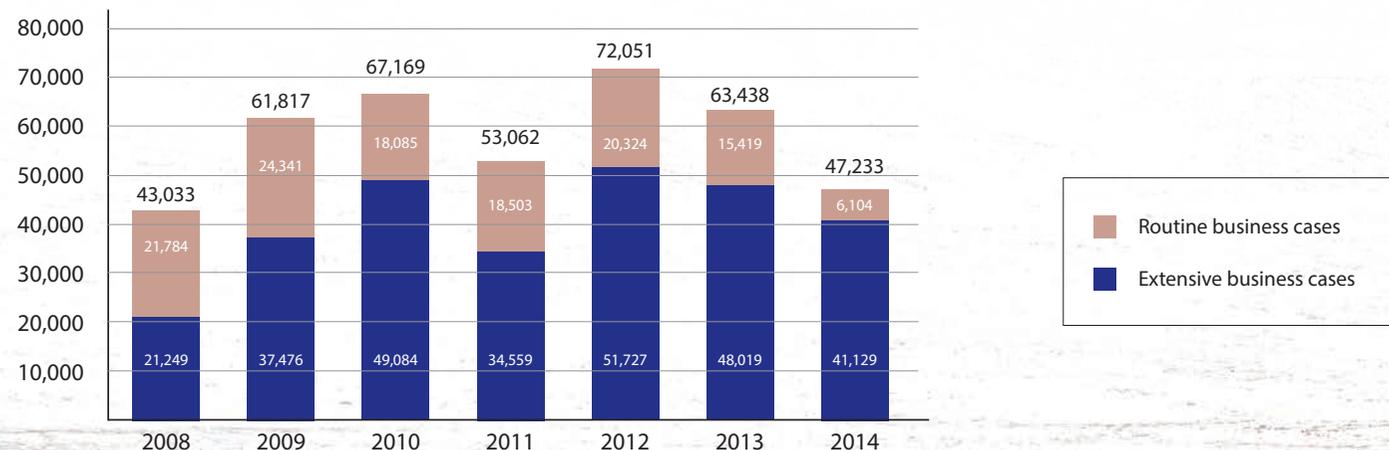
discontinuation of negotiations about several major business transactions some of which were already going through EGAP's approval process. **Culmination of a new conflict in Iraq and Syria** associated with occupation of vast territory by the units of ISIL had similar effect which resulted in discontinuation of work on the preparation of already approved insurance and financing of construction of a steam-gas cycle of power plant in Erbil in Iraq. In addition to cancellation of business transactions in Ukraine, there are signs of nervousness in relation to the Russian Federation resulting from fears of imposition of sanctions and related macroeconomic situation in Russia and exchange rate drop of Russian Ruble in comparison with 2013.

In spite of the above adverse factors, EGAP still tried to continue to fulfil its fundamental role, i.e. support

for the Czech export through providing State-subsidized insurance. It is not aimed at immediate effect measurable by annual results but also at much longer effect, i.e. support for Czech exporters in export primarily outside the European Union countries. Consequently, EGAP is one of the main instruments of the State export support policy and plays an irreplaceable role mainly in territorial diversification of the Czech export.

This support provided to exporters by EGAP's insurance of export credits, investments and bank guarantees, brings, in addition to growth in the Czech export, the motivation and impulses for the inland production and subsequently for the support of employment in the Czech Republic.

GRAPH No. 1 – NEWLY CONCLUDED INSURANCE CONTRACTS IN THE YEARS 2008–2014 (IN CZK MILLION)





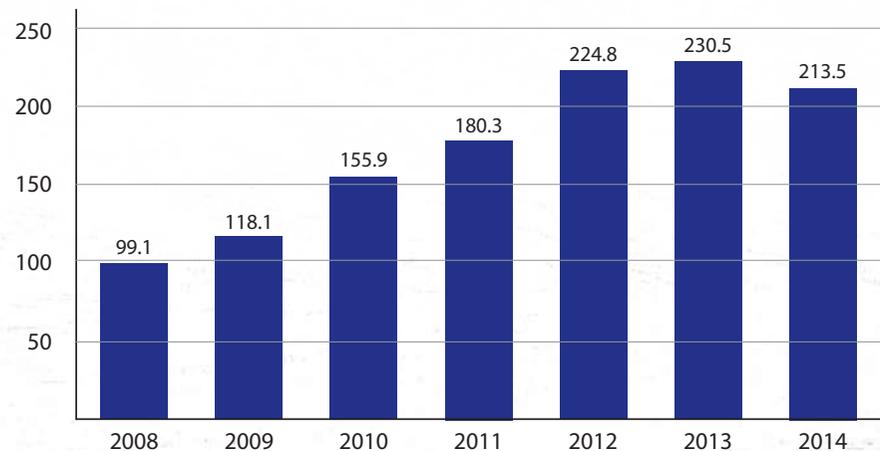
The previous Graph No. 1 illustrates development of the provided insurance and particularly illustrates its changing structure in favour of large and longer-term business transactions in the volume of the order of billions of CZK. The outstanding insurance commitment the definition of which is stated hereinafter, is the ever-changing indicator of the level of all the currently covered export risks, growing with the newly accepted insurance and, simultaneously, continuously declining in connection with payment of partial instalments of previously insured credits, investments and bank guarantees. It also holds that every increase in the volume

of newly concluded insurance contracts, i.e. increased export support through State-subsidized insurance, is reflected, with a certain delay, also in an increase of new insured events and, consequently, payments of indemnity.

The outstanding commitments defined in Section 2 (s) of Act No. 58/1995 Coll., on insuring and financing export with state assistance, as *“the sum of the value of insured export credit risks from concluded insurance contracts at their nominal value, including interest and contractual fees, and from reinsurance activity reduced by the value of risks, which*

had expired, and of values of insurance promise contracts in the amount of 50 % of their nominal value,” must be maintained by EGAP under the maximum limit of insurance capacity defined by this Act in Section 4 (5) and determined in the State budget for the year of 2014 in the amount of CZK 300 billion. EGAP did not exceed the above insurance capacity during 2014. Simultaneously, EGAP is obliged to cover its outstanding commitments (decreased by the value covered through reinsurance contracts with foreign state credit insurance companies and other big reinsurance companies) with its insurance funds and reserves in a minimal safety

GRAPH No. 2 – DEVELOPMENT OF OUTSTANDING COMMITMENTS OF EGAP (IN CZK BILLION)





ratio of 8%. Their amount was fully sufficient for these purposes in the year of 2014. Development of outstanding commitments in the years 2008 – 2014, see Graph No. 2.

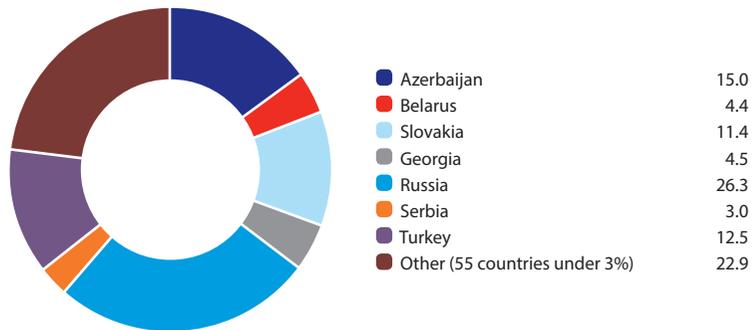
Insurance funds thus determine limit up to which new export activities of Czech exporters may be insured – at existing outstanding commitments. These funds have their origin in 2 sources only: in allocations from the profit of own activities (simplified: from the written premium and revenues from financial placements after deduction of payment of insurance benefits) and

in the form of allocations from the state budget which are necessary for strengthening of these insurance funds in case of an insufficient amount of insurance funds created from own resources. EGAP as one of internationally acknowledged instruments of state export support has not as its goal creation of the profit (its activities should be balanced in long-term time horizon) but, primarily, it is to support competitiveness of Czech exporters by insurance premium rates and by extending of other advantageous conditions. In this activity, it has to fully respect all internationally adopted rules for the thus-State-sponsored exports, including

the already mentioned self-financing of its activities in the long-term horizon. Therefore, EGAP from its very inception has fully covered all its operational costs and indemnification payments from returns on its own activities and operations in this way has also been operating as an independent instrument of state export support in a long-term horizon.

The structure of interest and target countries of Czech exporters are directly reflected in a territorial structure of the outstanding commitments, i.e. in all currently insured export credit risks. It applies particularly to large business transactions in recent years. These are particularly countries of traditional Czech export such as the Russian Federation, Azerbaijan, Turkey, Slovakia, Serbia, Belarus, Georgia, etc., as shown in Graph No. 3. Russia still maintained the largest share in the outstanding commitments as at 31 December 2014, mainly as a result of the previous development; however, its weight has been continuously decreasing over the recent years, specifically from approx. 35.5% in 2010 through approx. 30% between 2012 and 2013 to approx. 26% as at 31 December 2014. On the other hand, the share of countries such as Azerbaijan or Turkey, as well as other countries, particularly in the region of Eastern Europe and Asia, started to increase. The portfolio of outstanding commitments as at 31 December 2014 was then completed by another 55 countries with individual shares lesser than 3% which in total covered approx. 23% of the total outstanding commitments.

GRAPH No. 3 – STRUCTURE OF OUTSTANDING COMMITMENTS AS AT 31 12. 2014 (IN %)



Benefits of insurance with state support



When evaluating EGAP's contribution to the Czech economy, it cannot only be based on data on annually insured volume of credits, guarantees and investments. Our activities are hiding in themselves a significant multiplication effect. For example, export credits may reach a maximum of 85% of the export contract value; the rest has to be covered by the resources of the foreign buyer. However, even larger effects bring bank guarantees. Issuance and insurance of a comparatively small bank guarantee, particularly for a bid or for quality performance of an exporter, may bring, in case of success in a competitive bidding, a contract in a multiple of its value. Pre-export credits also play a large role; they enable financing of production for export or of an investment into production for export. We quantify this multiplication effect of our insurance as supported exports in a given year. Specifically in 2014 we supported Czech exports worth of almost CZK 90.3 billion which corresponds to almost double the number of newly concluded insurance contracts in that year.

It is necessary to emphasize that this could almost certainly not be realized without EGAP. No commercial insurance company would accept the risks that EGAP does. The reason is not that the risks were uninsurable from their substance but because they are long-term in nature, they are complicated and, usually, they are intensified by the fact that the importer is active in a country where the entrepreneurial and legal environment brings a higher level of insecurity. We insure predominantly bank credits with maturities exceeding

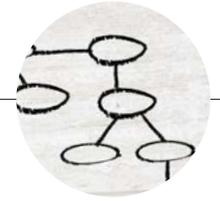
2 years for financing exports of large power, machinery and technological equipment, investment goods, transportation constructions and investments into less developed countries where the risk of non-repayment is higher for territorial and commercial reasons. We thus complete the offer of commercial credit insurance companies, fill in the existing market gap and, consequently, act as a standard export credit insurer fulfilling the role of a state instrument for export support.

Exports realized with our assistance bring effect not only to the exporters themselves but usually also to the broad network of their sub-suppliers, usually from among small and medium-sized companies. They mean jobs for hundreds and thousands of people, and in some cases they help preserve certain types of production with a long tradition, support employment in the regions, retain highly qualified workers and prevent loss of valuable know-how. As an example, we can mention production of equipment and deliveries of technology for various industrial companies or implementation of construction or reconstruction of transport infrastructure. It reflects the fact that Czech industry has something to offer to countries that are going through similar development today as West European countries did years ago and they build and modernize their energy and industrial base and transport infrastructure. At the same time, it can thus effectively respond to strong demand particularly in countries where an exporter and his bank cannot get along without EGAP's insurance during long-term financing.

Another benefit of our insurance is the fact that it also offers exporters the search for business opportunities outside the countries of the European Union on dynamically developing the perspective markets of Asia, Africa and Latin America and to acquire not only necessary experience but also references for establishing new business contacts.

For all the above mentioned reasons, the state means are very purposefully used and effectively allocated in EGAP. This is confirmed also by numbers: CZK 1 billion subsidy into the regulatory capital will assure for EGAP accumulated net contribution into the public budget from taxes and obligatory levies of supported exporters and persons employed by them of CZK 1.7 billion under the average annual newly created employment about 1750 jobs during 10 years. ("Evaluation of impact of regulation – RIA – to the proposal of changes in legislation connected with the increase of financial means for the Export Guarantee and Insurance Corporation", author: EEIP, consulting company).

Insurance with state support – service offering and insurance products



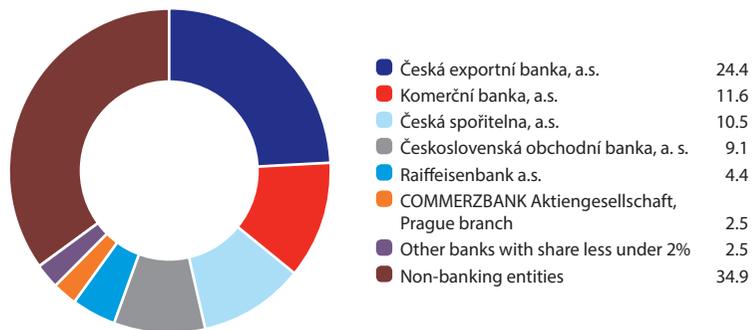
In a similar way as in previous years, **the principal clients of EGAP in 2014 were banks** offering export financing. The share of commercial banks in the new insurance in 2014 was approx. 41% and, consequently, the share of Česká exportní banka (Czech Export Bank - ČEB) which accounted for approx. 24% of the total volume in 2014 has decreased.

EGAP's bank clients are the most important, which is apparent from their share in outstanding commitments, i.e. in current amount of all valid contracts as at 31. 12. 2014. As of that date, Česká exportní banka, a.s. (Czech Export Bank – ČEB) accounted for approximately 50.1 % and other banks totalled 41.7% of the outstanding commitments.

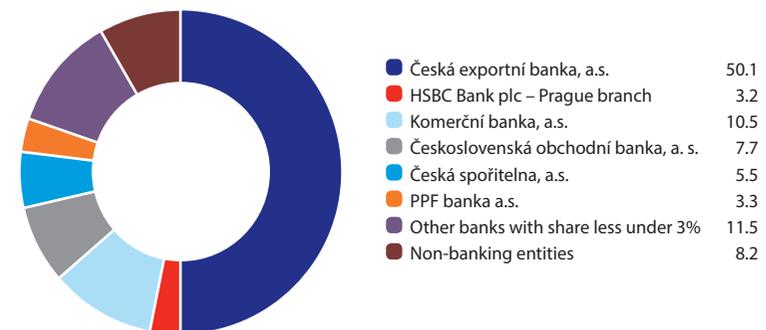
Insurance of export credits represents the main part of EGAP's activities, this relates particularly to export buyer credits (D), when a bank makes payments to a Czech exporter and the amount owed is then repaid by a foreign buyer on regular dates given by a credit agreement. The repayment period of an export buyer credit is longer than 2 years and therefore conditions of repayment are governed by rules of the OECD Arrangement, which, among others, regulate premium rates, request an advance payment from a buyer and ensure that the exports supported by the state do not endanger the environment in the importer's country. In 2014, EGAP insured export buyer credits in the total value of CZK 27.4 billion; this is approximately 58% share in the total volume of insurance.

The largest business transactions in 2014 included, for example, on-going business transaction involving construction of a road in Azerbaijan in the total insurance value of approximately CZK 6.4 billion, as well as insurance of export credits for completion of a nuclear power plant in Slovakia (approx. CZK 8.8 billion), for completion of a decorative paper production plant in the Russian Federation (approx. CZK 2.4 billion), for supply and assembly of passenger vehicles in Kazakhstan within the scope of approx. CZK 2.3 billion and insurance of an investment in non-woven textile production plant in Giza (Egypt) in an insurance value of approx. CZK 3.7 billion.

GRAPH No. 4 – INSURED EXPORT CREDITS AND FURTHER BANK PRODUCTS IN 2014 (IN %)



GRAPH No. 5 – SHARE OF BANKS IN OUTSTANDING COMMITMENTS AS AT 31.12. 2014 (IN %)



Insurance with state support

– service offering and insurance products



The offer in the area of export credits is supplemented by insurance of **export supplier credits** which are not bank credits but payment deferrals extended by a Czech exporter to a foreign buyer. Insurance of an **export supplier credit financed by a bank** (Bf, Cf), which enables a bank to purchase a receivable related to a foreign buyer from an exporter is a modification of such type of insurance.

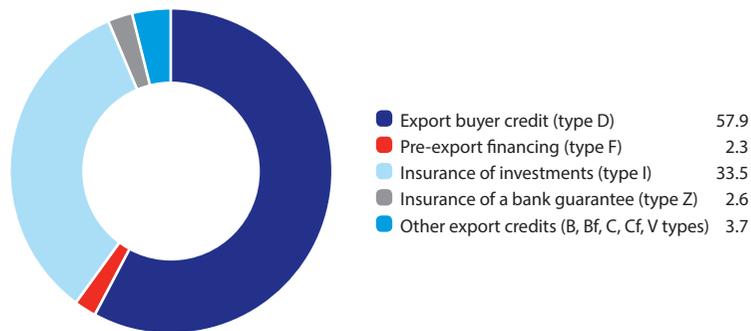
Beside export credits, EGAP also insures other types of credits. It is primarily insurance of **credit for pre-export financing**, where financing the credit extended by a bank may be used for financing production for export and, in case of positive experience with this

exporter – it may be used for financing of an investment for the purposes of production for export. The pre-export credit may also be used for financing the commercial development of the results of science and research for export purposes. Credits for **financing investments of Czech legal persons abroad** (If) belong among other types of credits, too.

Concerning other insurance products, insurance of **bank guarantees issued in connection with export contract** (Z) is used most frequently. Most frequently, the banks issue guarantees for Czech exporter's bid (Bid Bond), for returning the advance payment by an importer (Advance Payment Bond) and for the proper

performance of export contract (Performance Bond). Insurance of **investments abroad** (I) against political risks belongs among other insurance products. An exporter is protected against losses resulting from cancellation or interruption of an export contract on the part of the foreign buyer during production by concluding **manufacturing risk insurance** (V). By obtaining insurance of **market prospection** (P), the exporter is covered against losses resulting from a full or partial failure of prospection without regard to whether he uses his own funds or a credit for the prospection. This type of insurance is intended primarily for small and medium-sized enterprises. And the offer also includes insurance of a **confirmed letter of credit** (E).

GRAPH No. 6 – PRODUCT STRUCTURE OF NEW INSURANCE CONTRACTS CONCLUDED IN 2014 (IN %)



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 middle-term and long-term export supplier's credit;
- Cf insurance of middle-term and long-term export supplier's credit financed by the bank;
- D insurance of export buyer credit;
- E insurance of a letter of credit;
- F insurance of credit for pre-export financing the production for export;
- 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 on inability to fulfil an export contract (so-called manufacturing risk);
- Z insurance of a bank guarantee issued in relation to an export contract

Insurance with state support

– service offering and insurance products



Through the **active re-insurance (ZA)** EGAP supports the Czech sub-suppliers of foreign exporters the export credits of which were insured by foreign export insurance companies.

Insurance products offered by EGAP guarantee complex credit insurance protection of the clients for the entire term of the export contract. Without them, Czech exporters would have virtually no chance to obtain any middle- or long-term bank credit or guarantee particularly at a time when they seek business opportunities on dynamic and attractive markets but with increased territorial and commercial risk. It logically follows that such bank credits and guarantees

are demanded primarily by large exporters focusing on export of capital equipment. **However, there are also small and medium-sized enterprises (SMEs) among EGAP's clients.** They are usually not bearers of high risks connected with long-term export projects but in the recent years these enterprises also focus on export outside the EU countries and, consequently, increasingly use some insurance products of EGAP. It is primarily insurance of export supplier credits, pre-export financing credits, insurance of manufacturing risk, foreign markets prospecting and bank guarantees.

A very simplified version of insurance is intended especially for SMEs which consists in the reduction

of administrative exigency of the entire insurance process and, simultaneously, in the acceleration of its consideration. Currently, EGAP offers a package of 8 insurance products intended and tailor-made for the segment of exporters from amongst SMEs.

During 2014, 46 new insurance contracts were thus concluded (representing more than one third of the number of all new contracts in 2014) in total volume of approx. CZK 3.2 billion (i.e. approx. 6.8% of the volume of all insurance in 2014). EGAP insured export of SMEs to 19 world countries.

Other selected results



Since the beginning of its activities in 1992, that is for more than 22 years, EGAP has insured, with state support, export and pre-export credits, investments and bank guarantees of Czech exporters in the total amount of CZK 719 billion directed into almost one hundred countries throughout the world.

In 2014, EGAP insured new export credits, bank guarantees and investments of Czech legal entities directed to total of 38 countries. As illustrated by Graph No. 7 below, in 2014 the whole territorial structure got even more uniform and the Russian Federation, for the first time ever, lost its dominant position within the structure. In addition to Slovakia, Russia and Azerbaijan

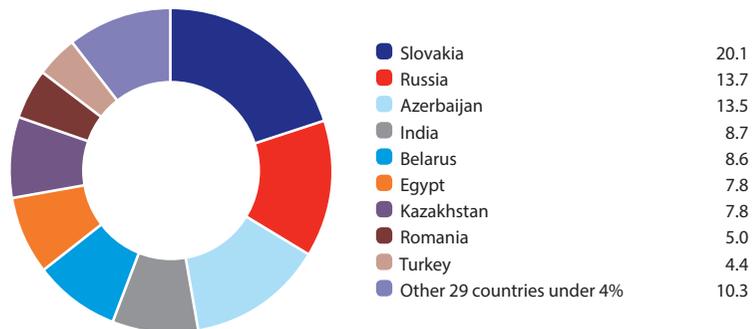
whose share equaled more than 10%, additional 6 countries ranged between 4 and 9% (Belarus, India, Egypt, Kazakhstan, Romania and Turkey); the remaining 29 countries with even lower shares accounted, in total, for only approx. 10.3% of the annual result (they also include pre-export financing with a share of approx. 2.3%).

Almost 34 % of all insured export credits, bank guarantees and investments were directed to other CIS countries (excluding Russia) in 2014 of which Belarus and Kazakhstan, in addition to Azerbaijan, had more significant shares. The share of the entire CIS region, i.e. including the Russian Federation, equaled 47.6% and is comparable with its weight in 2013 (approx. 48%). Territorial distribution of

newly insured export in 2014 is shown in the following Graph No. 7.

The commodity structure of newly insured credits, investments and bank guarantees in 2014 was traditionally dominated by 7 SITC class, containing machinery, investments complexes, various technologies and means of transportation. Its share increased again to more than 92% as compared to the previous year (it was only 85% in 2013 and 72% in 2011). More than two fifths of this group consisted of deliveries of various machines and technological equipment, almost one third consisted of insurance of deliveries of power industry equipment and the remaining

GRAPH No. 7 – TERRITORIAL STRUCTURE OF NEWLY CONCLUDED INSURANCE CONTRACTS IN 2014 (IN %)



Other selected results



part accounted for insurance of deliveries of means of transportation. **As for other commodities**, credits and guarantees associated with the supplies of products made of various kinds of materials, appliances, chemical products, pharmaceuticals, plastic materials, artificial fertilizers, etc. were most frequently insured in 2014.

For the business cases insured in 2014, EGAP has written premium of CZK 1.3 billion.

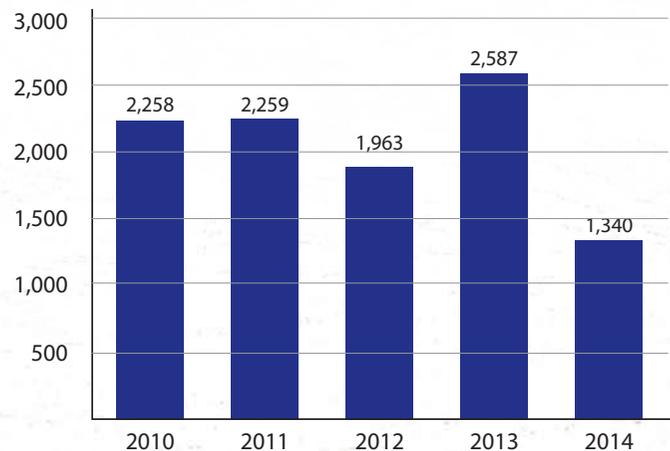
The total scope of **paid indemnities** in 2014 was mostly influenced by continuing payments of indemnities concerning several glass-work projects in Russia and Ukraine, as well as indemnities from an insured

event related to insured export credit for the construction of a kaolin plant in Vietnam. At the same time, payments of indemnities relating to insured events under the insurance of credits for the construction of a power plant in Russia, steel plant in Slovakia and cement factory in Vietnam have commenced. Other on-going medium-high payments of indemnities concerned business cases of deliveries of industrial equipment to Ukraine, export of cement works into Kazakhstan (as a result of bankruptcy of Kazakhian bank BTA) and several indemnities from a complex of previous insured events in Cuba where the “refresh” of Cuban debts continues. It consists in that after repayment of any of the oldest loans by the Cuban, EGAP will insure a new credit for the export of Czech goods

to Cuba, but at a lower amount in order to gradually redeem, at least partially, the total outstanding amount. **In 2014, EGAP paid indemnities, including several other indemnities of rather smaller scale (Armenia, Kosovo, Russia, Serbia, Peru, Mongolia and other) total CZK 3.5 billion; their development is illustrated;** their development is illustrated by the relevant Graph No. 9b.

The fact that **an increase in insurance is logically manifested, with a delay of several years**, is also illustrated by comparison of the volume of payments of indemnities and of the volume of new insurance in the time-line of the previous 15 years.

GRAPH No. 8 – WRITTEN PREMIUM (IN CZK MILLION)



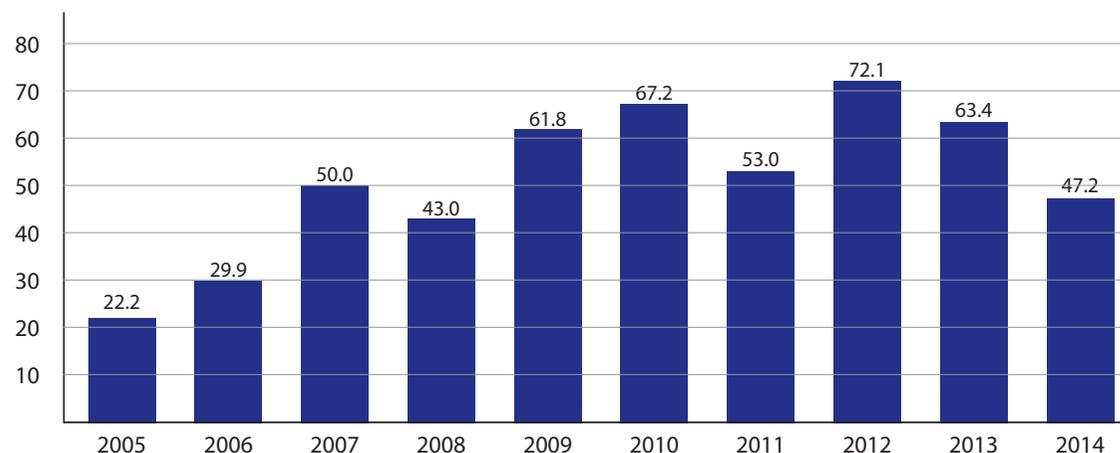


In 2014, the amount of paid indemnities continues to follow a growing trend which, with a time delay of 3 to 5 years (the relevant development determination curve is shown in graphs No. 9a and 9b comparing the development of annual volumes of new insurance and of payments of indemnities) **copies, in the specified manner, sudden increase in the insured volumes of export credits, bank guarantees and investments of Czech legal entities abroad between 2009 and 2013 which occurred, inter alia, in the framework of implementation of pro-export anti-crisis measures.** The specified trend applies globally. Members of the Berne Union of the world's export insurance companies register paid indemnities in the amount of approx. USD 2.1 billion for the first half of 2014 which is the largest volume in the history of the Berne Union over the entire term of its existence.

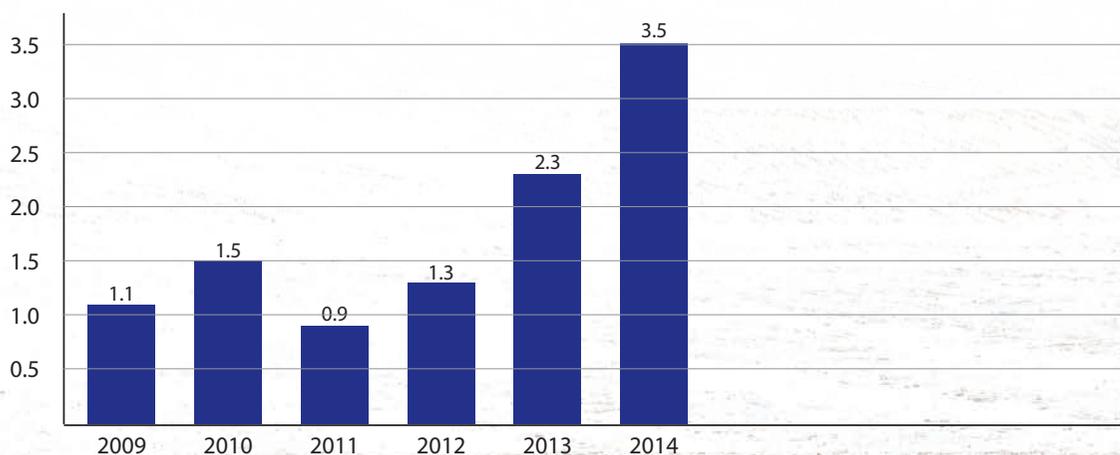
On the other hand, **we succeeded in recovering claims for more than CZK 226 million during 2014** majority of which, almost three fifths, accounted for revenue from successful sale of a claim from an insured event involving export of equipment for glass-works in Ukraine.

In addition, we managed to reduce potential losses by approx. CZK 138 million in 2014 by employing loss-prevention activities, i.e. by taking legal steps to avert the risk of occurrence of an insured event.

GRAPH No. 9A – DEVELOPMENT OF VOLUMES OF NEWLY CONCLUDED INSURANCE CONTRACTS IN THE YEARS 2005–2014 (IN CZK BILLION)



GRAPH No. 9B – CLAIMS PAID (IN CZK BILLION)





In 2014, EGAP collected CZK 1.3 billion in prescribed insurance premium. Revenues from the financial portfolio reached the value of CZK 483 million. It concluded the year of 2014 with an accounting loss of CZK –5.922 million. Such a huge drop resulted mainly from creation of provisions for indemnities – primarily in respect of the project of construction of a small steel plant in Strážské in Slovakia (this business transaction alone was reflected in EGAP's economic results in the amount of CZK

–3.8 billion). The necessity to create a provision for a business transaction involving supplies of car parts to Ukraine and power plant in Russia was also projected in the final economic results. The necessity to create a provision for inadequacy of insurance premium in the amount of CZK 0.8 billion was another adverse factor that affected the economic result.

More detailed information is available in the Financial Results section.

There were no significant events, which have occurred between the date of financial statement issue to the date of annual report issue, which would have a material impact on the financial statements at 31 December 2014.



EGAP as an export credit insurance company is the official “Export Credit Agency (ECA)” of the Czech Republic and it represents the Czech Republic in the working group for export credits and guarantees, both within the Council of the European Union – **EU**, and in a similar group within the Organization for Economic Cooperation and Development – **OECD**. During deliberations, it is actively engaged in discussions and participates in promoting equal conditions of financing and insuring export on the European or global market while respecting national interests of Czech exporters.

In the framework of OECD, the export insurance company EGAP actively joined the discussion in the group of Participants to the Arrangement on Officially Supported Export Credits – OECD Arrangement. In 2014, the discussion within this group dealt primarily with determining the minimum insurance and interest rates for individual categories of countries (category 0 through 7) and debtors. Considerable attention was paid to the issues of influence of the projects on the environment, issues of fight against corruption in international export transactions with official support and conditions of the so-called “sustainable lending”. Quite fundamental discussion began in both groups on the issue of further continuation of official support in exports of projects of power plants burning fossil fuels – coal.

As in previous years, also in 2014 there were ongoing multilateral negotiations with some significant countries providing export financing which are not yet participants to the OECD Arrangement and do not share the conditions regulating the provision of official financial support for export project with the member countries. The negotiations take place within the **International Working Group** in which both OECD member countries and representatives of non-member economies from China, Brazil, Russia and India are represented. The negotiations are aimed at reaching an agreement on the conditions of insuring and financing export with official support in the sector of ships and in the sector of health-care facilities with a view to generalizing these conditions into horizontal rules.

In International Union of Credit and Investment Insurers (Berne Union), EGAP attends not only the actual sessions but it also participated in the organizational management of the Berne Union in the framework of its Management Committee. EGAP continues to intensively participate in the activities of the so-called Berne Union Prague Club.

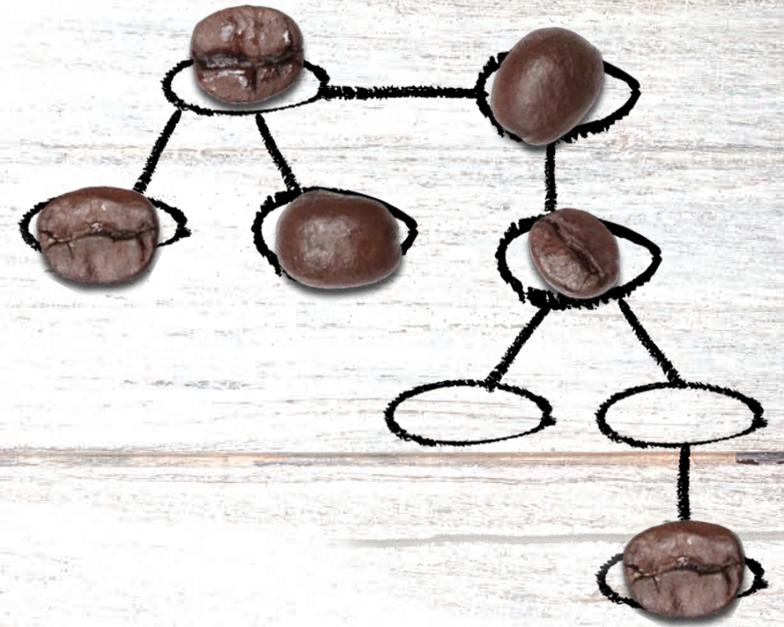
In 2014, EGAP was faced with an uneasy task not only to submit its activity to the **sanction regime against Russia**, but also to analyze adverse impacts of the announced sanctions of the EU against the Russian Federation on its portfolio. Not only decline in the volume of insurance into Russia but virtually complete deficit of

insurance into Ukraine as a result of the armed conflict had significantly adverse impacts on the results of 2014.

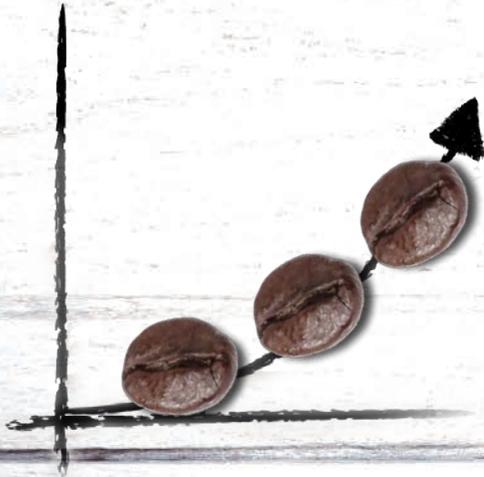
The year of 2014 was also significant in terms of expansion of **bilateral co-operation of EGAP with partner agencies**. New cooperation agreements were concluded with newly established **Armenian export credit insurance company EIAA and with Korean partner insurance company K-Sure**. The agreements will allow insurance companies better cooperate in the support for projects in the third countries.

A **Multilateral Cooperation Agreement** was also signed between five export financing and insurance agencies (EGAP, Slovakian Eximbanka SR, Russian EXIAR, Bulgarian BAEZ and Romanian EximBank) and the **International Investment Bank (IIB)**. This agreement was aimed at facilitating cooperation of these institutions in financing and insuring export projects of exporters from the mentioned countries to all IIB member countries, including Vietnam, Mongolia and Cuba.

Two “higher-level” agreements on mutual assurance were signed, namely with **Luxembourg insurance company ODL** particularly for the support for export operations of small and medium-sized companies and with **Israeli insurance company ASHRA**. These agreements will enable sharing of risks from insurance of common export projects in third countries.



Financial results





Independent auditor's report **to the shareholders of Exportní garanční a pojišťovací společnost, a.s.**

We have audited the accompanying financial statements of Exportní garanční a pojišťovací společnost, a.s., identification number 45279314, with registered office at Vodičkova 34/701, Praha 1 ("the Company"), which comprise the balance sheet as at 31 December 2014, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and its financial performance for the year then ended in accordance with Czech accounting legislation.

23 March 2015

PricewaterhouseCoopers Audit, s.r.o.

represented by

Marek Richter

Marek Richter
Partner

Martin Hrdý

Martin Hrdý
Statutory Auditor, Licence No. 2197

Note

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

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

Balance sheet

As at 31 December 2014



(CZK thousand)	Note	Gross amount	Adjustment	31 December 2014 Net amount	31 December 2013 Net amount
ASSETS					
B. Intangible fixed assets	5	42,738	40,462	2,276	3,204
C. Financial investments	4	23,586,558	0	23,586,558	25,508,073
C.I. Land and buildings, of which:		875,729	0	875,729	875,220
1. Land		123,202	0	123,202	123,202
2. Buildings		752,527	0	752,527	752,018
C.II. Financial investments in subsidiaries and associates		1,091,882	0	1,091,882	1,027,463
1. Participating interests in associates		1,091,882	0	1,091,882	1,027,463
C.III. Other financial investments		21,618,947	0	21,618,947	23,605,390
1. Shares and other variable income securities		313,566	0	313,566	294,388
2. Bonds and other debt securities – available-for-sale securities		17,726,992	0	17,726,992	16,566,788
6. Deposits with financial institutions		3,578,389	0	3,578,389	6,744,214
E. Debtors	6	372,089	351,821	20,268	130,771
E.I. Receivables from direct insurance		44	30	14	7
E.II. Reinsurance receivables		11,391	0	11,391	0
E.III. Other receivables, of which:		360,654	351,791	8,863	130,764
– associates		54	0	54	120,024
F. Other assets		3,813,949	60,800	3,753,149	2,175,870
F.I. Tangible fixed assets other than assets recognised in line “C.I. Land and buildings”, and inventories	5	64,295	60,800	3,495	2,914
F.II. Cash on accounts with financial institutions and cash in hand		3,749,654	0	3,749,654	2,172,956
G. Prepayments and accrued income	7	18,592	0	18,592	14,617
TOTAL ASSETS		27,833,925	453,083	27,380,843	27,832,535

Balance sheet

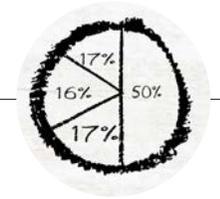
As at 31 December 2014



(CZK thousand)

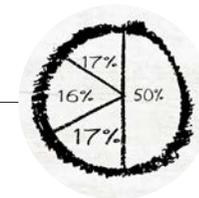
	Note	31 December 2014	31 December 2013
LIABILITIES			
A. Equity	8	7,408,856	12,019,143
A.I. Share capital		1,300,000	1,300,000
A.IV. Other capital funds		11,921,690	10,607,271
A.V. Reserve fund and revenue reserves		109,356	1,104,267
A.VII. Loss for the current period		(5,922,190)	(992,395)
C. Technical reserves	9	19,597,711	15,604,816
C.1. Unearned premium reserve:		8,176,437	7,638,045
a) gross		9,205,732	8,445,320
b) share of reinsurers (-)		(1,029,295)	(807,275)
C.3. Reserve for claims:		11,417,284	7,959,491
a) gross		11,622,912	8,033,860
b) share of reinsurers (-)		(205,628)	(74,369)
C.4. Reserve for bonuses and discounts (gross)		0	7,280
C.5. Equalisation reserve (gross)		3,990	0
E. Provisions	10	2,709	3,562
E.3. Other provisions		2,709	3,562
G. Creditors	11	370,552	203,418
G.I. Payables from direct insurance		0	13,004
G.II. Payables from reinsurance		227,812	129,396
G.V. Other payables, of which:		142,740	61,018
a) tax liabilities and liabilities from social and health insurance		123,026	40,722
H. Accruals and deferred income		1,015	1,596
TOTAL LIABILITIES		27,380,843	27,832,535

Income statement for the year ended 31 December 2014



(CZK thousand)	Note	Base	Subtotal	2014 Total	Base	Subtotal	2013 Total
1. TECHNICAL ACCOUNT – NON-LIFE INSURANCE							
1. Earned premiums, net of reinsurance:							
a) gross written premium	15	1,339,575			2,587,178		
b) outwards reinsurance premium (-)	14	374,968			(562,727)		
Subtotal			964,607			2,024,451	
c) change in the gross amount of unearned premium reserve (+/-)		(760,412)			(1,383,318)		
d) change in the reinsurer's share of the unearned premium reserve (+/-)		222,020			465,401		
Subtotal			(538,392)			(917,917)	
Total				426,215			1,106,534
2. Allocated investment return transferred from the Non-technical account				496,942			158,811
3. Other technical income, net of reinsurance				709			70,053
4. Claims expenses, net of reinsurance:							
a) paid claims:							
aa) gross		3,603,986			2,312,905		
ab) share of reinsurers (-)		68,358			0		
Subtotal			3,535,628			2,312,905	
b) change in reserve for claims (+/-):							
ba) gross		3,589,052			671,772		
bb) share of reinsurers		131,259			(74,369)		
Subtotal			3,457,792			597,403	
Total	15			6,993,420			2,910,308
5. Change in other technical reserves, net of reinsurance (+/-)				(3,289)			(7,678)
6. Net operating expenses:							
a) acquisition costs			10,059			17,746	
b) administrative expenses	15		264,409			262,208	
c) commissions from reinsurers and profit participations (-)	14		22,368			30,139	
Total				252,100			249,815
7. Other technical expenses, net of reinsurance				1,002			54,973
8. Result for the Technical account – non-life insurance				(6,319,367)			(1,872,020)

Income statement for the year ended 31 December 2014



(CZK thousand)	Note	Base	Subtotal	2014 Total	Base	Subtotal	2013 Total
III. NON-TECHNICAL ACCOUNT							
1.	Result for the Technical account – non-life insurance			(6,319,367)			(1,872,020)
2.	Income from financial investments:						
	a) income from other financial investments		482,951			533,120	
	b) revaluation gains on financial investments		479,328			427,254	
	c) income from the sale of financial investments		300,000			0	
	Total			1,262,279			960,374
3.	Expenses from financial investments:						
	a) management fees and similar charges, including interest		1,832			1,698	
	b) revaluation losses on financial investments		220,181			707,327	
	c) cost of financial investments realisation related to sale of financial investment		300,000			0	
	Total			522,013			709,025
4.	Allocated investment return transferred to the Technical account - non-life insurance			(496,942)			(158,811)
5.	Other income	12		259,026			825,093
6.	Other expenses			17,710			34,813
7.	Income tax on profit from ordinary activities	13		83,616			0
8.	Loss from ordinary activities after tax			(5,918,343)			(989,202)
9.	Other taxes			3,847			3,193
10.	Loss for the current period			(5,922,190)			(992,395)

Statement of changes in equity for the year ended 31 December 2014

(CZK thousand)	Note	Share capital	Statutory reserve fund	Other revenue funds	Other capital funds	Revaluation reserve	Retained earnings (+) / Accumulated losses (-)	Total
As at 1 January 2013		1,300,000	260,000	1,052,296	8,786,277	125,528	(205,404)	11,318,697
Capital subsidy from the state budget	8	0	0	0	1,500,000	0	0	1,500,000
Revaluation differences not recognised in income statement		0	0	0	0	195,466	0	195,466
Loss for the period	8	0	0	0	0	0	(992,395)	(992,395)
Allocation of loss from last year	8	0	0	(205,404)	0	0	205,404	0
Utilisation of social fund and fund of the General Manager	8	0	0	(2,625)	0	0	0	(2,625)
As at 31 December 2013		1,300,000	260,000	844,267	10,286,277	320,994	(992,395)	12,019,143
Capital subsidy from the state budget	8	0	0	0	1,250,000	0	0	1,250,000
Revaluation differences not recognised in income statement		0	0	0	0	64,419	0	64,419
Utilisation of reserve funds primarily to other revenue funds			(260,000)	260,000	0	0	0	0
Loss for the period	8	0	0	0	0	0	(5,922,190)	(5,922,190)
Allocation of loss from last year	8	0	0	(992,395)	0	0	992,395	0
Utilisation of social fund and fund of the General Manager	8	0	0	(2,516)	0	0	0	(2,516)
As at 31 December 2014		1,300,000	0	109,356	11,536,277	385,413	(5,922,190)	7,408,856



1. General information

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

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

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, international relations and compliance, risk management, business section, administration and finance and claims liquidation and receivables recovery - departments, divisions and offices. The Organisational Rules of EGAP establish the principles of internal organisation, position, competency and the responsibilities of individual organisational units and managers.

2. Accounting policies

2.1. Basis of preparation

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

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

2.2. Financial investments

The Company classifies the following items as financial investments:

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

2.2.1. Land and buildings

Land and buildings are classified as financial investments and are initially recognised at cost. As at the balance sheet date, they are measured at fair value based upon expert valuation, which is updated at least every



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

2.2.2. Financial investments in subsidiaries and associates

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

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

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

The shares in subsidiaries or associates are stated at fair value as at the balance sheet date. If the

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

2.2.3. Investments in securities

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

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

In other cases the fair value is estimated by:

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

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

variable income securities are recognised in the income statement.

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

Available-for-sale debt securities

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

2.2.4. Deposits with financial institutions

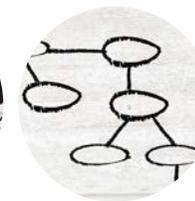
Deposits with financial institutions are stated at fair value as at the balance sheet date, which usually approximates the amortised cost. Changes in the fair value are recognised in the income statement.

2.3. Tangible and intangible fixed assets

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

Notes to financial statements

for the year ended 31 December 2014



Fixed assets other than land and buildings are depreciated by applying the straight-line basis (accelerated basis respectively) over their estimated useful lives. Tangible assets with a unit cost of less than CZK 40,000 (CZK 60,000 for intangible assets) are treated as low-value assets and are expensed upon consumption. If the estimated useful life of low-value asset exceeds 1 year, the asset is recorded in fixed assets and is amortised.

The annual depreciation and amortisation rates used are as follows:

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

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

Repairs and maintenance expenditures are charged to expense as incurred. Technical improvement expenditures exceeding CZK 40,000 per item of tangible or intangible asset incurred within a one-year period are capitalised.

2.4. Receivables

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

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

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

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

2.5. Foreign currencies

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

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

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

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

2.6. Technical reserves

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



The Company has established the following technical reserves:

2.6.1. Unearned premium reserve

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

2.6.2. Reserve for claims

The reserve for claims is discounted to reflect the time value of money and is determined to cover liabilities from claims:

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

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

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

2.6.3. Reserve for bonuses and discounts

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

2.7. Gross written premium

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

2.8. Claims expenses

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

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

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

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

2.10. Staff costs, pensions and social fund

Staff costs are included in Administrative expense.

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

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

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



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

2.11. Inwards and outwards reinsurance

Inwards reinsurance

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

Outwards reinsurance

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

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

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

income statement along with the corresponding gross amounts. Reinsurance commissions are not deferred and are recognised immediately in the income statement.

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

2.12. Deferred taxation

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

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

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

In accordance with Czech National Accounting Board Interpretation No. 4, the Company does not recognise deferred tax on the revaluation difference of participa-

ting interest as such difference is considered permanent.

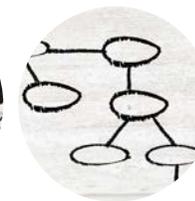
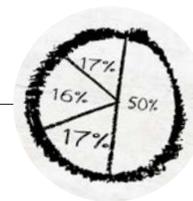
2.13. Related party transactions

Related parties are defined as follows:

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

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

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



2.14. Subsequent events

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

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

3. Risk management

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

Definitions of the various types of risks and their management are included in the aggregate risk ma-

agement strategy, which is further specified in the related internal regulations related to the management of partial risks.

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

3.1. Risk classification

The definitions of risks according to EGAP's internal regulations respecting the breakdown prescribed by the current legislation, especially Decree no. 434/2009 Coll., are the following:

3.1.1. Insurance risk

The risk of loss is a result of inadequate premiums written, both for existing insurance contracts and as well as for current insurance policies, for which contracts are expected to be signed related to expected future claim payables.

Insurance risk is the most significant risk in the activities of EGAP and the most attention is given to its control.

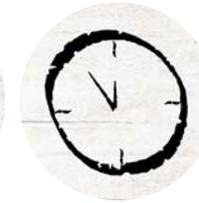
EGAP manages insurance risk through following:

- the use of prudent underwriting policies;
- system of limits for risk management that restrict insurance exposure of EGAP;
- establishment of conditions of insurance contracts;
- rigorous monitoring of policies and close cooperation with the insured in the period after the conclusion of insurance contracts;
- entering into reinsurance agreements with other ECAs and commercial reinsurers; and also
- maintenance of a surplus of readily available assets over the expected pattern of claim payments.

3.1.2. Concentration risk

Concentration risk is the risk of loss resulting from a significant concentration towards an entity, a financial group, a country or a sector, which would represent an important insurance or credit exposure. Concentration risk in EGAP is significantly influenced by its specific role in government support of exports. Concentration risk relates mainly to concentrations resulting from insurance (underwriting) risk, and less to risks arising from the investment of available funds.

Concentration risk is a significant risk arising from the substance of EGAP's activities in support of export.



EGAP manages concentration risk through the following:

- by underwriting policy;
- by setting and monitoring concentration limits;
- by allocating own resources to significant concentrations;
- by underwriting reinsurance policies with commercial reinsurers.

3.1.3. Market risk

This is the risk of loss due to changes in the market prices of shares and other assets traded on the market, which include interest rates and foreign exchange rates. General market risk arises from open positions in currencies, interest rates and equity or other tradable products (e.g. commodities and real estate), all of which are exposed to general and specific market movements. Market risk is divided into risk of equity, interest rate, currency, commodity and real estate.

Market risks, which in the case of EGAP, are in the form of currency risk, interest rate risk, equity risk and real estate valuation risk. The most significant market risk is currency risk which refers to the insurance portfolio. It is monitored on a daily basis and is regularly reported to EGAP's management. In the event of significant fluctuations, mainly due EUR and USD exchange rates developments, appropriate

actions for reducing the impact or cover losses from threatening losses are taken.

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

3.1.4. Liquidity risk

Liquidity risk is the risk that payment 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 claims, terminated contracts and settlement payments. This risk is of low significance to EGAP.

3.1.5. Operating risk

Operating risk is the 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, risk of loss or misuse of data in information systems, legal risk or compliance risk are also included. Compliance risk includes the possibility that transactions may not be enforceable under applicable laws or regulations.

Operating risk is of low to middle significance to EGAP.

The most significant element of operating risk is risk to information systems, including possible loss of data, is mitigated by there being a strict setting of security rules, which are regularly evaluated and updated.

3.1.6. Other risks

Other risks are risks such as credit risks, i.e. risk of default by a counterparty; in the case of EGAP, it may be default of the counterparty, where financial investment is placed or default of Export Credit Agency ("ECA") or the reinsurer in respect of outward reinsurance. Other risks are represented by strategic risk and reputational risk.



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

To manage the insurance risk, EGAP also uses reinsurance to a limited extent and periodically monitors the credit ratings of each reinsurer and their financial strength.

The Board of Directors does not conduct explicit activities in managing strategic, commercial, and reputational risks. The Board of Directors consistently follows legal regulations during its decision making.

3.2. Own risk and solvency assessment (ORSA)

In 2014, the company first implemented its own risk and solvency assessment („Own Risk and Solvency Assessment“) a so-called „ORSA process“ and, based on the results, the ORSA report was processed and the results were presented to ČNB in January 2015.

All risks to which EGAP is exposed were assessed within the ORSA process, and, based on these, the risk profile of the company was defined. Subsequently, the risk appetite of the company was approved. All the steps that are within the ORSA process took place, and had already been made in terms of the regulation contained in Solvency II.



4. Financial investments

4.1. Land and buildings - operating

(CZK thousand)	31 December 2014	31 December 2013
Land		
Acquisition costs	103,960	103,960
Revaluation difference	19,242	19,242
Total	123,202	123,202
Buildings		
Acquisition costs	507,876	507,367
Revaluation difference	244,651	244,651
Total	752,527	752,018
Total acquisition costs	611,836	611,327
Total revaluation difference (Note 8.5)	263,893	263,893
Total operating land and buildings at fair value	875,729	875,220

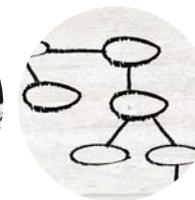
The Company owns building No. 701, Vodičkova 34, Prague 1 with parcel of land No. 2061 with an area of 2,260 m², registered at LV No. 198, cadastral area Nové Město.

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

not significantly changed since this expert valuation.

Notes to financial statements

for the year ended 31 December 2014



4.2. Financial investments in subsidiaries and associates

4.2.1. Participating interests in associates

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

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

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

Notes to financial statements

for the year ended 31 December 2014



31 December 2013	Number of shares	Nomi- nal value (CZK'000)	Aquisiti- on cost (CZK'000)	Share on share capital (CZK'000)	Share on share capital (%)	2013 profit/ (loss) (CZK'000)	Net assets (CZK'000)
Česká exportní banka, a.s. Vodičkova 34, Prague 1*	50	10,000	530,000	800,000	20.00	(201,755)	4,499,567
	300	1,000	300,000				
Revaluation difference			69,913				
Fair value			899,913				
KUPEG úvěrová pojišťovna, a.s. Na Pankráci 1683/127, Prague 4	68	1,000	90,222	68,000	34.00	(2,327)	375,145
Revaluation difference			37,328				
Fair value			127,550				
Total fair value**			1,027,463				

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

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

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

4.3. Other financial investments

4.3.1. Investments in securities

(CZK thousand)	31 December 2014	31 December 2013
Other variable income securities – mutual fund units	313,566	294,388
Bonds and other debt securities – available-for-sale	17,726,992	16,566,788
Total fair value	18,040,558	16,861,176



4.3.2. Available for sale securities – mutual fund units

(CZK thousand)	31 December 2014	31 December 2013
Unquoted		
Acquisition costs	275,318	275,318
Revaluation difference	38,248	19,070
Total fair value	313,566	294,388

4.3.3. Debt securities available-for-sale

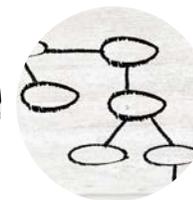
(CZK thousand)	31 December 2014	31 December 2013
Recognised domestic stock exchanges	16,098,236	15,176,515
Recognised foreign stock exchanges	413,913	415,015
Amortised cost	16,512,149	15,591,530
Revaluation difference	1,214,843	975,258
Total fair value	17,726,992	16,566,788

4.3.4. Deposits with financial institutions

(CZK thousand)	31 December 2014	31 December 2013
Domestic banks	3,578,389	6,744,214

Notes to financial statements

for the year ended 31 December 2014



5. Intangible and tangible fixed assets

5.1. Intangible fixed assets

(CZK thousand)	1 January 2013	Additions	Disposals	31 December 2013	Additions	Disposals	31 December 2014
Acquisition cost							
Software	37,080	111	304	36,887	766	0	37,653
Other intangible assets	4,797	288	0	5,085	0	0	5,085
Intangible assets not yet brought into use	0	399	399	0	766	766	0
Total acquisition cost	41,877	798	703	41,972	1,532	766	42,738
Accumulated amortisation							
Software	32,243	2,032	304	33,971	1,646	0	35,617
Other intangible assets	4,797	0	0	4,797	48	0	4,845
Total amortisation	37,040	2,032	304	38,768	1,694	0	40,462
Net book amount	4,837			3,204			2,276

5.2. Tangible fixed assets other than land and buildings

(CZK thousand)	1 January 2013	Additions	Disposals	31 December 2013	Additions	Disposals	31 December 2014
Acquisition cost							
Machines and equipment	57,447	306	123	57,630	2,215	1,897	57,948
Passenger cars	5,722	0	0	5,722	0	0	5,722
Works of art	625	0	0	625	0	0	625
Tangible assets not yet brought into use	75	333	307	101	2,114	2,215	0
Total acquisition cost	63,869	639	430	64,078	4,329	4,112	64,295
Accumulated depreciation							
Machines and equipment	52,657	3,009	124	55,542	1,433	1,897	55,078
Passenger cars	4,859	763	0	5,622	100	0	5,722
Total depreciation	57,516	3,772	124	61,164	1,533	1,897	60,800
Net book amount	6,353			2,914			3,495

Notes to financial statements

for the year ended 31 December 2014



6. Debtors

31 December 2014 (CZK thousand)	Receivables from policy holders	Other receivables	Reinsurance receivables	Total
Current	14	259	11,391	11,664
Overdue	30	360,395	0	360,425
Total	44	360,654	11,391	372,089
Provision for overdue receivables	(30)	(351,791)	0	(351,821)
Total receivables, net	14	8,863	11,391	20,268

31 December 2013 (CZK thousand)	Receivables from policy holders	Other receivables	Reinsurance receivables	Total
Current	7	122,124	0	122,131
Overdue	30	360,412	0	360,442
Total	37	482,536	0	482,573
Provision for overdue receivables	(30)	(351,772)	0	(351,802)
Total receivables, net	7	130,764	0	130,771

Receivables against related parties are disclosed in Note 16.

Insured receivables from insurance products might be transferred to the Company. In 2014, the nomi-

nal amount of ceded receivables from policy holders resulting from a receivable claim totalled CZK 618,172,000 (2013: CZK 10,470,000). Ceded receivables are recorded at cost within other assets and within Other income in the Non-technical accounts

at the date of cession, the cost is represented by the value of receivables defined in the contract on cession of receivable. The total cost of receivables ceded to EGAP in 2014 was CZK nil (2013: nil CZK).

Notes to financial statements

for the year ended 31 December 2014



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

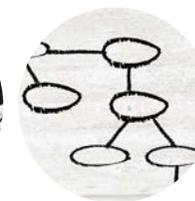
(CZK thousand)	2014	2013
Opening balance at 1 January	351,802	364,095
Charge for the year	19	54,100
Release	0	(66,393)
Closing balance as at 31 December	351,821	351,802

7. Prepayments and accrued income

(CZK thousand)	31 December 2014	31 December 2013
Accrued income from (insurance contracts)	663	810
Prepayment for business data, communications and other services, membership fees	16,512	12,472
Inventory	1,417	1,335
Total	18,592	14,617

Notes to financial statements

for the year ended 31 December 2014



8. Equity

8.1. Share capital

	Number of pieces	31 December 2014 (CZK thousand)	Number of pieces	31 December 2013 (CZK thousand)
Ordinary shares of CZK 1 million, fully paid	1,300	1,300,000	1,300	1,300,000

8.2. Statutory reserve fund and revenue funds

(CZK thousand)	31 December 2014	31 December 2013
Statutory reserve fund	0	260,000
Other revenue funds	109,356	844,267
Total	109,356	1,104,267

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

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

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

The statutory reserve fund was not created in 2014 as the Company recognized a loss for the period.

Notes to financial statements

for the year ended 31 December 2014



8.3. Capital funds

31 December 2014 (CZK thousand)	Insurance with state support	Revaluation difference	Total
Other capital funds	11,536,277	385,413	11,921,690
of which: subsidies from state budget	11,433,000	0	11,433,000
31 December 2013 (CZK thousand)	Insurance with state support	Revaluation difference	Total
Other capital funds	10,286,277	320,994	10,607,271
of which: subsidies from state budget	10,183,000	0	10,183,000

In 2014 Company received a subsidy from the state budget of CZK 1,25 billion to increase the capital funds designated for coverage of insurance exposure, in 2013 a subsidy of CZK 1,5 billion.

8.4. Other revenue funds

(CZK thousand)	1 January 2013	Usage/ transfers	31 December 2013	Usage/ transfers	31 December 2014
Insurance with State support fund	442,833	(205,404)	237,429	(230,810)	6,619
Loss prevention fund	494,438	0	494,438	(401,585)	92,853
Social fund and fund of the General Manager	15,025	(2,625)	12,400	(2,516)	9,884
Fund of participation in KUPEG	100,000	0	100,000	(100,000)	0
Total	1,052,296	(208,029)	844,267	(734,911)	109,356

Notes to financial statements

for the year ended 31 December 2014



8.5. Revaluation reserve

(CZK thousand)	31 December 2014	31 December 2013
Land and buildings (Note 4.1)	263,893	263,893
Financial investments in associates (Note 4.2.1)	171,660	107,241
Deferred tax (Note 13)	(50,140)	(50,140)
Total revaluation reserve	385,413	320,994

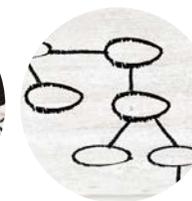
8.6. Loss after taxation

The Annual General Meeting will decide on the allocation of the 2014 loss in amount of CZK 5,922,190,000. Allocation of the 2013 loss in amount of CZK

992,395,000 was approved by the Company's General Meeting held on 30 April 2014. Allocation of the loss is shown in the Statement of changes in equity.

Notes to financial statements

for the year ended 31 December 2014



9. Technical reserves

31 December 2014 (CZK thousand)	Unearned premium reserve	Reserve for claims	Equalisation provision	Total
Gross reserve	8,934,928	11,622,912	3,990	20,561,830
Gross reserve - inwards reinsurance (Note 14)	270,804	0	0	270,804
Share of reinsurer (Note 14)	(1,029,295)	(205,628)	0	(1,234,923)
Net reserve	8,176,437	11,417,284	3,990	19,597,711

31 December 2013 (CZK thousand)	Unearned premium reserve	Reserve for claims	Reserve for bonuses and discounts	Total
Gross reserve	8,135,632	8,033,860	7,280	16,176,772
Gross reserve - inwards reinsurance (Note 14)	309,688	0	0	309,688
Share of reinsurer (Note 14)	(807,275)	(74,369)	0	(881,644)
Net reserve	7,638,045	7,959,491	7,280	15,604,816

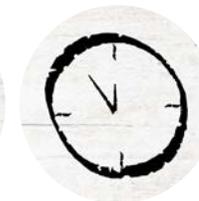
Unearned premium reserve contains as at 31 December 2014 Unexpired risk reserve of CZK 1,473,000,000 (31 December 2013: CZK 139,776,000).

9.1. Reserve for claims

(CZK thousand)	31 December 2014	31 December 2013
Gross RBNS reserve	11,281,618	7,438,913
Gross IBNR reserve	341,294	594,947
Total reserve for claims	11,622,912	8,033,860

Notes to financial statements

for the year ended 31 December 2014



9.2. Run off analysis

Estimate of ultimate claims costs:

31 December 2014 (CZK thousand)	Claims arising in the year												Total
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
At the end of accounting period	57,623	518,265	760,170	141,315	644,764	847,087	3,193,344	1,199,934	3,017,333	4,172,351	3,893,166	6,253,118	
One year later	32,223	486,696	453,855	125,824	682,610	728,389	3,284,399	1,051,802	1,653,676	2,738,530	4,305,268		
Two years later	32,295	486,583	449,912	125,493	672,964	473,419	3,362,862	1,552,583	1,671,794	2,772,319			
Three years later	34,306	175,433	444,081	116,767	396,310	497,326	3,305,802	1,657,331	1,965,863				
Four years later	32,085	175,466	432,902	116,813	401,082	486,357	3,378,313	1,695,991					
Five years later	32,126	175,209	432,902	116,813	400,408	486,357	3,438,806						
Six years later	31,502	175,309	432,902	116,813	401,041	486,357							
Seven years later	31,502	170,379	432,902	116,813	401,041								
Eight years later	31,502	170,379	432,902	116,813									
Nine years later	31,502	170,379	432,902										
Ten years later	31,502	170,379											
Eleven years later	31,502												
Current estimate of cumulative claims	31,502	170,379	432,902	116,813	401,041	486,357	3,438,806	1,695,991	1,965,863	2,772,319	4,305,268	6,253,118	22,070,360
Cumulative payments as at 31 December 2014	(31,502)	(170,379)	(432,902)	(116,813)	(401,041)	(486,357)	(2,920,590)	(1,359,578)	(1,415,224)	(1,412,457)	(1,153,555)	(547,049)	(10,447,448)
Total reserve for claims	0	0	0	0	0	0	518,216	336,413	550,639	1,359,862	3,151,713	5,706,069	11,622,912

Notes to financial statements

for the year ended 31 December 2014



Gross reserve for claims as at 31 December 2013

31 December 2013 (CZK thousand)	Claims arising in the year											Total
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
At the end of accounting period	57,623	518,265	760,170	141,315	644,764	847,087	3,193,344	1,199,934	3,017,333	4,172,351	3,893,166	
One year later	32,223	486,696	453,855	125,824	682,610	728,389	3,284,399	1,051,802	1,653,676	2,738,530		
Two years later	32,295	486,583	449,912	125,493	672,964	473,419	3,362,862	1,552,583	1,671,794			
Three years later	34,306	175,433	444,081	116,767	396,310	497,326	3,305,802	1,657,331				
Four years later	32,085	175,466	432,902	116,813	401,082	486,357	3,378,313					
Five years later	32,126	175,209	432,902	116,813	400,408	486,357						
Six years later	31,502	175,309	432,902	116,813	401,041							
Seven years later	31,502	170,379	432,902	116,813								
Eight years later	31,502	170,379	432,902									
Nine years later	31,502	170,379										
Ten years later	31,502											
Current estimate of cumulative claims	31,502	170,379	432,902	116,813	401,041	486,357	3,378,313	1,657,331	1,671,794	2,738,530	3,893,166	14,978,129
Cumulative payments as at 31 December 2013	(31,502)	(170,379)	(432,902)	(116,813)	(401,041)	(486,357)	(2,660,181)	(1,064,696)	(710,940)	(757,603)	(111,854)	(6,944,269)
Total reserve for claims	0	0	0	0	0	0	718,132	592,634	960,854	1,980,927	3,781,312	8,033,860

Notes to financial statements

for the year ended 31 December 2014



Movements on gross technical reserves can be analysed as follows:

(CZK thousand)	Unearned premium reserve	Reserve for claims	Reserve for bonuses and discounts	Equalisation reserve	Total
As at 1 January 2013	7,062,002	7,362,088	14,958	0	14,439,048
Additions	2,536,877	4,399,846	1,106	0	6,937,829
Usage	(1,153,559)	(3,728,074)	(8,784)	0	(4,890,417)
As at 31 December 2013	8,445,320	8,033,860	7,280	0	16,486,460
Additions	2,613,577	7,940,373	0	3,990	10,557,940
Usage	(1,853,165)	(4,351,321)	(7,280)	0	(6,211,766)
As at 31 December 2014	9,205,732	11,622,912	0	3,990	20,832,634

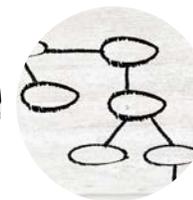
10. Other provisions

Other provisions as at 31 December 2014 consist of Provision for unused holidays. Movements on this provision can be analysed as follows:

(CZK thousand)	2014	2013
As at 1 January	3,562	2,935
Charge	2,709	3,562
Usage	(3,562)	(2,935)
As at 31 December	2,709	3,562

Notes to financial statements

for the year ended 31 December 2014



11. Creditors

(CZK thousand)

	31 December 2014	31 December 2013
Claims payable	0	13,004
Payables from reinsurance	227,812	129,396
Other payables	142,740	61,018
Total	370,552	203,418

Ageing of payables can be analysed as follows:

(CZK thousand)

	31 December 2014	31 December 2013
Long-term payables		
Due over 5 years	9	10
Due within 1–5 years	4	3
Short-term payables		
Due within 1 year	370,539	203,405
Total	370,552	203,418

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.

Notes to financial statements

for the year ended 31 December 2014



Other payables can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Payables to employees	12,204	12,210
Other payables to employees	0	2
Social and health insurance payables	5,301	5,121
Tax payables – including corporate tax	117,725	35,601
Operating advances received	11	14
Other payables	7,499	8,160
Total	142,740	61,018

Payables to related parties are disclosed in Note 16.

12. Other income

Other income can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Revenues from collected receivables	188,404	612,914
Revenues from sale of receivables	0	0
Revenues from ceded receivables	37,437	113,443
Foreign exchange gains	4,175	67,102
Rental and related services	24,946	25,348
Others	4,064	6,286
Total other income	259,026	825,093



13. Taxation

The current tax expense is calculated as follows:

(CZK thousand)	31 December 2014	31 December 2013
Loss before taxation	(5,838,574)	(992,395)
Non-taxable income	(55,034)	(123,076)
Non-deductible expenses	55,654	102,266
Net taxable profit	(5,837,954)	(1,013,205)
Tax loss	(5,837,954)	(1,013,205)
Current tax charge at 19%	0	0

Deferred tax asset / (liability) was calculated at 19 % (the rate enacted as at 31 December 2014 and 2013 for subsequent years) and can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Deferred tax liability		
Land and building revaluation in equity (Note 8.5)	(50,140)	(50,140)
Accelerated tax depreciation	(67,571)	(65,027)
Total deferred tax liability	(117,711)	(115,167)
Deferred tax asset		
Tax losses	1,500,495	734,469
Other	515	677
Total deferred tax asset	1,501,010	735,146
Potential net deferred tax asset	1,383,181	619,979

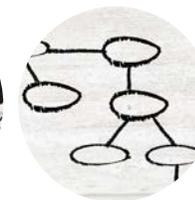
The potential net deferred tax asset as at 31 December 2014 and 31 December 2013 has not been recognised because the management of the Company believes that its future utilisation is not probable. The

Company recognized deferred tax liability in amount of CZK 117,711,000 as at 31 December 2014 (as at 31 December 2013 CZK 34,095,000) from the change in fair value of operating real estates.

During 2014, the Company derecognised the deferred tax asset that arose from prior years' taxable losses in the amount of CZK 83,616,000 as its future realisation appears improbable.

Notes to financial statements

for the year ended 31 December 2014



14. Reinsurance

14.1. Inward reinsurance

(CZK thousand)

	31 December 2014	31 December 2013
Technical reserves related to inward reinsurance (Note 9)	270,804	309,688
Inward reinsurance premium	0	75,766
Share of reinsurer on the change in unearned premium reserve	38,884	(38,893)
Commissions from reinsurers	0	(7,576)
Inward reinsurance result	38,884	29,297

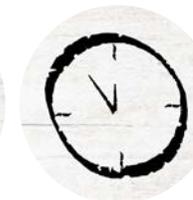
14.2. Outward reinsurance

(CZK thousand)

	31 December 2014	31 December 2013
Portion of technical reserves covered by reinsurance (Note 9)	1,234,923	752,248
Outward reinsurance premium	(374,968)	(433,331)
Portion of claims paid covered by reinsurance	68,358	0
Share of reinsurer on creation of reserves	353,279	410,374
Commissions paid to reinsurers	22,368	30,139
Outward reinsurance result	69,037	7,182

Notes to financial statements

for the year ended 31 December 2014



15. Technical account – non-life insurance

15.1. Non-life insurance

(CZK thousand)	Gross written premium	Gross earned premium	Gross claims expenses	Gross operating expenses
2014				
Credit insurance (sector 14) – insurance with State support	1,298,593	449,872	7,117,664	226,874
Guarantee insurance (sector 15)	19,036	33,253	(40,974)	26,441
Other financial risks insurance (sector 16)	21,946	96,038	116,347	21,153
Total	1,339,575	579,163	7,193,037	274,468
2013				
Credit insurance (sector 14) – insurance with State support	2,398,035	1,082,264	3,336,863	232,756
Guarantee insurance (sector 15)	44,356	26,086	583	26,221
Other financial risks insurance (sector 16)	144,787	95,510	(352,769)	20,977
Total	2,587,178	1,203,860	2,984,676	279,954

15.1.1. Geographical structure of gross written premium

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

Notes to financial statements

for the year ended 31 December 2014



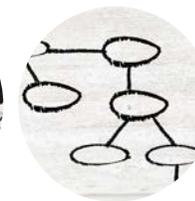
15.2. Administration expenses

(CZK thousand)

	31 December 2014	31 December 2013
Personnel costs	212,024	207,296
Other administrative expenses	27,356	30,344
Depreciation and amortisation of fixed assets	3,227	5,804
Building administrative expenses	12,279	10,682
Information and communication services	3,945	4,706
Advisory and other assurance services	4,280	2,078
Compulsory annual audit of the financial statements	1,298	1,298
Total administration expenses	264,409	262,208

Notes to financial statements

for the year ended 31 December 2014



15.3. Personnel costs

Personnel costs can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Emoluments of statutory and supervisory bodies	29,814	25,616
Emoluments of other members of senior management	29,485	34,442
Other wages, personal costs and emoluments of employees	101,315	96,938
Social costs and health insurance	51,410	50,300
Total personnel costs	212,024	207,296

Staff statistics	31 December 2014	31 December 2013
Average number of employees (excluding top management)	102	107
Number of other members of senior management	20	20
Total	122	127
Number of members of the Board of Directors	5	5
Number of members of the Supervisory Board	9	9

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

Since March 2014, approved remuneration was paid to the members of Board of Directors for the performance of their duties. Also, remuneration was paid to members of the Supervisory Board. In 2014, shareholders did not provide members of the Board of Directors or Supervisory Board any advances, loans, credits or guarantees. The Company contributes to capital life insurance schemes

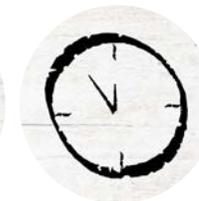
for the management of the Company, which amounted to CZK 3,287,000 in 2014 (2013: CZK 1,300,000).

Company cars are made available for use by management, starting from deputies. Total cost as at 31 December 2014 of such cars was CZK 3,348,000 (31 December 2013: CZK 3,935,000).

15.4. Other administration overheads

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 transactions disclosed in Note 15.

Income statement transactions (CZK thousand)	31 December 2014	31 December 2013
ČEB		
Gross premium written	309,354	1,135,358
Invoicing from rental agreement	21,403	21,580
Other invoicing from insurance contracts	213	5,173
Other re-invoicing	37	87
Interest income	3,752	8,447
Total	334,759	1,170,645
Creation of claim reserves	(3,098,761)	(16,621)
Claims paid	(2,727,627)	(1,321,531)
Other	0	0
Total	(5,826,388)	(1,338,152)

Income statement transactions (CZK thousand)	31 December 2014	31 December 2013
KUPEG		
Other revenues (re-invoicing)	29	24
Total	29	24

Income statement transactions (CZK thousand)	31 December 2014	31 December 2013
ČMZRB		
Interest income	437	672
Total	437	672

These transactions were realised at normal commercial terms.

Notes to financial statements

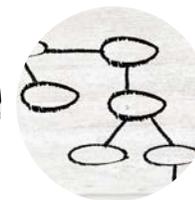
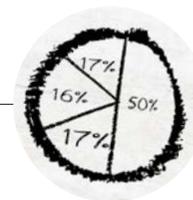
for the year ended 31 December 2014



The following related party balances were outstanding as at:

(CZK thousand)	31 December 2014	31 December 2013
ČEB		
Current accounts	1,434	3,057
Term deposits	457,858	937,577
Other receivables	25	120,024
Payables	(4,245)	0
Total	455,072	1,060,658
RBNS	(8,265,407)	(4,626,344)
IBNR	(54,645)	(594,947)
Total	(8,320,052)	(5,221,291)
KUPEG		
Other receivables	29	0
Total	29	0
ČMZRB		
Current accounts	8	14
Term deposits	122,384	121,943
Total	122,392	121,957

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 at as the balance sheet date.

18. Subsequent events

There were no significant events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2014, other than those already mentioned in these notes to financial statements.

Statutory approvals

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

23 March 2015

Ing. Jan Procházka

Chairman of the Board of Directors

Chief Executive Officer

Exportní garanční a pojišťovací společnost, a.s.

(Export Guarantee and Insurance Corporation)

Ing. Milan Šimáček, Ph.D.

Deputy Chairman of the Board of Directors

Deputy Chief Executive Officer

Exportní garanční a pojišťovací společnost, a.s.

(Export Guarantee and Insurance Corporation)

Report of the Board of Directors on entrepreneurial activities of the Company and on state of its assets for the year of 2014



Report of the Board of Directors on entrepreneurial activities of the Company and on state of its assets in the year of 2014 pursuant to Section 436 (2) of the Corporations Act.

For the entire year of 2014, EGAP concluded 122 new insurance contracts in the total volume of CZK 47.2 billion. Export was directed to total of 38 countries.

In contrast with the original plan for 2014, the overall business result was significantly affected in particular by the political situation in Ukraine and subsequent escalation of the conflict with Russia in connection with annexation of Crimea and establishment of separatist republics in eastern Ukraine. Deteriorating political, economic and security situation in Ukraine resulted in 2014 in discontinuation of negotiations about several major business transactions some of which were already going through EGAP's approval process. Culmination of the conflict in Iraq and Syria had similar effect where occupation of vast territory by the units of ISIL resulted in discontinuation of work on the preparation of already approved insurance and financing of construction of a steam-gas cycle of power plant in Erbil in Iraq. In addition to cancellation of business transactions in

Ukraine, there are also signs of nervousness in relation to the Russian Federation resulting from fears of imposition of sanctions and related macroeconomic situation in Russia and exchange rate drop of Russian Ruble in comparison with 2013. In quantitative terms, this means in relation to the annual plan approved at the end of 2013 that the volume of new insurance contracts was ultimately lower by approx. CZK 14.3 billion with all other subsequent impacts on other relevant indicators (particularly the prescribed insurance premium, lower as compared to financial and business plan by approx. CZK 0.7 billion).

The overall volume of all export credits, investment of Czech legal entities and bank guarantees insured by EGAP with state support for the past 22 years of its activities (i.e. for years 1992–2014) already reached the total of CZK 719 billion.

As in the recent years, two offered types of insurance dominated **in the distribution of insurance products**, namely insurance of buyer credits (D type) with almost 58% share and insurance of investments of Czech legal entities abroad (I type) with approximately one third weight (33.5 %). The share of all other insured export credits, credits for financing production for export and bank guarantees reached approx. 8.6%.

In 2014, the **territorial structure** was relatively evenly distributed between 9 main countries of which only three countries (Slovakia, Russia and Azerbaijan) exceeded 10% share. Another 29 countries with individual shares lower than 4% (including pre-export financing) participated collectively in the overall result by approx. 10%.

Outstanding commitments, representing the current value of the volume all the valid insurance contracts (i.e. sum of all the possible risks following from concluded insurance contracts) reached as at 31 December 2014 the total amount of CZK 213.5 billion; about CZK 23.1 billion of this value was covered by passive re-insurance and the remaining CZK 190.4 billion were fully covered by EGAP by insurance funds and technical reserves (insurance funds were supplemented by a subsidy of CZK 1.25 billion in 2014) in accordance with Act No. 58/1995 Coll., on insuring and financing export with state assistance and with Implementing Decree No. 278/1998 Coll.).

Written premiums reached almost **CZK 1.3 billion** for the entire year of 2014 and they fully reflected the development and structure of insurance provided in 2014. Indemnity in the volume of CZK 3.5 billion was paid (mainly for insured events from previous years)

Report of the Board of Directors on entrepreneurial activities of the Company and on state of its assets for the year of 2014



and, simultaneously, claims in the amount of approx. CZK 226 million were successfully recovered for the same period; also damage-preventing activities (i.e. active averting of new insured events) in the scope of approx. CZK 138 million (almost double the amount of 2013) were successful.

The business result for the accounting period of 2014 was negative and amounted to CZK –5,922 billion. **This unfavourable development**, as against the planned assumptions, **was mainly caused by**

substantially higher net amount of costs of indemnities and the resulting extensive creation of reserves for indemnities. While indemnity payments exceeded the values assumed by the financial and business plan for the year of 2014 by about 13%, the reserve for indemnities, given the reported losses, required creation within the scope of almost triple the planned amount which had a direct adverse impact on the result of the technical account and, consequently, decisively influenced the economic result and made a loss.

The business activities of the company for 2014 were examined by **external auditor**, Pricewaterhouse Coopers Audit, s. r. o., which **issued the statement “without reservation”**. The state and development of the assets of EGAP are reported in the financial statements for the year of 2014 and are verified by an external auditor (presented in the Financial Results section).

Ing. Jan Procházka

Chairman of the Board of Directors
Chief Executive Officer

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

Ing. Milan Šimáček, Ph.D.

Deputy Chairman of the Board of Directors
Deputy Chief Executive Officer

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



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 “related entities”) for the period from 1 January 2014 to 31 December 2014.

Pursuant to Section 82 of Act No. 90/2012 Coll., the Corporations Act.

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

Business name: Exportní garanční a pojišťovací společnost, a.s. (Export Guarantee and Insurance Corporation) (hereinafter the “EGAP”)
Seat of the company: Prague 1, Vodičkova 34/701, Postal Code 111 21
Identification number: 45 27 93 14
Tax identification number: CZ 45 27 93 14
Entry in the Companies Register: Entered in the 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 securities (ISIN): CZ0008040508
Nominal value of one share: CZK 1,000,000
Number of votes associated with one share: one vote

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

1. Relationship between the controlling entity and controlled entity

EGAP has a sole shareholder, the state of Czech Republic being a controlling entity in Shareholders’ rights of the State are 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.

2. Business relations with other related entities in view of EGAP

The state as controlling entity of EGAP is simultaneously, as per knowledge of EGAP, the controlling entity or founder of following entities:

Severočeské mlékárny a.s. Teplice in bankruptcy
 Česká exportní banka, a. s.
 Ormilk a.s. in liquidation
 Městská finanční společnost, a. s., shortly MUFIS, a. s.
 PORCELÁN HOLDING a.s. in liquidation
 ČEZ, a.s.
 Kongresové centrum Praha, a.s.
 BH CAPITAL, a. s. in liquidation
 Výzkumný a zkušební letecký ústav, a. s.
 VIPAP VIDEM KRŠKO d.d
 HOLDING KLADNO, a.s. in liquidation
 BOHEMIA CRYSTALEX TRADING a.s.
 ČEPRO, a. s.
 Český Aeroholding, a. s.
 Explosia a. s.
 GALILEO REAL, k.s.
 Hotelinvest, a. s.
 IMOB a. s.
 JUNIOR centrum, a. s. in liquidation
 MERO ČR, a.s.
 CENTRUM-F, a. s.
 PRISKO a. s.
 STAVOCENTRAL, a. s. in liquidation
 STROJÍRNÝ TATRA PRAHA, a. s. in liquidation
 THERMAL-F, a. s.
 Czech-Moravian Guarantee and Development Bank (hereinafter referred to as “another controlled entity“)



3. Relationship between EGAP and the Czech Export Bank , a.s.

EGAP owns 20% of the share capital of the Czech Export Bank (hereinafter the “ČEB”) and 80% of its share capital is owned by the state – the Czech Republic.

III. Relationship with related entities towards EGAP:

1. Relationships between the state and EGAP and the contracts valid in the period from 1 January 2014 to 31 December 2014

2. Relations and contracts between EGAP and ČEB

EGAP has not concluded any such contracts. The relationship between EGAP and the state does not go beyond the framework of relations that normally exist between the shareholder and EGAP and the Act No. 58/1995 Coll., on Insuring and Funding of Exports with State Subsidies and amendment of Act No. 166/1993 Coll. on the Supreme Audit Office as amended (hereinafter referred to as “Act No. 58/1995 Coll.”).

In accordance with Act No. 58/1995 Coll. and its Implementing Directive No. 278/1998 Coll., EGAP acquired a subsidy into insurance funds from the State budget in the amount of CZK 1,250,000,000

a) Acts done in the last accounting period upon incentive or in the interest of ČEB

In 2014, EGAP paid the claims following from insurance contracts to the benefit of ČEB, moreover EGAP paid to ČEB purposefully exerted cost of exacting claims connected with liquidation of insured events. ČEB transferred to EGAP financial means paid by the debtor based on credits contracts after payment of the claim. EGAP received from ČEB the premium, in fact fees as per under b) below mentioned contracts.

b) Insurance contracts concluded in the period from 1 January 2014 to 31 December 2014:

number of contracts	character of contracts
4	New insurance contracts of type D
5	New insurance contracts of type Z
2	New insurance contracts of type F
11	Total number of new insurance contracts
1	Insurance decisions taken in 2014 to type D limit insurance contracts from previous years
1	Insurance decisions taken in 2014 to type If limit insurance contracts
5	Insurance decisions taken in 2014 to type Z limit insurance contracts from previous years
7	Total new insurance decisions taken to limit contracts (including limit insurance contracts from previous years)
11	Contract appendices concluded in 2014 to the single insurance contracts of type D from preceding years.
5	Contract appendices concluded in 2014 to the single insurance contracts of type Z from preceding years.

1 Amendments to contract in 2014 to type If one-off insurance contracts from previous years.

17 **Total number of contract appendices concluded in 2014 to the single insurance contracts from preceding years.**

1 **Amendment to type B one-off insurance contract from 2014 corresponding to acts within the meaning of Section 82 (2)(d) of the Corporations Act (Czech Export Bank is the beneficiary from the insurance)**

36 **The total number of contracts concluded in 2014**

c) Contract of regulation of rights and duties concluded in the period from 1 January 2014 to 31 December 2014:

Total number of contracts: 1

- Contract on keeping a current account of 23 April 2014

d) Other contracts with ČEB valid in the period from 1 January 2014 to 31 December 2014:

- Contract on trading on financial market of 11 April 2014
 - Contract for lease of non-residential premises of 1 April 1998
 - Contract on foreign exchange spots of 4 December 2009
 - Agreement on use of a compatible medium in system of payments of 6 November 2000



- Agreements on opening deposit accounts and on rules and conditions for placing term deposits with an individual interest rate on deposit account
- Agreement on cooperation in insurance of business transactions – pre-export credits against the risk of their non-repayment and bank guarantees against the risk of their calling extended to small and medium-sized enterprises of 26 June 2008
- Type D insurance contracts – 94 contracts
- Type F insurance contracts – 4 contracts
- Type If insurance contracts – 18 contracts

- Type Z insurance contracts – 35 contracts

3. Contracts with other controlled entities valid in the period from 1 January 2014 to 31 December 2014

Českomoravská záruční a rozvojová banka, a.s.

- contract on current account of 24 February 2004
- contract on term deposit of 24 February 2004
- Agreement on cooperation in extending support to small and medium sized enterprises

4. Lawsuits

No lawsuits with the state or a person controlled by the state have been conducted in 2014.

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 the Act No. 58/1995 Coll. Contracts concluded with the ČEB and other entities controlled by the same controlling entity as EGAP were within the framework of usual business

relations and they do not establish a disadvantageous position of EGAP, ČEB, or other controlled entities. It may be concluded in view of the above mentioned facts that EGAP did not have any special advantages, disadvantages or risks above the scope of business relations from the relationships between related entities. The Board of Directors further declares that in the last accounting period the controlling entity has not used

its influence to enforce adoption of any measures or conclusion of any contracts from which material detriment might arise for EGAP.

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

A handwritten signature in blue ink, appearing to read 'Procházka'.

Ing. Jan Procházka

Chairman of the Board of Directors
Chief Executive Officer

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

A handwritten signature in blue ink, appearing to read 'Šimáček'.

Ing. Milan Šimáček

Deputy Chairman of the Board of Directors
Deputy Chief Executive Officer

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



Report of the Supervisory Board

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

for the period from the last meeting of ministries exercising the right of the state as the sole shareholder of EGAP which took place on 30 April 2014 and the opinion of the Supervisory Board on the financial statements and on the proposal for settlement of the loss for the year 2014 for the meeting of ministries exercising the right of the state as the sole shareholder of EGAP, which is to take place

on 30 April 2015.

The Supervisory Board worked in the following composition in the past period:

Ing. Jaroslav Šulc, CSc., Chairman (from 30 April 2014)
 Ing. Jaroslav Ungerman, CSc. Vice-Chairman (appointed by Supervisory Board on 2 September 2014)
 Mgr. Martin Pospíšil (from 19 June 2014)
 Ing. Petr Blažek (from 19 June 2014)
 Ing. Zdeněk Nekula (from 27 January 2015)
 Ing. Jaroslav Koplík, member for EGAP's employees (appointed by Supervisory Board on 27 August 2014)

Ing. Petr Martásek, member for EGAP's employees (appointed by Supervisory Board on 27 August 2014)

Ing. Jan Dubec, member for EGAP's employees (from 25 April 2013)

Mgr. Zdeněk Zajíček, Chairman

(from 9 September 2010 to 30 April 2014)

Zdeněk Vališ, M.A., Vice-Chairman

(from 6 May 2011 to 19 June 2014)

Ing. Lukáš Wagenknecht, Vice-Chairman

(from 30 April 2014 to 2 September 2014)

JUDr. Pavel Řezáč (from 30 May 2012 to 29 January 2015)

Ing. Radek Urban (from 23 May 2012 to 30 April 2014)

Ing. David Havlíček (from 27 June 2012 to 28 February 2014)

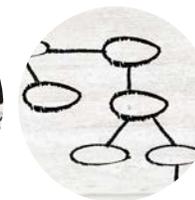
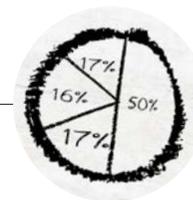
Ing. Jiří Jirka (from 22 November 2012 to 28 February 2014)

In the past period from the meeting of the Supervisory Board on 24 April 2014, there were 11 ordinary meetings of the Supervisory Board held on 3 July 2014, 27 August 2014, 2 September 2014, 16 October 2014, 20 November 2014, 18 December 2014, 27 January 2015, 26 February 2015, 24 March 2015 and 23 April 2015. Furthermore, there were 3 extraordinary meetings on 21 July 2014, 25 September 2014 and 10 March 2015. At its meetings, the Supervisory Board discussed issues stipulated by Articles of Association, i.e. particularly important business cases and insured events, conceptual documents, reports on activities of the Board of Directors and personal changes in the Supervisory Board and the Board of Directors.

There are documents on the course of dealings and results of voting in the form of minutes from ordinary and extraordinary meetings of the Supervisory Board. All discussed items are specified in Annex No. 1 to this material.

The Supervisory Board also:

- examined and approved the Report on fulfilment of EGAP's business plan for 2014 including the financial statements and proposal for the settlement of the loss. It performed the examination on the basis of documentation submitted by the Board of Directors and no discrepancies had been discovered;
- took notice of the report of the independent auditor of EGAP on authentication of EGAP's financial statements for the year of 2014. These reports stated that the financial statements give a full and fair view of the financial position of EGAP as at 31 December 2014 and of its business activities for the year 2014 in compliance with the Czech accounting regulations.
- approved, on the basis of audited business results and information on fulfilment of criteria of material interest, assessment of short-term and middle-term criteria of motivation of managers for the year 2014 in compliance with the Resolution of the Government of the Czech Republic No. 159 of 22 February 2010.



After examination of the above documents, the Supervisory Board:

- recommends that the ministries exercising the right of the State as the sole shareholder performing the competence of the General Meeting of EGAP approve the Report on fulfilment of EGAP's business plan for 2014 as well as the annual financial statements;

- acknowledges the auditor's statement "without reservations" for the financial statements for the year of 2014;

- recommends that the ministries exercising the right of the State as sole shareholder performing the competence of the General Meeting approve the submitted proposal for covering the loss;

- acknowledges 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 2014 to 31 December 2014.

Prague, 23 April 2015

Ing. Jaroslav Šulc, CSc.

Chairman of the Supervisory Board

Exportní garanční a pojišťovací společnost, a.s.

(Export Guarantee and Insurance Corporation)



Supervisory board as at 31 December 2014 (with changes during 2014)

Ing. Jaroslav Šulc, CSc. (adviser of the Prime Minister, adviser of the chairman of the CMCTU)	Chairman from 3 July 2014 member from 30 April 2014
Ing. Jaroslav Ungerman, CSc. (macroeconomist of the CMCTU)	Vice-Chairman from 2 September 2014 member from 2 September 2014
Ing. Petr Blažek (Ministry of Finance of the Czech Republic)	member from 19 June 2014
JUDr. Pavel Řezáč (Ministry of Foreign Affairs of the Czech Republic)	member from 30 May 2012
Mgr. Martin Pospíšil (Ministry of Industry and Trade of the Czech Republic)	member from 19 June 2014
Ing. Jan Dubec (representative of EGAP's employees)	member from 25 April 2013
Ing. Jaroslav Koplík (representative of EGAP's employees)	member from 27 August 2014 <i>(member from 26 April 2010 to 26 April 2014)</i>
Ing. Petr Martásek (representative of EGAP's employees)	member from 27 August 2014 <i>(member from 26 April 2010 to 26 April 2014)</i>
Mgr. Zdeněk Zajíček (Ministry of Finance of the Czech Republic)	Chairman from 27 January 2011 to 30 April 2014, member from 3 December 2010 to 30 April 2014
Ing. Lukáš Wagenknecht (Ministry of Finance of the Czech Republic)	Vice-Chairman from 3 July 2014 to 2 September 2014, member from 30 April 2014 to 02 September 2014

Zdeněk Vališ, M.A.
(Ministry of Industry and Trade
of the Czech Republic)

Vice-Chairman from 16 August 2012
to 19 June 2014, member from
6 May 2011 to 19 June 2014

Ing. Radek Urban
(Ministry of Finance of the Czech Republic)

member from 26 April 2012
to 30 April 2014

Ing. Jiří Jirka
(Ministry of Industry and Trade
of the Czech Republic)

member from 22 November 2012
to 28 February 2014

Ing. David Havlíček
(Office of the Government
of the Czech Republic)

member from 27 June 2012
to 28 February 2014

Board of Directors as at 31 December 2014 (with changes during 2014)

Ing. Jan Procházka

Chairman and member
from 17 December 2012

Ing. Milan Šimáček
Vice-Chairman of the Board of Directors

Vice-Chairman from 10 February 2014
*(Vice-Chairman from 17 December 2012
to 10 February 2014)*
*(member from 10 February 2014; member
from 24 June 2009 to 10 February 2014)*

Members:

Ing. Ladislav Řezníček, MBA

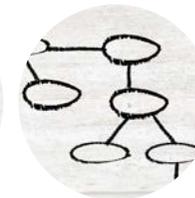
member from 26 May 2011

JUDr. Miroslav Somol, CSc.

member from 11 October 2012

JUDr. Ing. Marek Dlouhý

member from 28 March 2013





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., identification number 45279314, with registered office at Vodičkova 34/701, Praha 1 ("the Company") for the year ended 31 December 2014 disclosed in the annual report on pages 18 - 54 and issued the opinion dated 23 March 2015 and disclosed on page 17.

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 2014 is consistent with the financial statements which are included in this annual report. The Statutory Body 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 2014 is consistent, in all material respects, with the financial statements.

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 2014 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our conclusion on the Report based on performed review.

Scope of Review

We conducted our review in accordance with Audit standard 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Report is free of material factual 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 82 of the Corporations Act.

17 June 2015

PricewaterhouseCoopers Audit, s.r.o.

represented by

Marek Richter

Marek Richter
Partner

Martin Hrdý

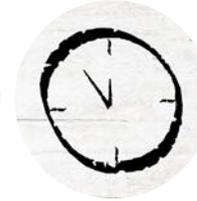
Martin Hrdý
Statutory Auditor, Licence No. 2197

Note

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

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Praha 4, Česká republika
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PricewaterhouseCoopers Audit, s.r.o., se sídlem Hvězdova 1734/2c, 140 00 Praha 4, IČ: 40765521, zapsaná v obchodním rejstříku vedeném Městským soudem v Praze, oddíl C, vložka 3637 a v seznamu auditorských společností u Komory auditorů České republiky pod oprávněním číslo 021.



Business name:	Exportní garanční a pojišťovací společnost, a.s. (Export Guarantee and Insurance Corporation)
Legal form:	joint-stock company
Company registration number:	45279314
Tax registration number:	CZ45279314
Entry in Commercial Register:	incorporated in the Commercial Register administered by the Municipal Court in Prague, Section B, File No. 1619
Date of entry in Commercial Register:	1 June, 1992
Authorized capital registered in Commercial Register:	CZK 1,300,000,000 The registered capital has not been increased since 10 January 1996.
Form of shares:	shares are in a dematerialised form; they are not publicly traded
Identification number of securities (ISIN):	CZ0008040508
Kind, form, type and number of issued shares including their nominal value:	1 300 pc registered shares in the nominal value of CZK 1,000,000.
Shareholders:	The Czech Republic is the sole shareholder
Number of organisational units:	EGAP is not divided in units
Registered office:	Vodičkova 34/701, 111 21 Prague 1
Telephone:	+(420) 222 841 111
E-mail:	info@egap.cz
Internet:	www.egap.cz
Bank details:	41908111/0100, Komerční banka, Prague 1