This version of the Annual Report has not been prepared in the European Single Reporting Format ("ESEF") and is an unofficial version of the official Annual Report published in accordance with ESEF in the XHTML format. The Company has taken all steps to ensure that this version corresponds to the original. In the event of any discrepancy in the information, opinions or interpretations, the official version of the Annual Report shall take precedence over this version.

The official Annual Report prepared in the ESEF format is available at:
https://www.ceb.cz/en/about-us/mandatory-disclosure-of-information/annual-reports/

ANNUAL REPORT

2020

CZECH EXPORT BANK
ČESKÁ EXPORTNÍ BANKA

Foreword by the Chairman of the Board of Directors

Honourable Shareholders, dear Business Partners,

For many of you, 2020 was a year full of unexpected new challenges and obstacles caused by the coronavirus pandemic and its impacts on the domestic economy as well as international trade. Even though the global and Czech economies have seen a historical decrease and the supply chains have been disrupted in an unprecedented manner, Czech export manufacturers and exporters have made every effort to finalise the existing deals or gain new export contracts. The Czech Export Bank continued to stand by the Czech export-oriented companies and through its guarantee and loan products tried to contribute to resolving the current needs of the Czech export manufacturers and exporters as users of the state-supported system of export financing.

The high level of uncertainty affected not only the business and investment activities of Czech exporters but especially of their foreign customers. Almost all negotiations on contracts with a significant volume became considerably delayed, often extending beyond the end of the calendar year. In reaction to the uncertain situation, foreign customers of Czech exporters postponed their investment decisions and there were major delays in negotiations. Czech exporters reacted to the new situation by increased acquisition effort and, to support their acquisition activities, the Czech Export Bank issued dozens of indicative offers to over thirty countries practically from all continents, from which it expects real demands for supported financing in 2021. More than ever before, it holds true that the financing offers from the Czech Export Bank as a state-owned institution increase the exporter's credibility and their chance to gain new export contracts in these difficult times. The number of offers issued by ČEB must be primarily perceived as an extraordinary achievement of the Czech exporters who gained the trust and interest of foreign customers in Czech products.

In the system of programmes of the Government of the Czech Republic for the business sphere to support the fight against the coronavirus pandemic, the mandate of the Czech Export Bank remained unchanged, i.e. especially the support of Czech manufacturers and exporters with an existing export contract. Our activities thus primarily focused on the current needs of Czech export-oriented companies in three areas. The first area focused on ensuring the liquidity needed for finalisation of deals in progress by accelerating the collection of finalised deliveries through the purchase of receivables and direct supplier loans. The second but equally important area was the support of exporters in gaining new contracts by providing guarantees for their export contract obligations. The third area was the standard professional assistance to Czech exporters during negotiations and structuring of their export transactions.

The achieved numbers and volumes of finalised transactions of export financing of the Czech Export Bank are the result of the factors described above. We consider it a success that we provided a total of 90 loan and guarantee products in support of export manufacturers and exporters, which represents a year-on-year increase of approximately 11%. The achieved volume of provided products of supported financing was historically low due to the nature of demands of the Czech export-oriented companies.

The fact that an unusual situation occurred when no export customer loan was provided in 2020 cannot be ignored. This situation was caused by significant delays in the negotiations of volume-significant export contracts. Taking into account the volume of supported financing realised not only in the form of bilateral transactions of the Czech Export Bank in the volume of almost CZK 989 million but also the entire volume of supported financing realised with the Czech Export Bank's participation in the club of banks, the total volume of supported financing with the involvement of the Czech Export Bank amounts to approximately CZK 1.1 billion. Last year, the Bank supported 18 Czech companies through financing, which is a return to the levels from 2014 to 2017 in terms of the number of clients. For example, the export of machine tools to the USA or tractors to Ghana are worth mentioning here. The last year's statistics also includes other markets important for the diversification of Czech export: Chile, Malaysia, Rwanda, Saudi Arabia or Israel; the total number of territories is 20. Last year, we continued to cooperate with small and medium-sized companies. The total of 42 new loan and guarantee contracts in the aggregate amount of CZK 356 million in this segment forms almost a half of the total number of contracts concluded last year.

The fact that none of the newly finalised business cases show an imminent risk of credit loss despite the impact of the pandemic confirms the quality of our work. The total assets in the amount of CZK 41.2 billion slightly decreased compared to 2019 but the Bank generated profit before tax in the amount of CZK 436.7 million.

We are entering 2021 expecting the impact of various restrictions that will, especially in the first half of the year, hinder the finalisation of business cases where the ones that are significant in volume can be negotiated for months. Nevertheless, the year-long business outlook is more optimistic than last year and we are expecting a growth in the volume of business cases as we are very positive about the strong efforts of our partners among Czech manufacturers for export and exporters to gain new international contracts and finalise the ones that are in progress. At the same time, we continue to develop closer cooperation with the EGAP insurance company in the preparation of an ownership merger of both companies as anticipated by the amendment of Act No. 58/1995 Coll. on Insurance and Financing of Exports with State Support.

To conclude, allow me to thank you, our shareholders and business partners, for your cooperation in these difficult times. I would also like to thank the employees of the Czech Export Bank for their continuous commitment to providing high quality services to our partners even in the difficult conditions caused by the coronavirus pandemic.

Ing. Jaroslav Výborný, MBA
Chairman of the Board of Directors and CEO

Deloitte.

Deloitte Audit s.r.o.
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Registered by the Municipal Court in
Prague, Section C, File 24349
ID. No.:49620592
Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of
Česká exportní banka, a.s.

Having its registered office at: Vodičkova 34 č.p. 701, 111 21 Praha 1

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Česká exportní banka, a.s. (hereinafter also the "Company") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Česká exportní banka, a.s. as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	Related audit procedures
Allowances for loans and receivables	
Refer to Note 3b and Note 13 to the Financial Statements The assessment of loss allowances for loans and receivables from customers at amortised cost requires Bank management to exercise a significant level of judgment, especially with regards to identifying impaired loans and quantifying their impairment. To assess the amount of allowances for expected credit losses, the Bank applies statistical models with input parameters from internal and external sources. In accordance with the requirements of IFRS 9 Financial Instruments, the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages are based on an assessment of the objective characteristics of loans and the relevant debtors and subjective judgments of the Bank. The assessment of classification to impairment stages includes: • Comparison between given rating at the initial recognition of the receivable and at each reporting date; • Absolute factors (such as limits set by related regulations, 30 days past due etc.); • Other factors with internal relevance for the Bank (e.g. breach of covenants, impacts of COVID-19 etc.). Where no repayment difficulties have been identified for a particular receivable, the Bank creates allowances using the statistical model for loans (Stage 1). The expected loan loss allowances are calculated using available historical data and anticipated future development determined using macroeconomic indicators. The macroeconomic indicators were reassessed due to uncertainties related to the COVID-19 pandemic. The statistical model used is based on the probability of default and the estimated amount of the loss given default. Input data for the model and the calculation logic and its comprehensiveness depend on the judgment of Bank management. Determining the amount of loan loss allowances using individual assessment (Stage 2 & Stage 3) is based on: a) Amount and timing of expected future cash flows; b) Collateral value. The loan loss allowances for expected credit losses for loans at Stage 1 and Stage 2 amount to CZK 186 million. The loan loss allowances for impaired loans at Stage 3 amount to CZK 1,091 million. The total recognised gross amount of loans and receivables at amortised cost as at 31 December 2020 was CZK 34,469 million.	We assessed the adequacy of the methodology used by the Bank to identify the material increase in credit risk, loan impairment and to calculate allowances. We tested the design of key internal controls management of the Bank has established over the impairment assessment processes. For receivables for which the Bank has not identified any difficulties likely to prevent the full repayment of receivables (Stage 1), the testing focused on the correct classification of receivables to corresponding impairment stages. Our credit risk experts assessed the amounts of allowances for Stage 1 and reviewed the adequacy of management judgments as regards the probability of loan default and the estimated amount of loss given default. For loan loss allowances at Stage 2 and Stage 3, the testing included controls related to the creation, regular client creditworthiness review processes, management review and approval of the impairment evaluation results. On a sample of exposures, we evaluated the appropriateness of the allowance creation methodologies and their application (including exposures not classified as impaired by management). We formed an independent view of the classification of selected exposures and the required amount of allowances by examining available external and internal information, which also included the effects of the COVID-19 pandemic. This work involved assessing the work performed by experts used by the Bank to value the collateral or to assess the estimates of future cash flows.

Key audit matter	Related audit procedures
Interest and fee income recognition	
Refer to Note 6 and Note 7 to the Financial Statements For the year ended 31 December 2020, the net interest income was CZK 780 million and net fee and commission income was CZK 13 million, the main source being loans and deposits. These are together with the state subsidy the main contributors to the net operating income of the Bank affecting the Bank's profitability. The Bank accounts for the accruals of interest using the effective interest rate method, with the exception of penalty interest, interest on hedging and interest on finance leases. In determining the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument but does not consider possible future credit losses resulting from loan default. The calculation includes all fees and payments paid or received between contracting parties that are an integral part of the effective interest rate, transaction costs, commitment commissions and all other premiums or discounts. If the financial asset is reduced due to impairment, interest income is recognised using the interest rate that was used to discount cash flows in order to determine impairment. Fees and commissions, which are not part of the effective interest rate, are generally recognised on an accrual basis when the service has been provided. Commitment commissions for loans that are not likely to be drawn are recognised as revenue on the date of the maturity of the liability. Advisory and service fees are recognised based on the appropriate service contracts, usually on an accrual basis. Revenue recognition specifics, a high volume of transactions which depends on data quality of interest and fee inputs and on IT solutions for their recording, resulted in this matter being identified as a key audit matter.	We evaluated the design of the key internal controls and focused on: • Assessment of interest/fees recognition during new product validation; • Interest/fee inputs on customer loans and deposits, including authorisation of the changes in the interest and fee price list and authorisation of non-standard interest/fees; • Recording of fee and interest income and management oversight; and • IT controls relating to access rights and change management of relevant IT applications with the assistance of our IT specialists. We performed the following procedures with regard to interest and fees revenue recognition: 1) We evaluated the accounting treatment performed by the Bank in respect of fees charged to clients to determine whether the methodology complies with the requirement of the relevant accounting standard (IFRS 9). We focused our testing on the correct classification of: • Fees that are identified as directly attributable to the financial instrument; • Fees that are not identified as directly attributable to the financial instrument. 2) We evaluated the mathematical formula used for accruing the relevant income over the expected life of the loan. We have analysed the correctness of the recorded amount of interest income and fee and commission income using substantive analytical tests. These tests included the determination of expected volumes of income based on the observed historical development over past years and the actual development of the market, which was compared to the related amount recorded by the Bank.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

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

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

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Company's Board of Directors, Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

<u>Appointment of the Auditor and the Period of Engagement</u>

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 24 April 2017 and our uninterrupted engagement has lasted for 12 years.

<u>Consistence with the Additional Report to the Audit Committee</u>

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

<u>Provision of Non-audit Services</u>

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and which have not been disclosed in the annual report.

Report on Related Party Transactions Report

We have reviewed the factual accuracy of the information included in the accompanying related party transactions report of Česká exportní banka, a.s. for the year ended 31 December 2020 which is included in this annual report on pages 116 to 121. This report on relations among related entities is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the related party transactions report is free of material factual misstatements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Česká exportní banka, a.s. for the year ended 31 December 2020 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements included in the annual report with the provisions of the Commission Delegated Regulation (EU) 2019/815 on the European Single Reporting Format that apply to the financial statements (the "ESEF Regulation").

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the financial statements in compliance with the ESEF Regulation. Inter alia, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal controls relevant for the application of the requirements of the ESEF Regulation;
- The preparation of all financial statements included in the annual report in the valid XHTML format;

Auditor's Responsibilities

Our task is to express a conclusion whether the financial statements included in the annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (hereinafter "ISAE 3000").

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal controls relevant for the application of the requirements of the ESEF Regulation; and
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error.

Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether the financial statements included in the annual report were prepared in the valid XHTML format;

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

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2020 included in the annual report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 26 March 2021

Audit firm:

Deloitte Audit s.r.o.
registration no. 079

Statutory auditor:

David Batal
registration no.2147

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Key indicators

Key indicators Unaudited data

	unit	2020	2019
Financial results[1]			
Net interest income	CZK million	780	553
Net fee and commission income	CZK million	13	4
Operating income	CZK million	127	51
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	CZK million	159	(96)
Total operating costs	CZK million	(604)	(357)
Income tax	CZK million	(273)	18
Net profit	CZK million	164	66
Balance sheet			
Total assets	CZK million	41,236	43,876
Amounts due from parties other than credit institutions at amortised cost	CZK million	29,278	32,162
Amounts due from credit institutions at amortised cost	CZK million	5,191	5,829
Financial liabilities at amortised cost to parties other than credit institutions	CZK million	2,089	2,529
Financial liabilities at amortised cost to credit institutions	CZK million	6,614	1,768
Issued bonds	CZK million	24,319	31,782
Total equity	CZK million	7,322	7,171
Ratios[2]			
Return on average assets (ROAA)	%	0.36	0.13
Return on average equity (ROAE)	%	2.30	0.95
Total capital ratio	%	106.90	86.19
Assets per employee	CZK million	314.78	313.40
Administrative expenses per employe	CZK million	(1.96)	(2.01)
Net profit per employee	CZK million	1.25	0.47
Other information			
Average headcount	employees	137	145
Headcount (as of 31 December)	employees	131	140
Guarantees issued	CZK million	1,742	1,390
Loan commitments	CZK million	2,881	3,373
Rating – long-term payables			
Moody's	–	Aa3	Aa3
Standard & Poor's	–	AA-	AA-

Source: ČEB

[1)] Categories including the comparable period are disclosed in accordance with the definitions of the Financial Reporting Standards (FINREP).

Operating income
Net profit/loss from financial operations including state subsidies + Other operating income Source: PROFIT AND LOSS ACCOUNT

Total operating costs
Administrative expenses + Amortisation and Depreciation + Other operating costs Source: PROFIT AND LOSS ACCOUNT

[2)] Ratios are published every quarter on the Bank's website and are calculated based on the formulas stated below:
https://www.ceb.cz/kdo-jsme/povinne-zverejnovani-informace/pravidelne-ctvrtletni-informace2/

The impact resulting from the application of the new IFRS 16 accounting standard on the indicators is insignificant and is based mainly on the decrease in net profit by CZK 1 million.

Return on average assets (ROAA)
Net profit for the reporting period divided by average total assets.
Average total assets: total of monthly amounts of total assets at the year-end X-1 to year-end X divided by 13.
Return on average equity (ROAE)
Net profit for the reporting period divided by average Tier 1 capital.
Average capital Tier 1: total of monthly amounts of Tier 1 capital at the year-end X-1 to year-end X divided by 13.
Total capital ratio
Capital at the year-end divided by risk exposures at the year-end.
Assets per employee
Total assets for the reporting period divided by average headcount.
Administrative expenses per employee
Administrative expenses for the reporting period divided by average headcount.
Net profit per employee
Net profit for the reporting period divided by average headcount.

ČEB's Profile

1

1 | Profile of Česká exportní banka, a.s.

1.1. History and Development of Česká exportní banka, a.s.

Česká exportní banka, a.s. (hereinafter "ČEB" or the "Bank") is registered in the Commercial Register maintained by the Municipal Court in Prague, file No. B 3042. Its primary objective is to support Czech exports as stipulated by Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support. The nature of the support has developed from the simple provision of concessional financing to today's comprehensive services of supported financing, the performance of which is conditioned by the ownership of at least 2/3 of the Bank's shares by the Czech state, as required by the aforementioned Act. ČEB provides export support through banking services under a banking licence.

Based on a banking licence[1] issued by the Czech National Bank under Ref. No. 2003/3966/520 dated 19 September 2003, amended by the decision of the Czech National Bank under Ref. No. 2003/4067/520 dated 30 September 2003, under Ref. No. 2005/3982/530, dated 16 December 2005, under Ref. No. 2011/141/570 dated 6 January 2011 and under Ref. No. 2013/6197/570 dated 27 May 2013, the principal business activities of ČEB are defined as follows:

(i) Pursuant to Section 1 (1) of Act No. 21/1992 Coll., on Banks
- a) Acceptance of deposits made by general public
- b) Provision of loans

(ii) Pursuant to Section 1 (3) of Act No. 21/1992 Coll., on Banks
- a) Investing in securities on the Bank's own account, in the following scope:
  - Investing in negotiable securities issued by the Czech Republic, the Czech National Bank and foreign governments;
  - Investing in foreign bonds and mortgage bonds; and
  - Investing in securities issued by legal entities with registered offices in the territory of the Czech Republicy
- c) Payment systems and clearing;
- e) Provision of guarantees;
- f) Opening of letters of credit
- g) Collection services
- h) Investment services under special regulation[1] comprising:
  - Major investment services
    - – In line with Section 4 (2) (a) of the Act on Capital Market Undertakings – receiving and giving instructions on investment instruments, specifically investment instruments pursuant to Section 3 (1) (d) of this Act;
    - – In line with Section 4 (2) (b) of the Act on Capital Market Undertakings – implementation of instructions related to investment instruments on the account of clients, specifically investment instruments pursuant to Section 3 (1) (d) of this Act;
    - – In line with Section 4 (2) (c) of the Act on Capital Market Undertakings – trading of investment instruments, on the Bank's account, specifically investment instruments pursuant to Section 3 (1) (a) of this Act, with the exception of shares and other securities representing an equity investment in a company or another legal entity, specifically investment instruments pursuant to Section 3 (1) (c) and (d) of the Act on Capital Market Undertakings;
    - – In line with Section 4 (2) (e) of the Act on Capital Market Undertakings – investment advisory on investment instruments, specifically instruments pursuant to Section 3 (1) (d) of this Act; and
  - Additional investment services
    - – In line with Section 4 (3) (a) of the Act on Capital Market Undertakings – escrow and administration of investment instruments including the relating services, specifically investment instruments pursuant to Section 3 (1) (a), (c) and (d) of this Act;
    - – In line with Section 4 (3) (c) of the Act on Capital Market Undertakings – advisory on the capital structure, industrial strategies and related issues, advisory and services on company transformations and company transfers.
- l) Provision of banking information
- m) Trading on the Bank's own account or on the client's account in foreign currencies that are not investment instruments and in gold to the extent of the following:

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[1] The banking licence replaced the permit issued by the Czech National Bank to Česká exportní banka, a.s., based on which ČEB was allowed to perform its activities as a bank; the permit was issued on 6 February 1995 and the change was made on 27 June 1996.

[2] Act No. 256/2004 Coll., on Capital Market Undertakings

- Trading on the Bank's own account in foreign bonds;
- Trading on the Bank's own account in funds denominated in foreign currencies;
- Trading on the Bank's own account or on its clients' account in negotiable securities issued by foreign governments;
- Trading on the Bank's own account or on its clients' account in monetary rights and obligations derived from the above-mentioned foreign currencies;
- Trading on its clients' account in funds denominated in foreign currencies; and

p) Activities directly related to the activities mentioned in Česká exportní banka's banking licence.

Summary of Activities the Performance or Provision of which was Limited or Eliminated by the Czech National Bank during 2020: No activities have been limited or eliminated.

1.2. Registered Office and Legal Status of Česká exportní banka, a.s. and Legal Regulations Governing its Activities

Registered office:	Vodičkova 701/34, Prague 1, 111 21
Legal status:	Joint Stock Company
Corporate ID:	63078333
Telephone:	+420 222 841 100
Fax:	+420 224 211 266
E-mail:	ceb@ceb.cz
Website:	www.ceb.cz

The principal Czech legal regulations under which ČEB performed its activities in 2020:

Act No. 110/2019 Coll., on Personal Data Protection;
Act No. 250/2016 Coll., on Liability on Administrative Offences and their Procedures;
Act No. 370/2017 Coll., on Payments;
Act No. 21/1992 Coll., on Banks;
Act No. 280/2009 Coll., Tax Code;
Act No. 190/2004 Coll., on Bonds;
Act No. 235/2004 Coll., on Value Added Tax;
Act No. 253/2008 Coll., on Certain Measures against Money Laundering and Terrorism Financing;
Act No. 69/2006 Coll., on the Implementation of International Sanctions;
Act No. 256/2004 Coll., on Capital Market Undertakings;
Act No. 499/2004 Coll., on Archiving and Record Management;
Act No. 563/1991 Coll., on Accounting;
Act No. 89/2012 Coll., Civil Code;
Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Act on Business Corporations);
Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support;
Act No. 229/2002 Coll., on the Financial Arbiter;
Act No. 586/1992 Coll., on Income Taxation;
Act No. 589/1992 Coll., on Social Security Contributions and Contributions to the State Employment Policy;
Act No. 592/1992 Coll., on Public Health Insurance;
Act No. 93/2009 Coll., on Auditors;
Act No. 304/2013 Coll., on Public Registers of Legal and Natural Persons;
Act No. 408/2010 Coll., on Financial Collateral;
Regulation (EU) No. 2016/679, General Data Protection Regulation (GDPR);
Regulation (EU) No. 596/2014, on market abuse;
Regulation (EU) No. 575/2013, on prudential requirements for credit institutions and investment firms and related implementing regulations of the European Commission;
Regulation (EU) No. 648/2012, on OTC derivatives, central counterparties and trade repositories (EMIR); and
Regulation (EU) No. 1233/2011 of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits.

These regulations represent the primary legislative base for ČEB's activities. In addition to the aforementioned regulations, ČEB's activities have to comply with various other decrees, government regulations or implementing regulations, guidelines and other documents issued by EU bodies.

1.3. Disclosed Documents

ČEB's Articles of Association in Czech are publicly available and the hard-copy version thereof can be inspected in the Bank's registered office. The electronic version of the Bank's Articles of Association in Czech is publicly available in the Collection of Deeds of the Commercial Register file No. B 3042/SL 186/MSPH of the Municipal Court in Prague.

On the website of the Commercial Register – Collection of Deeds, the updated version of ČEB's Articles of Association is available under the following address: https://or.justice.cz

In addition, ČEB's website makes publicly available all documents and information on its activities, through which it meets its informational obligation arising from the relevant legal regulations that the Bank is to follow in performing its business.

1.4. Additional Information on ČEB

ČEB is not a member of any group and has no organisational branch abroad.

Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, authorised the Bank to finance exports with state support in line with international rules of public support applied in financing state-supported export loans with a maturity period of at least two years (predominantly with the "OECD and WTO Consensus").

Under Section 8 (1) (b) of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, the state is held liable for the obligations of ČEB arising from payments of funds received by ČEB and for obligations arising from other ČEB's operations on the financial markets.

No specific event that could have a material impact on the evaluation of ČEB's solvency has occurred since the last publication of the Annual Report of ČEB as an issuer of securities.

When providing export loans with a maturity period of at least two years, ČEB complies with the rules for assessing the impacts the financed export projects may have on the environment and human rights of the export destination. ČEB complies with the procedures set out in OECD Council Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (2016) providing guidance on the application of some rules in state-supported export credits. ČEB does not perform any environmental activities on its own.

ČEB's employment relations are concluded in line with Act No. 262/2006 Coll., the Labour Code, as amended. They include employment contracts, agreements to complete a job and agreements to perform work.

Members of the Board of Directors, the Supervisory Board and the Audit Committee perform their functions based on contracts on holding the office concluded in line with Section 59 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Act on Business Corporations). ČEB's regulation base specifies further provisions on specific areas concerning employment relations and executive functions in its internal policies (statutory norms, guidelines, internal policies, codes, strategies). These include in particular the following internal policies: ČEB's Articles of Association, Work Rules, Employee's Code of Ethics, Organisation Code, Occupational Health and Safety and Fire Protection, Remuneration and Work Performance Management, Business Trips and Travel Compensation, Hiring and Selecting Employees, Employee Education Process, Principles of Remuneration of Members of Corporate Bodies, Summary Principles of Remuneration of ČEB Employees ('Risk Takers'), Human Resources Management Principles.

ČEB does not make any research and development investments on its own account. As part of the permitted version of the product "loan for the funding of export production", ČEB offers financing possibilities to Czech manufacturers for introducing new results of research and development into production, i.e. commercialisation of tangible results of research and development with respect to export. In 2020, this version of the product "loan for the funding of export production" was not provided. Historically, ČEB records three loans provided under this version of the product in the aggregate nominal value of the principal of CZK 1.088 billion.

ČEB continues to fully respect the obligations arising for the Czech Republic from the OECD guidelines to combat bribery of foreign public officials in international business transactions, specifically the "OECD Council Recommendation on Bribery and Officially Supported Export Credits" (2019). ČEB uses this document as its primary basis when formulating requirements for exporters and determining procedures to evaluate compliance with the conditions of fight against corruption in specific export transactions.

In compliance with Section 41 (a) of Act No. 21/1992 Coll., on Banks, ČEB contributes to the system of insurance of receivables from deposits and contributes to the Deposit Insurance Fund in the scope defined by law. The contributions to the system amounted to CZK 18,000 in 2020.

ČEB, as a securities trader, is obliged to contribute to the Deposit Guarantee Fund of the Securities Traders in compliance with Act No. 265/2004 Coll., on Capital Market Undertakings. In compliance with Section 129 (2) of the Act, the contribution of ČEB amounted to CZK 10,000 in 2020.

Since 2016, ČEB has been obliged to contribute to the Crisis Resolution Fund in compliance with the relevant provisions of the Act on Recovery and Resolution in the Financial Market (predominantly Sections 209 and 214). The contribution for 2020 as stipulated by the Czech National Bank amounted to CZK 11,712,192.

1.5. Administrative, Management and Supervisory Bodies of ČEB and their Committees

General Meeting – the supreme bank body that decides by the majority of present shareholders in the issues that are entrusted to its authority by Act No. 90/2012 Coll., and the Bank's Articles of Association.

Supervisory Board – supervises the performance of the Board of Directors' activities and the performance of the Bank's business activities and presents its opinions to the General Meeting.

The Supervisory Board as of 31 December 2020

Chairman **Ing. Rudolf Rabiňák**	*Substitute member from 27 June 2019 to 17 December 2019 and Chairman from 1 September 2019 to 17 December 2019 (as part of the substitute membership)* Member and Chairman since 18 December 2019
Vice-Chairman *Position vacant*	
Members **Ing. Miroslav Zámečník**	since 24 April 2017
prof. PhDr. Petr Teplý, Ph.D.	from 23 June 2014 to 23 June 2019, re-appointed on 24 June 2019

Board of Directors – as the Bank's statutory body, manages the operations of the Bank, acts in its name, ensures the business management including accounting, and takes decisions related to all bank issues unless otherwise stipulated by law or by regulations defined as competences of the General Meeting or the Supervisory Board. The Board of Directors makes decisions that may be subject to the Supervisory Board's additional approval in accordance with the Bank's Articles of Association.

Board of Directors as of 31 December 2020 *(with changes that occurred during 2020)*

Chairman **Ing. Jaroslav Výborný, MBA** Chairman of the Board of Directors/Chief Executive Officer in charge of the Export Financing division	*Member from 1 July 2015 to 1 July 2020* *Vice-Chairman from 22 September 2016 to 26 March 2018 and Chairman from 27 March 2018 to 1 July 2020* Re-elected member since 2 July 2020 Chairman and CEO since 2 July 2020

Vice-Chairman	
JUDr. Martin Draslar, Ph.D. *Vice-Chairman of the Board of Directors* *in charge of the Finance and* *Operations division*	*Member from 15 October 2015 to 22 April 2020* *and Vice-Chairman from 16 August 2018 to 22 April 2020*
Ing. Emil Holan Member of the Board of Directors, in charge of the Risk Management division	Member since 1 August 2018 Vice-Chairman since 2 July 2020
Member	
Ing. Jiří Schneller Member of the Board of Directors in charge of the Finance and Operations division	Substitute member since 4 August 2020 to 20 December 2020 Member since 21 December 2020

Audit Committee – set up by a decision of the General Meeting of Česká exportní banka, a.s., held on 10 December 2009 and effective as of 4 January 2010. The Audit Committee focuses mostly on the process of preparing the Bank's financial statements, evaluates the effectiveness of the internal controls of the Bank, the internal audit and/or risk management systems. It monitors the procedure of obligatory audit of the financial statements and recommends the statutory auditor.

Audit Committee as of 31 December 2020 *(with changes that occurred during 2020)*

Chairman	
Ing. Ladislav Langr	*Member since 23 November 2014* *and Chairman from 10 December 2014 to 23 November 2018,* *re-appointed as member and chairman on 19 December 2018*
Members	
Ing. Radovan Odstrčil	from 27 April 2016 to 27 April 2020 re-elected since 29 April 2020
Ing. Stanislav Staněk	since 29 April 2019

Other Decision-Making Bodies of ČEB

Within the scope of its activities, the Board of Directors set up the following decision-making bodies:

Credit Committee – a permanent decision-making and advisory body of the Board of Directors for deciding on and evaluating all issues related to selected transactions and credit risk management, and the advisory body of the leading employees of ČEB. The Credit Committee is part of the management and control system of the Bank. Since 1 July 2018, this decision-making body has assumed certain competencies of the Board of Directors, such as negotiating and approving business cases.

The composition of the Credit Committee in 2020 was as follows:

Chairman of the Credit Committee
Ing. Emil Holan
Member of the Board of Directors
in charge of the Risk Management division

Vice-Chairman of the Credit Committee
Ing. Jaroslav Výborný, MBA
Chairman of the Board of Directors/Chief
Executive Officer in charge of the Export Financing division

Members of the Credit Committee
JUDr. Martin Draslar, Ph.D *until 22 April 2020*
Vice-Chairman of the Board of Directors,
in charge of the Finance and Operations division

Ing. Jiří Schneller *since 4 August 2020*
Member of the Board of Directors,
in charge of the Finance and Operations division

Members of the Credit Committee on behalf of Risk Management
Ing. Jiří Soukup
Director of the Loan Analysis section

PhDr. Václav Fišer
Director of the Credit Risk Management section

Members of the Credit Committee on behalf of the Export Financing division
Ing. Tomáš Hadžega
Director of the Export Financing division

Ing. Miloš Welser
Deputy Director of the Export Financing division

Assets and Liabilities Management Committee (ALCO)

The Assets and Liabilities Management Committee operates as permanent decision-making and advisory body of the Board of Directors for deciding on and evaluating all issues related to the management of assets and liabilities, minimisation of market risks related to banking transactions and operations of Česká exportní banka, a.s. on financial markets, and as an advisory body for ČEB managers. ALCO is a part of the management and control system of the Bank.

The composition of ALCO in 2020 was as follows:

Chairman of ALCO
Ing. Jaroslav Výborný, MBA
Chairman of the Board of Directors/Chief Executive Officer
in charge of the Export Financing division

Vice-Chairman of ALCO
Ing. Emil Holan
Member of the Board of Directors, in charge of the Risk Management division

Members of ALCO
JUDr. Martin Draslar, Ph.D. *until 22 April 2020*
Vice-Chairman of the Board of Directors,
in charge of the Risk Management division

Ing. Jiří Schneller *since 4 August 2020*
Member of the Board of Directors,
in charge of the Finance and Operations division

Ing. Miloš Welser
Deputy Director of the Export Financing division

Ing. David Franta, MBA
Director of the Treasury section

Ing. Roman Somol, MBA
Head of the Banking Risk Management department

Ing. František Jakub, Ph.D.
Director of the Finance and Accounting section

Information Technologies Development Committee (ITDC)

The Information Technologies Development Committee is a permanent decision-making and advisory body of the Board of Directors of ČEB dealing with issues in relation to ICT management. ITDC is part of the management and control system of the Bank.

The composition of ITDC in 2020 was as follows:

Chairman of ITDC

JUDr. Martin Draslar, Ph.D. *until 22 April 2020*
Vice-Chairman of the Board of Directors,
in charge of the Finance and Operations division

Ing. Jiří Schneller since 4 August 2020
Member of the Board of Directors,
in charge of the Finance and Operations division

Vice-Chairman of ITDC

Ing. Emil Holan
Member of the Board of Directors,
in charge of the Risk Management division

Members of ITDC

Ing. Jan Bukovský
ICT Security Inspector

Ing. Hana Vondráčková
Credit Methodologist

Ing. Petr Jindrák
Director of the Banking IS Development section

Ing. Dagmar Zelisková
Statistics Analyst

Ing. Konstantin Jech *from 1 January 2020 to 31 October 2020*
Director of Banking IS Operations section

Operational Risk Management Committee (ORCO)

The Operational Risk Management Committee is a permanent decision-making and advisory body of the Board of Directors. Makes decisions and evaluates operational risks including all areas related to the information security management of ČEB; and advisory body of the leading employees of the Bank. ORCO is part of the management and control system of the Bank.

The composition of ORCO in 2020 was as follows:

Chairman of ORCO
Ing. Emil Holan
Member of the Board of Directors,
in charge of the Risk Management division

Vice-Chairman of ORCO
JUDr. Martin Draslar, Ph.D. *until 22 April 2020*
Vice-Chairman of the Board of Directors,
in charge of the Legal and Operations division

Ing. Jiří Schneller since 4 August 2020
Member of the Board of Directors,
in charge of the Finance and Operations division

Members of ORCO
Ing. Roman Somol, MBA
Head of the Banking Risk Management department

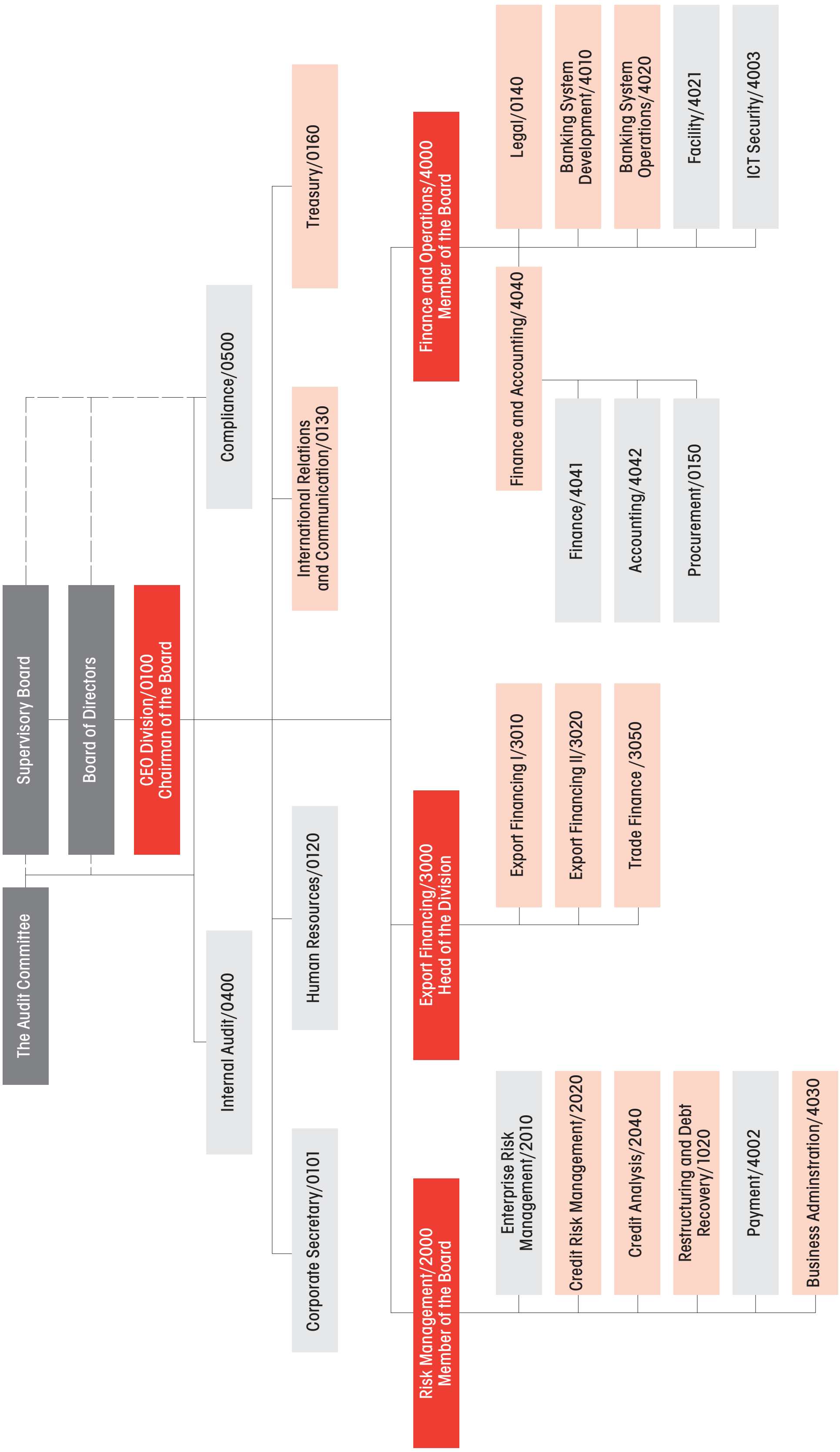
Ing. Miloš Welser
Deputy Director of the Export Financing division

Ing. František Jakub, Ph.D.
Director of the Finance and Accounting section

Mgr. Ondřej Zemina
Head of the Compliance department

Ing. Konstantin Jech, *from 1 January 2020 to 31 October 2020*
Director of Banking IS Operations section

1.6. Organisational Structure of Česká exportní banka, a.s



Division Department Department

Organisational structure of Česká exportní banka, a.s. valid from 1 February 2021

1.7. Declaration of No Conflicts of Interest

The members of the Bank's bodies, committees and councils declare that:

(a) They have not abused their position in the Bank or the information that they had in place to gain profit that could not otherwise have been gained, either for themselves or for other persons;

(b) They have not concluded any transactions using the investment instruments of the Bank's clients on their own account or on the account of a person closely related to them;

(c) They have not provided instructions or recommendations to other persons related to the transactions with investment instruments of the Bank's clients that could be used by the persons in trading with the investment instruments on their own account; and

(d) They have avoided all activities that may potentially expose them to a conflict of interest.

Report of the Board of Directors

2

2 | Report of the Board of Directors on the Bank's Business Activities and its Assets and Liabilities in 2020

2.1. Overview of the Bank's Business Activity

2.1.1. Export Financing

Export financing realised through products introduced in accordance with the definitions set by Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and on Additions to Act No. 166/1993 Coll., on the Supreme Audit Office, as amended (Act No. 58/1995 Coll.), represents ČEB's key business activities. The long-term strategy of ČEB is to use its supported financing products to fill the market gap in export financing identified by Czech companies as applicants for supported financing in their roles of manufacturers for export, exporters or outbound investors. The nature of the demand of Czech export-oriented companies in 2020 was significantly affected by the impacts of the COVID-19 pandemic, and in line with its role, ČEB provided maximum possible support in a situation that brought about new, unexpected challenges for Czech companies.

Growth of global trade slowed down significantly already in 2019, primarily due to the business tensions between the USA and China. 2020 was an exceptionally difficult year due to the global COVID-19 pandemic and its economic impacts on national economies as well as international trade. The World Trade Organization ("WTO") expects that the COVID-19 pandemic will cause an unparalleled decline in global trade, additionally anticipating unfavourable consequences of the COVID-19 pandemic for globalisation within the timeframe of several years.

As a result of the pandemic, there has been an unprecedented disruption of national and international supplier-customer relations, growth in uncertainty of domestic and foreign companies regarding further development, leading to conservative postponement of decisions regarding further investments. Significant restrictions in the area of international travel decreased the possibility of face-to-face meetings, which are of an essential importance when negotiating export orders of large volumes, affecting the number of concluded export contracts for which ČEB's loan and guarantee products are usually provided as part of the state support of export.

In order to mitigate the impact of COVID-19 on national economies and business entities, governments adopted many supporting measures and started a range of programmes. The Czech government reacted to the first wave of the pandemic by various economic measures in the form of COVID guarantee programmes implemented by Českomoravská záruční a rozvojová banka, a.s., to support the stabilisation of companies, and with respect to export-oriented companies through the guarantee programme COVID PLUS, provided to commercial banks by Exportní garanční a pojišťovací společnost, a.s. ("EGAP"). ČEB was not part of these programmes and its role in 2020 remained unchanged, i.e. the support of Czech export-oriented companies through guarantee and loan products strictly tied to the existence of a specific export contract, as stipulated by the current wording of Act No. 58/1995 Coll. ČEB therefore responded primarily to the current needs of Czech export-oriented companies in the area of ensuring liquidity to carry out projects already underway, stabilising their cash flows and obtaining new export contracts.

ČEB attentively evaluated and continues to evaluate the impacts of the COVID-19 pandemic on the Czech and international economic situation in the context of the needs of Czech manufactures for export, exporters and investors to other countries and the possibilities of their support, as well as in terms of possible effects on the quality of the Bank's portfolio. ČEB provides its products while applying a non-discriminatory and non-preferential policy with respect to Czech applicants for supported financing, in combination with a conservative policy of assessing the creditworthiness of entities and the risks of transactions, industries and territories as well as their limits.

Despite the existing restrictions in face-to-face communication, ČEB kept in touch with Czech export-oriented companies in relation to their prepared export plans. Communication with clients took place by phone or via the Webex application. ČEB representatives regularly participated in specialised online conferences, whose objective in 2020 was to help exporters obtain and carry out new deals in the new conditions, as part of the continued 2019-2030 innovation strategy of the Czech Republic, Czech Republic – The Country for the Future.

Despite the completely new conditions in international trade in 2020, ČEB continued to fulfil the Strategy of Česká exportní banka, a.s. for 2019-2020.

The high added value of ČEB for Czech exporters lies in its ability and readiness to provide consultations on export contracts under preparation in an above-standard scope and quality, which was especially beneficial in 2020 for the users of the system of state support for export. Based on the requirements of Czech export-oriented companies, ČEB prepared dozens of indicative offers to support their acquisition negotiations. The issued indicative offers of financing by ČEB as a Czech state financial institution increase the credibility of Czech exporters when negotiating with their potential foreign customers in a situation where limited/non-existent international travel makes it impossible for Czech companies to present themselves to potential customers in person. The number of offers issued by ČEB has to be seen primarily as an exceptional success of Czech exporters, who obtained the trust and interest of foreign customers in Czech products in the difficult conditions of 2020. In terms of commodities, they concerned various types of engineering products, from tractors to food processing technologies to defence industry products.

The impacts of the COVID-19 pandemic have been and still are noticeable also in the slower responsiveness of the counterparties, which are affected by similar impacts as companies in the Czech Republic, meaning that they respond to Czech exporters and to ČEB with significant delays. Until the measures related to the pandemic have subsided, no significant change in this attitude can be expected. The impacts were already felt in the course of 2020 in relation to Czech exporters' business opportunities in progress, where decisions about the realisation of large-volume projects had to be postponed as a result of changed priorities and delays in decisions on investment plans of foreign customers. For this reason, ČEB provided no export customer loan in 2020, which is a unique situation in the Bank's history.

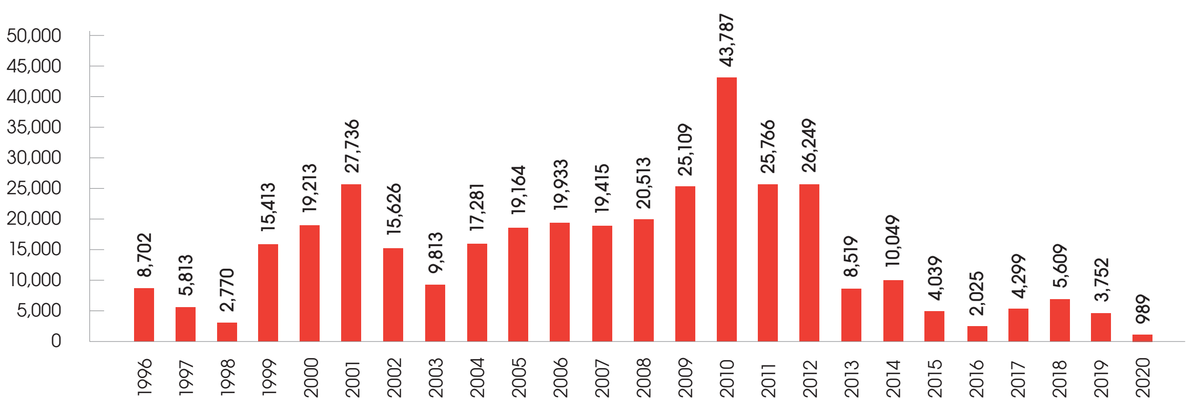
The concurrence of the aforementioned effects of the COVID-19 pandemic was markedly reflected in ČEB's overall results for 2020 in the volume of export financing and in the number and type of provided guarantee and loan products to support Czech manufacturers for export and exporters. ČEB's task in 2020 was to provide support to Czech manufacturers for export and exporters in resolving three key problems related to the COVID-19 impacts:

- Ensuring liquidity to carry out projects in progress;
- Speeding up the collection for completed supplies with a positive impact on the companies' cash flows; and
- Obtaining/realising contracts under negotiation.

Accelerated collection from completed supplies was achieved using the "purchase of receivables" and "direct export supplier loan" products. ČEB's support in obtaining/realising export contracts under negotiation in a very complicated situation was provided through the "guarantee" (the value of the realised export then corresponds to a multiple of the guarantee provided) and "loan for the funding of export production" products.

ČEB supported Czech manufacturers for export and exporters through a total of 90 products, which is 11.1% more than in 2019, even though the volume of the provided supported financing products reached a historically low value of CZK 988.92 million (figure 1), which is 73.65% less than in 2019.

Volume of signed contracts between 1996 and 2020 (CZK million) | Figure 1



Source: ČEB

To assess ČEB's overall results, it is important to take into account not just the volume of new products of supported financing, but also the total volume of transactions, after considering transactions realised through the syndication products with ČEB's participation in cooperation with the commercial banking sector. Of the total volume of ČEB's new supported financing products in 2020, approximately 11.78% represent ČEB's risk sub-participation in a large-volume advance payment guarantee provided in line with ČEB's strategy in cooperation with the Czech commercial banking sector.

Taking into account the volume of supported financing both in the form of ČEB's bilateral transactions and the total volume of supported financing implemented with the participation of ČEB in the banking club, the total volume of supported financing with the involvement of ČEB was CZK 1,105.37 million.

The result for 2020 in respect of the number of Czech companies served was affected by the aforementioned negative influences, with 18 Czech companies provided with support as applicants for supported financing, which represents a return to 2014-2017 levels. Compared to the successful year 2019, this is a decrease of 37.93%.

The Bank's transactions comprising insurance from Exportní garanční a pojišťovací společnosti, a.s. (hereinafter "EGAP") represent approximately 16.92% of the volume of ČEB's new products and 34.44% of the number of newly concluded contracts.

The Czech crown equivalent of the total volume drawn from loan contracts and purchased receivables amounted to CZK 2,168.05 million in 2020.

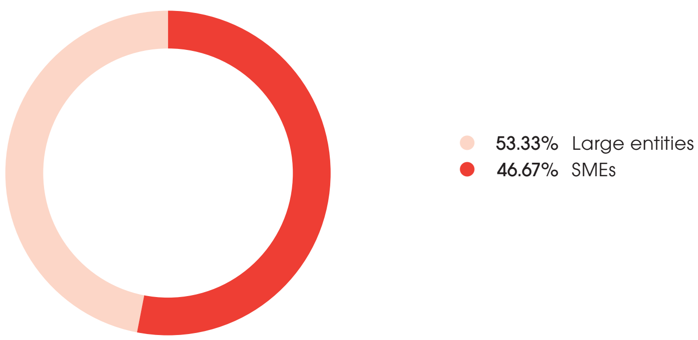
In 2020, the Bank continued the traditional support of small and medium-sized enterprises (SME), which prioritises, in addition to the financing and issuing of guarantees, primarily the provision of comprehensive support to business entities. A significant role is played not only by the numbers and volumes of transactions, but also advisory in structuring and carrying out export orders or supplies of manufacturers from the SME segment as sub-suppliers for large Czech exporters. The importance of ČEB's expert support as well as financing and guarantees for SMEs grew further during the period affected by the COVID-19 pandemic.

During 2020, 42 new loan and guarantee agreements were concluded for the support of exporters and manufacturers from the SME segment in the total volume of approximately 356.38 million.

Compared to 2019, support to Czech SMEs decreased by approximately 78.43% in 2020 in terms of the volume of contracts, the number of contracts accounted for 63.64% of the result of 2019. Of the 42 transactions for SMEs, transactions comprising EGAP insurance accounted for approximately 7.14% (39.32% in terms of the volume of transactions), while transactions without EGAP insurance accounted for 92.86% (60,68% in terms of the volume of transactions).

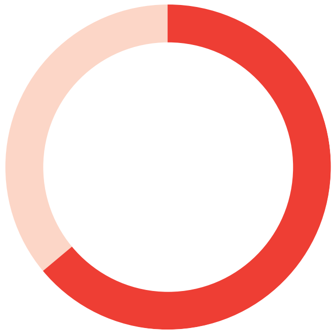
The number of contracts supporting SMEs accounts for 46.67% of the total number of 90 new contracts concluded to support manufacturers for export and exporters in 2020 (Figure 2) and for 36.04% of their total volume (Figure 3).

Proportion of the number of contracts with SMEs and contracts with large entities concluded in 2020 | Figure 2



Source: ČEB

Proportion of the volume of contracts with SMEs and contracts with large entities concluded in 2020 | Figure 3



Source: ČEB

The remaining 53.33% of the number of contracts signed with the total volume amounting to CZK 632.54 million relates to 48 new loan and guarantee transactions concluded to support manufacturers for export, exporters and investors from the Mid Cap and Large Entities segments. Of these 42 transactions, transactions comprising EGAP insurance accounted for 58.33% (4.3% in terms of the volume of transactions), while transactions without EGAP insurance accounted for 41.67% (95.70% in terms of the volume of transactions).

The ČEB's strategic focus is the provision of supported financing products relating to the financing of the Czech export of goods, services and capital to countries that are of export interest to Czech exporters and outbound investors, within the market gap of ČEB identified by exporters and investors. These include financing and guarantees with an acceptable risk profile, to countries with higher and high territorial risk as well as low territorial risk, every year always depending on the demand of Czech exporters and investors in relation to the direction of their export contracts and investment plans.

The support of ČEB to Czech exporters in the successful realisation of their export contracts, which they were able to obtain and carry out in conditions affected by the COVID-19 pandemic, results in a rather wide range of export target countries in 2020, specifically 20 territories (Table 1).

Table 1

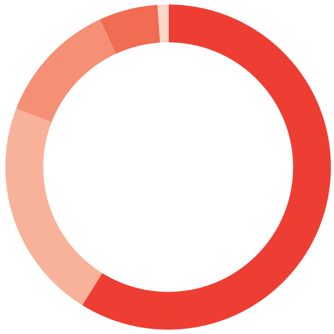
Share of export target countries by volume of new contracts concluded in 2020

Saudi Arabia	38.47%	Israel	1.00%
Ghana	12.49%	Spain	0.34%
Senegal	11.78%	Turkey	0.29%
Germany	10.40%	Egypt	0.28%
United States of America	8.42%	Netherlands	0.26%
Iraq	4.81%	Chile	0.24%
Russia	3.27%	Mexico	0.22%
Slovakia	3.19%	Malaysia	0.22%
Ukraine	2.28%	Sweden	0.12%
Rwanda	1.84%	Srí Lanka	0.07%

Source: ČEB

In terms of the number of contracts, the structure of the products provided (Figure 4) shows a substantial proportion of products supporting accelerated collection form completed supplies, thanks to which the dominant product in frequency terms is the purchase of receivables, accounting for 58.89%, in combination with direct export supplier loans, accounting for 12.22%.

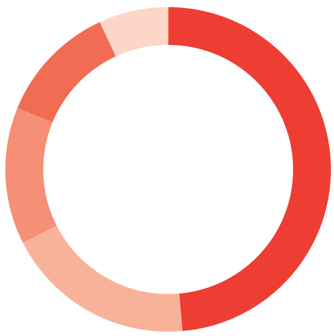
Share of the products of supported financing in the number of product provided in 2020 | Figure 4



Source: ČEB

The dominant products in the structure of provided products in terms of volume (Figure 5) in 2020 were guarantees with a share of 48.71%, which reflects the increased need of Czech exporters for ČEB's support when obtaining new contracts, as guarantees play an important role in the structure of export contracts. Products ensuring cash flow support in the realisation of export projects (product: loan for the funding of export production) or accelerated collection on completed export projects (product: purchase of a receivable, export supplier loan) represented 39.52% of the total volume in aggregate. 11.78% relates to ČEB's 50% share in an advance payment guarantee for exporters with respect to supplies to Senegal in the form of risk sub-participation for a banking institution from the Czech Republic.

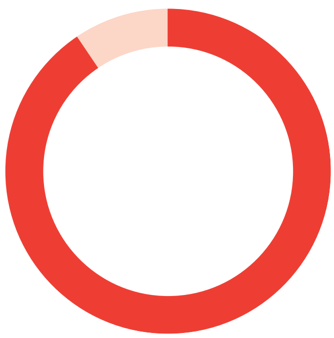
Share of products of supported financing in the volume of products provided in 2020 | Figure 5



Source: ČEB

In terms of currency structure (Figure 6), the dominant currency in 2020 was EUR with the share of 90.72% followed by USD with the share of 9.28%.

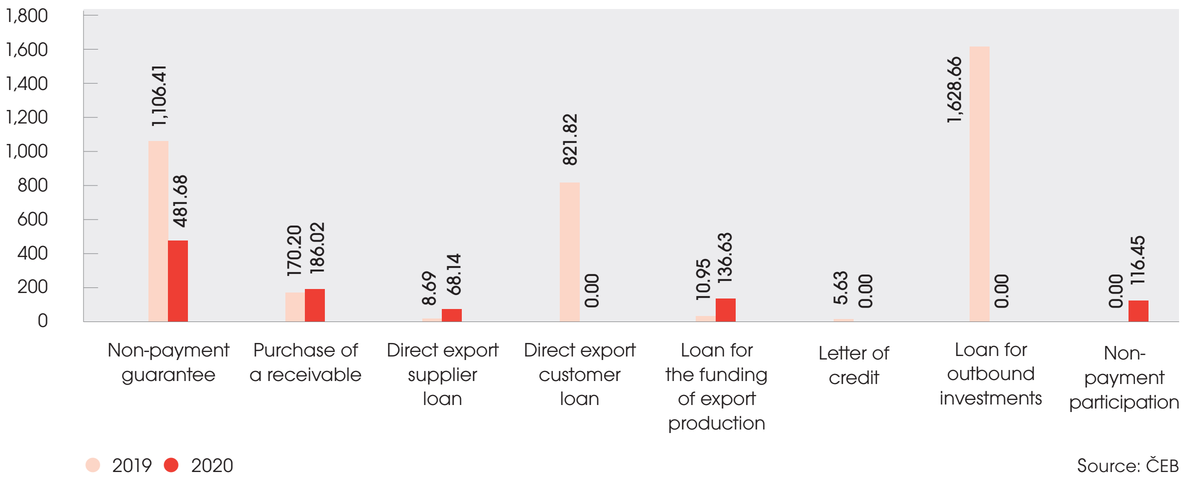
Currency structure of new transactions volume in 2020 | Figure 6



Source: ČEB

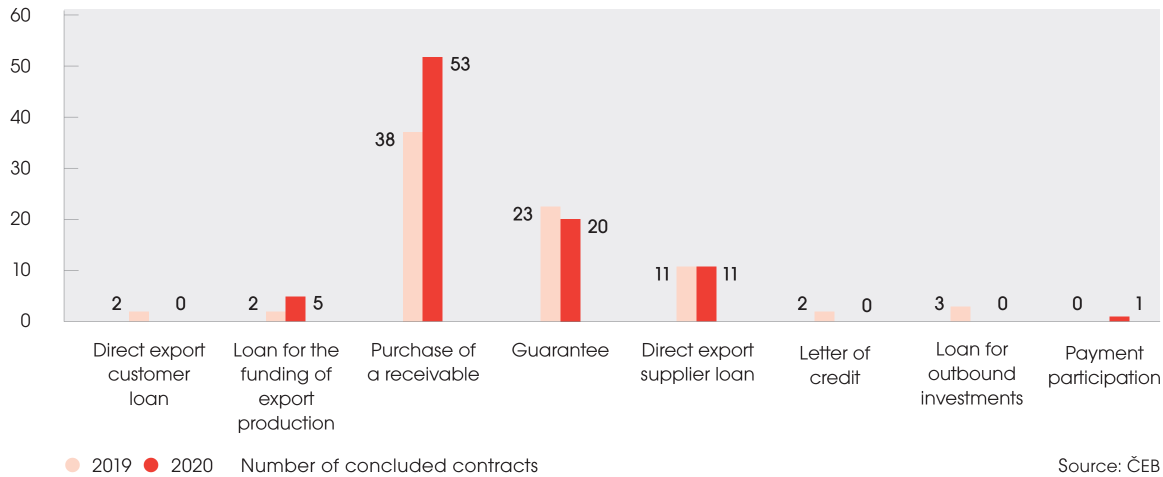
The year-on-year comparison (Figure 7) shows a noticeable decrease in volumes of the provided products in all product types compared to 2019, the reasons for which are described in the commentaries and reflect the development of the demand of Czech manufactures for export and exporters for products related to obtaining new export contracts and stabilising cash flows. As stated above, the fact that no customer loan appears among the provided products is historically exceptional.

Year-on-year comparison of the development in the volume of new products (CZK million) | Figure 7



Source: ČEB

Year-on-year comparison of the development in the number of new contracts by products | Figure 8



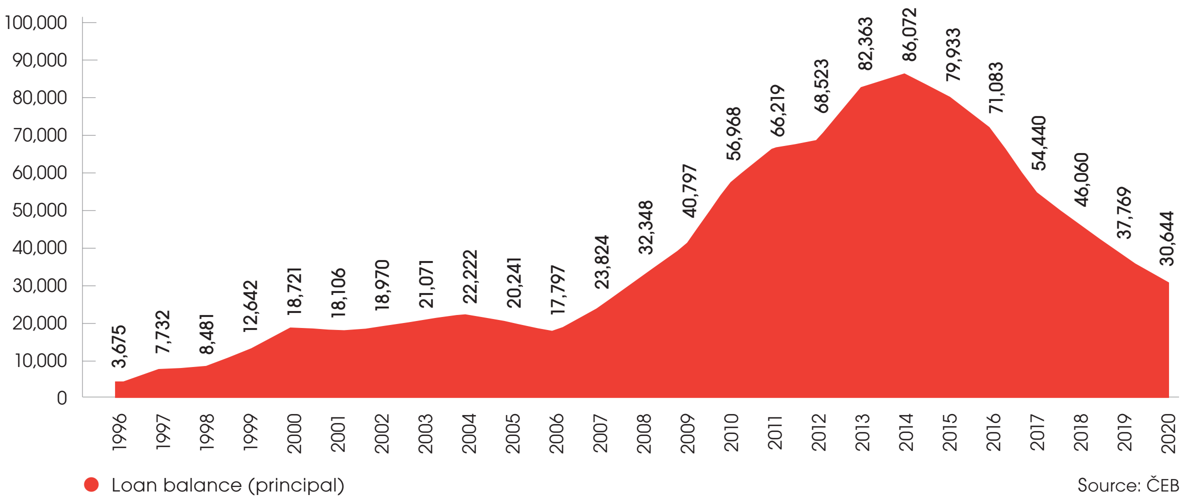
Source: ČEB

2.1.2. Development in the Loan Portfolio Principal Balance and Structure

The total principal amount of provided loans and purchased receivables decreased year-on-year by CZK 7,125 million to CZK 30,644 million, i.e. by 18.86%, as of 31 December 2020 (Figure 9).

As of 31 December 2020, the total principal amount of provided loans and purchased receivables represented 74% of total assets..

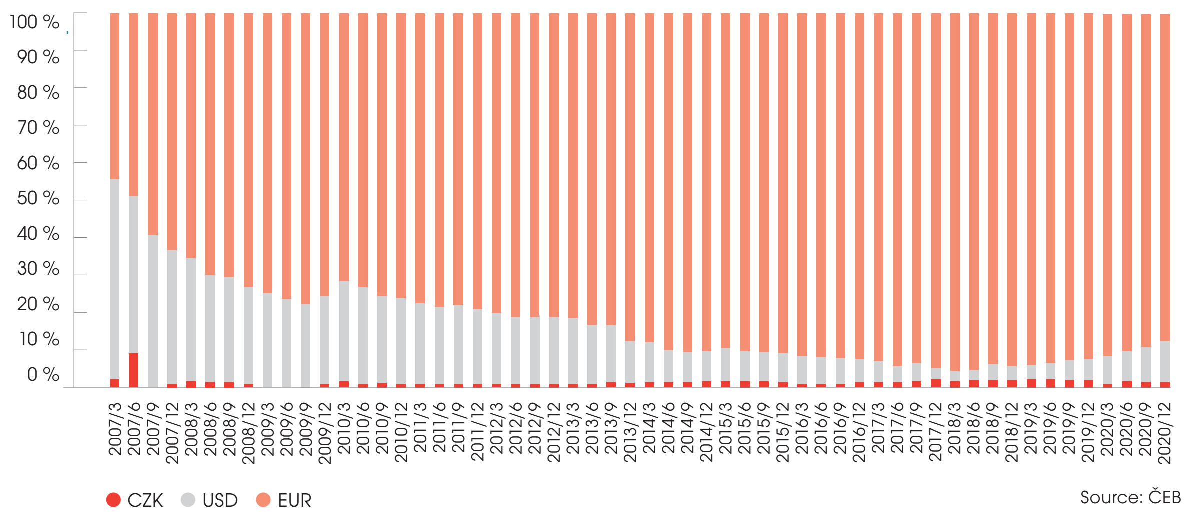
Loan (balance) principal in 1996-2020 (CZK milion) | Figure 9



Source: ČEB

In respect of the principal structure of provided loans by contractual currency, loans denominated in EUR represent 86.62% (2019: 91.03%), loans provided in USD represent 11.36% (2019: 6.28%) as of 31 December 2020 (Figure 10). The portion of loans provided in CZK recorded only a slight year-on-year decrease to 2.02% (2018: 2.69%).

Loan portfolio – structure by currency – proportion development | Figure 10



Source: ČEB

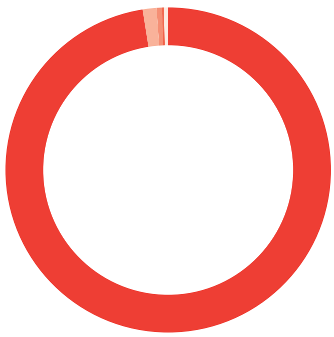
The total principal amount of loans provided in EUR as of the end of 2020 decreased year-on-year by approximately EUR 341.6 million to a total of EUR 1,011 million, ie by 25.2%. Apart from continuous payment of loans and drawing of new loans, the decrease was influenced by the write-off of receivables upon the receipt of insurance benefits or as part of collection of high-risk receivables.

By contrast, the total principal amount of loans provided in USD by the end of the same period increased by USD 57.9 million to a total of USD 162.7 million, ie by 55.2%.

The total principal amount of loans provided in CZK as of the end of 2020 amounted to CZK 619.3 million, representing a year-on-year decrease of CZK 398.4 million, ie by 39.1%.

In respect of the contractual maturity of loans, the breakdown of loan principal amounts remained almost the same from a year-on-year perspective. This parameter is influenced by two factors: the type of exported goods financed by the Bank and the length of maturity periods that are common on international markets. The loan portfolio structure by loan maturity, which consists of the set of products used in financing transactions, is based on both of the factors stated above and reflects a high degree of financed export of machinery and asset groups with long maturities (Figure 11).

Loan portfolio – broken down by contractual maturity as of 31 December 2020 | Figure 11



Source: ČEB

2.1.3. Key Markets on which Česká exportní banka, a.s., operates

a) The Bank's Position in the Local Banking Sector

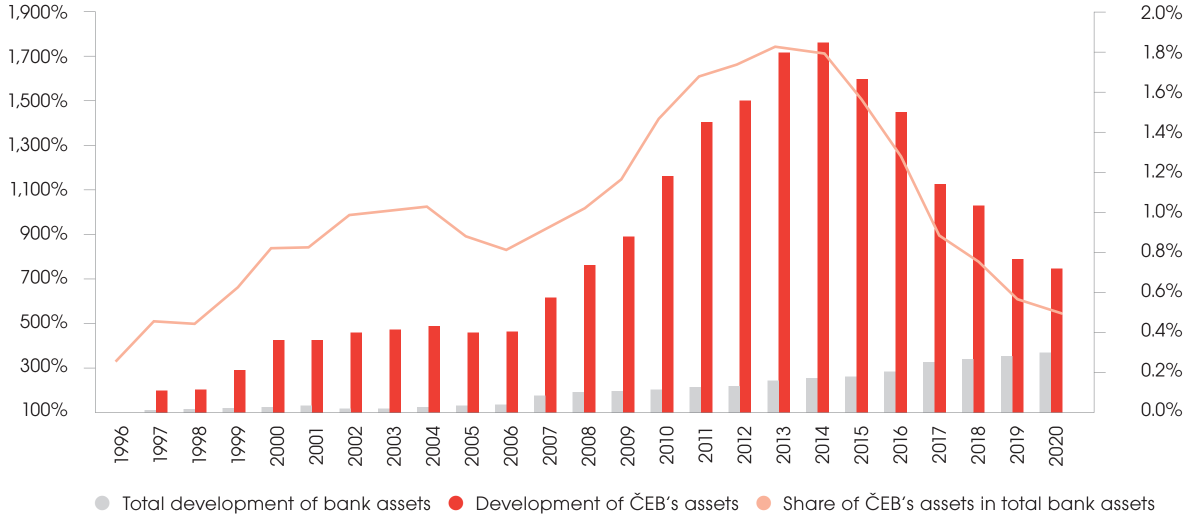
Compared to other banks operating in the Czech banking sector, ČEB is considered by the Czech National Bank a small size bank. ČEB's share of the total balance sheet assets of banks in the Czech Republic decreased year-on-year. During 2020, the share dropped from 0.58% to 0.52%. The decrease is consistent with the Bank's focus on the support of exporters upon entry to new markets and export in sectors that are not easy to be financed by commercial banks. In addition, management of the Bank continues its efforts to increase the quality of the loan portfolio.

Table 2

(in CZK mil.)	2019			2020		
	Total banks	ČEB	Share of ČEB	Total banks	ČEB	Share of ČEB
Total balance sheet assets	7,621,841	43,876	0.58%	8,018,098	41,236	0.52%

Source: ČEB and the Czech National bank

Development in the share of ČEB in the Czech banking sector (assets in 1996 = 100%) | Figure 12



Source: ČEB and the Czech National Bank

The Bank's role within the Czech banking sector is, compared to commercial banks, specific, predominantly for the following reasons:

- ČEB's position in the area of supported financing is stipulated by Act No. 58/1995 Coll., on Insurance and Financing Exports with State Support. The Act determines the supported financing methods offered by ČEB including the provision of financial services related to exports under the conditions stipulated by this Act. In comparison with commercial banks, the range of activities performed by ČEB is very narrow in terms of both the products provided and their specifics and from the viewpoint of ČEB's clients.

- Export financing can be used by entities applying for supported financing that have a registered office in the Czech Republic or, in the event of re-financing loans, their local banks. In addition, these exporters have to be able to sell their goods on international markets, prevailing over their competitors through the high quality of product and timeliness of delivery. In respect of pricing, ČEB offers financing of exports under the conditions set out by international treaties ("OECD Consensus") based on CIRR.

- The Czech Republic accepted the commitment to finance exports of Czech exporters in line with international rules, principally the OECD Consensus which stipulates the provision of medium-term and long-term export loans. For this reason, the financing of export loans under the OECD Consensus is naturally the core segment of ČEB's activities. Financing of other loan types is offered by ČEB under commercial conditions.

Information on ČEB's position in the local banking sector can be obtained from the statistical data on client loans published by the Czech National Bank. These are compared with the nominal values of loans provided by ČEB. This information demonstrates the fact that due to ČEB's specific position of a dominant bank engaged in export financing, its position on the Czech banking market is in many aspects a lot more significant than what can be inferred from the Bank's share in the total balance assets of all banks in the Czech Republic.

Table 3

	2019			2020		
Client loans – by maturity (in CZK'mil.)	**Banks total**	**ČEB**	**ČEB share**	**Banks total**	**ČEB**	**ČEB share**
	ČNB ARAD	ČEB statements		ČNB ARAD	ČEB statements	
Balance of client loans and receivables	3,450,284	37,652	1.1%	3,595,598	30,469	0.8%
Of which in CZK	2,778,366	1,018	0.0%	2,874,037	619	0.0%
Of which short-term loans (up to 1 year)	247,856	1	0.0%	228,694	–	0.0%
Medium-term loans (1–5 years)	286,260	260	0.1%	288,685	–	0.0%
Long-term loans (over 5 years)	2,250,501	757	0.0%	2,356,659	619	0.0%
Of which in foreign currency	671,919	36,634	5.5%	721,561	29,850	4.1%
Of which short-term loans (up to 1 year))	119,611	49	0.0%	140,127	82	0.1%
Medium-term loans (1–5 years)	183,356	319	0.2%	194,085	438	0.2%
Long-term loans (over 5 years)	368,952	36,266	9.8%	387,349	29,330	7.6%

Source: ČEB

Table 4

	2019			2020		
Client loans to residents – by purpose (in CZK'mil.)	**Banks total**	**ČEB**	**ČEB share**	**Banks total**	**ČEB**	**ČEB share**
Total in CZK + foreign currency, only residents	ČNB ARAD	ČEB statements		ČNB ARAD	ČEB statements	
Balance of resident loans and receivables (all currencies)	3,130,454	1,186	0.0%	3,249,940	844	0.0%
Of which total other loans	1,223,965	1,186	0.1%	1,255,843	844	0.1%
Of which investment	766,061	153	0.0%	786,390	144	0.0%
Total current assets, seasonal costs, export, import	309,364	1,025	0.3%	308,037	695	0.2%
Total other loans (financial and special purpose)	91,068	4	0.0%	96,455	4	0.0%
Total trade receivables	22,588	4	0.0%	25,981	–	0.0%

Source: ČEB

Table 5

	2019			2020		
Client loans to non-residents – by purpose (in CZK'mil.)	**Banks total**	**ČEB**	**ČEB share**	**Banks total**	**ČEB**	**ČEB share**
Total in CZK + foreign currency, only non-residents	ČNB ARAD	ČEB statements		ČNB ARAD	ČEB statements	
Balance of non-resident loans and receivables (all currencies)	319,830	36,466	11.4%	345,658	29,625	8.6%
Of which total other loans	276,828	36,466	13.2%	298,500	29,625	9.9%
Of which investment	116,670	1,497	1.3%	129,538	1,555	1.2%
Total current assets, seasonal costs, export, import	85,453	34,903	40.8%	73,991	28,030	37.9%
Total other loans (financial úand special purpose)	49,537	–	0.0%	46,360	–	0.0%
Total trade receivables	2,042	66	3.2%	2,364	41	1.7%

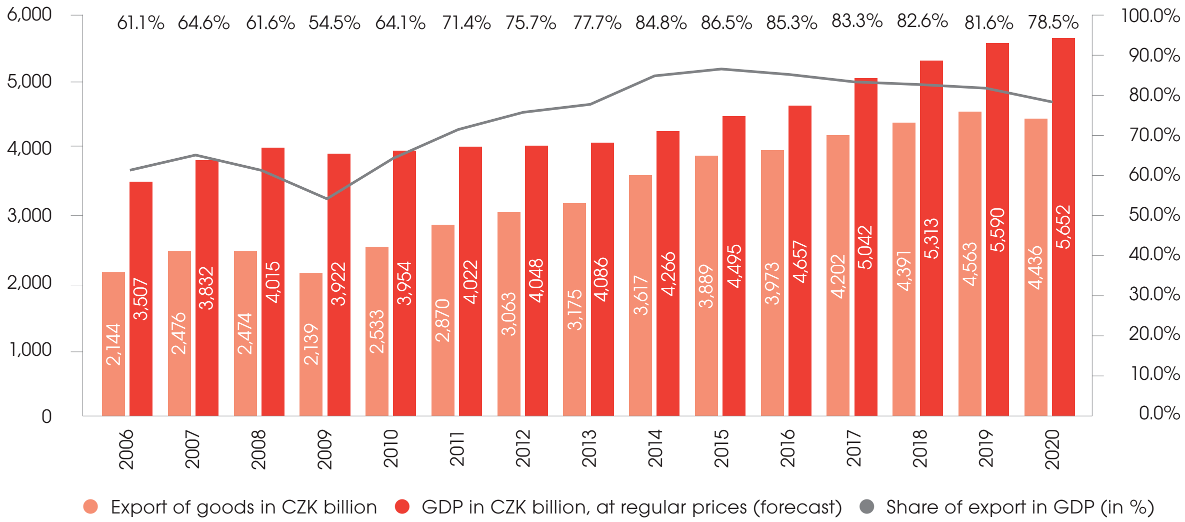
Source: ČEB

b) Breakdown of Czech export and the Bank's state support in 2020 by territory

GDP and export

The year 2020 saw continuous growth of exports, which continues to be a very significant component in generating the gross domestic product.

Export – significant component of GDP | Figure 13



Source: Czech Statistical Office, Ministry of Finance

Export increased in absolute terms in 2020 only with respect to the Czech Republic's neighbouring countries and CIS countries, all other monitored groups of countries recorded a decrease or no change in export volume.

Table 6

	Exports of the Czech Republic in CZK billion		Share in exports of the Czech Republic	
	2019	2020	2019	2020
Neighbouring countries	2,266	2,242	49.7%	50.6%
EU 15 countries	2,874	2,777	63.0%	62.6%
EU 28 countries	3,841	3 ,703	83.6%	83.5%
CiS countries	123	124	2.7%	2.8%
European transitory economies	27	24	0.6%	0.5%
Developing economies	177	171	3.9%	3.9%
Other advanced market economies	232	227	5.1%	5.1%

Source: Czech Statistical Office

Based on the analysis of the Czech exporters' performance with regard to the target countries whose share of the aggregate Czech exports exceeds 1%, it should be noted that only minimal year-on-year changes occurred. Indonesia, Ukraine, Ghana and Slovakia are the countries that constitute more than a 90% share of the total drawing of all loans provided by ČEB. The share of these countries in the Czech Republic's total exports was nearly 9%.

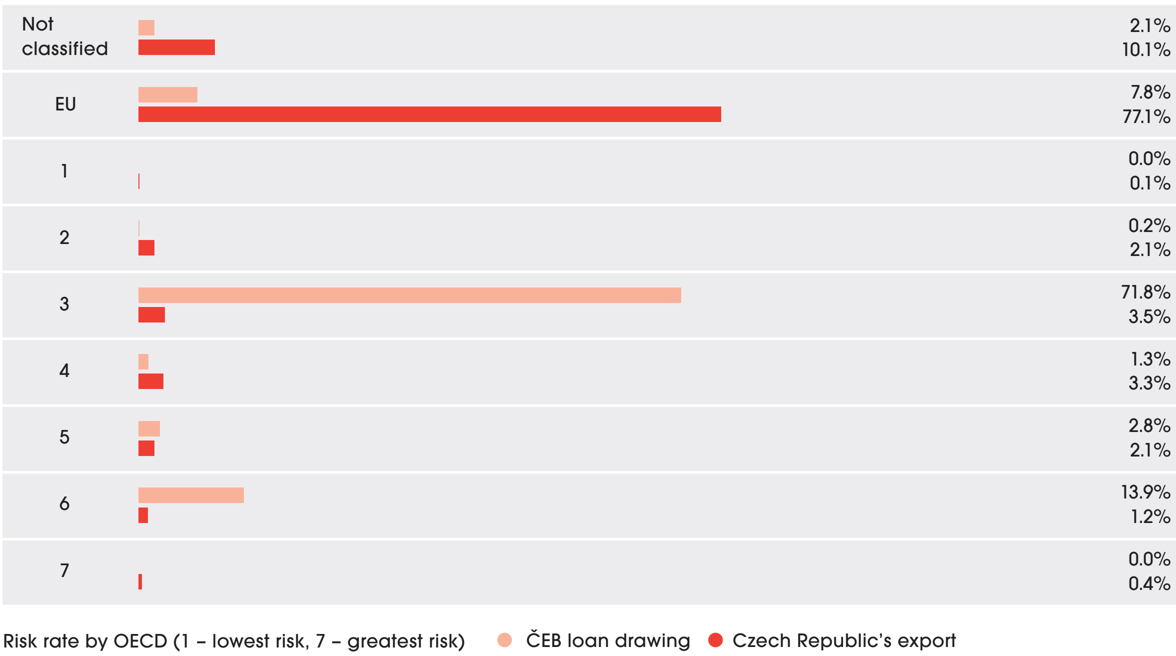
Table 7

Countries with a share in the Czech Republic's exports over 1% in 2019	Czech Republic's exports in 2019 in %	Czech Republic's exports in 2020 in %	Year-on-year changes in the share in the Czech Republic's exports 2020
Germany	31.8	32.6	0.8
Slovakia	7.6	7.6	0.0
Poland	6.0	6.2	0.2
United Kingdom	4.5	4.0	(0.5)
France	5.1	4.7	(0.4)
Austria	4.3	4.2	(0.1)
Italy	3.8	3.9	0.1
Netherlands	3.8	4.1	0.3
Hungary	3.3	3.3	0.0
Spain	3.2	2.6	(0.6)
USA	2.3	2.4	0.1
Russian Federation	2.2	2.2	0.0
Belgium	2.1	2.1	0.0
Sweden	1.6	1.6	0.0
Romania	1.5	1.6	0.1
Switzerland	1.5	1.6	0.1
China	1.2	1.4	0.2
Denmark	1.0	1.1	0.1
Turkey	1.0	1,.2	0.2

Source: Czech Statistical Office

The Country Risk Classification published by the OECD remains important for the activities of the Bank. The structure of the loan portfolio documents how the Bank fulfils its mission to finance exports mainly to the countries with medium and high territorial risk, which are not a group of countries primarily targeted by export financing provided by commercial banks.

Comparison of the Structure of the Czech Republic's Export and ČEB's Loan Drawing in 2020 by Export Destination Country Risk Classification (OECD Classification as of 31 December 2020) | Figure 14



Source: ČEB, Czech Statistical Office and OECD

Situation on Financial Markets – Opportunities to Obtain Funding

To raise funds, the Bank uses the Euro Medium Term Note Programme (hereinafter the "EMTN Programme") along with interbank loans, which are intended for obtaining funds exceeding one year. For a short-term financing up to one year, the Bank uses the Euro Commercial Paper Programme (hereinafter the "ECP Programme"). All options are combined in order to always provide the Bank with sufficient funds in a convenient structure to secure its offer of financing to Czech exporters and to settle its liabilities on a continuous basis. In addition to the required financing time, the current situation on financial markets is taken into account.

The EMTN Programme currently amounts to EUR 4 billion and is used to refinance maturing previously obtained funding and to cover new loans denominated in EUR, USD and CZK. In total, CZK 24.3 billion (EUR 0.9 billion) was drawn under the EMTN Programme as of 31 December 2020. ČEB's bonds are listed on Luxembourg Stock Exchange. A list of individual traded and outstanding issues of ČEB's bonds as of 31 December 2020 is disclosed in the notes to the financial statements.

Long-term resources were obtained in 2020 through interbank loans and term deposits from clients. The Bank received an amortised loan from Komerční banka, a.s. in the amount of USD 80 million due in 2028, and a loan repayable in a single instalment due in 2024 from UniCredit Bank Czech Republic and Slovakia, a.s. in the amount of EUR 150 million. In addition, the Bank received USD 80 million in the form of several term deposits maturing in 2021–2023.

In order to optimise liquidity management, in 2011 the Bank established the ECP Programme for the issuance of short-term securities which was updated in the course of 2016. The credit facility remains at EUR 400 million. This programme allows for very flexible coverage of short-term liquidity needs of the Bank using favourable price conditions on the market. In 2020, two issues of such short-term bonds were placed by the Bank.

To increase the degree of diversity and prevent the dependence on limited funding resources, to a certain degree the Bank increases the resources of funding by deposits received from other banks and its own clients. Through such diversification, the Bank's flexibility is secured. Moreover, the Bank's dependency on a single type of funding resource is limited. In this respect the Bank gradually assesses the liquidity risk, principally by monitoring the changes in the funding structure.

The rating of ČEB and most of its issued bonds is set by Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd on a contractual basis. ČEB acknowledges that both agencies are rating agencies registered in accordance with Regulation (EC) 1060/2009 on credit rating agencies as amended by Regulation (EC) No. 462/2013. The Bank decided not to authorise any rating agency with a market share below 10% to perform its rating assessments. ČEB discloses information on the current rating of the bonds issued by it on its website. As of 31 December 2020, the Bank's outstanding bonds have the following ratings:

Table 8

Standard & Poor's		Moody's	
Foreign currency – long-term payables	AA-	Senior unsecured debt	Aa3
Local currency – long-term payables	AA	Issuer's rating	Aa3
Short-term payables	A-1+	Short-term payables	P-1
Outlook	stable	Outlook	stable

Source: ČEB

2.1.4. Newly Introduced Products and Activities

ČEB's mission, in compliance with the objectives of the economic policy of the Czech Republic, is to strengthen the internationalisation of Czech companies and the competitiveness of Czech export. For this reason, ČEB offers products and services to exporters and suppliers for export that allow them, under the rules of the OECD Consensus, to be part of the competition for specific orders on the international market under the conditions comparable to those of foreign competitors from OECD countries. The Bank offers products and services to Czech outbound investors that allow for the internationalisation of their business activities through investments on international markets.

ČEB's product palette is derived primarily from the provisions of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support. The discussion of the proposed amendment to Act No. 58/1995 Coll., presented to the Chamber of Deputies of the Parliament of the Czech Republic in February 2020, may be seen as essential for the further development of supported financing instruments and insurance of export credit risks. The objective of these efforts is to improve the product offer to the level obtained by national exporters in the product offer of advanced foreign Export Credit Agencies (ECA) from OECD countries and consequently increase the ability to flexibly respond to the developing needs of Czech exporters and suppliers for export in the area of export financing, especially at a time of major changes in international trade affected by the global COVID-19 pandemic as well as growing protectionism.

In 2020, ČEB closely cooperated in the creation of conditions for the development of new or significantly improved supported financing products with EGAP, the Ministry of Finance, the Ministry of Industry and Trade and the Ministry of Defence, as well as with the commercial banking sector and expert unions, chambers and associations representing the interests of exporters.

Significant activities in this area predominantly include proposals of a systemic nature concerning:

- Increasing cooperation with the commercial banking sector in the area of re-financing export loans;
- Financing of investments in modernisation of export capacities;
- Expansion of product offer in exploration of foreign markets;
- Financing of the introduction of new results of research and development into production;
- Review of the methodology of the required national percentage share of goods and services in the total value of a financed export contract; and
- Supporting Czech exporters and suppliers for export acting as nominated sub-suppliers under foreign contracts.

2.1.5. Financial Results, Balance of Assets and Liabilities

Balance of assets and liabilities

ČEB's total assets amounted to CZK 41,236 million in 2020, which represents a year-on-year decrease of 6%. The balance sheet structure has been stable in the long term. The balance sheet items are derived from the planned estimate of the development in asset transactions to which liabilities are adjusted.

Funding

ČEB finances its business activities mainly through liabilities in the form of issued bonds, payables to credit institutions and to entities other than credit institutions, which represent over 80.1% of the total volume of its funds.

The key source of funding comprised the issuance of bonds denominated in foreign currencies and in Czech crowns. As of 31 December 2020, they amounted to CZK 24,319 million. The volume of issues decreased by 23.5% year-on-year. The Bank repaid issued bonds amounting to EUR 300 million during the year.

In 2020, the Bank increased its funding base by loans received from financial institutions in the amount of EUR 150 million and USD 80 million, as well as interbank deposits. At the end of 2020, funding in this form totalled CZK 6,614 million, representing a year-on-year growth of 274%. The volume of deposits received from entities other than credit institutions was CZK 2,089 million.

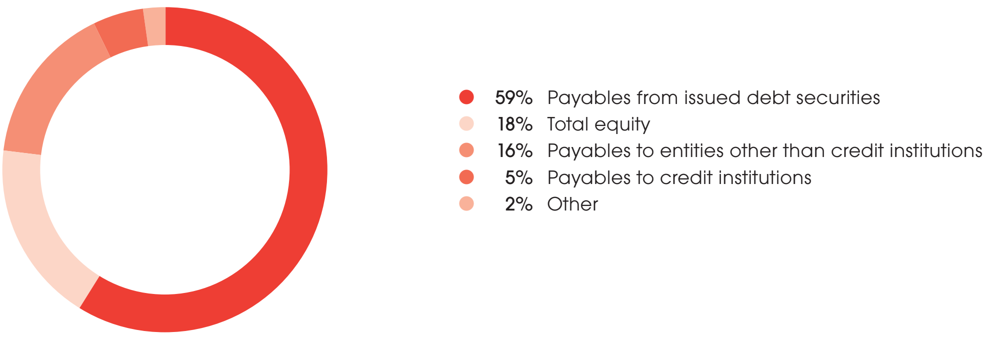
The Bank reported equity in the total volume of CZK 7,322 million. Reserve funds of CZK 2,142 million and retained earnings of CZK 164 million are recognised as part of equity.

Table 9

LIABILITIES AND EQUITY In CZK million	**2020**	**2019**	Year-on-year index in %
Derivatives held for trading	256	110	232.73
Financial liabilities at amortised cost	33,022	36,079	91.53
Of which: Payables to credit institutions	*6,614*	*1,768*	374.10
Payables to entities other than credit institutions	*2,089*	*2,529*	82.60
Payables from issued debt securities	*24,319*	*31,782*	76.52
Hedging derivatives	16	24	66.67
Other liabilities	283	294	96.26
Provisions	243	198	122.73
Current tax payable	94	–	x
Total liabilities	**33,914**	**36,705**	**92.40**
Share capital	5,000	5,000	100.00
Revaluation reserve	16	29	55.17
Reserve funds	794	791	100.38
Other special-purpose funds from profit	1,348	1,285	104.90
Profit or loss for the reporting period	164	66	248.48
Total equity	**7,322**	**7,171**	**102.11**
Total equity and liabilities	**41,236**	**43,876**	**93.98**

Source: ČEB

Liabilities and equity 2020 | Figure 15



Source: ČEB

Development in principal categories of liabilities and equity in 2020/2019 | Figure 16

Source: ČEB

1 Payables from issued debt securities
2 Payables to non-credit entities
3 Payables to credit institutions
4 Total equity
5 Other

Use of Funds

Assets predominantly include loans and receivables at amortised cost which amounted to CZK 34.469 million and account for 83.6% of total assets. Of this amount, CZK 29,278 million are receivables from entities other than credit institutions. They decreased year-on-year by 9%. Receivables from credit institutions decreased by 11% to CZK 5,191 million in 2020.

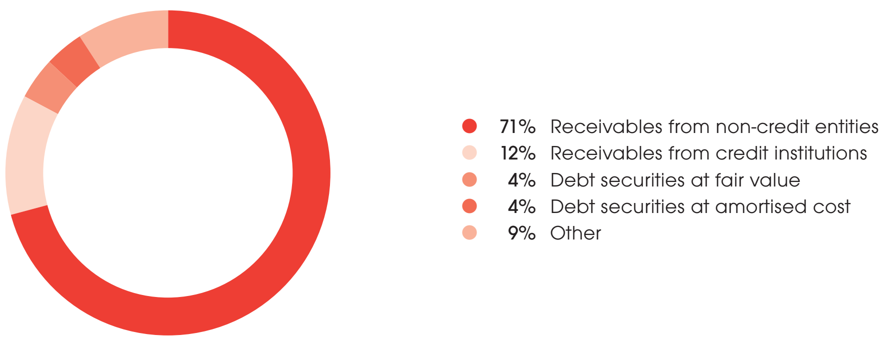
Temporarily available funds denominated in foreign currencies that are not used for loans were placed on the interbank market in previous years in the form of short-term deposits, a portion of which is used for funding the liquidity reserve consisting of foreign securities. Funds from equity represent a liquidity reserve in the form of high-quality and liquid local but also foreign securities. The volume of the liquidity reserve held in securities totalled CZK 3,137 million at the year-end, i.e. an 8.2% decrease. In accordance with the amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, effective since the end of April 2020, the Bank deposits available funds denominated in EUR and non-invested equity funds predominantly on treasury accounts maintained by the Czech National Bank.

Table 10

ASSETS In CZK million	**2020**	**2019**	Year-on-year index in %
Cash and deposits with the central banks and other deposits due on demand	2,638	1,161	227.22
Debt securities at FVOCI	1,534	1,821	84.24
Financial assets at amortised cost	36,072	39,587	91.12
of which: Debt securities at amortised cost	1,603	1,596	100.44
Loans and receivables at amortised cost	34,469	37,991	90.73
of which: Receivables from credit institutions	5,191	5,829	89.05
Receivables from entities other than credit institutions	29,278	32,162	91.03
Hedging derivatives	–	–	x
Tangible assets	96	124	77.42
Intangible assets	10	33	30.30
Other assets	877	965	90.88
Current tax receivablee	0	154	0,00
Deferred tax asset	9	31	29.03
Total assets	**41,236**	**43 876**	**93.98**

Source: ČEB

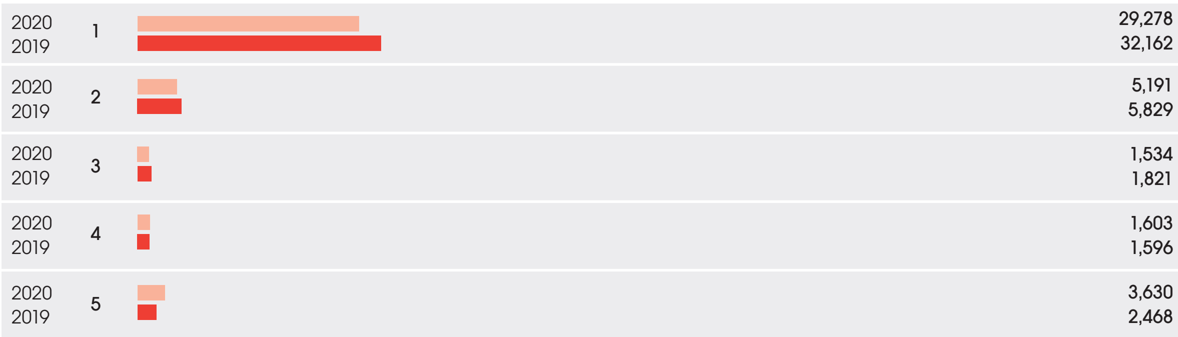
Assets 2020 | Figure 17



Source: ČEB

Development in principal categories of assets 2020/2019 | Figure 18

CZK mil.



1 Receivables from non-credit entities
2 Receivables from credit institutions
3 Debt securities at fair value
4 Debt securities at amortised cost
5 Other

Source: ČEB

Generation of Profit

In 2020, ČEB generated profit before tax of CZK 437 million. After adding the preliminary income tax payable of CZK 58 million, the deferred tax of CZK 25 million and the recognition of a provision for potential additionally assessed tax of CZK 190 million, the Bank reported a profit after tax of CZK 164 million.

In the course of its business activities in 2020, the Bank reported interest income in the aggregate amount of CZK 1,265 million, i.e. a year-on-year decrease of 3%. The Bank raises the funds necessary for its business activities from capital markets. In 2020, interest expenses associated with such funds amounted to CZK 485 million, which is a year-on-year decrease of 35.4%. The year-on-year decrease in funding expenses is predominantly attributable to decreased funding needs and the repayment of bonds. Net interest income amounted to CZK 780 million, which is a year-on-year increase of 41.1%.

Net income from fees and commissions amounts to CZK 13 million. Other significant components of the profit include gains from financial transactions of CZK 22 million and other operating income of CZK 105 million.

For its operations, the Bank incurred expenses in the amount of CZK 604 million, including administrative expenses of CZK 257 million, depreciation of tangible and intangible assets in the amount of CZK 67 million and other operating expenses in the amount of CZK 280 million.

Other operating income and expenses are affected by the settlement reached with respect to the amount of insurance payments as part of the resolution of the insured event of non-repayment of a loan receivable, as well as a court ruling as part of bankruptcy proceedings. The release of provisions and allowances amounted to CZK 121 million.

The loss arising from the operation of long-term supported export financing in line with Act No. 58/1995 Coll. is covered by subsidies from the state budget. The state subsidy primarily consists of the net balance between interest income gained from loans provided to banking and non-banking entities under conditions that are common on international markets for officially supported export credits, and costs incurred on raising funds on the financial market, plus the costs of provisioning for selected loan receivables. In 2020, ČEB did not assert its claim to the subsidy; instead, it generated a profit from this activity of CZK 484.2 million, which is part of the Bank's total profit for 2020 before tax.

Table 11

PROFIT/LOSS In CZK million	**2020**	**2019**	Year-on-year index in %
Interest income	1,265	1,304	97.01
Interest expenses	**(485)**	(751)	64.58
Net interest income	**780**	**553**	**141.05**
Net fee and commission income	**13**	**4**	**325.00**
Net profit/loss from financial transactions including state subsidy	22	45	48.89
Other operating income	105	6	1,750.00
Other operating expenses	(280)	(3)	9,333.33
Profit or (-) loss from operating activities	**640**	**605**	**105.79**
Administrative costs	(257)	(281)	91.46
Depreciation and amortisation	(67)	(73)	91.78
Modification Gains and Losses	9	(1)	x
Impairment losses on financial assets not reported at FVTPL or their (-) reversal	159	(96)	(165.63)
Recognition of provisions or their reversal	(47)	(106)	44.34
Profit before tax	**437**	**48**	**910.42**
Income tax	(273)	18	(1 516.67)
Net profit/loss for the period	**164**	**66**	**248.48**

Source: ČEB

2.2. Factors Having an Impact on the Bank's Business and Financial Position in 2021

The Bank's activities in 2021 and its business and financial position will be affected by the following factors:

- 2020 was significantly affected by the global pandemic of COVID-19. Practically all world economies were very strongly impacted, including emerging growth in unemployment. The Czech economy recorded a severe drop in GDP of 5.6% combined with a relatively high inflation of 3.2%. The economic downturn had a marked impact on the business activity of Czech exporters (especially in the second quarter) and the business situation of the Bank, since the volume of newly concluded transactions was significantly lower than in previous years, which could be reflected in the Bank's revenues in the coming years.
- At the beginning of the pandemic in the spring of 2020, it was very difficult to estimate the economic, social and potential other impacts on the global and Czech economy, including the impacts on the Bank's balance sheet and revenues. The Bank closely monitored the situation related to the virus and adopted a variety of preventive operational measures to ensure business continuity. As the Bank was not involved in any guarantee COVID programmes of state aid for the business sector, it expects no significant impacts on its loan portfolio and profit in this respect. The number of debtors who asked for the repayment moratorium in line with Act No. 177/2020 Coll. was minimal.
- Czech exporters had, and at the beginning of 2021 still have, only limited options for face-to-face contact with their foreign partners, which is often essential during the negotiation of new deals. The Bank's representatives also had to cancel a significant portion of their international trips, and trade fairs and business missions organised by constitutional officials or business associations were called off with respect to the existing measures.
- In its plans of business activities in 2021, the Bank therefore expects that the volume of new transactions will continue to be negatively affected by various restrictions in the first part of 2021, since export transactions, especially those of significant volume, often take months to negotiate. Despite that, the outlook for the year as a whole is more optimistic and the Bank anticipates growth in the volume of export transactions with its active participation. Firstly, there is now much more information available about the infection, and secondly, approved vaccinations have been developed which should contribute to a gradual relaxing of restrictions, thereby allowing economies to return to a more standard mode, including in the area of export.
- The Bank's business outlook should be supported by the expected recovery of the Czech economy. Based on the estimates of the Czech National Bank, GDP growth will amount to 2.2% in 2021 and 3.8% in 2022 with an inflation rate of approximately 2%. Market predictions generally expect a stable two-week repo rate at the

current level of 0.25%. However, an increase in the rates cannot be ruled out in the event of more intense inflation pressure, faster economic recovery, fiscal impulses (tax reductions) accompanied by increased consumer demand, or an accelerating risk of bubbles on the asset market. Unlike previous years, inflation should no longer be driven by salary requirements given the changed situation on the labour market.

- The negative impacts of the pandemic on many companies will still be felt in 2021, especially in the most affected economy sectors, where many entities are currently dependent on state support programmes. As a result, an increased surge of insolvencies and gradual growth in the unemployment rate may be expected. However, the pandemic represents a challenge that will most probably lead to a change in the structure of Czech economy. The driving force of this change will be businesses that will flexibly react to new conditions on world markets, leverage technological innovation, digitisation, automation, process robotisation including data analytics, be able to bring a high added value of work, and ideally also be the end supplier of products and services.
- A risk factor for the export-oriented Czech Republic is any form of trade war and protectionism or lower diversification of export territories. On the other hand, the pandemic raised many questions. One of them is the shortening of supply chains and efforts to be strategically self-sufficient in the future with respect to some commodities and products, possibly resulting in the return of production from cheap economies back to the European Union, which could be an opportunity for many Czech export companies to get involved in multinational chains.
- During the global COVID-19 pandemic and in the post-COVID period, the role of central banks will be essential in the recovery of world economies. Neither the American Federal Reserve nor the European Central Bank anticipate tightening their currency policies and will probably continue with a rather massive quantitative release based on the purchase of financial assets for their balances. Given the situation where inflation pressures are seen to be at a tolerable level, primary interest rates in the USA and EU will probably stay relatively unchanged.
- A new market situation arises, where on the one hand, worldwide economic recovery is predicted for 2021 together with inflation risks, and on the other hand, there is a relaxed currency policy of central banks based on low (in ECB's case negative) interest rates. This phenomenon undoubtedly entails some uncertainties.
- The EUR and USD exchange rate of CZK has no major effect on the Bank's economic results thanks to hedging operations, but more marked uncertainties are related to the impact on its balance sheet due to the prevalence of foreign currency assets. After the outbreak of the COVID pandemic in 2020, we could see a significant weakening of the Czech crown, which then strengthened somewhat towards the end of the year and further mild strengthening is expected in 2021 as well.
- The development in the world economy may be impacted by several risk factors, such as the prices of commodities, primarily crude oil, which reflect the security situation in the Middle East (e.g. the growing tensions in relation to Iran or the Armenia-Azerbaijan conflict). These tensions, affecting the economies of "oil countries", could transfer to the exposures that the Bank may have in these regions.
- The winner of the presidential elections in the United States was the Democratic candidate Joe Biden. Global markets therefore await the first steps of the new American administration, especially in the context of international trade relations with the European Union, China and other powers, including the resolution of conflicts in certain regions of the world.
- After many months of persisting uncertainty regarding the specifics of the United Kingdom's withdrawal from the European Union, the good news of the end of 2020 is undoubtedly the achieved agreement that prevented the so-called hard Brexit and which defines the basic parameters of the future arrangement of mutual trade relations.
- The final wording of the prepared amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, will impact the Bank's position in instruments of state support of export. The essential aspect in this respect will be the possibilities for expansion of products offered to Czech exporters in the context of international competition and comparison with other ECAs (Export Credit Agencies), conditions for obtaining funding through the Ministry of Finance, change in the shareholder structure (the sole shareholder should be Exportní garanční a pojišťovací společnost). The amendment is subject to discussions in the Chamber of Deputies of the Parliament of the Czech Republic, but there is a risk that the legislative process will not be completed by the end of the current parliamentary term.
- The Bank's operations and role within the system of state support for exports will be affected by the final form, focus and tasks arising from the prepared Economic Strategy of the Czech Republic until 2030 (and Export

Strategy of the Czech Republic until 2030) which is supposed to contain a strong emphasis on industry as well as on the gradual increase in added value in the economic production of the Czech Republic. The bank's activities in 2022 may also be influenced by economic and strategic priorities set by the government established after the parliamentary elections in October 2021.

- The Bank will also be affected by potential new regulatory requirements imposed on the banking sector.

Goals for 2021 in the business and financial area

- Until the publication of the Economic Strategy of the Czech Republic until 2030 and the new Export Strategy of the Czech Republic, implement the Export Strategy of the Czech Republic for 2012-2020 and the Bank's updated strategy.
- The mission of the Bank, in line with the objectives of the economic policy of the Czech Republic, involves the strengthening of internationalisation of Czech companies and competitiveness of the Czech export. Generation of profit is not its priority.
- The Bank must be ready for the acceleration of demands of Czech exporters and suppliers for export for its products after the COVID pandemic dies down, when the financial position of domestic and foreign companies may show a temporary worsening in the parameters of financial results.
- The Bank has to remain ready to support Czech investors penetrating new foreign markets, including credit instruments supporting investments abroad and acquisitions of foreign companies.
- In order to use the market gap as much as possible, the Bank's business activity will focus on sectors, fields and territories where Czech exporters have for various reasons no or only a limited offer of products from commercial banks. These may be promising countries with a higher risk profile as rated by OECD; however, these must always be profitable transactions.
- Actively cooperate and enhance partnership with the commercial banking sector in the financing of large volume export transactions or in the provision of refinancing loans.
- Maximise support for Czech exporters and suppliers for export while promoting the export engagement of the Czech Republic in territories outside of Europe with the aim to continuously expand export markets to include namely countries in Africa, Latin America and Southeast Asia and gradually eliminate the current concentration risks.
- Play a significant role in sovereign risk-based transactions in regions where debtors prefer a state institution as a counterparty.
- Diversify client portfolio with a focus on entities to which ČEB has not provided its financial services through its products, or it did so a long time ago.
- Support research and development in order to increase the share of exports with higher added value and the number of innovative exporters.
- Stabilise the size of the balance sheet (total asset) sum and the volume of loan principals on the level allowing the Bank to have sustainable financing for its operating needs, generating a profit.
- Maintain the operational efficiency of the Bank on the level of the determined cost/income indicator.
- Finalise the process of collection of the rest of risk receivables incurred between 2007 and 2011 with the aim of maximising the volume of proceeds, thereby decreasing their share in the Bank's overall credit exposure.
- With respect to the state budget, minimise state subsidy needs to settle losses on provided supported financing.
- Adhere to Government Resolution No. 839 of 25 November 2019 on ownership consolidation of institutions of the state support for export system.

Narrative Part

3

3 | Narrative Part

3.1. Risks to Which the Bank is Exposed, Objectives and Methods of Risk Management

Risk factors

The risk management concept in the Bank in all risk management segments builds on the rules of prudent operation determined by the regulator. In its risk management, the Bank traditionally adheres to the principle of a limited risk profile, which is based on the system of internal limits for individual types of risks, product and debtors.

The risk management process in the Bank is independent of its business units. The executive unit for risk management is the Risk Management Division. The Credit Risk Management Department has been charged with managing credit risk in relation to assessing the credit risk of counterparties, with the Credit Analysis Department responsible for analysing individual transactions. The Banking Risk Management Department manages credit risk at the portfolio level, market risks, operational risks, liquidity risks and concentration risks. The risk management process is supervised by the Bank's Board of Directors, which is regularly informed about risk exposures. The Board of Directors determines and regularly assesses the acceptable level of risk, including credit risk, market risk, operational risk, concentration risk and the risk of liquidity and excessive leverage.

In order to comply with the statutory duty in the planning and on-going maintenance of the internally determined capital in the amount, structure and distribution that is sufficient to cover all risks to which the Bank is or may be exposed, the Bank maintains the Internal Capital Adequacy Assessment Process (ICAAP). Methods used to assess and measure individual risks included in the ICAAP that are used by the Bank in relation to its risk profile are approved by the Board of Directors. Quantifiable risks are assessed in the form of internally determined capital needs. Other risks as part of the ICAAP are covered by qualitative measures in risk management, organisation of processes and control mechanisms (Code of Ethics, communication policy, etc.). The internal capital adequacy in 2020 was sufficient to cover the risks to which the Bank is exposed.

The Bank makes use of the Internal Liquidity Adequacy Assessment Process (ILAAP) system. The system is used to meet the requirements for maintaining a reliable and specific framework for the management of liquidity and financing risks, including the process of identifying, measuring and reviewing liquidity and financing risks.

During 2020, the Bank did not exceed the limit for large exposures. As of the end of 2020, the Bank did not exceed any regulatory limit.

Individual types of risks are managed by the Bank in line with applicable legislation, the Bank's regulations and the best practice.

3.1.1. Credit Risk

Credit risk, i.e. the risk of losses owing to a counterparty's default in meeting its obligations under a credit agreement based on which the Bank has become the contractual party's creditor, is managed by the following credit risk evaluation system:

- Debtor's risk management
  - Assessing and monitoring the debtor's credit rating and determining the debtor's internal rating;
  - Monitoring the relations of entities and the structure of financially related entities;
  - Determining the limit applicable to the debtor or a financially related group of entities;
  - Monitoring credit exposure with respect to entities or financially- or otherwise-related groups of entities; and
  - Classifying receivables, provisioning and creation of reserves.

- Transaction risk management
  - Assessing and monitoring specific transaction risks, particularly in terms of the quality of collateral and determining the acceptable level of collateral; and
  - Regular on-site visits.

- Portfolio credit risk management
  - Monitoring portfolio credit risk;
  - Regular stress testing of portfolio credit risk; and
  - Determining limits to mitigate portfolio credit risk.

- Credit risk concentration management
  - Concentration risk in ČEB principally arises from credit risk concentration;
  - Monitoring credit risk concentration in terms of the debtor's country of the registered office and industry; and
  - Determining limits to mitigate credit risk concentration.

To minimise credit risk in providing supported financing, ČEB employs standard banking credit risk mitigation techniques, such as EGAP credit risk insurance. At present, ČEB uses no credit derivatives to minimise credit risk.

For credit risk and concentration risk, ČEB maintains an established management system that monitors the exposures on a daily basis, comparing them against limits designated by the regulator or derived from acceptable risk levels. The results of credit portfolio analyses, including the results of the stress testing of portfolio credit risk, are submitted, on a regular basis, to the senior managers in charge of risk management.

3.1.2. Market Risk

Market risk is the risk of suffering losses owing to changes in market factors, ie prices, exchange rates and interest rates on financial markets. Market risk management in ČEB is a process that includes defining, measuring and an on-going review of the application of limits, and analysing and regularly reporting individual risks to ČEB's committees and management so as to manage negative financial impacts potentially resulting from these changes in market prices.

ČEB is not exposed to risk on shares and commodity risk. To manage foreign currency risk and interest rate risk, ČEB uses the following methods:

- Interest rate risk management
  - GAP analysis
  - Change in Net Interest Income – NII

- Currency risk management
  - Analysis of currency sensitivity factors

- Aggregate market risk management
  - Economic Value of Equity (EVE) – ČEB uses the standard method (according to the Interest rate risk in the banking book standard of April 2016 recommended by Basel Committee on Banking Supervision), reflecting the update to regulations issued by EBA in 2018 (Guidelines on the management of interest rate risk arising from non-trading book activities).

To minimise currency and interest rate risks, ČEB currently uses forward and swap transactions.

To manage market risk, ČEB maintains an established management system that monitors risk exposure on a daily basis, comparing it against limits derived from acceptable risk levels.

3.1.3. Refinancing Risk

To monitor refinancing risk, the Bank measures the impact on the Bank's profit/loss account of increased interest expenses arising from an increased credit spread that the Bank would have to incur to become sufficiently liquid during the global downturn.

3.1.4. Liquidity Risk

To manage liquidity risk, ČEB maintains an established management system that monitors the liquidity status and outlook on a daily basis, comparing them against the limits set. The basic pre-condition of liquidity risk management involves securing survival for at least two months.

- Liquidity risk is managed by:
  - Measuring and comparing the inflow and outflow of cash, ie monitoring net cash flows for a period at least five working days in advance;
  - Measuring and limiting the minimum survival period;
  - Quarterly measurements using stress scenarios;
  - Maintaining the liquidity coverage ratio;
  - Measuring the net stable funding ratio; and
  - Gap analyses that measure the maximum cumulated outflow of cash and limits in individual currencies and time gaps;

ČEB maintains a sufficient liquidity reserve predominantly in the form of highly liquid securities and exposures to the Czech National Bank. To deal with liquidity problems under extraordinary circumstances, ČEB has emergency plans in place. In 2020, ČEB had no problems ensuring sufficient liquidity.

3.1.5. Operational Risk

ČEB manages the risk of losses arising from the inappropriateness or failure of internal processes, human error or failures of systems or the risk of loss arising from external events, including the risk of losses owing to the breach of or non-compliance with legal regulations. The key tool ČEB uses to manage its operational risk is the early warning system, which is based on a system of risk indicators and warning limits that signal the greater probability of the occurrence of certain operational risks.

In 2020, ČEB updated its assessment of operational risks on an on-going basis in the form of self-assessment.

The instances of operational risks were not significant in terms of the volume, amount and impact on the Bank's operations in 2020.

3.1.6. Capital Requirements and Capital Ratios

Table 12

31 Dec 2020	CZK million
Capital	**7,153**
Tier 1 (T1) capital	7,153
Common equity tier 1 (CET1) capital	7,152
CET1 capital instruments	5,000
Accumulated other comprehensive income (OCI) and other provisions	2,156
Adjustments of the CET1 capital due to the utilisation of prudential filters	(2)
(-) Other intangible assets	(2)
Other temporary adjustments of the CET1 capital	–
Other deductions from the CET1 capital – methodology changes (transition to IFRS 9)	–

Table 13

31 Dec 2020		CZK million
	Risk exposure	**Capital requirement**
Total	**6,691**	**535**
Total risk-weighted exposures in respect of credit risk under STA	5,232	418
Exposures in respect of central governments and central banks	470	38
Exposures in respect of institutions	1,155	92
Exposures in respect of enterprises	2,966	237
Default exposures	398	32
Other exposures	243	19
Total risk exposures in respect of position, foreign currency and commodity risks – currency transactions	–	–
Total risk exposures in respect of operational risk – BIA	1,451	116
Risk exposures in respect of credit risk adjustments to measurement total – standardised method	9	1

Table 14

31 Dec 2020	CZK million
Capital ratios	
CET1 capital ratio	106.90
Surplus (+) / shortage (-) of the CET1 capital	6,852
KT1 capital ratio	106.90
Surplus (+) / shortage (-) of the T1 capital	6,618
Total capital ratio	**106.90**
Total capital surplus (+) / shortage (-)	**6,618**
Total capital ratio SREP (TSCR)	*15.600*
TSCR – comprising CET1 capital	*10.200*
TSCR – comprising T1 capital	*13.600*
Overall capital requirement (OCR)	*18.509*
OCR – comprising CET1 capital	*13.109*
OCR – comprising T1 capital	*16.509*
Overall capital requirement (OCR) and the recommended capital planning reserve (P2G))	*18.509*
OCR and P2G – comprising CET1 capital	*13.109*
OCR and P2G – comprising T1 capital	*16.509*

3.2. Risk Factors Potentially Affecting the Capacity of the Bank to Meet its Obligations to Investors Arising from Securities

The Bank's ability to meet its obligations from issued bonds to investors is unconditionally and irrevocably guaranteed by the state pursuant to Act No. 58/1995 Coll., on Insurance and Financing Exports with State Support.

3.3. Remuneration of Persons with Managing Powers

With regard to the application of the proportionality principle, ČEB has not set up a Remuneration Committee and no part of remuneration is paid out in non-cash instruments to persons with managing powers.

In 2020, ČEB regarded the members of the Board of Directors and the members of the Supervisory Board as having managing powers. The Chairman of the Board of Directors is also the CEO, and the members of the Board of Directors also hold the positions of Deputy CEOs.

Board of Directors

The Board of Directors is the statutory body managing the activities of ČEB and acting on its behalf.

Members of the Board of Directors hold the positions of the CEO and Deputy CEOs for the respective areas of the Bank's activities they are entrusted with (refer to Section 1.5 Administrative, Management and Supervisory Bodies of ČEB and Related Committees). Members of the Board of Directors perform their duties with due managerial care, carefully and with the necessary knowledge. They are remunerated in line with the Contract on Holding the Office of a Member the Board of Directors concluded in compliance with the relevant provisions of Act No. 90/2012 Coll., on Business Corporations and Cooperatives. The Contract on Holding the Office of a Member of the Board of Directors (the "Contract") is concluded for a functional period of five years. This Contract provides for the rights and obligations of contractual parties in respect of holding the office of a member or of Board of Directors.

The Contract was approved by the Bank's Supervisory Board. The amount of remuneration of the members of the Board of Directors is approved by the General Meeting.

The total annual remuneration of the members of the Board of Directors is broken down into the base component and the variable component, which make up 50% and 50%, respectively, or 62.5% and 37.5%, respectively, for a member of the Board of Directors in charge of the Risk Management Division. The remuneration of the CEO and Deputy CEOs was paid out in the form of the base component, which was the remuneration for the performed work. The amount of the remuneration was approved by the General Meeting in compliance with ČEB's Articles of Association. The remuneration policy for the members of the Board of Directors, referred to as the Principles of Remunerating ČEB's Managers and Members of ČEB's Bodies, is defined and approved by ČEB's General Meeting. The variable component of the remuneration of the CEO and Deputy CEOs is derived from assessing the performance of their activities, which is measured based on meeting the defined performance criteria. The performance criteria are always set for the calendar year and approved by the General Meeting and subsequently assessed by ČEB's Supervisory Board. The performance criteria include financial indicators (for 2020: administrative expenses and depreciation (excluding the Crisis Resolution Fund), modified cost/income ratio, amount of subsidies for settling losses from supported financing) business indicators (for 2020: total volume of new transactions, volume of loans drawn) and portfolio and risk indicators (for 2020: proportion of NPL to the Bank's aggregate portfolio, amount of provisions, and proceeds from receivables in work-out management – without insurance proceeds from EGAP). The assessment of the performance criteria listed above is made once a year after the termination of the assessed year, utilising the results of the assessment as of 31 December of the relevant year.

Furthermore, 50% of the variable component of the remuneration granted for the assessed year is paid out to the members of the Board of Directors immediately whereby the payment of the other 50% of the variable component is postponed. The deferred portion of the remuneration's variable component is evenly distributed over the 4-year deferral period and the same amount is paid out each year during this period. The claim for such payment always arises from the assessment of the defined financial and non-financial indicators of ČEB's performance and based on the methodology for retrospective assessment of the quality of loan production (malus methodology).

Supervisory Board

The Supervisory Board is ČEB's control body, supervising the exercise of the Board of Director's powers in performing ČEB's business activities.

The Supervisory Board has five members. As of 31 December 2020, the Supervisory Board had only three members performing their duties. Members of the Supervisory Board are elected by the General Meeting and include persons proposed by shareholders. Members of the Supervisory Board are remunerated based on the Contract on Holding the Office of a Member of the Supervisory Board pursuant to the relevant sections of Act 90/2012 Coll., on Business Corporations and Cooperatives, which is concluded for five years. The Contract on Holding the Office of a Member of the Supervisory Board was approved by ČEB's General Meeting. The members of the Supervisory board are remunerated in the amount approved by the General Meeting. The remuneration for performing the duties of a member of the Supervisory Board was paid out providing that the member was not subject to the limitation specified in Section 303 of Act No. 262/2006 Coll., the Labour Code, as amended, or a similar limitation defined in the relevant legal regulation. The total amount of the annual remuneration of the members of the Supervisory Board in 2020 is broken down into the base component and the variable component, which make up 80% and 20%, respectively.

The remuneration of the members of the Supervisory Board was paid out in the form of the base component which was the remuneration for the performed work. The remuneration policy for the members of the Supervisory Board, referred to as the Principles of Remunerating ČEB's Managers and Members of ČEB's Bodies, is defined and approved by ČEB's General Meeting. The variable component of the remuneration of the members of the Supervisory Board is derived from assessing the performance of their activities, which is measured based on meeting the defined performance criteria. The performance criteria are always set for a calendar year and approved and subsequently assessed by ČEB's General Meeting. The performance criteria are divided into four areas: ČEB Strategy (for 2020: review of the implementation of action steps for synergies of ČEB and EGAP, following the adoption of the amendment to Act No. 58/1995 Coll.), finance and business plan (for 2020: active cooperation in preparing and negotiating the FBP for 2021), remuneration system (for 2020: active participation in negotiating the K.O. criteria, bank-wide KPIs as well as individual KPIs of risk takers of group I and approval of KPIs of risk takers of group II in line with the Supervisory Board's schedule of KPI approval) and control system (for 2020: checking the fulfilment of tasks of the Board of Directors and Supervisory Board members set by the Supervisory Board, checking the fulfilment of the Czech National Bank's remedial measures). The assessment of performance criteria is made once a year, after the termination of the assessed year, utilising the results of the assessment as of 31 December of the relevant year.

50% of the variable component of the remuneration granted for the assessed year is paid out to the members of the Supervisory Board immediately and the payment of the other 50 % of the variable component is deferred. The deferral portion of the remuneration's variable component is evenly distributed over the 4-year postponement period and the same amount is paid out each year during this period; the claim for such payments always arises from the assessment of the defined financial and non-financial indicators of ČEB's performance.

3.4. Received Income of Directors and Members of the Bank's Bodies in Cash and in Kind for 2020

Table 15

Received income of persons with managing powers from the issuer (ČEB) (CZK '000)	Members of the Board of Directors	Members of the Supervisory Board	Other persons with managing powers
In cash	22,162	2,104	–
In kind	–	–	–
Total	22,162	2,104	–

Source: ČEB

Given that the Bank does not control any other entities, the individuals specified in the table above received no income in cash or in kind from controlled entities.

Diversity Policy

ČEB does not formally apply a diversity policy to the Board of Directors and the Supervisory Board as the staffing of these bodies is fully under the control of the General Meeting. The second reason is the fact that ČEB is a bank having the state as the direct majority shareholder (84%), its shareholder rights are exercised by the Ministry of Finance and the HR policy is entirely under the control of the state represented by the above ministry, which selects candidates in line with the state's idea of ČEB's activities, involving the support of Czech export and Czech exporters as principal business activities in accordance with Act No. 58/1995 Coll.

There is no discrimination of candidates in the recruitment process. Selection of candidates for members of the Board of Directors or members of the Supervisory Board takes place in line with Act No. 353/2019 Coll., on the Selection of Members of Management and Supervisory Bodies of Legal Entities with State Participation (Nomination Act), which came into force on 1 January 2020. The selection committee, appointed by the Ministry of Finance, assesses primarily qualifications of potential members, both in terms of professional and managerial experience and in terms of education. Candidates must additionally adhere to general guidelines for assessing the suitability of members of a management body and persons in key positions determined by the EBA, such as evaluation of experience, reputation or prudential requirements. The winner of the selection process (nominee) is subsequently presented to the government's Committee for Personnel Nominations, which then either does or does not recommend the proposed nomination.

3.5. Information on Codes

The Corporate Governance Code of Česká exportní banka, a.s. (KOD 01) (hereinafter the "Code") is based on the OECD principles. Deviations from the Code's principles are disclosed in the text. The Corporate Governance Code of Česká exportní banka, a.s. is publicly available in Czech on ČEB's website:
https://www.ceb.cz/kodexy.

The Bank's principles of corporate governance build on the OECD general principles of corporate governance whereby neither the Bank's legal position nor the shareholder structure are modified by the main principles. The Bank's governance is based on the main pillars listed below::

Shareholder Rights

The Bank's majority shareholder is the Czech state, which exercises its shareholder rights through the Ministry of Finance. The state exercises its shareholder rights at the Bank's General Meeting both directly, by applying the proportion of votes corresponding to the shares held by the Ministry of Finance, as well as indirectly by means of Exportní garanční a pojišťovací společnost, a.s. The Bank's shares are not tradable and are held in the registered book-entry form. The shares are only transferrable on condition that statutory requirements as reflected in the Articles of Association have been met.

Fair Treatment of Shareholders

The Bank honours the rule of the equal treatment of shareholders of the same class, pursuant to Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act). The Bank is aware of the risk of potential misuse of the information on its activities, particularly information on the transactions being prepared, both by its employees and members of the Board of Directors and the Supervisory Board. The Bank has issued, and permanently monitors adherence to, the Employee Code of Ethics (KOD 02), which is available at ČEB's website: https://www.ceb.cz/kodexy.

The Bank considers it crucial that the entire decision-making be not influenced by the potential interests of persons with the decision-making powers who are engaged in the decision-making process, i.e. Board of Directors or Supervisory Board members. Should this be the case, these persons are therefore obliged to announce, prior to the commencement of the decision-making process, that they have an interest in its result, and abstain from taking part in the decision-making process.

Disclosures and Transparency

The Bank meets the statutory reporting duty, under which primary emphasis is placed upon a timely, accessible, and balanced disclosures concerning the Bank's current activities as well as anticipated development.

The information is rendered to the business community, public administration bodies, employees and other stakeholders. Providing the aforementioned information on a regular basis is considered by the Bank to be an efficient instrument not only for meeting its statutory obligations but mainly for establishing a good reputation. With respect to information disclosures, the Bank strictly adheres to the relevant statutory provisions concerning bank and business secrets.

Responsibility of the Board of Directors and Supervisory Board of ČEB

The exact definition of the powers of the Board of Directors and the Supervisory Board is part of the Bank's Articles of Association, which are available in the Collection of Deeds of the Commercial Register held by the Municipal

Court in Prague. The Board of Directors' composition, manner of decision-making and powers are provided for by the Bank's Articles of Association. The Bank's Board of Directors has the responsibility towards the shareholders for:

a) The strategic management of the Bank reflected in the security, business and HR policies, the risk management strategy, the remuneration policy and the compliance policy, with senior managers responsible for their implementation;
b) The establishment and assessment of the management and control system, and for permanently maintaining its functionality, effectiveness and efficiency;
c) Statutory compliance of the management and control system and for providing related activities with due professional care; and
d) Establishing principles of human resources management including the requirements for qualification, experience and knowledge for individual positions and the manner in which they are to be demonstrated and verified.

The Supervisory Board's composition, manner of decision-making and powers are provided for by the Bank's Articles of Association. The Supervisory Board oversees the exercise of the Board of Directors' powers as well as realisation of the Bank's business activities. In particular, the Supervisory Board:
a) Supervises as to whether the management and control system is functional and efficient and performs the system's regular assessment;
b) Regularly debates the strategic direction of the Bank as well as matters concerning the regulation of the risks to which the Bank is or may be exposed;
c) Participates in directing, planning and assessing the internal audit activities and assesses compliance; and
d) Approves and regularly assesses the summary remuneration principles for selected groups of employees whose activities significantly affect the Bank's overall risk profile.

Pursuant to Act No. 93/2009, on Auditors, the Bank has established the Audit Committee whose position and powers are provided for by the Bank's Articles of Association.

3.6. Description of the Decision-Making Process with Regard to the Bank's Bodies and Committees

3.6.1. General Meeting

The General Meeting takes place at least once a year, however no later than four months from the end of the reporting period and has a quorum if the shareholders present hold shares in the total nominal value greater than 50% of the Bank's share capital. If the General Meeting does not have a quorum, the Board shall call a substitute General Meeting in compliance with the relevant provisions of the special legal regulation.

The General Meeting votes by acclamation unless the General Meeting decides otherwise. The General Meeting adopts decisions by a majority of the votes of the present shareholders, unless the special legal regulation or the Articles require a larger majority; changes to the Articles, increases or decreases in the share capital and the dissolution of the Bank with liquidation is decided at the General Meeting if approved by the votes of at least two-thirds of the present shareholders. At General Meetings, proposals presented by the convenor of the General Meeting are voted on first and subsequently other proposals and counterproposals are voted on in the order as submitted.

The state exercises its shareholder's rights by means of the Ministry of Finance.

3.6.2. Supervisory Board

The Supervisory Board consists of five members.

Meetings of the Supervisory Board are convened by its Chairman or Vice-Chairman as necessary. The Supervisory Board has a quorum if at least three of its members are present, with resolutions adopted by a majority of all of its members. Each member has one vote. In the event of a tied vote, the Chairman does not have the casting vote. Minutes are taken on all meetings of the Supervisory Board and are to be signed by the Chairman of the Supervisory Board; a list of attendees is attached to the minutes.

In urgent cases that cannot be delayed the Chairman of the Supervisory Board, or the Vice-Chairman of the Supervisory Board if the Chairman is not present, or the Chairman of the Board of Directors based on a request by the Chairman of the Supervisory Board, or the Vice-Chairman of the Supervisory Board if the Chairman is not present, may initiate a per rollam vote by raising a written (i.e. including fax) or an electronic query in respect of all members of the Supervisory Board. Members of the Supervisory Board cast their votes in the written form and may use technological devices to do so. A resolution per rollam is adopted if at least three (3) members of the Supervisory Board agree with adopting the resolution and if at least four members of the Supervisory Board participate in the voting. Per rollam resolutions must be recorded in the Meeting Minutes of the nearest meeting of the Supervisory Board. Members of the Board of Directors can neither be elected nor dismissed by a per rollam resolution.

3.6.3. Board of Directors

The Board of Directors consists of three members.

Meetings of the Board of Directors are convened by its Chairman or an authorised Vice-Chairman as necessary. The Board of Directors has a quorum, if an absolute majority of its members is present. The Board of Directors decides by resolutions adopted by a majority of votes of its members. Each member of the Board of Directors has one vote. In the event of a tied vote, the Chairman does not have the casting vote. Minutes are taken on the course of the Board of Directors' meeting and its resolutions and are to be signed by the Chairman of the Board of Directors and the minute-taker; a list of attendees is attached to the minutes.

In urgent cases that cannot be delayed, the Chairman of the Board of Directors, or the authorised Vice-Chairman if the Chairman is not present, may initiate a per rollam vote by raising a written (i.e. including fax) or an electronic query in respect of all members of the Board of Directors. Members of the Board of Directors cast their votes in the written form and may use technological devices to do so. A resolution per rollam is adopted if at least two members of the Board of Directors agree with adopting the resolution and if at least two members of the Board of Directors participate in the voting. Per rollam resolutions must be recorded in the Meeting Minutes of the nearest meeting of the Board of Directors.

3.6.4. Audit Committee

The Audit Committee consists of three members.

Meetings of the Audit Committee take place as necessary, at least four times a year. If necessary, the Chairman of the Audit Committee, or the authorised member of the Audit Committee if the Chairman is not present, will operatively convene an extraordinary meeting. The Audit Committee has a quorum if an absolute majority of its members is present.

Resolutions of the Audit Committee are adopted by an absolute majority of the votes of all members. Each member has one vote. In the event of a tied vote, the Chairman does not have the casting vote. Minutes are taken on all meetings of the Audit Committee and are to be signed by the Chairman of the Audit Committee; a list of attendees is attached to the minutes.

In urgent cases that cannot be delayed, the Audit Committee may initiate a per rollam resolution. The per rollam resolution is adopted if an absolute majority of the Audit Committee members agree with its adoption.

3.6.5. Credit Committee

The Credit Committee consists of seven members.
Credit Committee meetings take place as necessary, usually once a week. The Credit Committee has a quorum if at least four of its members are present, of which at least two are members of the Board of Directors and two are members of the Risk Management Division. A resolution is adopted if approved by the votes of an absolute majority of the members present, provided that the proposal was voted for by two members of the Board of Directors and two members of the Risk Management Division. Each member has one vote. The Credit Committee arrives at conclusions by the voting of its members in respect of individual items on the agenda.

In urgent cases that cannot be delayed the Credit Committee may make a per rollam resolution. The per rollam resolution is adopted if at least four members of the Credit Committee approve it and if it was voted for by two members of the Board of Directors and two members of the Risk Management Division.

3.6.6. Assets and Liabilities Management Committee (ALCO))

The ALCO consists of seven members.

ALCO meetings take place as needed, usually once a month. The ALCO has a quorum if at least four of its members are present, of which one is the Chairman or the Vice-Chairman of the ALCO and, simultaneously, at least one representative of the CEO's Division, one representative of the Finance and Operations Division and one member of the Risk Management Division are present. Each ALCO member has one vote.

The ALCO adopts conclusions by the voting of its members on individual issues of the agenda. A proposal presented by the ALCO Chairman, or by the ALCO Vice-Chairman, if the Chairman is not present, is voted on first and subsequently counterproposals are voted on in the order as submitted. A resolution is adopted if approved by an absolute majority of the votes of the ALCO members present. If the resolution concerns selected issues specified in the ALCO Rules of Procedure, it may be adopted only if the Head of the Banking Risk Management department who is a member of the ALCO approves it.

In urgent cases that cannot be delayed, the ALCO Chairman, or the Vice-Chairman if the Chairman is not present, may initiate a per rollam resolution. The per rollam resolution is adopted if it is approved by an absolute majority of all ALCO members. If the resolution concerns selected issues specified in the ALCO Rules of Procedure, it may be adopted only if the Head of the Banking Risk Management department who is a member of the ALCO approves it.

3.6.7. Information Technologies Development Committee (ITDC)

The ITDC consists of seven members.

ITDC meetings are convened by the ITDC's Chairman, or the Vice-Chairman if the Chairman is not present. The ITDC has a quorum if at least four of its members are present. Each ITDC member has one vote. A resolution is adopted if approved by an absolute majority of the votes of the ITDC members present. In the event of a tied vote, the Chairman has the casting vote.

In urgent cases that cannot be delayed, the ITDC Chairman, or the Vice-Chairman if the Chairman is not present, may initiate a per rollam resolution. The per rollam resolution is adopted if at least four ITDC members agree with its adoption.

3.6.8. Operational Risk Management Committee (ORCO)

The ORCO consists of seven members.

The ORCO has a quorum if at least four of its members are present, of which one is an ORCO member for the Risk Management Division. Each ORCO member has one vote. Conclusions on each issue on the agenda are voted on individually. A proposal presented by the ORCO Chairman is voted on first and subsequently counterproposals are voted on in the order as submitted. A resolution is adopted if approved by an absolute majority of votes of the ORCO members present and if at least one ORCO member for the Risk Management Division voted for adopting the resolution.

In urgent cases that cannot be delayed, the ORCO Chairman, or the Vice-Chairman if the Chairman is not present, may initiate a per rollam resolution. The per rollam resolution is adopted if at least four ORCO members approve its adoption and if the ORCO Chairman and at least one ORCO member for the Risk Management Division voted for adopting the resolution.

3.7. Authorised Auditors

In a 2017 tender, the Bank selected Deloitte Audit, s.r.o. to be its auditor. Deloitte Audit, s.r.o.'s registered office is located at the following address:

Churchill I building
Italská 2581/67
Vinohrady
120 00 Prague 2

The contract was signed for the period from 2017 to 2020. In 2020, Deloitte Audit, s.r.o. charged fees for services provided under the Audit Services Contract in the following scope:

Table 16

Costs in CZK thousand net of VAT	**2020**	**2019**
Statutory audit of the annual financial statements	1,590	1,560
Other assurance services	120	120
Other non-audit services	–	–
Total	1,710	1,680

Source: ČEB

In 2020, the Bank incurred additional costs arising from the statutory audit of CZK 90 thousand in relation to the assessment of a structural change in subsidy claims.

3.8. Court and Arbitration Proceedings

Court and Arbitration Proceedings with ČEB's participation as of 31 December 2020

ČEB is currently involved only in disputes related to the collection of receivables, especially legal disputes as part of individual insolvency proceedings with ČEB's debtors. The financial impacts of the outcomes of these proceedings represent only potential income for ČEB (not an expense), but given their size, their effect on ČEB's operating profit or financial situation is insignificant. Most of the disputes that ČEB is involved in are proceedings held on behalf of ČEB but on the account of EGAP due to the relations between ČEB and EGAP arising from insurance agreements..

3.9. Contracts of Significance

During 2020, the Bank concluded no significant contracts (except for the contracts concluded as part of the issuer's regular business activities) that could establish any liability or claim which would be significant with regard to the issuer's ability to meet its obligations arising from issued bonds towards securities holders.

Declaration of the Issuer's Authorised Persons

The below-signed authorised persons of Česká exportní banka, a.s. (the issuer) declare that, to the best of their knowledge, the annual report gives a true and fair view of the issuer's financial position, business activities and economic results for the past reporting period and the outlook of the development of its financial situation, business activities and economic results.

In Prague on 26 March 2021

Ing. Jaroslav Výborný, MBA
Chairman of the Board of Directors and CEO

Ing. Emil Holan
Vice-Chairman of the Board of Directors

Financial Part

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4 | Financial Part

ČESKÁ EXPORTNÍ BANKA, A.S.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENT OF THE FINANCIAL STATEMENTS

INCOME STATEMENT

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	**2020**	**2019**
Interest income		1,265	1,304
of which: Interest income calculated using the effective interest rate method[1]		*1,126*	*1,301*
Interest expense		(485)	(751)
Net interest income	6	**780**	**553**
Net fee and commission income	7	**13**	**4**
Net profit (loss) from financial operations, including state subsidy	8	22	45
Other operating income	9	105	6
Other operating expenses	9	(280)	(3)
Profit (loss) from operating activities		**640**	**605**
Administrative expenses	9	(257)	(281)
Amortisation and depreciation	9	(67)	(73)
Modification Gains and Losses		9	(1)
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	10	159	(96)
Creation (reversal) of provisions	10	(47)	(106)
Profit before income tax		**437**	**48**
Income tax expense	11	(273)	18
Net profit (loss) for the year		**164**	**66**

STATEMENT OF COMPREHENSIVE INCOME

Under International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	**2020**	**2019**
Profit or (loss) of current year after tax		**164**	**66**
Total change in OCI from revaluation of financial assets	24	(13)	2
OCI from cash flow hedges (effective part)	24	–	35
Other comprehensive income (OCI)		**(13)**	**37**
Total comprehensive income		**151**	**103**

The notes are an integral part of the financial statements.

[1] Note In 2020, due to the increase in the materiality of interest income not calculated using the effective interest rate, the item Interest income calculated using the effective interest rate has been recorded. The figure for the previous period has been reported according to the new rules. This change does not constitute a correction of reporting according to IAS 8.

STATEMENT OF FINANCIAL POSITION

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	**2020**	**2019**
ASSETS			
Cash and cash with the central bank			
and other deposits repayable on demand	12	2,638	1 ,161
Debt securities at fair value recognized in the OCI	3b, 15	1,534	1,821
Financial assets at amortised cost		36,072	39,587
Debt securities at amortized cost	*3b, 15*	*1,603*	*1,596*
Loans and receivables at amortized cost	*3b, 13*	*34,469*	*37,991*
Hedging derivatives	14	–	–
Property, plant and equipment	16	96	124
Intangible assets	17	10	33
Other assets	18	877	965
Current income tax assets		–	154
Deferred income tax assets	22	9	31
Total assets		**41,236**	**43,876**
LIABILITIES			
Derivatives for trading	14	256	110
Financial liabilities at amortized cost	19	33,022	36,079
Hedging derivatives	14	16	24
Other liabilities	20	283	294
Provisions	3b, 21	243	198
Current income tax liabilities		94	–
Total liabilities		**33,914**	**36,705**
Share capital	23	5,000	5,000
Revaluation reserve	24	16	29
Statutory reserve	25	794	791
Other special funds	25	1,348	1,285
Profit or loss for the year		164	66
Total equity		**7,322**	**7,171**
Total liabilities and equity		**41,236**	**43,876**

The notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	Share capital	Retained earnings	Unpaid loss from previous period	Statutory reserve	Export risk reserve	Revaluation reserve	Total
At 1 January 2019		**5,000**	**352**	**(127)**	**773**	**1,078**	**(8)**	**7,068**
Total change in OCI from revaluation of financial assets	24	–	–	–	–	–	2	2
Change in cash flow hedges, net of tax	24	–	–	–	–	–	35	35
Net profit/(loss) for the year		–	66	–	–	–	–	66
Total comprehensive income		–	66	–	–	–	37	103
Transfer to other special funds	25	–	(207)	–	–	207	–	–
Transfer to statutory reserve	25	–	(18)	–	18	–	–	–
Methodical changes – implementation of IFRS 9		–	(127)	127	–	–	–	–
At 31 December 2019		**5,000**	**66**	**–**	**791**	**1,285**	**29**	**7,171**
Total change in OCI from revaluation of financial assets	24	–	–	–	–	–	(13)	(13)
Change in cash flow hedges, net of tax	24	–	–	–	–	–	–	–
Net profit /(loss) for the year		–	164	–	–	–	–	164
Total comprehensive income		–	164	–	–	–	(13)	151
Transfer to other special funds	25	–	(63)	–	–	63	–	–
Transfer to statutory reserve	25	–	(3)	–	3	–	–	–
At 31 December 2020		**5,000**	**164**	–	**794**	**1,348**	**16**	**7,322**

The notes are an integral part of the financial statements.

CASH FLOW STATEMENT

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,365	8,264
Interest paid		(585)	(937)
Net fee and commission received		122	40
Net trading and other net income received		153	(87)
Recoveries on loans previously written off		2,453	3,201
Cash payments to employees and suppliers		(603)	(357)
Income tax paid		11	(27)
Other taxes paid		(29)	–
Net cash used in operating activities before changes in operating assets and liabilities		**2,887**	**10,097**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Decrease (increase) in loans to banks		(3,920)	(2,988)
Decrease (increase) in loans to customers		4,446	(3,423)
Decrease (increase) of other assets		42	31
Decrease (increase) in other liabilities		1	95
Increase (decrease) in due to banks		5,086	(3,975)
Increase (decrease) in due to customers		(3,261)	1,026
Cash used in operating activities		**5,281**	**863**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of tangible and intangible fixed assets		(51)	(58)
Sale of tangible and intangible fixed assets		–	1
Purchase of securities		–	(25)
Proceeds from matured securities		164	248
Sale of securities		101	–
Net cash from investment activities		**214**	**166**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issued bonds		1,081	9,470
Redemption of issued bonds		(9,574)	(16,247)
Lease payments		(18)	(18)
Return (receipt) of state subsidy		(73)	73
Net cash from financing activities		**(8,584)**	**(6,722)**
Effect of exchange rate changes on cash and cash equivalents		**(10)**	**(2)**
Net increase in cash and cash equivalents		**(3,099)**	**(5,695)**
Cash and cash equivalents at the beginning of the year	12	**5,868**	**11,563**
Cash and cash equivalents at the end of the year	12	**2,769**	**5,868**

The notes are an integral part of the financial statements.

1 / GENERAL INFORMATION

Česká exportní banka, a.s. (the "Bank") was established on 1 March 1995 and its registered address is Vodičkova 34/701, Prague 1. The Bank does not have any branches in the Czech Republic or abroad.

The Bank is authorised to provide banking services, which predominantly comprise accepting deposits from the public and granting loans and guarantees in Czech crowns and foreign currencies, issuing letters of credit, clearing and payment operations, trading on its own account with financial instruments denominated in foreign currencies, with securities issued by foreign governments, with foreign bonds and securities issued by the Czech government and the provision of investment services.

The activities of the Bank are primarily governed by Act No. 21/1992 Coll., on Banks, as amended, Act No. 256/2004 Coll., on Capital Market, as amended, Act No. 58/1995 Coll., on Insurance and Financing Exports with State Subsidies ("Act No. 58/1995 Coll."), and Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Act on Business Corporations), as amended. Concurrently, the Bank is subject to the CNB's regulatory requirements.

The principal objective of the Bank is to provide financing of Czech exports and investments abroad supported by the Czech state in accordance with the European Union law and international rules – mainly through the provision of credit facilities and guarantees. The General Meeting of the Bank makes decisions about profit allocation and in accordance with the Articles of Association the profit is primarily used to contribute to the statutory reserve, export risk reserve or to other funds established by the Bank.

Pursuant to Act No. 58/1995 Coll., the provision of officially supported financing by the Bank is conditioned by the existence of collateral, unless export credit risk is insured by Exportní garanční a pojišťovací společnost, a.s. ("EGAP").

Pursuant to Act No. 58/1995 Coll., the Czech state is liable for the obligations of the Bank arising from the repayment of funds obtained by the Bank and for obligations arising from other transactions by the Bank in the financial markets. The condition for providing officially supported financing is the fact that at least two thirds of the Bank's share capital is owned by the Czech state.

Standard & Poor's confirmed the credit rating of "AA-" with stable outlook and Moody's Investor Service increased the rating to "Aa3" with stable outlook. The Bank's issued bonds are listed on the Luxembourg Stock Exchange (Société de le Bourse de Luxembourg).

2 / ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

(a) Basis of presentation

The Bank's financial statements have been prepared as stand-alone financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial statements have been prepared under the historical cost convention modified for financial instruments. Financial instruments remeasured at fair value and securities pledged as collateral are measured at fair value at the reporting date.

Newly applied amendments to the existing standards the application of which had a significant impact on the financial statements

None of the newly applied amendments to the existing standards had a significant impact on the financial statements for the year ended 31 December 2020.

Newly applied amendments to the existing standards the application of which had no significant impact on the financial statements

- Amendments to IAS 1 and IAS 8 – Definition of Material, effective date: 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (phase 1), effective date: 1 January 2020;
- Amendments to References to the Conceptual Framework, effective date: 1 January 2020; and
- Amendments to IFRS 3 – Definition of a Business, effective date: 1 January 2020.

These amendments to the existing standards had no significant impact on the amounts or disclosures in the financial statements of the Bank.

Amendments to the existing standards that are not yet effective and have been adopted by the European Union

At the date of approval of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the European Union, but are not yet effective.

- Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions, effective date: 1 June 2021The Bank has decided not to apply amendments to IFRS 16 – Leases before their effective date.

Standards and interpretations that are not yet effective and have not been adopted by the European Union

At the date of approval of these financial statements, the following standards and amendments to the existing standards were issued by the IASB but not yet adopted by the European Union:

- IFRS 17 – Insurance Contracts, effective date: 1 January 2023;
- IFRS 14 – Regulatory Deferral Accounts, effective date: 1 January 2016;
- Amendments to IFRS 3 – References to the Conceptual Framework, effective date: 1 January 2022;
- Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9, effective date: 1 January 2021;
- Amendments to IFRS 10 a IAS 28 – Sales or Contributions of Assets between an Investor and its Associate or Joint Venture; the effective date has been postponed by IASB;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (phase 2), effective date: 1 January 2021;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current, effective date: 1 January 2023.
- Amendments to IAS 16 – Proceeds before Intended Use, effective date: 1 January 2022;
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract, effective date: 1 January 2022; and
- Annual improvements to IFRSs – 2018-2020 Cycle, effective date: 1 January 2022.

The Bank closely follows the issue of the interest rate benchmark reform. A large part of the Bank's portfolio is denominated in EUR and CZK and linked to the EURIBOR and PRIBOR rates. The new administrators approved by central banks (European Money Markets Institute, Czech Financial Benchmark Facility s.r.o.) reformed these rates by applying new methods. The Bank's positions in USD will be valued at LIBOR rates administered by ICE Benchmark Administration at least until 30 June 2023. At present, there is no suitable alternative benchmark for USD LIBOR in terms of period length and credit risks that the Bank could use to revaluate its USD portfolio. The Bank's positions in other currencies are immaterial. The Bank adjusts the conditions for the transition to new benchmark rates in financial product contracts. In the area of derivatives, the Bank is ready to accede to ISDA IBOR Fallbacks Supplement, by which it will fulfil the requirements for robust plans in terms of Article 28 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014. We expect that the transfer to new benchmark rates will not have a material impact on the Bank's statements.

The Bank anticipates that the adoption of the above standards and amendments to existing standards in the period of their first-time adoption will have no significant impact on the financial statements of the Bank.

(b) Segment reporting

Operating segments are reported in accordance with the internal reports regularly prepared and presented to the Bank's Board of Directors which represents a group of managers authorised to make decisions on funds to be allocated to individual segments and to assess their performance.

The Bank records two operating segments, which are derived from the special purpose for which it was established, i.e. the operation of officially supported financing in accordance with Section 6 (1) of Act No. 58/1995 Coll., through independent accounting sets (circles):

- Separate set (circle) 001 – set of financing without ties to the state budget, operating activities and other relating activities in accordance with the banking licence; and
- Separate set (circle) 002 – set of officially supported financing eligible for subsidy.

(c) Foreign currency translation

Functional and presentation currency

The financial statements of the Bank are presented in Czech crowns which is also the Bank's functional currency (i.e. the currency of the primary economic environment where the Bank operates).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies are reported in the income statement as 'Net profit from financial operations including state subsidy'.

The foreign exchange rates of Czech crowns to principal foreign currencies were as follows:

	EUR	USD
31 December 2020	26.245	21.387
31 December 2019	25.410	22.621

(d) Derivative financial instruments

In the normal course of business, the Bank enters into contracts for derivative financial instruments, including cross currency interest rate swaps, interest rate swaps, forward rate agreements ("FRA"), currency swaps and currency forwards. The derivative financial instruments are concluded with counterparties from the OECD countries with investment ratings granted by reliable rating agencies or credible domestic counterparties, the rating of which is regularly assessed.

The Bank uses these financial instruments to minimise the impact of interest rate and currency risks so as not to exceed the acceptable level of market risk.

Financial derivatives are initially recognized at fair value in the balance sheet on the date on which the derivative contract is entered into and are subsequently measured at the current fair value through profit or loss (FVTPL). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank does not trade derivatives with aim of generating profit; however, in respect of certain contracts contracted as hedges, the Bank does not apply the hedge accounting principles. This usually relates to derivative instruments whose primary goal relates to currency risk hedging. The gains or losses from these derivatives are reported in the income statement under 'Net profit from financial operations including state subsidy'.

The Bank decided not to apply the hedge accounting principles pursuant to IFRS 9 and it continues to apply the guidance set out in IAS 39. Derivatives accounted for under hedge accounting are those derivatives which also comply with hedge accounting rules: the hedging terms are documented at the initial phase of the hedging relationship and the hedging is effective. The hedge relationship is considered effective if changes in the fair value of the hedging and hedged instruments fluctuate between 80% and 125%. In hedging changes in the interest rate risk, the hedged item involves interest on the portion of the instrument which bears interest and is valued at amortised cost corresponding to the nominal value of the hedging derivative instrument. The hedged item usually includes portions of provided loans or contributions, or received loans or issued bonds. Cash flow hedging is also used for the hedging of future highly-probable cash flows from these financial instruments. Changes in the fair value of derivatives that have been designated and qualify as fair value hedges are recorded in the income statement, together with the relating changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized through equity. The gain or loss relating to the ineffective portion of the hedge, which usually arises due to minor differences in the timing of cash flows for the hedged and hedging instruments in cash flow hedging, is immediately recognized in the income statement under 'Net profit from financial operations including state subsidy'.

(e) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized under 'Interest income' and 'Interest expense' in the income statement using the effective interest rate method, with the exception of interest on derivatives hedging interest rate risks.

Interest on financial instruments at fair value through profit or loss (FVTPL) that do not function as effective hedging instruments is part of gains and losses arising from changes in fair value reported under 'Net profit from financial operations including state subsidy'.

The effective interest rate method is a method of calculating the gross amortised cost of a financial asset or financial liability and allocating the interest income or interest expense until maturity of the relevant asset or liability. The effective interest rate is the rate that discounts estimated future cash flows over the expected lifecycle of the financial instrument, or a shorter period (if relevant), to the gross amortised cost of the financial asset or financial liability. In determining the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument but without reflecting credit losses. The effective interest rate is adjusted for estimated credit losses only if a credit-impaired financial asset is acquired or originates.

Calculation of the effective interest rate includes all fees and payments made between or received by parties to the contract that are an integral part of the effective interest rate, transaction costs, commitment commissions and all other premiums or discounts.

For credit-impaired financial assets, interest income is recognized at amortised cost using the effective interest rate adjusted for credit risk, i.e. at gross amortised cost decreased by allowances.

(f) Fee and commission income

Fees and commissions, which are not part of the effective interest rate, are generally recognized on an accruals basis when the service is provided. Commitment commissions for loans that are not likely to be drawn are recognized as revenue on the date on which the liability is derecognized. Advisory and service fees are reported based on the appropriate service contracts and they are recognized in income as the Bank fulfils its liabilities.

(g) Financial assets

The Bank classifies its financial assets upon their initial recognition based on the Bank's business model and based on the assessment of the contractual cash flows of the financial assets.

The Bank applies a mixed business model. The objective of the main business model is to obtain contractual cash flows, which are the principal and interest on outstanding principal. The Bank's supplementary strategy is the purchase and holding of an asset with the purpose of obtaining contractual cash flows from the principal and interest as well as selling the asset.

The financial asset is measured at amortised costs (**AC**) if it is:
a) Held as part of the business model whose objective is to hold assets in order to obtain contractual cash flows; and
b) Contractual terms and conditions of the financial asset set specific dates of cash flows composed exclusively of payments of the principal and interest on the unpaid portion of the principal.

The financial asset is measured at fair value through other comprehensive income (**FVOCI**) if it is:
a) Held as part of the business model whose objective is achieved by collecting contractual cash flows as well as by the sale of the asset; and
b) Contractual terms and conditions of the financial asset set specific dates of cash flows composed exclusively of payments of the principal and interest on the unpaid portion of the principal.

Financial assets that do not meet the above conditions are measured at fair value through profit or loss (**FVTPL**). Only derivative instruments are mandatorily measured at FVTPL by the Bank.

The Bank does not hold any equity interests in assets.

If the financial asset is part of a hybrid contract, it is assessed from the perspective of the business model, characteristics of cash flows and valuation of the entire hybrid contract.

The assessment of the relation to the business model is based on past experience, goals to be met, the assessment method and management of risks and expected benefits.

The characteristics of contractual cash flows are assessed in respect of whether they are solely payments of the principal and interest. For arrangements concerning interest, it is assessed whether they are consistent with basic contractual arrangements, i.e. whether the interest includes only credit risk, time value of money and other basic risks and profit margins.

Financial assets can be reclassified only if the business model is changed.

Initial recognition of financial assets

All purchases and sales of financial assets or liabilities, except for derivatives, are recognized at the settlement date. Upon initial recognition, financial assets are measured at fair value through profit or loss. For financial assets not measured at FVTPL, the fair value is increased or decreased upon initial recognition by transaction costs that are directly related to the acquisition of the financial asset.

Upon the purchase of a financial asset, there is no difference arising between the recognized fair value of the financial asset recognized by the Bank and the fair value using valuation methods.

Valuation of financial assets as of the balance sheet date

Financial assets at amortised cost (AC) predominantly include provided loans and other receivables and part of purchased bonds. The amortised cost is increased in 'Interest income' using the effective interest rate. The impairment loss is presented in the income statement.

Bonds at fair value through other comprehensive income (FVOCI) are remeasured at fair value after initial recognition. Gains and losses arising from changes in fair values are reported directly through equity until the financial asset is derecognized. Impairment is recognized in equity through profit or loss. However, the interest calculated using the effective interest rate method is reported in the income statement under 'Interest income'.

In determining the fair value of quoted investments at level 1, the Bank uses the current quoted offer prices. If the market is not active for a specific financial asset, the Bank determines the fair value using valuation techniques (level 2). The Bank uses quoted supply and demand market rates as input values for the measurement of the fair values of financial assets or liabilities.

As of the balance sheet date, management of the Bank assessed the used valuation techniques to ensure that they sufficiently reflect the current market conditions including the relative liquidity of the market and credit spreads.

Modification of financial assets

If the contractual conditions of a financial asset are changed or otherwise modified, the Bank assesses whether the change was sufficiently material to result in derecognition. Material modification is indicated by the following events:

- Change in the loan currency;
- Change in the debtor; and
- Impact of a change in the present value of future cash flows after and before modification calculated using the effective interest rate is higher than 5% (inclusive), which is often indicated by complete restructuring (e.g. division of an existing loan into several loans with various conditions), change of interest rate from fixed to variable or vice versa, significant extension of the loan's contractual maturity.

In such a case, the original asset is derecognized and the Bank recognises a new financial asset measured upon initial recognition at fair value. The difference between the amortised cost of the original asset and the fair value of the new modified asset is reported in profit or loss.

If the modification is not material, the Bank recalculates the gross carrying amount of the financial asset by discounting modified contractual cash flows with the original effective interest rate and the difference is reported in profit or loss ('Modification Gains and Losses').

Derecognition of financial assets

Financial assets are derecognized when rights for the collection of cash flows cease to exist or when the Bank transfers all risks and benefits arising from their ownership. The difference between the carrying amount of the financial asset (or its part) that ceased to exist or was transferred to another party, and the payment made is recognized in profit or loss.

(h) Impairment of assets

The Bank creates allowances and provisions for expected credit losses in respect of financial assets at amortised cost or at fair value through other comprehensive income, issued financial guarantees, provided loan commitments and receivables arising from contractual assets.

As of the date of initial recognition the Bank assesses whether the credit risk has increased, i.e. the risk that the Bank will incur a loss caused by a failure of the counterparty to meet its obligations. If the credit risk has not increased (stage 1), the Bank calculates allowances and provisions in the amount of twelve-month expected credit losses (ECL) for each reporting date. Twelve-month ECL are a part of lifetime credit losses that correspond to expected credit losses arising from a failure of the financial instrument that may occur within 12 months from the date of recognition.

If a material increase in credit risk occurs (stage 2) from the initial recognition, the Bank recognises an allowance or provision in the amount of lifetime expected credit losses. Lifetime expected credit losses involve estimated credit losses arising from any failure to meet commitments during the estimated lifetime of financial assets.

Financial assets are impaired (stage 3) if one or more events occurs having an adverse impact on the expected future cash flows related to the financial assets. For purchased or originated credit-impaired (POCI) assets, allowances are reported only as the accumulated change in expected credit losses for the period since the initial recognition.

Allowances decrease the value of the financial asset at amortised cost (AC) in the balance sheet. Allowances against financial assets at fair value through other comprehensive income (FVOCI) are recognized through other comprehensive income. Provisions for credit losses are reported in the balance sheet under "Provisions".

The calculation of expected credit loss (ECL) is based on the undistorted and probability-weighted amount that is the result of various scenarios, includes the time value of money and is based on adequate and demonstrable information that is available without incurring disproportionate costs. Credit losses are defined as a difference between all contractual cash flows payable to an entity under the relevant contract and all cash flows that are expected to be collected by the entity (i.e. all cash deficits), discounted by the original effective interest rate (or by the effective interest rate adjusted for credit risk in respect of purchased or originated credit-impaired financial assets).

The policies and assumptions used for the quantification of expected credit loss are described in Note 3b).

Write-off

Write-off is made upon realisation of collateral or if the Bank no longer has adequate expectations that the value of the financial asset as a whole or its part will be recovered.

(i) Sale and repurchase agreements

Financial assets sold under repurchase agreements (repos) are not derecognized and they are reported separately as pledged collaterals in off-balance sheet. Received payment for the sale is considered a received loan.

Financial assets purchased under resale agreements (reverse repo transactions) are considered for loans granted to other banks or customers. They are classified in accordance with the Bank's business model and the characteristics of the negotiated cash flows as AC or, FVOCI.

The difference between the sale and repurchase prices is treated as interest and accrued over the term of repo agreements using the effective interest rate method.

Securities borrowed are not recognized in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded together with the corresponding gain or loss included in income from trading. The obligation to return these securities is recorded at fair value as a trading liability.

(j) Tangible and intangible assets

All tangible and intangible assets are stated at historical cost less accumulated depreciation and amortisation, respectively. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Acquired software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Depreciation of tangible and intangible fixed assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Years
Motor vehicles	5
Furniture and fittings	2 – 10
Office equipment	2 – 5
Other office equipment	2 – 10
Software	3 – 5

Technical improvements are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repair and maintenance costs are charged to the income statement when incurred.

Tangible fixed assets under construction are not depreciated until relevant assets are completed and put into use. Gains and losses on disposals are derived from their carrying amounts and proceeds from the sale and are included in the 'Other operating earnings' or 'Other operating expenses'. The net book value of assets and useful lives is monitored, and adjusted as appropriate at each balance sheet date.

If the asset's carrying amount is greater than its estimated recoverable amount, an allowance is created for the asset. The estimated recoverable amount is the higher of the asset's fair value including the costs of sale and the value in use.

(k) Leases

The Bank is involved in lease arrangements only as a lessee. The Bank does not apply the requirements of the standard concerning the right-of-use asset and lease liability for short-term and low-value leases. In such a case, lease payments are recognized over the lease term in the income statement. The identified fixed or material right-of-use asset is measured at cost in the value of the initial recognition of the lease liability, payments made until the inception of the lease, direct costs and estimated costs of cancellation of the lease. The right-of-use asset is expensed over the estimated lease term. The lease liability is measured at the inception of the lease at the present value of the future payments, using the interest rate implicit in the lease, or the incremental borrowing rate of the lessee.

(l) Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents are defined as assets with less than three months' maturity and include current accounts and deposits.

(m) Employee benefits

The Bank regulates the provision of employee benefits by its internal policies (e.g. meal contributions, additional pension insurance contributions, sick days, contribution to the Cafeteria system benefits, housing loan, etc.).

The Bank provides its employees with a contribution to additional pension insurance based on a defined contribution scheme. Contributions are charged to the income statement when paid.

The Bank recognises a provision for deferred bonuses and other long-term employment benefits, i.e. retirement bonuses. This provision is created by the sum of liabilities under these benefits at the balance sheet date. The plan of other long-term benefits does not have any proceeds from assets. The present value of the provision is calculated on the basis of the incremental approach which takes into account estimated employee fluctuation.

(n) Taxation and deferred income tax

Deferred income tax is recognized using the full balance sheet liability method. It is determined based on temporary differences between the tax and net book value of assets and liabilities. Deferred income tax is determined using the tax rates that have been enacted at the balance sheet date and relate to the period in which the realisation of the deferred tax asset or settlement of the deferred tax liability are expected.

Deferred tax related to the revaluation of items which are charged directly to equity is also charged directly to equity and subsequently recognized in the income statement together with the deferred gain or loss.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable is recognized, pursuant to applicable tax regulations in the Czech Republic, as an expense in the period in which taxable profits are generated.

(o) Financial liabilities

Initial recognition of financial liabilities

Upon initial recognition, financial liabilities are measured at fair value. For financial liabilities not measured at FVTPL, the fair value upon initial recognition is increased or decreased by the transaction costs directly related to the acquisition of the financial assets.

Upon the acquisition of the financial liability, the Bank records no difference between the recognized fair value of the financial liability and the measurement amount as of the respective date using a valuation technique.

Valuation of financial liabilities as of the balance sheet date

The category of financial liabilities at amortised cost (AC) includes payables to banks, to customers, issues of own bonds and other financial liabilities. A derivative embedded in a contract on a financial liability is separated and recognized separately if the economic features of the embedded derivative and the related risks are not closely related to the economic features of the host contract, a separate instrument with the same conditions as the embedded derivative would satisfy the definition of a derivative and the hybrid contract is not measured at fair value through profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized as soon as they cease to exist, i.e. when the liability is cancelled, settled or ceases to be effective. The difference between the carrying amount of the financial liability that ceased to exist or was transferred to another party and the payment made is recognized in profit or loss.

(p) Share capital

Ordinary shares are classified as equity in the amount recorded in the Commercial Register. Other costs directly attributable to the issue of new shares are shown as a deduction of retained earnings, net of tax.

(q) State subsidy

In accordance with Act No. 58/1995 Coll., the Bank receives subsidies from the state budget to cover losses resulting from the operations related to supported financing.

The amount of the subsidy is calculated as the sum of:

- The recorded interest income from operating long-term supported financing (reduced by a fixed interest mark-up);
- Plus interest income from the current investment of available financial resources intended for supported financing;
- Minus actual interest expense from received funds;
- Minus relating fees paid by the Bank to acquire these funds;

- Minus allowances and provisions; and
- Plus/minus the difference between income from financial derivative transactions and costs related to these transactions, foreign exchange rate differences and other costs that were incurred by the Bank on acquiring the funds.

The income from the state subsidy is recognized in the income statement in the period in which the loss occurs. The title to the state subsidy is recognized in other receivables when the subsidy is virtually certain.

(r) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation resulting from past events, it is likely that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. In addition, provisions are recognized for expected credit losses from issued financial guarantees and provided loan commitments.

(s) Guarantees and loan commitments

The Bank also acts as an issuer of guarantees. Bank guarantee contracts are contractual relationships stipulating that the issuer will provide a payment to the beneficiary, subject to events disclosed in the letter of guarantee. Such guarantees are granted by the Bank based on the requirement of the exporter. Bank guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequently, the Bank's liabilities under such guarantees are measured at the higher of (i) expected credit losses, or (ii) remaining unaccrued amounts upon initial recognition. Allowances are recognized against receivables from outstanding fees.

The Bank enters into contingent financial relationships also by granting loan commitments. Loan commitments are included in the accounting records when all conditions precedent set in the loan agreement have been met. Pursuant to the loan agreement, the Bank is bound to provide a loan, or draw the loan for the benefit of the debtor when the conditions precedent have been met. The conditions precedent usually include an effective insurance policy. Before the conditions precedent have been met, signed loan agreements are recorded solely in the information system of the Bank. Loan commitments are initially measured at fair value which is usually the present value of fees for the provision of the commitment. Assuming that the provision of the loan commitment is probable, these fees are accrued using the effective interest rate and recognized in income over the term of the liability. Subsequently, loan commitments are measured at the higher of expected credit losses, or the remaining unaccrued amounts reported upon first recognition. Allowances are recognized against receivables from outstanding fees.

(t) Collateral and guarantees received

The Bank also receives guarantees issued by other banks and other collateral from other customers as a means of security. An important component of contingent assets is the insurance of export credit risks arranged by or in favour of the Bank. The collateral is taken into account in assessing the risks of loans.

3 / RISK MANAGEMENT

(a) Strategy for using financial instruments

The Bank funds export loans through the use of debt securities issues and long-term borrowings; short-term borrowings from the interbank market and customer deposits are used as additional sources of funding. Bank stores available funds in bonds with low credit risk, mainly in state bonds or bank deposits. The Bank uses financial instruments to hedge against interest rate and foreign exchange changes.

The Bank deposits free funds in other banks at fixed rates and for various periods, and uses customers' deposits as loan collateral and as means of funding export loans. The Bank seeks lending opportunities to commercial borrowers with acceptable credibility. Such exposures involve not only loans and advances, but the Bank also enters into guarantees and other commitments.

The Bank's strategy does not involve generating profit through trading in financial instruments to take advantage of fluctuations in interest and exchange rates. For this reason, the Bank does not create any trading portfolio.

The Board places trading limits on the level of exposure that can be taken in relation to all daily market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions. The Bank uses selected derivatives for the fair value hedging to minimise the impact of changes in fair value on the income statement.

The Bank hedges part of its existing interest rate risk resulting from any potential decrease in the fair value of assets or increase in the fair value of liabilities denominated both in CZK and foreign currencies using interest rate swaps, FX derivatives and cross currency interest rate swaps.

In 2020 and in 2019, the Bank did not make any reclassification of securities.

(b) Credit risk

The Bank is exposed to credit risk, which is the risk that a counterparty will be unable to repay amounts in full when they fall due. The exposure results from individual products of the Bank provided under supported export financing and from the Bank's operations on money and capital markets.

The Bank has established a system of approval authorities, depending on the amount of the total limit for the customer. In the organisational structure, credit risk management and control are part of the Risk Management section for which the relevant Board member is responsible.

Credit risk measurement

The Bank assesses the probability of default of individual counterparties on an individual basis with the use of rating models. The Bank has developed a rating model for assessing the risk level of corporate customers, risks of banks and a model for project quality assessment. The rating models are subject to validation and are updated as and when necessary.

Rating value	Level of risk	Description	Conversion to the rating of Standard&Poor's
1	Very low	Entities with this rating have a very high credit quality. The financial situation is very stable and other economic factors are highly favourable. The ability to meet its obligations on time is very high.	from AAA to -AA-
2	Low	Entities with this rating have a high credit quality. The financial situation is stable and other economic factors are favourable. The ability to meet its obligations on time is high.	from A+to A-
3	Lower	Entities with this rating have a very good credit quality. The financial situation is better-than-average and other economic factors are highly satisfactory. The ability to meet its obligations on time is very good.	from BBB+ to BBB-
4	Medium	Entities with this rating have a good credit quality. The financial situation is acceptable and other economic factors are satisfactory. The ability to meet its obligations on time is good.	from BB+ to BB-
5	Higher	Entities with this rating have a lower credit quality. The financial situation is slightly deteriorated and other economic factors are slightly below average. The ability to meet its obligations on time is lower.	from B+ to B-
6	High	Entities with this rating have a lower credit quality. The financial situation is deteriorated and other economic factors are below average. The ability to meet its obligations on time is lower.	from CCC+ to CCC-
7	Very high	Entities with this rating have a low credit quality. The financial situation is unstable and other economic factors are highly below average. The ability to meet its obligations on time is uncertain.	from CC+ to C-
D	Default	Entities with this rating have a very low credit quality. The financial situation is highly unstable and other economic factors are unfavourable. The ability to meet its obligations on time is unlikely or impossible.	default

The Bank's financial assets are classified into 3 risk stages (Stage I – III) and the special POCI category.

- Stage I includes financial assets for initial recognition (excluding POCI) and financial assets for which the credit risk has not significantly increased from initial recognition to the reporting date.
- Stage II includes financial assets for which credit risk has increased significantly from initial recognition to the reporting date but which are not credit-impaired until the reporting date.
- Stage III includes financial assets that are credit-impaired at the reporting date (default).
- Financial assets classified as POCI include financial assets that are impaired at the date of initial recognition, except for receivables from invoices.

Significant increase in credit risk

At each reporting date, the Bank has to assess whether or not the credit risk related to the financial asset has significantly increased since initial recognition.

The assessment of whether there has been a significant increase in credit risk since initial recognition is based on all reasonable and demonstrable information available to the Bank without unreasonable expenses or effort. These include historical information, information on future prospects and credit risk assessment over the estimated useful life of the financial asset, including information on the circumstances that led to the potential modification. The assessment whether there has been a significant increase in credit risk since initial recognition is based on a significant increase in the probability of default since initial recognition rather than on the events that have occurred. In assessing the credit risk, the Bank takes into account the customer's current projections and available information on the anticipated market developments and the economy of the whole country. For receivables in the portfolio of assets on the money and capital markets, the Bank anticipates that the credit risk is low due to the high rating of counterparties. This is ensured by an extremely prudent policy applied at the decision-making level when approving credit limits, which are re-assessed every 12 months.

The portfolio of receivables from loans, loan commitments, issued guarantees and trade receivables, which arise solely from the Bank's customers, the Bank regularly monitors and assessed the following red flags:

- The debtor has not complied with its non-financial contractual obligations towards the Bank for more than six months (e.g. establishing a subsequent security, financial and non-financial covenants);
- The beneficiary of the issued guarantee sent the Bank a request for extending a guarantee (extend or pay);
- A modification of the financial asset (exposure) has been performed; the impact of the change (decrease) in the present value of future cash flows after and before modification calculated using the original effective interest rate is less than 5 %;
- Insolvency or similar bankruptcy proceedings in line with foreign legal regulations have been initiated against the debtor because of an insignificant receivable[2], which may lead to the declaration of bankruptcy and a petition for the commencement of such proceedings have not been dismissed or rejected or the proceedings have not been suspended within 30 days from commencement;
- Legal disputes (in which the Bank acts as a plaintiff or defendant) concerning material amounts (higher than 10% of the net book value of the debtor's assets);
- Actual or anticipated changes that may considerably modify the debtor's ability to pay its liabilities, such as the effect of significant changes in macroeconomic variables (e.g. GDP development, inflation, significant change in the exchange rate, adverse development of the prices of key commodities, decreasing the country's rating by 2 notches or more) or other significant negative information related to the business case or the debtor (e.g. adverse changes in market, financial, economic and technology conditions);
- An off-balance sheet item meeting the following criteria:
  - There is a performance obligation (legal or constructive) as a result of past events, it is possible to make a reasonably reliable estimate of the performance probability;
  - It is probable that the performance will occur and require an outflow of resources embodying economic benefits; "probable" refers to probability of more than 50%.

A significant increase in credit risk (SICR) is acknowledged no later than when:

- A receivable is past due by more than 30 days;
- The debtor's internal rating when compared to the initial recognition has deteriorated as follows:

Rating upon initial recognition	Deterioration
1–3	by 3 notches
4–5	by 2 notches
6	by 1 notch

[2] Note: An insignificant receivable means a receivable whose full settlement will not result in the debtor's bankruptcy or serious financial issues (to be assessed by the risk management division)

- Payments are made by the guarantor but it was unknown when approving an allowance that payments would be sent by the guarantor rather than the debtor;
- The principal in a guarantee issued by the Bank does not meet the conditions of the guarantee, with the Bank anticipating the beneficiary's request to extend the guarantee ("extend or pay"); and
- A statement of another creditor or the investigative, prosecuting and adjudicating bodies indicates that criminal proceedings have commenced against the debtor of members of the statutory body because of a property crime committed in relation to their business activity.

Debtor's default

The event of default has been defined in the Bank based on historical experience for various types of financial instruments.

Debtor's default refers to a situation when at least one of the following conditions has been met:

- A receivable or its major portion (exceeding the amount of CZK 50 thousand) is past its due date for more than 90 days;
- With respect to the debtor, an insolvency petition was dismissed, or the insolvency or similar proceedings were discontinued due to insufficient debtor's property;
- The debtor intends to enter into, or has entered into, liquidation;
- Bankruptcy of the debtor has been identified or declared, or the bankruptcy or similar proceedings have commenced under foreign legislation, resulting in a loss or restriction of the debtor's disposition rights;
- The court has issued a decision on the invalidity or non-existence of the debtor (legal person), or the debtor (an individual) has passed away;
- Enforcement of a judgment concerning the sale of the debtor's assets or distraint, including judicial lien, has been ordered based on a final and conclusive judgment of the court or an administrative authority;
- The Bank had to make payments for the debtor under provided guarantees; and
  - The debtor has not paid such receivable within 90 days from the deadline specified by the accompanying loan agreement concluded for performance under a guarantee (or within 90 days from the deadline for performance defined by the Bank if the accompanying agreement is not concluded, or the deadline is not defined therein) and, simultaneously, the Bank has not agreed on a payment schedule with the debtor in order to settle the Bank's receivable arising in relation to payments made for the debtor under provided guarantees; or
  - probability that the debtor cannot settle such receivable without the use of security is more than 50%;
- The Bank expects the receivable to be repaid, at least partially, from collateral liquidation.
- An exposure under probation[3] where additional forbearance measures are granted or where the exposure becomes more than 30 days past due.

Recognition of allowances and provisions

Recognition of allowances and provisions is based on the expected credit loss (ECL), which is expressed as the weighted average of credit losses.

For Stage I assets, the 12-month ECL is used to quantify the allowances and provisions, representing the expected credit losses incurred as a result of a financial instrument default that may occur within twelve months from the reporting date.

In segments of receivables from loans, off-balance sheet products and trade receivables in Stage I, the Bank uses the portfolio approach to determine the ECL. The collectively determined probability of loss determined based on an analysis of prior periods is applied to exposure at default (EAD), where EAD is the gross carrying amount of the exposure net of all regulatory accepted collateral. The resulting recognition of allowances and provisions is allocated to individual financial assets.

In the segment of receivables of the money and capital markets bearing low credit risk, the Bank uses an individual approach to quantify ECL. The ECL quantification is based on three components used by the Bank: probability of default (PD), exposure at default (EAD), and estimated loss given default (LGD). PD is an estimate of the probability of default over a given time period. EAD expresses the unsecured portion of the receivable. LGD represents the Bank's expected loss on the exposure, taking into account the specific characteristics of the collateral.

For exposures with portfolio significance, the Bank's calculation of allowances and provisions includes a coefficient expressed by macroeconomic indicators based on the expectation of further economic developments of the country.

[3] Note: A period of 2 years, starting from the date on which the non-performing exposure was classified as performing exposure.

For **Stage 2, Stage 3 and POCI assets**, the calculation of allowances and provisions uses the lifetime ECL, which are the expected credit losses that arise from all possible failures to meet commitments over the expected life of the financial instrument. The Bank uses an individual approach and the expected cash flow method for its determination. Estimated cash flows are determined by evaluators using the estimated cash flow scenario.

At the same time, the following applies:

- It is always required to use at least two scenarios with a non-zero weight, with the sum of individual weights being 100%;
- The only exception is when the receivable is insured by a loan insurance company and the insurance company issued a statement as regards insurance payments – in such a case, only one scenario will be used, i.e. cash flows will be based on the payments of premium and reductions (if any) – based on a declaration of the loan insurance company;
- If the receivable is insured by a loan insurance company, at least one scenario reflecting the possibility of insurance payments by a loan insurance company must be used;
- If the receivable is insured by a loan insurance company and it is estimated (probability of the scenario is >10%) that cash flows will be composed of payments from the insurance company but the insurance company has not yet issued a statement, one of the scenarios has to reflect the possibility of reducing insurance payments by the insurance company.

No financial asset of the Bank was arranged or originated as credit impaired (POCI).

Covid-19

In relation to the COVID-19 pandemic and the adopted government measures which affect virtually all areas of economic life, the Bank introduced the following measures:

- The macroeconomic forecast has been revised and an expert assessment of Stage 1 allowances/provisions has been carried out;
- Once a week, the Credit Committee presents information on the latest the economic results of companies on the "COVID list" with an exposure over CZK 50 million, in relation to the effects of the pandemic; and
- In 04/2020 and 10/2020, conservative (pessimistic) scenarios were prepared for the 8 most significant exposures in the Bank in relation to the possible effects of the pandemic.

The credit quality of the portfolio did not deteriorate due to the pandemic. Only one of the Bank's clients used the statutory moratorium. Overall, the effect of the pandemic on the increased creation of allowances/provisions was immaterial.

Exposures by level of credit risk

(CZK'm)							2020
	Book value (net)	**Carrying amount (gross)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stageň 2	Stage 3
Debt securities at fair value recognized in OCI	**1,534**	**1,534**	–	–	–	–	–
Government Institutions	**1,402**	1,402	–	–	–	–	–
Credit institutions	**132**	132	–	–	–	–	–
Financial assets at amortised cost	**36,072**	**14,746**	**15 641**	***6,962***	**(20)**	**(166)**	**(1,091)**
Debt securities at amortised cost	**1,603**	**1,603**	–	–	–	–	–
Government Institutions	**1,553**	1,553	–	–	–	–	–
Credit institutions	**50**	50	–	–	–	–	–
Loans and receivables at amortised cost	**34,469**	**13,143**	**15 641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Central banks	**4,988**	4,989	–	–	(1)	–	–
Government Institutions	**3,888**	2,661	1 232	–	(1)	(4)	–
Credit institutions	**203**	203	–	–	–	–	–
Other financial institutions	–	–	–	–	–	–	–
Non-financial corporations	**25,390**	5,290	14 409	6,962	(18)	(162)	(1,091)
Other receivables	**2**	**2**	–	**44**	–	–	**(44)**

(CZK'm)							2019
	Net book value	**Carrying amount (gross)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stageň 2	Stage 3
Debt securities at fair value recognized in OCI	**1,821**	**1,821**	–	–	–	–	–
Government Institutions	**1,640**	1,640	–	–	–	–	–
Credit institutions	**181**	181	–	–	–	–	–
Financial assets at amortised cost	**39,587**	**21,584**	**10,672**	***13,179***	**(28)**	**(152)**	**(5,668)**
Debt securities valued at amortised cost	**1,596**	1,596	–	–	–	–	–
Government Institutions	**1,546**	1,546	–	–	–	–	–
Credit institutions	**50**	50	–	–	–	–	–
Loans and receivables at amortised cost	**37,991**	**19,988**	**10,672**	**13,179**	**(28)**	**(152)**	**(5,668)**
Central banks	**3,502**	3,502	–	–	–	–	–
Government Institutions	**3,242**	3,246	–	–	(4)	–	–
Credit institutions	**2,327**	2,294	–	37	(3)	–	(1)
Other financial institutions	**4**	4	–	1	–	–	(1)
Non-financial corporations	**28,916**	10,942	10,672	13,141	(21)	(152)	(5,666)

The Bank decided to separately disclose a part of short-term Other receivables from debtors, the impairment of which is monitored in accordance with IFRS 9.

(CZK'm)						2020
	Carrying amount (gross)			**Provisions**		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage
Provided loan commitments total	**1,136**	**1,745**	–	**(3)**	**(20)**	–
Government Institutions	795	–	–	(1)	–	–
Credit institutions	214	–	–	(1)	–	–
Non-financial corporations	127	1,745	–	(1)	(20)	–
Provided financial guarantees total	**1,410**	**268**	**64**	**(35)**	**(17)**	**(10)**
Non-financial corporations	1,410	268	64	(35)	(17)	(10)

(CZK'm)						2019
	Carrying amount (gross)			**Provisions**		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Provided loan commitments total	**3,373**	–	–	**(4)**	–	–
Government Institutions	1,673	–	–	(1)	–	–
Non-financial corporations	1,700	–	–	(3)	–	–
Provided financial guarantees total	**1,265**	**57**	**68**	**(15)**	**(2)**	**(11)**
Non-financial corporations	1,265	57	68	(15)	(2)	(11)

Development of exposures by level of credit risk in gross amount

(CZK'm)												2020
				Carrying amount of exposure (gross)								
				Movements during the year								
	Balance at 31.12.2019				Transfer to (from)					Balance at 31.12.2020		
	Stage 1	Stage 2	Stage 3	Newly Purchased/ provided	Stage 1	Stage 2	Stage 3	Sold/ repaid	Foreign exchange differences	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in the OCI	**1,821**	–	–	–	–	–	–	**(305)**	**18**	**1,534**	–	–
Government Institutions	1,640	–	–	–	–	–	–	(249)	11	1,402	–	–
Credit institutions	181	–	–	–	–	–	–	(56)	7	132	–	–
Financial assets at amortised cost	**21,584**	**10,672**	**13,179**	**7,203**	**(1,299)**	**1,299**	–	**(16,380)**	**1,091**	**14,746**	**15,641**	**6,962**
Debt securities valued at amortised cost	**1,596**	–	–	–	–	–	–	**(7)**	**14**	**1,603**	–	–
Government Institutions	1,546	–	–	–	–	–	–	(7)	14	1,553	–	–
Credit institution	50	–	–	–	–	–	–	–	–	50	–	–
Loans and receivables at amortised cost	**19,988**	**10,672**	**13,179**	**7,203**	**(1,299)**	**1,299**	**–**	**(16,373)**	**1,077**	**13,143**	**15,641**	**6,962**
Central banks	3,502	–	–	4,988	–	–	–	(3,502)	1	4,989	–	–
Government Institutions	3,246	–	–	1,602	(764)	764	–	(834)	(121)	2,661	1,232	–
Credit institutions	2,294	–	37	100	–	–	–	(2,240)	12	203	–	–
Other financial institutions	4	–	1	265	–	–	–	(281)	11	–	–	–
Non-financial corporations	10,942	10,672	13,141	248	(535)	535	–	(9,516)	1 ,174	5,290	14,409	6,962
Other receivables	–	–	–	**46**	**(1)**	**1**	–	–	–	**2**	–	**44**
of which transfer from category Loans and receivables and amort. cost	–	–	–	(44)	–	–	–	–	–	–	–	–
of which move to category Other receivables	–	–	–	44	–	–	–	–	–	–	–	–
Provided loan commitments total	**3,373**	–	–	**1,164**	**(244)**	**244**	–	**(1,743)**	**87**	**1,136**	**1,745**	–
Government Institutions	1,673	–	–	636	–	–	–	(1,554)	40	795	–	–
Non-financial corporations	1,700	–	–	314	(244)	244	–	(189)	47	127	1,745	–
Provided financial guarantees total	**1,265**	**57**	**68**	**570**	**(12)**	**12**	–	**(225)**	**7**	**1,410**	**268**	**64**
Non-financial corporations	1,265	57	68	570	(12)	12	–	(225)	7	1,410	268	64

(CZK'm)												2019
				Carrying amount of exposure (gross)								
				Movements during the year								
	Balance at 31.12.2018				Transfer to (from)					Balance at 31.12.2019		
	Stage 1	Stage 2	Stage 3	Newly Purchased/ provided	Stage 1	Stage 2	Stage 3	Sold/ repaid	Foreign exchange differences	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in the OCI	**2,033**	**–**	**–**	**23**	–	–	–	**(230)**	**(5)**	**1,821**	–	–
Government Institutions	1,847	–	–	23	–	–	–	(227)	(3)	1,640	–	–
Credit institutions	186	–	–	–	–	–	–	(3)	(2)	181	–	–
Financial assets at amortised cost	**26,637**	**12,690**	**21,569**	**8,658**	**(13)**	**(4)**	**17**	**(23,615)**	**(504)**	**21,584**	**10,672**	**13,179**
Debt securities valued at amortised cost	1,635	–	–	–	–	–	–	(34)	(5)	1,596	–	–
Government Institutions	1,585	–	–	–	–	–	–	(34)	(5)	1,546	–	–
Credit institutions	50	–	–	–	–	–	–	–	–	50	–	–
Loans and receivables at amortised cost	**25,002**	**12,690**	**21,569**	**8,658**	**(13)**	**(4)**	**17**	**(23,581)**	**(499)**	**19,988**	**10,672**	**13,179**
Central banks	10,984	–	–	3,505	–	–	–	(10,984)	(3)	3,502	–	-
Government Institutions	3,970	–	–	1,250	–	–	–	(1,945)	(29)	3,246	–	-
Credit institutions	682	249	116	2,302	–	(236)	236	(989)	(29)	2,294	–	37
Other financial institutions	6	–	3	4	–	–	–	(8)	–	4	–	1
Non-financial corporations	9,360	12,441	21,450	1,597	(13)	232	(219)	(9,655)	(438)	10,942	10,672	13,141
Provided loan commitments total	**4,921**	**55**	–	**297**	–	**(54)**	**54**	**(1,829)**	**(71)**	**3,373**	–	–
Government Institutions	2 ,087	–	–	–	–	–	–	(376)	(38)	1,673	–	–
Credit institutions	16	55	–	14	–	–	–	(84)	(1)	–	–	–
Non-financial corporations	2,818	–	–	283	–	(54)	54	(1,369)	(32)	1,700	–	–
Provided financial guarantees total	**957**	**24**	**153**	**475**	–	**–**	**–**	**(204)**	**(15)**	**1,265**	**57**	**68**
Other financial institutions	–	–	–	–	–	–	–	–	–	–	–	–
Non-financial corporations	957	24	153	475	–	–	–	(204)	(15)	1,265	57	68

Development of allowances and provisions by level of credit risk

(CZK'm)												2020
	Allowances and provisions											
				Movements during the year								
	Balance at 31.12.2019				Transfer to (from)					Balance at 31.12.2020		
	Stage 1	Stage 2	Stage 3	Newly Purchased/ provided	Stage 1	Stage 2	Stage 3	Sold/ repaid	Foreign exchange differences	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	–	–	–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost	**(28)**	**(152)**	**(5,668)**	**(90)**	**29**	**(29)**	–	**4,945**	**(284)**	**(20)**	**(166)**	**(1,091)**
Debt securities at amortised cost	–	–	–	–	–	–	–	–	–	–	–	–
Loans and receivables at amortized cost	**(28)**	**(152)**	**(5,668)**	**(90)**	**29**	**(29)**	**–**	**4,945**	**(284)**	**(20)**	**(166)**	**(1,091)**
Central banks	–	–	–	(6)	–	–	–	5	–	(1)	–	–
Government institutions	(4)	–	–	(6)	1	(1)	–	5	–	(1)	(4)	–
Credit institutions	(3)	–	(1)	(3)	–	–	–	7	–	–	–	–
Other financial institutions	–	–	(1)	(5)	–	–	–	6	–	–	–	–
Non-financial corporation	(21)	(152)	(5,666)	(70)	28	(28)	–	4,922	(284)	(18)	(162)	(1,091)
Other receivables	–	–		**(40)**	**1**	**(1)**	–	**(4)**	–	–	–	**(44)**
of which transfer from category Loans and receivables at amortised cost	–	–	–	40	–	–	–	–	–	–	–	–
of which move to category Other receivables	–	–	–	(40)	–	–	–	–	–	–	–	–
Provided loan commitments total	**(4)**	**–**	**–**	**(23)**	**18**	**(18)**	–	**5**	**(1)**	**(3)**	**(20)**	–
Government institutions	(1)	–	–	(1)	–	–	–	1	–	(1)	–	–
Credit institutions	–	–	–	–	–	–	–	–	(1)	(1)	–	–
Non-financial corporation	(3)	–	–	(22)	18	(18)	–	4	–	(1)	(20)	–
Provided financial guarantees total	**(15)**	**(2)**	**(11)**	**(78)**	**7**	**(7)**	–	**42**	**2**	**(35)**	**(17)**	**(10)**
Non-financial corporation	(15)	(2)	(11)	(78)	7	(7)	–	42	2	(35)	(17)	(10)

(CZK'm)												2019
	Allowances and provisions											
				Movements during the year								
	Balance at 31.12.2018				Transfer to (from)					Balance at 31.12.2019		
	Stage 1	Stage 2	Stage 3	Newly Purchased/ provided	Stage 1	Stage 2	Stage 3	Sold/ repaid	Foreign exchange differences	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	–	–	–	–	–	–	–	–	–	–	–	–
Financial assets at amortised cost	**(12)**	**(133)**	**(7,026)**	**(448)**	**(39)**	**47**	**(8)**	**1,693**	**78**	**(28)**	**(152)**	**(5,668)**
Debt securities valued at amortised cost	–	–	–	–	–	–	–	–	–	–	–	–
Loans and receivables at amortised cost	**(12)**	**(133)**	**(7,026)**	**(448)**	**(39)**	**47**	**(8)**	**1,693**	**78**	**(28)**	**(152)**	**(5,668)**
Central banks	(1)	–	–	(5)	–	–	–	6	–	–	–	–
Government Institutions	(6)	–	–	(1)	–	–	–	3	–	(4)	–	–
Credit institutions	–	–	(116)	(135)	–	(1)	1	247	–	(3)	–	(1)
Other financial institutions	–	–	(3)	–	–	–	–	2	–	–	–	(1)
Non-financial corporations	(5)	(133)	(6,907)	(307)	(39)	48	(9)	1,435	78	(21)	(152)	(5,666)
Provided loan commitments total	**(4)**	–	–	**(3)**	–	–	–	**3**	–	**(4)**	–	–
Government Institutions	(1)	–	–	–	–	–	–	–	–	(1)	–	–
Non-financial corporations	(3)	–	–	(3)	–	–	–	3	–	(3)	–	–
Provided financial guarantees total	**(7)**	–	**(34)**	**(15)**	–	–	–	**28**	–	**(15)**	**(2)**	**(11)**
Non-financial corporations	(7)	–	(34)	(15)	–	–	–	28	–	(15)	(2)	(11)

Development of exposures by level of credit risk in net amount

(CZK'm)												2020
	Carrying amount of exposure (net)											
				Movements during the year								
	Balance at 31.12.2019				Transfer to (from)					Balance at 31.12.2020		
	Stage 1	Stage 2	Stage 3	Newly Purchased/ provided	Stage 1	Stage 2	Stage 3	Sold/ repaid	Foreign exchange differences	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	**1,821**	–	–	–	–	–	–	**(305)**	**18**	**1,534**	–	–
Government Institutions	1,640	–	–	–	–	–	–	(249)	11	1,402	–	–
Credit institutions	181	–	–	–	–	–	–	(56)	7	132	–	–
Financial assets at amortized cost	**21,556**	**10,520**	**7,511**	**7,113**	**(1,270)**	**1,270**	–	**(11,435)**	**807**	**14,726**	**15,475**	**5,871**
Debt securities at amortized cost	**1,596**	–	–	–	–	–	–	**(7)**	**14**	**1,603**	–	–
Government Institutions	1,546	–	–	–	–	–	–	(7)	14	1,553	–	–
Credit institutions	50	–	–	–	–	–	–	–	–	50	–	–
Loans and receivables at amortized cost	**19,960**	**10,520**	**7,511**	**7,113**	**(1,270)**	**1,270**	–	**(11,428)**	**793**	**13,123**	**15,475**	**5,871**
Central banks	3,502	–	–	4,982	–	–	–	(3,497)	1	4,988	–	–
Government Institutions	3,242	–	–	1,596	(763)	763	–	(829)	(121)	2,660	1,228	–
Credit institutions	2,291	–	36	97	–	–	–	(2,233)	12	203	–	–
Other financial institutions	4	–	–	260	–	–	–	(275)	11	–	–	–
Non-financial corporations	10,921	10,520	7,475	178	(507)	507	–	(4,594)	890	5,272	14,247	5,871
Other receivables	–	–	–	**6**	–	–	–	**(4)**	–	**2**	–	–
of which transfer from category Loans and receivables at amortized cost	–	–	–	(4)	–	–	–	–	–	–	–	–
of which move to category Other receivables	–	–	–	4	–	–	–	–	–	–	–	–

(CZK'm)												2019
	Carrying amount of exposure (net)											
				Movements during the year								
	Balance at 31.12.2018				Transfer to (from)					Balance at 31.12.2019		
	Stage 1	Stage 2	Stage 3	Newly Purchased/ provided	Stage 1	Stage 2	Stage 3	Sold/ repaid	Foreign exchange differences	Stage 1	Stage 2	Stage 3
Debt securities at fair recognized in the OCI	**2,033**	–	–	**23**	–	–	–	**(230)**	**(5)**	**1,821**	–	–
Government Institutions	1,847	–	–	23	–	–	–	(227)	(3)	1,640	–	–
Credit institutions	186	–	–	–	–	–	–	(3)	(2)	181	–	–
Financial assets at amortised cost	**26,625**	**12,557**	**14,543**	**8,210**	**(52)**	**43**	**9**	**(21,922)**	**(426)**	**21,556**	**10,520**	**7,511**
Debt securities valued at amortised cost	1,635	–	–	–	–	–	–	(34)	(5)	1,596	–	–
Government Institutions	1,585	–	–	–	–	–	–	(34)	(5)	1,546	–	–
Credit institutions	50	–	–	–	–	–	–	–	–	50	–	–
Loans and receivables at amortised cost	**24,990**	**12,557**	**14,543**	**8,210**	**(52)**	**43**	**9**	**(21,888)**	**(421)**	**19,960**	**10,520**	**7, 511**
Central banks	10,983	–	–	3,500	–	–	–	(10,978)	(3)	3,502	–	–
Government Institutions	3,964	–	–	1,249	–	–	–	(1,942)	(29)	3,242	–	–
Credit institutions	682	249	–	2,167	–	(237)	237	(742)	(29)	2,291	–	36
Other financial institutions	6	–	–	4	–	–	–	(6)	–	4	–	–
Non-financial corporations	9,355	12,308	14,543	1,290	(52)	280	(228)	(8,220)	(360)	10,921	10,520	7,475

Movements in allowances and provisions

(CZK'm)										2020
	Opening balance	Increase due to origin	Decrease due to derecognition	Changes in credit risk (net)	Changes due to modification without derecognition (net)	Decrease due to write off	Other adjust-ments	Closing balance	Write-off P/L impact (+)	Write-off P/L impact (-)
Allowances for debt instruments										
Cash and cash with the central bank and other deposits repayable on demand	**(2)**	(3)	4	–	–	–	–	**(1)**	–	–
Debt securities	–	–	–	–	–	–	–	–	–	–
Loans and receivables at amortized cost	**(28)**	(19)	17	–	–	–	10	**(20)**	–	–
Stage 1 – for assets without significant credit risk increase	**(30)**	(22)	21	–	–	–	10	**(21)**	–	–
Debt securities	–	–	–	–	–	–	–	–	–	–
Loans and receivables at amortized cost	**(152)**	–	–	(6)	9	–	(17)	**(166)**	–	–
Stage 2 – for debt instruments with significant credit risk increase	**(152)**	–	–	(6)	9	–	(17)	**(166)**	–	–
Debt securities	–	–	–	–	–	–	–	–	–	–
Loans and receivables at amortized cost	**(5,668)**	–	–	135	–	4,722	(280)	**(1,091)**	2,175	(6,869)
Stage 3 – for credit impaired debt instruments	**(5,668)**	–	–	135	–	4,722	(280)	**(1,091)**	2,175	(6,869)
Total	**(5,850)**	**(22)**	**21**	**129**	**9**	**4,722**	**(287)**	**(1,278)**	**2,175**	**(6,869)**
Provisions for commitments and financial guarantees										
Stage 1	**19**	116	(224)	–	–	–	127	**38**	–	–
Stage 2	**2**	–	–	37	–	–	(2)	**37**	–	–
Stage 3	**11**	–	–	–	–	–	(1)	**10**	–	–
Total	**32**	**116**	**(224)**	**37**	–	–	**124**	**85**	–	–

(CZK'm)										2019
	Opening balance	Increase due to origin	Decrease due to derecognition	Changes in credit risk (net)	Changes due to modification without derecognition (net)	Decrease due to write off	Other adjust-ments	Closing balance	Write-off P/L impact (+)	Write-off P/L impact (-)
Adjustments for debt instruments										
Cash and cash with the central bank and other deposits repayable on demand	**–**	(3)	1	–	–	–	–	**(2)**	–	–
Debt securities	**–**	–	–	–	–	–	–	–	–	–
Loans and receivables at amortised cost	**(13)**	**(39)**	**24**	–	–	–	–	**(28)**	**6**	**(6)**
Stage 1 – for assets without significant credit risk increase	**(13)**	(42)	25	–	–	–	–	**(30)**	6	(6)
Debt securities	–									
Loans and receivables at amortised cost	**(133)**	–	–	(20)	(1)	–	2	**(152)**	–	–
Stage 2 – for debt instruments with significant credit risk increase	**(133)**	–	–	(20)	(1)	–	2	**(152)**	–	–
Debt securities	–									
Loans and receivables at amortised cost	**(7,025)**	–	–	(95)	–	1,375	78	**(5,668)**	6,664	(8,004)
Stage 3 – for credit impaired debt instruments	(7,025)	–	–	**(95)**	–	**1,375**	**78**	(5,668)	**6,664**	**(8,004)**
Total	(7,171)	**(42)**	**25**	**(115)**	**(1)**	**1,375**	**80**	(5,850)	**6,670**	**(8,010)**
Provisions for commitments and financial guarantees										
Stage 1	**11**	18	–	–	–	–	(10)	**19**	–	–
Stage 2	–	–	(7)	–	–	–	9	**2**	–	–
Stage 3	**34**	–	–	(23)	–	–	1	**11**	–	–
Total	**45**	**18**	**(7)**	**(23)**	–	–	–	**32**	–	–

Classification by internal rating

(CZK'm)									2020
	Internal rating	Carriyng amount (net)	Carriyng amount (gross)			Allowances			
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Very low credit risk	AA+ až AA-	1,553	1,553	–	–	–	–	–	
Low credit risk	Worse than A-	50	50	–	–	–	–	–	
Debt securities valued at amortised cost		**1,603**	**1,603**	–	–	–	–	–	
Highest credit quality	1	4,988	4,989	–	–	(1)	–	–	
High credit quality	2	23	23	–	–	–	–	–	
Very good credit quality	3	2,763	2,764	–	–	(1)	–	–	
Good credit quality	4	3,948	3,512	445	–	–	(9)	–	
Quality requiring prudence	5	14,073	1,690	12,465	–	(17)	(65)	–	
Vulnerable	6	2,777	165	2,705	–	(1)	(92)	–	
Unsatisfactory	7	26	–	26	–	–	–	–	
Project Financing	21-24	–	–	–	–	–	–	–	
Default of project	D	5,871	–	–	6,962	–	–	(1,091)	
Loans and receivables at amortised cost		**34,469**	**13,143**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**	
Financial assets at amortised cost		**36,072**	**14,746**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**	
Minimal credit risk	AAA	132	132	–	–	–	–	–	
Very low credit risk	AA+ až AA-	1 344	1,344	–	–	–	–	–	
Low credit risk	A+ až A-	58	58						
Debt instruments at fair value recognized in OCI		**1,534**	**1,534**	–	–	–	–	–	

(CZK'm)									2019
	Internal rating	Carriyng amount (net)	Carriyng amount (gross)			Allowances			
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Very low credit risk	AA+ až AA-	1,546	1,546	–	–	–	–	–	
Low credit risk	Worse than A–	50	50	–	–	–	–	–	
Debt securities valued at amortised cost		**1,596**	**1,596**	–	–	–	–	–	
Highest credit quality	1	3,534	3,535	–	1	(1)	–	(1)	
High credit quality	2	1,893	1,895	–	–	(2)	–	–	
Very good credit quality	3	1,604	1,604	–	–	-	–	–	
Good credit quality	4	4,853	4,478	405	–	(1)	(29)	–	
Quality requiring prudence	5	15,496	8,442	7,118	–	(24)	(40)	–	
Vulnerable	6	3,062	34	3,111	–	–	(83)	–	
Unsatisfactory	7	38	–	38	–	–	–	–	
Project Financing	21-24	–	–	–	–	–	–	–	
Default of project	D	7,511	–	–	13,178	–	–	(5,667)	
Loans and receivables at amortised cost		**37,991**	**19,988**	**10,672**	**13,179**	**(28)**	**(152)**	**(5,668)**	
Financial assets at amortised cost		**39,587**	**21,584**	**10,672**	**13,179**	**(28)**	**(152)**	**(5,668)**	
Minimal credit risk	AAA	128	128	–	–	–	–	–	
Very low credit risk	AA+ až AA-	1,576	1,576	–	–	–	–	–	
Low credit risk	A+ až A-	116	116	–	–	–	–	–	
Debt instruments at fair value recognized in OCI		**1,821**	**1,821**	–	–	–	–	–	

Performing and non-performing exposures

A non-performing exposure is an exposure that meets at least one of the criteria below:

a) It is overdue by more than 90 days;

b) The debtor has been assessed by the Bank as a client that will probably be unable to repay all its liabilities without using a collateral, whereby the existence of an exposure past its due date or the number of days past the due date are not taken into account; and

c) The exposure is in probation period for which other forbearance is provided or which is more than 30 days overdue.

Such an exposure is always classified by the Bank as Stage 3 or POCI.

Performing and non-performing exposures not due and overdue

(CZK'm)								2020
		Book value (Net)						
	Total	**Performing exposures**		**Non-performing exposures**				
Days-past-due interval		=0 ≤30 days	>30 days ≤90 days	=0 ≤90 days	>90 days ≤180 days	>180 days ≤1 year	>1 year ≤5 years	>5 years
Debt securities valued at amortised cost	1,603	1,603	–	–	–	–	–	–
Loans and receivables at amortised cost	34,469	28,598	–	–	–	–	5,230	641
Financial assets at amortised cost	**36,072**	**30,201**	–	–	–	–	**5,230**	**641**
Debt instruments at fair value recognized in OCI	**1,534**	1,534	–	–	–	–	–	–
Performing and non-performing exposures in total	**37,606**	**31,735**	–	–	–	–	**5,230**	**641**

(CZK'm)								2019
		Book value (Net)						
	Total	**Performing exposures**		**Non-performing exposures**				
Days-past-due interval		=0 ≤30 days	>30 days ≤90 days	=0 ≤90 days	>90 days ≤180 days	>180 days ≤1 year	>1 year ≤5 years	>5 years
Debt securities valued at amortised cost	1,596	1,596	–	–	–	–	–	–
Loans and receivables at amortised cost	37,991	30,480	–	1	–	36	6,525	949
Financial assets at amortised cost	**39,587**	**32,076**	–	**1**	–	**36**	**6,525**	**949**
Debt instruments at fair value recognized in OCI	**1,821**	1,821	–	–	–	–	–	–
Performing and non-performing exposures in total	**41,408**	**33,897**	–	**1**	–	**36**	**6,525**	**949**

Performing and non-performing exposures with forbearance

Exposures with forbearance refer to exposures for which the debtor is facing or is likely to face difficulties in meeting its financial obligation and, as a consequence, the Bank has changed the conditions of the loan contract. These new conditions are more favourable towards the debtor or are more favourable than those offered to debtors with a similar risk profile at that time. The assessment of exposures with forbearance focuses on whether the exposure has been classified as performing before granting the forbearance or whether it would be classified as non-performing when contracting conditions have changed.

(CZK'm)							2020
	Carrying value	**Carrying amount (gross)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost with forbearance	**18,957**	1,785	11,959	5,807	–	(135)	(459)

(CZK'm)							2019
	Carrying value	**Carrying amount (gross)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost with forbearance	**18,006**	2,365	9,205	7,251	(1)	(88)	(726)

The Bank recognizes interest income on receivables with forbearance in the amount of CZK 609 million (2019: CZK 612 mil.)

Proportion of exposures with forbearance to total exposure

(CZK'm)			2020			2019
	Loans and receivables at amortised cost	Exposures with forbearance	Share of loans and receivables	Loans and receivables at amortised cost	Exposures with forbearance	Share of loans and receivables
Non-financial corporations	25,390	18,957	74.7%	28,916	18,006	62.3%
Total exposure	**25,390**	**18,957**	**74.7%**	**28,916**	**18,006**	**62.3%**

Modified contractual cash flows

(CZK'm)	2020	2019
Receivables at amortized cost in stages 2 and 3 before modification	4,631	2,487
Modification Gains and Losses	9	(1)
The gross carrying amount of receivables in stages 2 and 3 transferred to stage 1 during the accounting period	–	–

Credit risk management

The Bank structures the levels of credit risk exposures by setting limits for the volume of acceptable risk in relation to one debtor or a group of debtors, a geographical segment, industry focus or another significant concentration with a common risk factor.

Maximum credit exposure

(CZK'm)							2020
	Gross exposure total			Allocated collateral for exposures			
	Balance sheet position	Off-balance sheet position	Exposure total	Balance sheet position	Off-Balance Sheet position	Collateral total	**Exposure value**
Cash and cash with the central bank and other deposits repayable on demand	2,638	–	**2,638**	–	–	–	**2,638**
Debt securities at FV recognized in the OCI	1,534	–	**1,534**	–	–	–	**1,534**
Financial assets at amortised cost	**36,072**	**4,623**	**40,695**	**24,099**	**4,035**	**28,134**	**12,561**
Receivables from credit institutions	*5,191*	*214*	***5,405***	*15*	*253*	***268***	***5,137***
Receivables from other customers	*29,278*	*4,409*	***33,687***	*24,084*	*3,782*	***27,866***	***5,821***
Debt securities	*1,603*	–	***1,603***	–	–	–	***1,603***
Other assets	992	–	**992**	–	–	–	**992**
Total exposure	**41,236**	**4,623**	**45,859**	**24,099**	**4,035**	**28,134**	**17,725**

(CZK'm)							2019
	Gross exposure total			Used to ensure that exposures			
	Balance sheet position	Off-balance sheet position	Exposure total	Balance sheet position	Off-Balance Sheet position	Collateral total	**Exposure value**
Cash and cash with the central bank and other deposits repayable on demand	1,161	–	**1,161**	–	–	–	**1,161**
Debt securities at fair value recognized in the OCI	1,821	–	**1,821**	–	–	–	**1,821**
Financial assets at amortised cost	**39,587**	**4,763**	**44,350**	**29,813**	**3,812**	**33,625**	**10,725**
Receivables from credit institutions	*5,829*	–	***5,829***	*18*	–	**18**	***5,811***
Receivables from other customers	*32,162*	*4,763*	***36,925***	*29,795*	*3,812*	***33,607***	***3,318***
Debt securities	*1,596*	–	***1,596***	–	–	–	***1,596***
Other assets	1,307	–	**1,307**	–	–	–	**1,307**
Total exposure	**43,876**	**4,763**	**48 639**	**29 813**	**3,812**	**33,625**	**15,014**

Financial derivative instruments

The credit risk resulting from open derivative positions is managed within the overall trading limits for individual debtors, by both amount and term. The credit risk arising from these instruments usually is not subject to pledge or other guarantees. In other cases, financial collateral is used in the form of received deposit bearing the basic interest rate of the respective currency.

The credit risk from derivative positions is minimised by the Bank by selecting credible counterparties and regularly monitoring their financial situation. The derivatives were arranged with counterparties based in the OECD countries (or with credible domestic counterparties) and having long-term "A" ratings or better from international rating agencies.

Other financial assets

For the purposes of credit risk management of other financial assets, the same approach is applied as in the case of credit risk management of loans.

Off-balance sheet exposures

Off-balance sheet exposures primarily involve provided loan commitments and financial guarantees. Loan commitments represent the unused portion of approved credit facilities in the form of loans. With regard to credit risk arising from loan commitments, the Bank is exposed to the risk of potential loss as equal to the aggregate amount of unused loan commitments.

Concentration of credit risk

The Bank has set a system for the management of limits for individual debtors and economically connected groups of debtors with regard to the debtor's territory and industry to ensure that engagement limits stipulated by regulation are nor exceeded. The credit risk is decreased by way of hedging instruments, predominantly including the insurance of export risks, cash collateral, securities received as as a collateral in repo transactions.

Breakdown by geographic segment

(CZK'm)								2020
	Carrying amount	%	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Czech Republic	**1,553**	96.88	1,553	–	–	–	–	–
Netherlands	**50**	3.12	50	–	–	–	–	–
Debt securities valued at amortized cost	**1,603**	**100.00**	**1,603**	–	–	–	–	–
Azerbaijan	**2,980**	8.65	–	2,993	–	–	(13)	–
Czech Republic	**5,742**	16.66	5,065	624	161	(2)	(24)	(82)
Russia	**6,499**	18.85	3,488	2,526	944	–	(78)	(381)
Slovak Republic	**9,657**	28.02	242	9,472	209	(5)	(51)	(210)
Turkey	**6,534**	18.96	1,315	–	5,648	(11)	–	(418)
Others	**3,057**	8.87	3,033	26	–	(2)	–	–
Loans and receivables at amortized cost	**34,469**	**100.00**	**13,143**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Financial assets at amortised cost	**36,072**	**100.00**	**14,746**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Czech Republic	**1,344**	87.61	1,344	–	–	–	–	–
Luxembourg	**132**	8.60	132	–	–	–	–	–
France	–	0.00	–	–	–	–	–	–
Slovak Republic	**58**	3.78	58	–	–	–	–	–
Debt instruments at recognized in OCI	**1,534**	**100.00**	**1,534**	–	–	–	–	–

(CZK'm)								2019
	Carrying amount	%	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Czech Republic	**1,546**	96.87	1,546	–	–	–	–	–
Netherlands	**50**	3.13	50	–	–	–	–	–
Debt securities valued at amortized cost	**1,596**	**100.00**	**1,596**	**–**	**–**	**–**	**–**	**–**
Azerbaijan	**4,010**	10,56	4,015	–	–	(5)	–	–
Czech Republic	**5,209**	13.71	4,135	1,028	184	(1)	(36)	(101)
Russia	**8,076**	21.26	4,403	3,009	5,302	(1)	(89)	(4,548)
Slovak Republic	**10,270**	27.03	3,368	6,596	932	(7)	(27)	(592)
Turkey	**7,559**	19.90	1,273	–	6,723	(11)	–	(426)
Others	**2,867**	7.55	2,794	39	38	(3)	–	(1)
Loans and receivables at amortized cost	**37,991**	**100.00**	**19,988**	**10,672**	**13,179**	**(28)**	**(152)**	**(5,668)**
Financial assets at amortised cost	**39,587**	**100.00**	**21,584**	**10,672**	**13,179**	**(28)**	**(152)**	**(5,668)**
Czech Republic	**1,524**	83.69	1,524	–	–	–	–	–
Luxembourg	**129**	7.08	129	–	–	–	–	–
France	**52**	2.86	52	–	–	–	–	–
Slovak Republic	**116**	6.37	116	–	–	–	–	–
Debt instruments at recognized in OCI	**1,821**	**100.00**	**1,821**	–	–	–	–	–

Breakdown by industry

(CZK'm)								2020
	Carrying amount (net)	%	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial and insurance activities	**50**	3.12	50	–	–	–	–	–
Public administration and defense	**1,553**	96.88	1,553	–	–	–	–	–
Debt securities valued at amortised cost	**1,603**	**100.00**	**1,603**	–	–	–	–	–
Processing industry	**4,459**	12.94	1,729	2,705	372	(1)	(92)	(254)
Production and distribution electricity, gas, heat and air	**18,340**	53.21	3,258	9,471	6,433	(12)	(52)	(758)
Transport and warehousing	**1,801**	5.22	22	1,788	–	–	(9)	–
Banking and insurance industry	**5 ,191**	15.06	5,192	–	–	(1)	–	–
Public administration, defence	**3 ,888**	11.28	2,661	1,232	–	(1)	(4)	–
Others	**790**	2.29	281	445	157	(5)	(9)	(79)
Loans and receivables at amortised cost	**34,469**	**100.00**	**13,143**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Financial assets at amortised cost	**36,072**		**14,746**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Public administration and defense	**1,402**	91.40	1,402	–	–	–	–	–
Activities of extraterritorial organizations and bodies	**132**	8.60	132	–	–	–	–	–
Debt instruments at fair value recognized in OCI	**1,534**	**100.00**	**1,534**	–	–	–	–	–

(CZK'm)								2019
	Carrying amount (netto)	%	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial and insurance activities	**50**	3.13	50	–	–	–	–	–
Public administration and defense	**1,546**	96.87	1,546	–	–	–	–	–
Debt securities valued at amortised cost	**1,596**	**100.00**	**1,596**	–	–	–	–	–
Processing industry	**5,632**	14.82	2,035	3,111	1,470	–	(83)	(901)
Production and distribution electricity, gas, heat and air	**19,958**	52.53	6,580	6,596	11,492	(14)	(27)	(4,669)
Transport and warehousing	**2,116**	5.57	2,080	38	–	(2)	–	–
Banking and insurance industry	**5,833**	15.35	5,800	–	38	(3)	–	(2)
Public administration, defence	**3,242**	8.53	3,246	–	–	(4)	–	–
Others	**1,210**	3.18	247	927	179	(5)	(42)	(96)
Loans and receivables at amortised cost	**37,991**	**100.00**	**19,988**	**10,672**	**13,179**	**(28)**	**(152)**	**(5,668)**
Financial assets at amortised cost	**39,587**		**21,584**	**10,672**	**13,179**	**(28)**	**(152)**	**(5,668)**
Public administration and defense	**1,640**	90.06	1,640	–	–	–	–	–
Activities of extraterritorial organizations and bodies	**181**	9.94	181	–	–	–	–	–
Debt instruments at fair value recognized in OCI	**1,821**	**100.00**	**1,821**	–	–	–	–	–

(c) Market risk

The Bank is exposed to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Bank uses GAP analysis to track the spread of interest rate risk in individual currencies over time, estimating the impact of interest rate changes on the Bank's short-term earnings (change in NII – Net Interest Income) and Economic Value of Equity (EVE) to estimate the market risk of its positions and the maximum expected loss based on standard shock market change scenarios (according to the Interest Rate Risk standard from April 2016 prepared by the Basel Committee on Banking Supervision, reflecting amendments to regulations published by the EBA in 2018). The Board sets limits on the acceptable value of risk, from which all market risks limits are derived. Actual utilisation of the limits is monitored on a daily basis by risk management. The Bank uses the EVE method, which calculates the maximum possible change in the economic value of the Bank's capital in applying standard shock scenarios of changes in the interest rate and exchange rate. The Bank has not been exposed to risks stemming from nonlinear instruments. All EVE changes are summarised in the table below.

EVE values

(CZK'm)	12 months to 31 December 2020			12 months to 31 December 2019		
ΔEVE	Average	High	Low	Average	High	Low
Interest rate risk	(213.93)	(53.29)	(358.56)	(160.72)	(115.83)	(303.90)
Foreign exchange risk	(3.21)	(0.14)	(9.14)	(1.96)	(0.30)	(7.79)
Total ΔEVE	(217.14)	(-55.14)	(364.61)	(162.68)	(117.61)	(305.91)

(CZK'm)		31. December 2020*	31 December 2019*
ΔEVE			
Interest rate risk	Parallel up	(90,29)	(303,90)
	Parallel down	40,04	120,57
	Short rate up	(48,59)	(122,40)
	Short rate down	(6,25)	42,54
	Steepener	(36,74)	(32,17)
	Flattener	(22,76)	(26,77)
	Maximum	**(90,29)**	**(303,90)**
Foreign exchange risk	Parallel up	–	–
	Parallel down	(3,87)	(2,01)
	Maximum	**(3,87)**	**(2,01)**
Total ΔEVE		**(94,17)**	**(305,91)**

* The values reported with the negative sign represent a loss while those with the positive sign represent the positive impact of shock scenarios.

The Bank conducts quarterly stress testing of the impact of material changes in financial markets on the level of market exposure. Under the EVE method, so-called stress scenarios based on standard shock scenarios for day-to-day management of the interest rate and currency risks are used to modify them to capture an even greater movement of market factors.

The IBOR reform will have an impact on the yield curves mainly used by the Bank when quantifying the change in the economic value of the capital. In this context, it is possible to use the yield curves provided by the Refinitive[4] system in response to the IBOR reform.

(d) Currency risk

The Bank is exposed to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. Currency risk is managed using the currency sensitivity and EVE analyses, for which limits are defined to mitigate potential exposure. If the total net currency position is greater than 2% of capital, the size of the open currency position is reflected in the capital adequacy requirement which is allocated to this risk by the Bank.

The table below summarises the Bank's exposure to currency risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by currency. The net foreign currency position also includes exposure to currency risk arising from FX derivatives that are used primarily to reduce the balance sheet currency risk of the Bank.

[4] Note: Refinitiv is a global provider of financial market data; until 2018, it was the Financial and Risk business division of Thomson Reuters.

Concentration of assets, liabilities and off-balance sheet items

(CZK'm)	CZK	EUR	USD	Other	Total
At 31. December 2020					
ASSETS					
Cash and cash with the central bank and other deposits repayable on demand	354	2,054	230	–	**2 638**
Debt securities at fair value recognized in OCI	1,202	332	–	–	**1 534**
Financial assets at amortised cost	6,770	25,901	3,390	11	**36 072**
Tangible assets	96	–	–	–	**96**
Intangible assets	10	–	–	–	**10**
Tax assets	9	–	–	–	**9**
Other assets	9	868	–	–	**877**
Total assets	**8,450**	**29,155**	**3,620**	**11**	**41,236**
LIABILITIES					
Derivatives held for trading	255	1	–	–	**256**
Financial liabilities measured at amortised cost	4,654	24,861	3,496	11	**33,022**
Hedging derivatives	–	16	–	–	**16**
Provisions	158	54	31	–	**243**
Tax liabilities	94	–	–	–	**94**
Other liabilities	120	101	62	–	**283**
Total liabilities	**5,281**	**25,033**	**3,589**	**11**	**33,914**
Balance sheet position Netto	3,169	4,122	31	–	**7,322**
Currency forward	3,859	(4,120)	–	–	**(261)**
Net currency position	**7,028**	**2**	**31**	–	**7,061**
At 31. December 2019					
Total assets	7,441	32,865	3,416	154	**43,876**
Total liabilities	4,126	29,001	3,427	151	**36,705**
Balance sheet position Netto	3,315	3,864	(11)	3	**7,171**
Currency forward	3,675	(3,811)	–	–	**(136)**
Net currency position	**6,990**	**53**	**(11)**	**3**	**7,035**

(e) Interest rate risk

The Bank is exposed to interest rate risk as its interest-bearing assets and liabilities have different re-fixing or maturity dates. For floating rate instruments, the Bank is exposed to basis risk, which arises from the differences in methods of adjusting individual types of interest rates, primarily LIBOR, EURIBOR and, if relevant, PRIBOR. Interest rate risk is managed using interest rate GAP analysis, analysis of the change in net interest income (NII) and change in EVE. For NII and EVE, change indicators a set of limits is defined to mitigate potential exposure. Interest rate risk management aims at minimising the sensitivity of the Bank to interest rate fluctuations.

In accordance with the risk management strategy approved by the Board, the Bank optimises the structure of its sources of finance comprising bond issues and syndicated loans so that no significant differences between the duration of its interest-sensitive assets and liabilities arise.

Interest rate derivatives are used for mitigating the difference between the interest rate sensitivity of assets and liabilities. These transactions are conducted in accordance with the risk management policies approved by the Board of Directors and the use of hedge accounting rules approved by the ALCO to reduce the interest rate risk of the Bank.

(f) Liquidity risk

Liquidity risk arises from different types of financing the Bank's activities and the management of its positions. It includes both the risk of the Bank's ability to finance its assets by way of instruments with appropriate maturity and the Bank's ability to liquidate/sell its assets at a favourable price in a favourable time frame.

The Bank's liquidity risk management uses its own methods for measuring and monitoring net cash flows and liquidity positions. The differences between the inflow and outflow of funds are measured by a liquidity gap analysis, which determines the liquidity positions for different time baskets (gaps). Liquidity development in the currency structure of CZK, EUR, USD and in the total for the Bank is monitored at several levels of market behaviour, i.e. at the level of the standard and the alternative scenarios and three stress scenarios that quantify the impact on liquidity in the event of a reputational crisis, market crisis and combined crisis. The individual scenarios are the basis for regular analysis of survival time. The bank has set a minimum requirement for the survival of at least two months according to the standard scenario. The Bank has also determined a system of early warning indicators designed to capture negative trends and to run a response to an identified situation. Sufficient liquidity is controlled by a system of limits and is managed with the help of on-balance sheet (e.g. cash, liquid securities at FVOCI, issued bonds, loans taken from banks) and off-balance sheet transactions (FX swaps, currency interest rate swaps). The fundraising plan is regularly reviewed by the Bank in response to the current development of liquidity risk, financial markets, etc.

The Bank has access to diversified sources of financing. These sources comprise issued bonds, bilateral or club loans from domestic as well as international financial markets and other deposits received from other banks and customers. This diversification gives flexibility to the Bank and limits its dependence on one source of finance. On a regular basis, the Bank assesses the liquidity risk, predominantly by monitoring changes in the financing structure. In compliance with its liquidity risk management strategy, the Bank also maintains a sufficient liquidity reserve primarily composed of cash deposited with the central bank as well as highly liquid government securities and bonds of the financial institutions of the European Union.

On 1 October 2015, a regulatory requirement for the liquidity coverage ratio (LCR) came into force, setting out the minimum required level of 100%. As of 31 December 2020, the Bank reported LCR of 1,300% (as of 31 December 2019: 1,928%).

From the Bank's perspective, the impact of the COVID-19 pandemic is negligible. The Bank's liquidity is stabilised and resources due can be easily replaced by new medium and long-term resources.

The stated values are based on non-discounted cash flows.

Maturity of non-derivative financial liabilities

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
At 31 December 2020						
Financial liabilities at amortized cost due to banks	963	10	5	4,501	1,176	**6,655**
Financial liabilities at amortized cost due to other customers	74	68	811	1,137	11	**2,101**
Debt securities issued at amortized cost	43	1,991	10,700	12,065	–	**24,799**
Total financial liabilities at amortized cost	**1,080**	**2,069**	**11,516**	**17,703**	**1,187**	**33,555**
Loan commitments	605	1,082	347	847	–	**2,881**
At 31 December 2019						
Financial liabilities at amortized cost due to banks	63	11	1,645	61	–	1,780
Financial liabilities at amortized cost due to other customers	725	1,060	705	26	48	2,564
Debt securities issued at amortized cost	42	151	8,330	23,121	1,046	32,690
Total financial liabilities at amortized cost	**830**	**1,222**	**10,680**	**23,208**	**1,094**	**37,034**
Loan commitments	373	322	2,678	–	–	**3,373**

Maturity of derivative financial liabilities

Derivatives to be settled in net value include liabilities arising from interest rate swaps.

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
At 31 December 2020						
Hedging derivatives	(1)	(2)	(6)	(6)	–	**(15)**
At 31 December 2019						
Hedging derivatives	(1)	(2)	(7)	(14)	–	**(24)**

Derivatives to be settled in gross value include currency swaps, currency forwards and cross currency swaps.

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
At 31 December 2020						
FX derivatives for trading						
outflow	(184)	–	–	–	–	**(184)**
inflow	184	–	–	–	–	**184**
Cross currency swaps for trading						
outflow	–	–	(3,941)	–	–	**(3,941)**
inflow	–	–	3,695			**3,695**
Total outflow	**(184)**		**(3,941)**	–		**(4,125)**
Total inflow	**184**	–	**3,695**	–	–	**3,879**
At 31 December 2019						
Cross currency swaps for trading						
outflow	–	–	(15)	(3,819)	–	**(3,834)**
inflow	–	–	109	3,729	–	**3,838**
Total outflow	–	–	**(15)**	**(3,819)**	–	**(3,834)**
Total inflow	–	–	**109**	**3,729**	–	**3,838**

(g) Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair values. Fair value incorporates expected future losses while the carrying amount (amortised cost and related impairment) only includes incurred losses at the balance sheet date.

The yield curves used in calculating fair values are sourced from the Refinitiv system. The fair value of loans classified in level 2 and level 3 is equal to the carrying amount.

(CZK'm)	**2020**	**2019**	**2020**	**2019**
	Carrying amount		Fair value	
FINANCIAL ASSETS				
Balances with central bank	4,988	3,502	5,001	3,502
Deposits with credit institutions	32	2,179	32	2,182
Loans to credit institutions	171	148	260	162
Total receivables from credit institutions	**5,191**	**5,829**	**5,294**	**5,846**
Total receivables from persons other than credit institutions	29,278	32,162	31,232	34,465
Debt instruments at amortized cost	1,603	1,596	1,648	1,627
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost due to banks	6,614	1,768	6,728	1,774
Financial liabilities at amortised cost due to other customers	2,089	2,529	2,096	2,530
Debt securities in issue	24,319	31,782	26,771	33,887

Issued debt securities, government and central bank debt securities are all quoted and measured at level 1.

All other financial assets and liabilities are measured at fair value within the level 2

Loans to credit institutions

Loans to credit institutions include interbank deposits and other receivables from banks. The fair value of floating rate deposits and overnight deposits is equal to their carrying amount. The estimated fair value of deposits with a fixed interest rate is based on discounted cash flows based on the prevailing yield curve for the respective remaining maturity.

Loans to other customers and securities held until maturity

The estimated fair value of loans and securities held until maturity represents the discounted amount of estimated future cash flows. Expected cash flows are discounted using prevailing interest rates for loans and securities with similar credit risk and remaining maturity, considering credit spreads of relevant financial instruments at year-end, including the existing credit security.

Payables to banks and customers

The estimated fair value of deposits with unspecified maturity, which includes interest-free deposits, is an amount repayable on demand.

The estimated fair value of deposits bearing fixed interest and other borrowings without a quoted market price is based on discounted cash flows using the prevailing yield curve for the respective remaining maturity.

Liabilities from issued bonds

For debt securities issued, market valuation based on market quotation (bid price provided by Reuters) is used.

Measurement at fair value through other comprehensive income and through P/L

The following table provides an analysis of the financial instruments which are subsequently measured at fair value after the initial recognition and are classified at level 1 and level 2, depending on the extent to which fair value can be identified or verified:

- Fair value measurements at level 1 are valuations that are based on (unadjusted) quoted prices for the same assets or liabilities in active markets (the average of bid/ask prices supplied by Refinitiv is used for valuation purposes); and
- Fair value measurements at level 2 are valuations that are based on inputs other than quoted prices used at level 1; this information can be obtained for an asset or liability directly (i.e. prices) or indirectly (i.e. data derived from the prices).

(CZK'm)	**2020**	**2019**	**2020**	**2019**
	Level 1	Level 2	Level 1	Level 2
Debt securities at FV recognized in OCI	1,534	–	1,821	–
Hedging derivatives	–	–	–	–
Total	**1,534**	–	**1,821**	–
Financial liabilities held for trading	–	256	–	110
Hedging derivatives	–	16	–	24
Total	–	**272**	**–**	**134**

The Bank has no assets or liabilities measured at fair value at level 3, i.e. measurements based on valuation techniques that use information on assets or liabilities and are not derived from observable market data (non-verifiable inputs).

Fair value measurements at level 2 are performed by way of discounting future cash flows using risk-free yield curves (provided by Refinitiv).

Offsetting of financial instruments

The Bank is entitled to present in the statement of financial position certain financial instruments (net amounts), according to the criteria set out in Note 2d).

The following table provides information on the impact of compensation on the balance sheet and the financial impact of the netting for instruments subject to netting or similar agreements.

(CZK'm)						2020
	Gross amounts of financial assets	Gross amounts accounted for	Gross financial assets reported in the balance sheet	Impact of Master Netting Agreements	Cash collateral	Net amount
Positive value of financial derivatives	–	–	–	–	–	–
Reverse repo	–	–	–	–	–	–
Total assets	–	–	–	–	–	–
Negative market value of derivatives	272	–	**272**	–	(15)	–
Repo	–	–	–	–	–	–
Total liabilities	**272**	**–**	**272**	**–**	(15)	–

(CZK'm)						2019
	Gross amounts of financial assets	Gross amounts accounted for	Gross financial assets reported in the balance sheet	Impact of Master Netting Agreements	Cash collateral	Net amount
Positive value of financial derivatives	–	–	–	–	–	–
Reverse repo	3,298	–	**3,298**	–	–	3,298
Total assets	**3,298**	**–**	**3,298**	–	–	3,298
Negative market value of derivatives	134	–	**134**	–	(24)	110
Repo	–	–	**–**	–	–	–
Total liabilities	**134**	**–**	**134**	**–**	(24)	110

(h) Capital management

The aim of the Bank with respect to capital management is to comply with the regulatory requirements in the area of capital adequacy and to maintain sufficient capital in order to support the development of officially supported financing provided pursuant to Act No. 58/1995 Coll.

The Bank uses the standardised approach based on an external rating to calculate the capital requirement for the credit risk of the investment portfolio, i.e. to calculate risk-weighted exposures. The risk weighting is based on the exposure category and credit quality. Credit quality is determined based on external rating, which was set by the rating agency, registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies and included in the list of agencies for credit assessment maintained for this purposes by the European Securities and Markets Authority (ESMA) or by an export credit agency, which publishes reviews and complies with OECD methodology for classifying countries. Exposure classes and risk weights when using the standardised approach are defined by Regulation of the European Parliament and the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for banks and investment firms and amending Regulation (EU) No. 648/2012.

When calculating risk weighted exposures, the Bank considers methods of decreasing credit risk, such as pledging property as collateral (financial collateral) or individual security of exposures (insurance and other guarantees).

The Bank created and uses a system of internally set capital (SVSK) in order to fulfil its statutory duties in the area of planning and continuously maintaining internally set capital in the amount, structure and distribution, so that the risks, which could threaten the Bank, are sufficiently covered.

SVSK is established to reflect the Bank's nature of a specialised bank institution directly and indirectly owned by the state intended to provide financing or officially supported financing and related services pursuant to Act No. 58/1995 Coll. and with respect to the scope and complexity of activities resulting from operating officially supported financing and related services and corresponding risks.The Board of Directors approved the SVSK concept in the form of a capital management strategy which defines the key goals, principles, parameters and limits of SVSK, including the methods used to evaluate and measure each risk undertaken by the Bank.

Quantifiable risks within SVSK are assessed in the form of internally set capital requirements. Other risks within SVSK are covered by qualitative measures in risk management and organisation of processes and controls (code of ethics, code of corporate governance, etc.).

In 2020 and 2019, the Bank met all regulatory requirements for capital adequacy.

The Bank has determined regulatory capital according to the BASEL 3 rules codified in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Regulatory capital

(CZK'm)	2020	2019
Paid-up share capital registered in the commercial register	5,000	5,000
Reserve funds	2,141	2,074
Loss for the period	–	–
The accumulated other comprehensive income	16	29
Deductible items from the original equity – intangible assets	(2)	(350)
Capital adjustment due to the use of prudential filters	(2)	(2)
Other transitional adjustment of capital	–	318
Other deductions from CET1 capital (implementation of IFRS 9)	–	–
Initial capital (Tier 1)	**7,153**	**7,069**
Regulatory capital	**7,153**	**7,069**

4 / CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

(a) Impairment losses on financial assets, loan commitments, guarantees and contractual assets

To measure the expected credit loss, a system was developed that included workflows, models and inputs into the information system. Critical areas include methodologies to regulate default, significant increase in credit risk (SICR), probability of default (PD), exposure at default (EAD), loss given default (LGD) and macroeconomic models. The Bank continuously checks and verifies these models and inputs into information systems. For the purposes of determining impairment losses, a system is in place for ongoing and periodic monitoring of credit exposures and reporting of changes in the credit risk to the management.

The assessment of a significant increase in credit risk leading to the recognition of allowances and provisions in the amount of lifetime expected credit loss is subject to expert estimates and assessment by the Bank's management. This assessment compares the change in credit risk upon initial recognition and at the reporting date. The Bank uses various observable and verifiable events that are available without incurring undue costs to indicate prospects for the future.

(b) Assessment of the business model and contractual cash flows

The Bank's business model

The Bank's business model governs the classification of financial assets. In stating the Bank's business model, the Bank's management worked with the frequency, timing and value of transactions, cash flow characteristics, and expectations related to future sales.

For instruments classified as AC, the objective is to collect cash flows representing a principal and interest. It is assumed that sales will occur rarely and in insignificant volumes, or only in situations such as:

(a) Reduction in the credit quality of the asset's issuer, sale of assets with increased credit risk;
(b) Sales shortly (3 months) before maturity;

(c) Unforeseen urgent financial needs of the export bank as a result of the occurrence of an extraordinary event defined in the emergency plan and/or danger to the liquidity management limits under stress scenarios, i.e. the securing of the Bank's financial needs in the event of an emergency situation and medium-term liquidity problems;
(d) Compliance with regulatory limits for credit risk management if these sales are infrequent, or they are frequent but their value is not material taken separately/together.

For financial assets at fair value through other comprehensive income, the intentions of the business model are met by collecting principal and interest as well as by sales. Sales may also occur in the event of:

(e) Reinvesting the asset in order to adjust the portfolio's return profile or adjust the cost of holding the liquidity buffer;
(f) Adjustments to the maturity, duration or risk profile of the portfolio with respect to its diversification or currency structure;
(g) Securing the financial needs of the export bank in the event of an emergency situation and/or threats to liquidity management limits under stress scenarios and temporary or short-term liquidity problems;
(h) Reduced need to hold the liquidity buffer with respect to compliance with the LCR regulatory limits or acceptable liquidity risk levels for measuring the survival time;
(i) Verifying the marketability/liquidity of the asset on the market or testing the functionality of the emergency plan for extraordinary situations in managing the liquidity of the export bank;
(j) As part of the provision of syndication products.

Contractual cash flows

When deciding on the classification of financial assets, it is important to assess whether the contract determines dates for specific cash flow that consist solely of principal and interest payments (SPPI). In order to assess whether the contractual cash flows are in line with the basic credit arrangement, a procedure has been developed that is performed by the Bank upon initial recognition. Exceptional deviations from the standard model of payments of principal and interest for classifying an asset as AC or FVOCI are assessed by the ALCO.

Instruments that do not meet the SPPI test are measured at fair value through profit or loss (FVTPL

(c) State subsidy

When recognising a state subsidy taking into account the principles of Act No. 58/1995 Coll., which was designed to support Czech export in general rather than to promote the Bank as an entity owned by the state, the Bank assessed the subsidy in accordance with IAS 20 as a subsidy reported in income compensating a portion of expenses rather than as a transaction with the owner with an impact on equity.

(d) Income taxes

The Bank is subject to Czech income tax in compliance with effective regulations. The Bank recognises liabilities in the amount of anticipated tax assessments based on estimates. Where the final tax liability differs from the anticipated amounts, the resulting differences have an impact on the tax expense and the deferred tax liability in the period in which the assessment is made.

5 / OPERATING SEGMENTS

Providing supported financing is broken down into financing with and without links to the state budget. The Bank predominantly assesses performance of its operating segments according to interest income, interest expense, impairment losses on loans and the amount of provided/received loans.

Circle 001 includes operating activities, financing not eligible for a subsidy and other related activities in accordance with banking licence and the resulting income and expenses. All these activities are carried out under market conditions, without direct links to the state budget.

Circle 002 includes all activities relating to supported financing which are eligible for a subsidy from the state budget, and the resulting income and expenses.

(CZK'm)			**2020**			**2019**
	circle 001	circle 002	**Total**	circle 001	circle 002	**Total**
Interest and similar income	520	745	**1,265**	496	808	**1,304**
of which: over 10% of revenues						
Financial and Insurance sectors	*85*	–	***85***	*62*	–	***62***
Electricity production and distribution	*157*	*350*	***507***	*160*	*381*	***541***
Public administration and defence	*63*	–	***63***	–	–	–
Manufacture of basic metals, metal processing	–	*116*	***116***	–	–	–
Interest expense and similar charges	(35)	(450)	**(485)**	(5)	(746)	**(751)**
Impairment losses on loans	12	147	**159**	(4)	(92)	**(96)**
Creation (-) of reserves or their reversal	(24)	(23)	**(47)**	(119)	13	**(106)**
Loss/profit before income tax	(47)	484	**437**	32	16	**48**
Income tax expense	(273)	–	**(273)**	18	–	**18**
Profit for the year	(320)	484	**164**	50	16	**66**
Loans and receivables at amortized cost	8,357	26,112	**34,469**	6,610	31,381	**37,991**
Total assets	13,401	27,835	**41,236**	10,593	33,283	**43,876**
Financial liabilities at amortized cost	1,266	31,756	**33,022**	618	35,461	**36,079**
Total liabilities and equity	9,063	32,173	**41,236**	8,159	35,717	**43,876**

In the segment of finance and insurance, income of one client exceeded 10% of the aggregate segment income (one client in 2019). In the segment of electricity generation and distribution, three clients generated income exceeding 10% of the aggregate segment income (five clients in 2019).

Revenue from core activities of the Bank as per geographic segment

			2020			**2019**
	Interest income	Fee and commisions income	**Total**	Interest income	Fee and commisions income	**Total**
Czech Republic	181	20	**201**	226	18	**244**
Slovak Republic	402	5	**407**	311	–	**311**
Russia	338	–	**338**	415	–	**415**
China	–	–	–	–	1	**1**
Turkey	164	–	**164**	179	–	**179**
Others	180	–	**180**	173	–	**173**
Total interest income and fees	**1,265**	**25**	**1,290**	**1,304**	**19**	**1,323**

6 / NET INTEREST INCOME

(CZK'm)	2020	2019
Interest income from loans to credit institutions	3	2
of which: Interest on non-performing loans	–	–
Interest income from loans to other customers	1,102	1,099
of which: Interest on non-performing loans	*336*	*286*
Interest income from interbank deposits	40	29
Interest income from CNB loans – repos	61	93
Interest income from current accounts with other banks	1	–
Interest income from loans and receivables at amortised cost	1,207	1,223
Interest on debt securities at fair value recognized in the OCI	19	31
Interest on debt securities at amortised cost	37	38
Interest on other assets – collateral	–	1
Interest on liabilities	2	9
Interest income on hedging interest derivatives	–	2
Other interest income	58	81
Interest income	**1,265**	**1,304**
Interest expense from received bank credits	(35)	(63)
Interest expense from term deposits	(22)	(28)
Interest expense from current accounts	–	–
Interest expense from interbanking operations	(33)	(1)
Interest expense from issued bonds	(382)	(593)
Interest expense from financial liabilities in amortised costs	(472)	(685)
Interest expense from assets	(1)	(7)
Interest expense on hedging iderivatives	(10)	(58)
Other interest – leases	(2)	(1)
Interest expense	**(485)**	**(751)**
Net interest income	**780**	**553**

Interest on assets represents interest expenses from financial assets and interest on liabilities represents interest income from financial liabilities resulting from negative interest rates. The line item 'Other interest – leases' includes interest expense assessed for the lease liability using an effective interest rate of 2.12% p.a.

Interest income is calculated using the effective interest rate, with the exception of interest income on hedging derivatives at CZK 0 million (2019: CZK 2 million) and penalty interest, which is part of the item 'Interest income from loans to other customers, amounting to CZK 139 million (2019: CZK 1 million).

Interest expense is calculated using the effective interest rate, with the exception of interest expense on hedging derivatives at CZK 10 million (2019: CZK 58 million) and interest on financial leases amounting to CZK 2 million (2019: CZK 1 million).

7 / FEE AND COMMISSION NET INCOME

(CZK'm)	2020	2019
Fees and commisions from loan agreements	1	–
Fees and commisions from payments	2	2
Fees and commisions from guarantees	22	17
Fee and commisions income	**25**	**19**
Fees and commisions from clearing and settlement	–	(1)
Fees for guarantees	(7)	(6)
Fee for security operations	(1)	(1)
Fees and commisions for rating	(4)	(7)
Fee and commisions expense	**(12)**	**(15)**
Net fee and commisions income	**13**	**4**

8 / NET PROFIT/LOSS FROM FINANCIAL OPERATIONS INCLUDING STATE SUBSIDY

Profit from financial operations

(CZK'm)	2020	2019
Profit or (-) loss on financial assets at FV through OCI	1	–
Profit or (-) loss from the derecognition of financial assets and liabilities not carried at fair value through profit or loss	1	–
Loss from derivative transactions with currency instruments	(215)	(25)
Income from derivative transactions with currency instruments	243	111
Profit or (-) loss from financial assets and liabilities held for trading	28	86
Profit or (-) loss from the derecognition of non-financial assets	–	1
Foreign exchange gains/(losses)	(7)	(42)
Net profit or (-) loss from financial operations, including state subsidy	**22**	**45**

In 2020 and 2019, the Bank did not qualify for a subsidy for a loss from officially supported financing.

9 / ADMINISTRATIVE EXPENSES, DEPRECIATION/AMORTISATION AND OTHER OPERATING COSTS

	2020	2019
Number of employees	131	140
Average recorded number of employees	137	145
Board and Supervisory Board	6	6

(CZK'm)	Note	2020	2019
Salaries and emoluments		(148)	(153)
Social security and health insurance costs		(43)	(51)
Oher staff costs		(3)	(12)
Staff costs		(194)	(216)
Advertising		(2)	(4)
Advisory		(5)	(4)
Information technology		(29)	(28)
Contribution to the Financial market guarantee system		(12)	(8)
Other administrative expenses		(15)	(21)
Total administrative expenses		**(257)**	**(281)**
Software amortisation	17	(36)	(44)
Depreciation and amortization of fixed assets	16	(31)	(29)
Depreciation and amortization		**(67)**	**(73)**
Cost of debt collection		(20)	(15)
Value added tax	21	(7)	13
Other		(253)	(1)
Other operating costs		**(280)**	**(3)**
Total operating costs		(604)	(357)

In 2020, the income of members of the Board of Directors and the Supervisory Board amounted to CZK 24 million (2019: CZK 23 million). Staff costs also include provisions for bonuses and employee benefits. The provision for bonuses for the employees having an influence on the Bank's overall risk profile, the payment of which is deferred and depends on the financial results and other criteria in future years was (due to the use of a pro rata portion of the provision) decreased by CZK 3 million to CZK 26 million. The provision for social security and health insurance relating to these deferred bonuses decreased (due to the use of a pro rata portion of the provision) by CZK 1 million to CZK 9 million. The provision for employee benefits decreased by CZK 3 million to CZK 5 million.

Other operating expenses increased by CZK 251 million as a result of the payment to the bankruptcy trustee in connection with an impaired business transaction. The expenses were partially compensated by the insurance company, which is reported under Other operating income.

Depreciation/amortisation of fixed assets includes amortisation of the right-of-use assets under a lease amounting to CZK 17 million.

10 / LOSSES (-) FROM THE IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FVTPL OR THEIR REVERSAL

(CZK'm)	**2020**	**2019**
Creation of allowances – Stage 1	3	(3)
Creation of allowances – Stage 3	–	(1)
Creation of allowances for loans to credit institutions	3	(4)
Creation of allowances – Stage 1	6	(14)
Creation of allowances – Stage 2	(14)	(20)
Creation of allowances – Stage 3	135	(94)
Creation of allowances for receivables to other customers	127	(128)
Release of allowances for losses on loans to credit institutions	–	115
Release of allowances on loans to other customers	4,724	1,260
Receivables from credit institutions written off	–	(115)
Receivables from customers written off	(6,869)	(7,895)
Income from written-off receivables from customers –received insurance payments	2,169	6,667
Income from written-off receivables from other customers – other collateral liquidation	5	4
Impairment losses on loans	**159**	**(96)**

The item 'Income from written-off receivables from customers –received insurance payments' also includes payments relating to receivables sold in prior periods in the amount of CZK 27 million. (2019: CZK 30 million).

Charge for (-) and reversal of provisions

(CZK'm)			**2020**			**2019**
	Net creation of reversal	Creation	Reversal	**Net creation of reversal**	Creation	Reversal
Provisions for loan commitments	**(17)**	(24)	7	**7**	(3)	3
Provisions for financial guarantees	**(38)**	(79)	41	**41**	(15)	28
Reserves for litigation	**126**	(50)	176	**176**	(119)	–
Provisions for penalty and default interest	**(118)**	(118)	–	–	–	–
Creation of provisions or reversal	**(47)**	**(271)**	**224**	**(106)**	**(137)**	**31**

11 / INCOME TAX

The tax charge from the Bank's profit before tax can be analysed as follows:

(CZK'm)	Note	**2020**	**2019**
Income tax payable		58	–
Provision for potential additional tax assessments		190	–
Deferred tax	22	25	(18)
Income tax expense		**273**	**(18)**
Expected tax 19% (2019: 19%)		(83)	(9)
Effects of non-taxable expenses		(966)	(372)
Effects of non-taxable income		958	357
Tax liability / tax loss for the accounting period		(91)	(24)
Income tax for prior periods		–	–
Deferred tax		(25)	18
Provision for potential additional tax assessments		(190)	–
Unutilised deferred tax asset arising from tax loss		33	24
Income tax expense		**(273)**	**18**

Tax non-deductible expenses primarily include the write-off of receivables in the amount of CZK 5,038 million, provision for penalty and penalty interest arising from the potential additional tax in the amount of CZK 118 million and loss from a part of payment to the bankruptcy trustee amounting to CZK 176 million. Tax non-deductible income primarily represents income from receivables written off (insurance proceeds received) in the amount of CZK 435 million and use of tax non-deductible allowances of CZK 4,608 million.

The tax liability for the current reporting period was applied against the remaining part of the tax loss reported in 2017.

12 / CASH AND CASH EQUIVALENTS

For cash flow reporting purposes, cash and cash equivalents include the following balances with the maturity period shorter than three months from the date of acquisition.

For ECL calculation purposes all deposits included in cash equivalents are classified in Stage 1. The Bank recognized minimal, immaterial allowances for credit losses on cash and cash equivalents.

(CZK'm)	2020	2019
Deposits with central bank	1,903	223
Other deposits repayable on demand	736	941
Cash and cash with the central bank and other deposits repayable on demand	**2,639**	**1,164**
Deposits with central banks	120	3,502
Deposits with other credit institutions	10	1,202
Other deposits included in cash equivalents	130	4,704
Gross cash and cash equivalents	**2,769**	**5,868**
Allowance for cash	(1)	(3)
Allowance for cash equivalents	–	(2)
Net cash and cash equivalents	**2,768**	**5,863**

Minimum obligatory reserves are set up as 2% of deposits from other customers and of debt securities held by these entities which have a maturity shorter than two years, recorded at the end of the calendar month preceding the month in which the relevant period commences. As these balances are available on a daily basis, these are included in cash and cash equivalents.

13 / LOANS AND RECEIVABLES AT AMORTIZED COST

(CZK'm)	2020	2019
Deposits included in cash equivalents	130	4,704
Other receivables from credit institutions	4,891	980
Loans to credit institutions	171	149
Allowances to receivables	(1)	(4)
Total receivables from credit institutions	**5,191**	**5,829**
Receivables from other customers	30,554	38,006
Allowances to receivables	(1,276)	(5,844)
Total receivables from other customers	29,278	32,162
Total loans and receivables at amortised cost	**34,469**	**37,991**
Remaining maturity:		
Short-term loans and other receivables	5,773	7,081
Long-term loans and other receivables	28,695	30,910

At the end of 2020, the receivables written-off and in process of hard collection amounted to CZK 19,329 million (2019: CZK 15,547 million). Generally, these receivables represent receivables where the Bank acts as an agent in process of hard collection under obligations from insurance contracts.

Loans to credit institutions

(CZK'm)	2020	2019
Deposits with the central bank	4,989	3,502
Deposits with credit institutions	32	2,182
Total deposits	**5,021**	**5,684**
Purchase of receivables	171	149
Sale of receivables	–	–
Total receivables from credit institutions at amortized cost	**171**	**149**
Allowance for expected credit losses	(1)	(4)
Total receivables from credit institutions at amortized cost	**5,191**	**5,829**
Remaining maturity:		
Short-term loans to credit institutions	5,031	5,690
Long-term loans to credit institutions	160	139

Allowances for loans to credit institutions

(CZK'm)	2020	2019
Balance at 1 January	**(4)**	**(117)**
Increase of allowance	(12)	(135)
Utilisation of allowances for receivable write-offs	–	115
Decrease of allowance	15	133
Net movement in allowances	3	113
Foreign exchange differences	–	–
Balance at 31 December	**(1)**	**(4)**

Loans to other customers

(CZK'm)	2020	2019
Loans		
Pre-export funding	677	1,035
Export funding	28,119	35,218
Investment funding	1,714	1,664
For bank guarantee	4	10
Trade receivables	–	44
Purchase of receivables	40	35
Receivables from other customers at amortized cost	30,554	38,006
Allowance for receivables	(1,276)	(5,844)
Receivables from other customers at amortized cost	**29,278**	**32,162**
Remaining maturity:		
Short-term loans to other customers	742	1,390
Long-term loans to other customers	28,536	30,772

Allowances for loans to other customers

(CZK'm)	2020	2019
At 1 January	**(5,844)**	**(7,054)**
Increase in allowances	(120)	(308)
Utilisation of allowances for receivable write-offs	4,722	1,260
Decrease in allowances	246	180
Net movement in allowances	4,848	1,132
Foreign exchange gains or losses	(280)	78
At 31 December	**(1,276)**	**(5 844)**

14 / DERIVATIVE FINANCIAL INSTRUMENTS

The Bank uses the derivative instruments exclusively for hedging. Changes in fair value or cash flows from the hedged item arising from interest rate fluctuations are subject to the hedge. For each derivative, it is decided whether hedge accounting should be applied to it in line with IAS 39. The 1:1 hedge ratio is set in the application of hedge accounting. The Bank did not enter into a new cash flow hedge transaction in 2020 and 2019. The Bank enters into transactions with interest rate and FX derivatives. Counterparties include other financial institutions.

Total derivatives

(CZK'm)	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2020				
Derivatives held for trading	3,859	4,120	–	256
Hedging derivatives	289	289	–	16
Total derivatives	**4,148**	**4,409**	–	**272**
Remaining maturity:				
Short-term derivatives held for trading	–	–	–	–
Long-term derivatives held for trading	3,859	4,120	–	256
Short-term hedging derivatives	–	–	–	–
Long-term hedging derivatives	289	289	–	16
31 December 2019				
Derivatives held for trading	3,675	3,811	–	110
Hedging derivatives	330	330	–	24
Total derivatives	**4,005**	**4,141**	–	**134**
Remaining maturity:				
Short-term derivatives held for trading	–	–	–	–
Long-term derivatives held for trading	3,675	3,811	–	110
Short-term hedging derivatives	–	–	–	–
Long-term hedging derivatives	330	330	–	24

Derivatives held for trading

(CZK'm)	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2020				
Cross-currency interest rate swap	3,859	4,120	–	256
Total derivatives held for trading	**3,859**	**4,120**	–	**256**
31 December 2019				
Cross-currency interest rate swap	3,675	3,811	–	110
Total derivatives held for trading	**3,675**	**3,811**	–	**100**

Fair value hedging derivatives

(CZK'm)				
	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2020				
Interest rate swaps	289	289	–	16
Total hedging derivatives	**289**	**289**	–	**16**
31 December 2019				
Interest rate swaps	330	330	–	24
Total hedging derivatives	**330**	**330**	–	**24**

In accordance with the rules of the use of hedge accounting approved by the ALCO, the Bank has entered into interest rate swaps, which hedge the fair value of a portion of the interest payments of the loans granted in EUR or USD (convert fixed interest payments into variable). The testing of hedging effectiveness indicated that hedging is highly effective and complies with the requirements of IAS 39.

15 / DEBT SECURITIES

The Bank's debt securities represent a portfolio of predominantly state coupon bonds and bonds of international development banks.

Investment securities are fixed-rate or floating-rate debt securities issued by the Czech Ministry of Finance or by legal entities with an investment grade rating assigned by foreign rating agencies.

All investment securities in the Bank's portfolio are, according to IFRS 9, categorized as Stage 1. The allowances recognised against them are immaterial and cannot be reported in millions of CZK.

Classification by listing status

(CZK'm)							**2020**
							IFRS 9
Debt securities at FV	**Carrying**	**Carrying amount (brutto)**			**Allowances**		
recognized in OCI	**amount**	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	1,534	**1,534**	–	–	–	–	–
– listed	**1,534**	1,534	–	–	–	–	–
Debt securities at amortized cost							
	1,603	**1,603**	–	–	–	–	–
– listed	**1,553**	1,553	–	–	–	–	–
– unlisted	**50**	50	–	–	–	–	–

(CZK'm)							**2019**
							IFRS 9
Debt securities at FV	**Carrying**	**Carrying amount (brutto)**			**Allowances**		
recognized in OCI	**amount**	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	1,821	**1,821**	–	–	–	–	–
– listed	**1,821**	1,821	–	–	–	–	–
Debt securities at amortized cost							
	1,596	**1,596**	–	–	–	–	–
– listed	**1,546**	1,546	–	–	–	–	–
– unlisted	**50**	50	–	–	–	–	–

Classification by residual maturity

(CZK'm)							2020
Remaining maturity							**IFRS 9**
Debt securities at fair value recognized in OCI	**Carrying amount**	**Carrying amount (brutto)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	1,534	**1,534**	–	–	–	–	–
– short term	**16**	16	–	–	–	–	–
– long term	**1,518**	1,518	–	–	–	–	–
Debt securities at amortized cost							
	1,603	**1,603**	–	–	–	–	–
– short term	**480**	480	–	–	–	–	–
– long term	**1,123**	1,123	–	–	–	–	–

(CZK'm)							2019
Remaining maturity							**IFRS 9**
Debt securities at fair value recognized in OCI	**Carrying amount**	**Carrying amount (brutto)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	1,821	**1,821**	–	–	–	–	–
– short term	**288**	288	–	–	–	–	–
– long term	**1,533**	1,533	–	–	–	–	–
Debt securities at amortized cost							
	1,596	**1,596**	–	–	–	–	–
– short term	**18**	18	–	–	–	–	–
– long term	**1,578**	1,578	–	–	–	–	–

16 / TANGIBLE FIXED ASSETS

(CZK'm)	Right of use	Office equipment	Motor vehicles	Assets under construction	**Total**
Cost					
At 1 January 2019	–	125	3	8	**136**
Additions	86	27	–	22	**135**
Modifications	16	–	–	–	**16**
Disposals	–	(15)	(1)	(27)	**(43)**
At 31 December 2019	**102**	**137**	**2**	**3**	**244**
Additions	–	5	–	4	**9**
Modification	–	–	–	–	–
Disposals	–	(14)	–	(5)	**(19)**
At 31 December 2020	**102**	**128**	**2**	**2**	**234**
Accumulated depreciation					
At 1 January 2019	–	(105)	(3)	–	**(108)**
Additions	(17)	(11)	(1)	–	**(29)**
Modification	–	–	–	–	–
Disposals	–	15	2	–	**17**
At 31 December 2019	**(17)**	**(101)**	**(2)**	–	**(120)**
Additions	(17)	(14)	–	–	**(31)**
Modification	–	–	–	–	–
Disposals	–	13	–	–	**13**
At 31 December 2020	**(34)**	**(102)**	**(2)**	–	**(138)**
Closing net book value					
At 31 December 2019	**85**	**36**	–	**3**	**124**
At 31 December 2020	**68**	**26**	–	**2**	**96**

The Bank uses an operating lease with the notice period of one year and annual lease payments of CZK 18 million, which are paid off evenly at the beginning of a quarter. The lease payments were not deferred as a result of COVID-19. As of 1 January 2020, the estimated lease term was five years and the right of use asset was valued at CZK 68 million.

17 / INTANGIBLE FIXED ASSETS

(CZK'm)	2020	2019
Intangible fixed assets		
Cost at 1 January	**351**	**340**
Additions	13	23
Disposals/transfers	(3)	(12)
Cost at 31 December	**361**	**351**
Accumulated amortisation at 1 January	**(318)**	**(286)**
Additions	(36)	(44)
Disposals/transfers	3	12
Accumulated amortisation at 31 December	**(351)**	**(318)**
Net book amount at 1 January	**33**	**54**
Net book amount at 31 December	**10**	**33**

18 / OTHER ASSETS

(CZK'm)	2020	2019
Estimated receivables – insurance payment	866	945
Estimated receivable from other reinsurance	1	1
Prepayments and accrued income	6	14
Value added tax	1	4
Receivables from various debtors	1	1
Other receivables	2	–
Total other assets	**877**	**965**
Remaining maturity:		
Current other assets	9	20
Non-current other assets	868	945

19 / FINANCIAL LIABILITIES AT AMORTISED COST

Total financial liabilities at amortised cost

CZK'm)	2020	2019
Deposits and other financial liabilities at amortized cost due to banks	6,614	1,768
Deposits and other financial liabilities at amortized cost due to other customers	2,089	2,529
Deposits, loans and other financial liabilities at amortized cost	8,703	4,297
Issued bonds at amortized cost	24,319	31,782
Total financial liabilities at amortized cost	**33,022**	**36,079**
Remaining maturity:		
Short-term payables at amortized cost	14,108	11,910
ng-term payables at amortized cost	18,914	24,169

Financial liabilities to credit institutions at amortised cost

(CZK'm)	2020	2019
Deposits received	900	1,768
Borrowings	5,714	–
Total financial liabilities at amortized cost due to banks	**6,614**	**1,768**
Type of rate:		
Fixed interest rates	4,902	182
Variable interest rates	1,712	1,586
Remaining maturity:		
Total short-term payables to credit institutions	966	1,588
Total long-term payables to credit institutions	5,648	180

Financial liabilities to other customers at amortised cost

(CZK'm)	2020	2019
Current accounts	224	615
Term deposits	1,798	1,847
Escrow accounts	67	67
Total financial liabilities at amortized cost due to other customers	**2,089**	**2,529**
Type of rate:		
Fixed interest rates	2,089	2,529
Interest free deposits	–	–
Remaining maturity:		
Total short-term payables to other customers	951	2,463
Total long-term payables to other customers	1,138	66

Escrow accounts are deposits from customers held as a form of cash security for provided credit facilities.

The Bank's financial liabilities decreased due to a reduced need for resources. Liabilities to credit institutions increased by CZK 4,846 million in 2020 (2019: decreased by CZK 4,147 million).

Liabilities from issued bonds decreased by CZK 7,463 million (2019: decreased by CZK 7,348 million). Liabilities to other customers decreased by CZK 440 million in 2020 (2019: decreased by CZK 1,564 million).

Financial liabilities at amortised cost arising from debt securities in issue

(CZK'm)				2020
ISIN	**Currency**	**Issue date**	**Maturity date**	**Amortized cost**
XS0598967502	EUR	3.3.2011	3.3.2021	**1,900**
XS0630593233	CZK	26.5.2011	26.5.2021	**1,904**
XS0828623073	EUR	3.10.2012	3.10.2022	**2,623**
XS0849907281	EUR	5.11.2012	5.11.2024	**6,567**
XS0850460634	EUR	15.11.2012	15.11.2022	**3,679**
XS0911304326	EUR	8.4.2013	8.3.2025	**1,320**
XS1082830255	EUR	2.7.2014	2.7.2021	**3,936**
XS1121094632	EUR	16.10.2014	16.10.2024	**1,318**
XS1210661572	EUR	1.4.2015	3.4.2023	**1,072**
Issued bonds at amortized cost				**24,319**

(CZK'm)	2020
Remaining maturity:	
Current	12,191
Non-current	12,128

During 2020, bonds XS0501185929 in the nominal value of EUR 150 million and XS0973829483 in the nominal value of EUR 150 million were paid up.

Bonds issued by the Bank are listed on the Luxembourg Stock Exchange.

20 / OTHER LIABILITIES

(CZK'm)	2020	2019
Lease payables	69	86
Received prepayment of insurance benefits	–	–
Accruals and deferrals	6	75
Tax liabilities	2	3
Liabilities to different creditors	206	130
of which financial collateral	*152*	*47*
Total other liabilities	**283**	**294**
Remaining maturity:		
Short-term other liabilities	148	285
Long-term other liabilities	135	9

Lease liabilities relate to the lease of a building based on a contract for an indefinite period with an anticipated lease term effective until the end of 2024. At the beginning of the year, lease liabilities were measured at CZK 86 million. Liabilities from short-term leases and leases with a low value were insignificant as of both 1 January 2020 and 31 December 2020.

21 / PROVISIONS

(CZK'm)	Note	2020	2019
Provisions for deferred compensation including insurance payments			
At 1 January		**39**	**47**
Charge for provision	9	6	9
Release of provision	9	–	(9)
Usage of provision	9	(10)	(8)
At 31 December		**35**	**39**
Provisions for employee benefits			
At 1 January		**8**	**2**
Charge for provision	9	5	8
Release of provision	9	(4)	(2)
Usage of provision	9	(4)	–
At 31 December		**5**	**8**
Provision for additionally applied VAT			
At 1 January		–	**22**
Charge for provision		–	–
Release of provision	9	–	(22)
Usage of provision		–	–
At 31 December		–	–
Provisions for financial guarantees			
At 1 January		**28**	**41**
Charge for provision	10	79	15
Release of provision	10	(41)	(28)
Usage of provision		–	–
Exchange rate gains or losses		(1)	–
At 31 December		**65**	**28**
Provisions for loan commitments			
At 1 January		**4**	**4**
Charge for provision	10	24	3
Release of provision	10	(7)	(3)
Usage of provision		–	–
Exchange rate gains or losses		(1)	–
At 31 December		**20**	**4**
Provision for penalties and interest on late payments			
At 1 January		–	–
Charge for provision	10	118	–
Release of provision	10	–	–
Usage of provision		–	–
At 31 December		**118**	–
Provisions for litigation			
At 1 January		**119**	–
Charge for provision	10	50	119
Release of provision	10	(176)	–
Usage of provision		–	–
Exchange rate gains or losses		7	–
At 31 December		–	**119**
Total provisions		**243**	**198**

The Bank created a provision for penalties and interest on late payments amounting to CZK 118 million in relation to the potential tax liability resulting from potential findings from the ongoing tax inspection.

The provision for litigation was realised by the payment to the bankruptcy trustee.

22 / DEFERRED INCOME TAXES

Deferred income tax for 2020 is calculated using a tax rate for years of expected use of the deferred tax in the amount of 19% for 2020 and the following years.

The movement on the deferred income tax account is as follows:

(CZK'm)	Note	2020	2019
At 1 January		**31**	**21**
Change in provisions for additionally applied VAT		–	(4)
Change in tangible and intangible assets		2	(1)
Change in provisions for employee benefits		(4)	–
Change in provisions for litigation		(23)	23
Total deferred tax asset presented in the income statement	11	(25)	18
Securities			
Change in the deferred tax on the debt securities at FV recognized in the OCI	24	3	–
Cash flow hedges			
Change in deferred tax on hedging derivatives	24	–	(8)
At 31 December		**9**	**31**

Deferred income tax assets and liabilities incurred for items shown below:

(CZK'm)	2020	2019
Deferred tax liabilities		
Deferred tax on tangible and intangible assets	–	(1)
Deffered tax on debt securities at FV recognized in OCI	(4)	(7)
Deferred tax on hedging derivatives	–	–
	(4)	(8)
Deferred tax assets		
Deferred tax assets related to the provisions for an additional application of VAT	–	–
Deferred tax on tangible and intangible assets	1	–
Deferred tax on employee benefits reserve	12	16
Deferred tax to the provision for litigation	–	23
	13	39
Net deferred income tax assets/(liabilities)	**9**	**31**

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities. A deferred tax asset is created for items that are expected to have a sufficient tax base for their application in subsequent taxation periods.

23 / SHARE CAPITAL

Pursuant to Act No. 58/1995 Coll., the Czech Republic must own at least two thirds of the Bank's shares. Shareholder's rights of the Czech Republic are exercised by the Ministry of Finance of the Czech Republic. All issues of the Bank's shares are ordinary shares and are not associated with any special rights.

(CZK'm)	Number of shares (#)	Nominal value per share	Total nominal value	Share (%)
31 December 2020				
Czech Republic	3,200	1	3,200	–
Czech Republic	100	10	1,000	–
Czech Republic total	3,300	–	4,200	84.0
EGAP	300	1	300	–
EGAP	50	10	500	–
EGAP total	350	–	800	16.0
Total	**3,650**	–	**5,000**	**100.0**
31 December 2019				
Czech Republic	3,200	1	3,200	–
Czech Republic	100	10	1,000	–
Czech Republic total	3,300	–	4,200	84.0
EGAP	300	1	300	–
EGAP	50	10	500	–
EGAP	350	–	800	16.0
Total	**3,650**	–	**5,000**	**100.0**

24 / REVALUATION RESERVE

(CZK'm)	Note	**2020**	**2019**
Debt securities at FV recognized in OCI			
At 1 January		**29**	**28**
Changes in fair value		(16)	3
Deferred income taxes	22	3	(1)
Total change		**(13)**	**2**
Impact of rounding		–	(1)
At 31 December		**16**	**29**
Cash flow hedges			
At 1 January		–	**35**
Changes in fair value		–	43
Deferred income taxes	22	–	(8)
Total change		–	**35**
Impact of rounding		–	–
At 31 December		–	–
Total revaluation difference		**16**	**29**

25 / RESERVES

Statutory reserve

Based on the Articles of Association, the Bank is required to set aside a statutory reserve in equity from profit or from shareholders' contributions. The Bank allocates 5% of net profit to the statutory reserve up to 20% of share capital is achieved. This reserve can be used exclusively to cover losses. In 2020, it increased by CZK 3 million by allocating the 2019 profit. The closing balance of the reserve was CZK 794 million.

Other special funds

As part of other special funds from profit, the Bank primarily creates the export risk fund, which is predominantly intended for covering the Bank's losses. In 2020, the fund was increased by CZK 63 million, a share of the 2019 profit distribution. The balance of the fund amounts to CZK 1,346 million. Other special funds from profit amount to CZK 2 million.

26 / CONTINGENT LIABILITIES AND COMMITMENTS

The contractual amounts of the off-balance sheet financial instruments that commit the Bank to granting credit to customers and the related accepted guarantees and collateral are as follows:

Provided loan commitments and guarantees

		2020		2019
	Credit institutions	Other clients	Credit institutions	Other clients
Provided loan commitments	214	2,667	–	3,373
Provided financial guarantees	–	1,742	–	1,390
Total	**214**	**4,409**	–	**4,763**

Received collateral and pledge

(CZK'm)	2020	2019
Credit institutions		
Received insurance	–	–
Financial guarantees received	1,341	1,555
Securities received in reverse repo transactions	–	3 ,237
Other collateral received	7	7
Total	**1,348**	**4,799**
Other clients		
Accepted insurance	45,306	47,771
Financial guarantees received	25,050	30,365
Other collateral received	336	212
Total	**70,692**	**78,348**
Total	**72,040**	**83,147**

Contingent assets (received irrevocable guarantees, collateral and insurance) are stated at the nominal value of the expected performance. This is to collateralise balance sheet and off-balance sheet exposures of the Bank. Securities received in reverse repo transactions are measured at fair value.

27 / RELATED PARTY TRANSACTIONS

The Bank provides specialised services supporting export activities in accordance with Act No. 58/1995 Coll. This Act also determines the shareholders' structure. The Bank is fully controlled by the Czech Republic, which owns 84% of the Bank's share capital directly and 16% of the share capital indirectly via EGAP, which is fully owned by the Czech Republic.

Related-party transactions are concluded within normal business transactions. Related parties are identified based on the criteria of IAS 24.

Transactions with related parties are entered into under arm's length conditions. All fees related to collaterals and guarantees received, including insurance premiums, are borne by the debtors.

Balances with entities controlled by the same controlling entity (the Czech Republic) or having significant influence

(CZK'm)		2020		2019
Receivables	Balance	Income	Balance	Income
Placements with banks				
Česká národní banka (central bank)	6,890	82	3,521	94
Borrowed bonds				
Ministry of Finance of the Czech Republic	2,897	75	3,070	60
Receivable arising from premium and other receivables				
EGAP, a.s	866	142	950	–
State subsidy receivable				
Ministry of Finance of the Czech Republic	–	–	–	–
Right of use – leasing	68	(17)	86	(17)
Total EGAP, a.s.	**934**	**125**	**1,036**	**(17)**
Total	**10,721**	**282**	**7,627**	**137**

Payables

(CZK'm)		2020		2019
	Balance	Income	Balance	Income
Due to clients				
EGAP, a.s.	1,722	(22)	1,911	(24)
Ministry of Finance of the Czech Republic	–	–	–	–
Insurance prepayment received				
EGAP, a.s.	–	–	–	–
State subsidy payable				
Ministry of Finance of the Czech Republic	–	–	73	–
Lease liability				
EGAP, a.s.	70	(2)	86	1
Total	**1,792**	**(24)**	**2,070**	**(23)**

The prepayment of the state subsidy from 2019 was settled with the Ministry of Finance of the Czech Republic within a due deadline in 2020.

Salaries and bonuses paid to members of the Board of Directors and the Supervisory Board are disclosed in Note 9.

28 / SUBSEQUENT EVENTS

All events that occurred between the end date of the reporting period and the balance sheet date and that had a material impact on the financial statements for the year ended 31 December 2020 were taken into consideration.

Date of preparation: 19 March 2021

Signed on behalf of the Bank's Board of Directors:

Ing. Jaroslav Výborný, MBA
Chairman of the Board of Directors
and CEO

Ing. Jiří Schneller
Member of the Board of Directors
and Deputy CEO

Related Party Transactions Report

5

5 | Related Party Transactions Report

prepared in accordance with Section 82 (1) of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Act on Business Corporations), as amended

Company name:	Česká exportní banka, a.s. (the "Bank")
Registered office:	Vodičkova 34/701, Prague 1, 111 21
Corporate ID:	63078333
Tax ID:	CZ63078333

Recorded in the Register of Companies: Municipal Court in Prague, File B, Insert 3042

a/ Structure of Relations between the Controlling Entities and the Controlled Entity and Relations between the Controlled Entity and Entities Controlled by the Same Controlling Entity

Česká exportní banka, a.s

Ministerstvo financí ČR **84 %**

Exportní garanční a pojišťovací společnost, a.s. **16 %**

For information on other related parties, refer to Appendix 1

b/ Role of the Controlled Entity

Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, authorises the Bank primarily to finance exports with state support in line with international rules on state aid applied in financing export credits with maturity exceeding two years (predominantly the "OECD Consensus") and the WTO's policies

In terms of Section 8 (1) (c) of Act No. 58/1995 Coll., on Insurance and Financing Exports with State Support, the state is held liable for the Bank's obligations arising from payments of funds received by the Bank and for obligations arising from the Bank's other transactions on the financial markets.

c/ Method and Means of Control

The controlling entity of the Bank is the state. The state performs its shareholder rights directly through the ministry referred to below and indirectly through Exportní garanční a pojišťovací společnost, a.s. (Export Guarantee and Insurance Corporation).

Composition of shareholders and their share in voting rights:

1. State – Czech Ministry of Finance	**84% of shares**
having its registered office at Letenská 15, Prague 1, 118 10, corporate ID 00006947	4,200 votes
2. Exportní garanční a pojišťovací společnost, a.s.	**16% of shares**
having its registered office at Vodičkova 34, Prague 1, 111 21, corporate ID 45279314	800 votes

Individual shareholders exercise their rights primarily through the following bodies:

General Meeting – the supreme body of the Bank that decides through the majority of present shareholders on the issues that are entrusted into its competencies by Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Act on Business Corporations), as amended, and the Bank's Articles of Association; and

Supervisory Board – the control body of the Bank that supervises the activities of the Board of Directors and business activities of the Bank and presents its statements to the General Meeting.

d/ List of Actions Taken in the Reporting Period

The Bank took no actions regarding assets that exceed 10% of the equity of the controlled entity as identified on the basis of the most recent set of financial statements, at the initiative or in the interest of the controlling entity or entities controlled by it.

e/ List of Mutual Contracts between the Controlled Entity and the Controlling Entity or Controlled Entities (Exportní garanční a pojišťovací společnost, a.s.)

Agreement on the Insurance of Export Credit Risks

1. Insurance Agreement No. 202002391 of 20 July 2020
2. Insurance Agreement No. 202002389 of 23 July 2020
3. Insurance Agreement No. 202002334 of 25 May 2020
4. Insurance Agreement No. 107011441 of 11 March 2020
5. Insurance Agreement No. 135006637 of 31 March 2020
6. Insurance Agreement No. 107011272 of 11 March 2020

Amendments to Individual Insurance Agreements

1. Amendment No. 10 of 28 August 2020 to Insurance Agreement No. 107008177
2. Amendment No. 6 of 17 April 2020 to Insurance Agreement No. 107010203
3. Amendment No. 7 of 17 April 2020 to Insurance Agreement No. 107010078
4. Amendment No. 8 of 17 April 2020 to Insurance Agreement No. 107007863
5. Amendment No. 1 of 17 April 2020 to Insurance Agreement No. 107011204
6. Amendment No. 1 of 17 April 2020 to Insurance Agreement No. 107011248
7. Amendment No. 1 of 17 April 2020 to Insurance Agreement No. 107011237
8. Amendment No. 1 of 17 April 2020 to Insurance Agreement No. 107011182
9. Amendment No. 1 of 17 April 2020 to Insurance Agreement No. 107011193
10. Amendment No. 1 of 17 April 2020 to Insurance Agreement No. 107011226
11. Amendment No. 1 of 17 April 2020to Insurance Agreement No. 107011171
12. Amendment No. 1 of 17 April 2020to Insurance Agreement No. 107011259
13. Amendment No. 1 of 6 November 2020 to Insurance Agreement No. 135006637
14. Amendment No. 1 of 6 November 2020 to Insurance Agreement No. 107011272
15. Amendment No. 9 of 7 January 2020 to Insurance Agreement No. 133004813
16. Amendment No. 10 of 4 December 2020 to Insurance Agreement No. 133004813
17. Amendment No. 9 of 7 January 2020 to Insurance Agreement No. 137001915
18. Amendment No. 10 of 4 December 2020 to Insurance Agreement No. 137001915
19. Amendment No. 3 of 23 December 2020 to Insurance Agreement No. 125008188
20. Amendment No. 2 of 8 April 2020 to Insurance Agreement No. 125008188
21. Amendment No. 6 of 7 January 2020 to Insurance Agreement No. 133004824
22. Amendment No. 6 of 7 January 2020 to Insurance Agreement No. 137001926

Insurance Rulings

1. Insurance Ruling No. 002 of 4 March 2020 to Limit Insurance Agreement No. 202002064
2. Insurance Ruling No. 003 of 4 March 2020 to Limit Insurance Agreement No. 202002064
3. Insurance Ruling No. 004 of 6 March 2020 to Limit Insurance Agreement No. 202002064
4. Insurance Ruling No. 005 of 11 March 2020 to Limit Insurance Agreement No. 202002064
5. Insurance Ruling No. 006 of 23 March 2020 to Limit Insurance Agreement No. 202002064
6. Insurance Ruling No. 007 of 23 March 2020 to Limit Insurance Agreement No. 202002064
7. Insurance Ruling No. 008 of 30 March 2020 to Limit Insurance Agreement No. 202002064
8. Insurance Ruling No. 001 of 14 August 2020 to Limit Insurance Agreement No. 202002391
9. Insurance Ruling No. 002 of 16 December 2020 to Limit Insurance Agreement No. 2022002391
10. Insurance Ruling No. 001 of 27 May 2020 to Limit Insurance Agreement No. 2022002334
11. Insurance Ruling No. 4 of 7 January 2020 to Insurance Agreement No. 107008291
12. Insurance Ruling No. 5 of 12 May 2020 to Insurance Agreement No. 107008291
13. Insurance Ruling No. 6 of 9 July 2020 to Insurance Agreement No. 107008291

14. Insurance Ruling No. 7 of 10 November 2020 to Insurance Agreement No. 107008291
15. Insurance Ruling No. 9 of 4 May 2020 to Insurance Agreement No. 107009055
16. Insurance Ruling No. 10 of 9 November 2020 to Insurance Agreement No. 107009055
17. Insurance Ruling No. 6 of 11 March 2020 to Insurance Agreement No. 107009257
18. Insurance Ruling No. 7 of 14 September 2020 to Insurance Agreement No. 107009257
19. Insurance Ruling No. 9 of 5 August 2020 to Insurance Agreement No. 107007571
20. Insurance Ruling No. 11 of 13 February 2020 to Insurance Agreement No. 107006941
21. Insurance Ruling No. 13 of 4 August 2020 to Insurance Agreement No. 107006941

Amendments to Insurance Rulings

None

Other types of agreements

1. Agreement on the Settlement of Insurance Premiums of 12 March 2020 to Insurance Agreement No. 202001873
2. Agreement on the Assignment of a Receivable of 19 August 2020 to Insurance Agreement No. 107005128
3. Additional Agreement No. 1 to Assignment Agreement of 2 December 2020 to Insurance Agreement No. 107005128
4. Agreement on the Assignment of a Receivable of 13 July 2020 to Insurance Agreement No. 121000308
5. Agreement on the Assignment of a Receivable of 13 July 2020 to Insurance Agreement No. 107007525
6. Agreement on the Assignment of a Receivable of 13 July 2020 to Insurance Agreement No. 107004353
7. Agreement on the Assignment of a Receivable of 13 July 2020 to Insurance Agreement No. 107005534
8. Agreement on the Assignment of a Receivable of 13 July 2020 to Insurance Agreement No. 107004397
9. Agreement on the Assignment of a Receivable of 13 July 2020 to Insurance Agreement No. 203000322
10. Agreement on the Assignment of a Receivable of 13 July 2020 to Insurance Agreement No. 107007378
11. Conciliation Agreement SMŘ 001/3/2019 of 9 March 2020 to Insurance Agreement No. 107006941
12. Conciliation Agreement SMŘ 001/1/2019 of 9 March 2020 to Insurance Agreement No. 107006941
13. Conciliation Agreement SMŘ 001/2/2019 of 9 March 2020 to Insurance Agreements No. 107006851 and No. 107008583

Insurance agreements with ČEB effective as of 31 December 2020 (including agreements concluded in 2020)

Characteristics of the agreements	Number
One-time insurance agreement, type Bf	1
One-time insurance agreement, type If	1
One-time insurance agreements, type Z	8
One-time insurance agreement, type F	1
One-time insurance agreements, type D	31
Total one-time insurance agreements effective as of 31 December 2020	**42**
Limit insurance agreements, type Bf, including insurance rulings on those agreements	18
Limit insurance agreements, type D, including insurance rulings on those agreements	12
Total limit insurance agreements and insurance rulings issued on the limit insurance agreements (including rulings on limit insurance agreements of prior years) effective as of 31 December 2020	**30**
Total insurance agreements (including insurance rulings on limit insurance agreements effective as of 31 December 2020	**72**

Insurance agreements and amendments to insurance agreements with ČEB concluded from 1 January 2020 to 31 December 2020

Characteristics of the agreements/amendments	Number
New one-time insurance agreements, type Bf	1
New one-time limit insurance agreements, type Bf	2
New one-time insurance agreements, type Z	1
Amendments to insurance agreements, type Z	7
Amendments to insurance agreements, type F	2
New one-time insurance agreements, type D	2
Amendments to insurance agreements, type D	13
Total new one-time insurance agreements	**28**
Insurance rulings on the limit insurance agreements, type Bf, issued in 2020	10
Total new insurance rulings issued on limit insurance agreements of prior years (including rulings on limit agreements of prior years)	**10**
Total new insurance agreements, amendments to insurance agreements concluded in 2020 and insurance rulings to insurance agreements concluded in 2020 (including rulings on limit insurance agreements of prior years))	**38**

Characteristics of the agreements/amendmentsů	Number
Agreement on the settlement of insurance premiums with regard to a limit insurance agreement, type Bf	1

Agreements and amendments concluded with EGAP from 1 January 2020 to 31 December 2020

- Agreement on the temporary assignment of employees (concluded under Section 1746 of Act No. 89/2012 Coll., the Civil Code, as amended) of 28 May 2020, effective from 1 June 2020 to 30 June 2020. Subsequently, on the basis of repeated requests from EGAP (the last one dated 11 December 2020) and with the consent of ČEB, the agreement was extended for the temporary assignment of one employee for the period from 1 July 2020 to 28 February 2021.
- Amendment No. 1 to the agreement on commercial current accounts No. 21684 of 10 August 2020
- Amendment No. 2 to the agreement on commercial current accounts No. 21684 of 7 October 2020
- Amendment No. 3 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts of 30 September 2020

Other agreements with EGAP effective from 1 January 2020 to 31 December 2020

- Agreement on the lease of non-residential premises of 1 April 1998
- Amendment No. 11 to the agreement on the lease of non-residential premises of 29 October 2019
- Agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts of 1 December 2005
- Amendment No. 1 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts of 15 August 2018
- Amendment No. 2 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts of 17 April 2019
- Agreement on commercial current accounts No. 21684 of 23 April 2014
- Framework agreement on trading on the financial market of 4 April 2014
- Cooperation agreement in insuring business cases (pre-export loans) against the risk of being subject to default and on bank guarantees against the risk of their utilisation, provided to SMEs of 26 June 2008
- Agreement on the protection and non-disclosure of confidential information between ČEB, a.s. and EGAP, a.s. of 11 November 2015
- Cooperation agreement in providing support to SMEs between ČEB, a.s., ČMZRB, a.s., EGAP, a.s. and Raiffeisenbank a.s. of 10 December 2009
- Cooperation agreement in providing support to SMEs between ČEB, a.s., ČMZRB, a.s., EGAP, a.s. and KB, a.s. of 6 October 2009
- Agreement on using compatible media in payments of 6 November 2000

Other agreements with the Ministry of Finance of the Czech Republic concluded from 1 January 2020 to 31 December 2020

- Agreement on rules and conditions for the provision of loans between ČEB, a.s. and the Ministry of Finance of the Czech Republic of 17 February 2010
- Framework agreement on trading on the financial market of 12 March 2020

All of the above agreements were concluded under arm's length conditions and the Bank suffered no detriment arising therefrom.

f/ The state, as the controlling entity, did not adopt any measures which would cause detriment to the Bank in the most recent reporting period. During the reporting period, the Bank did not adopt any other measures at its own will or in the interest or at the initiative of other related parties, other than those referred to above.

g/ Benefits and Disadvantages Arising from Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and Entities Controlled by the Same Controlling Entity

The relations between the Bank and the shareholders give rise to clear benefits taking the following form:

- More effective approach to the process of amending the legislation that defines the terms of supported financing in order to meet the current needs of Czech exporters and export suppliers during export transactions;
- Possibility of obtaining rating at the sovereign level which provides the Bank with an opportunity to gain cheaper funds on financial markets;
- More effective use of economic diplomacy tools in the interest of Czech exporters;
- Close coordination of institutions within the system of state support for export and business and connecting support for innovations and new technologies with the support for business, export and internationalisation.

In Prague on 19 March 2021

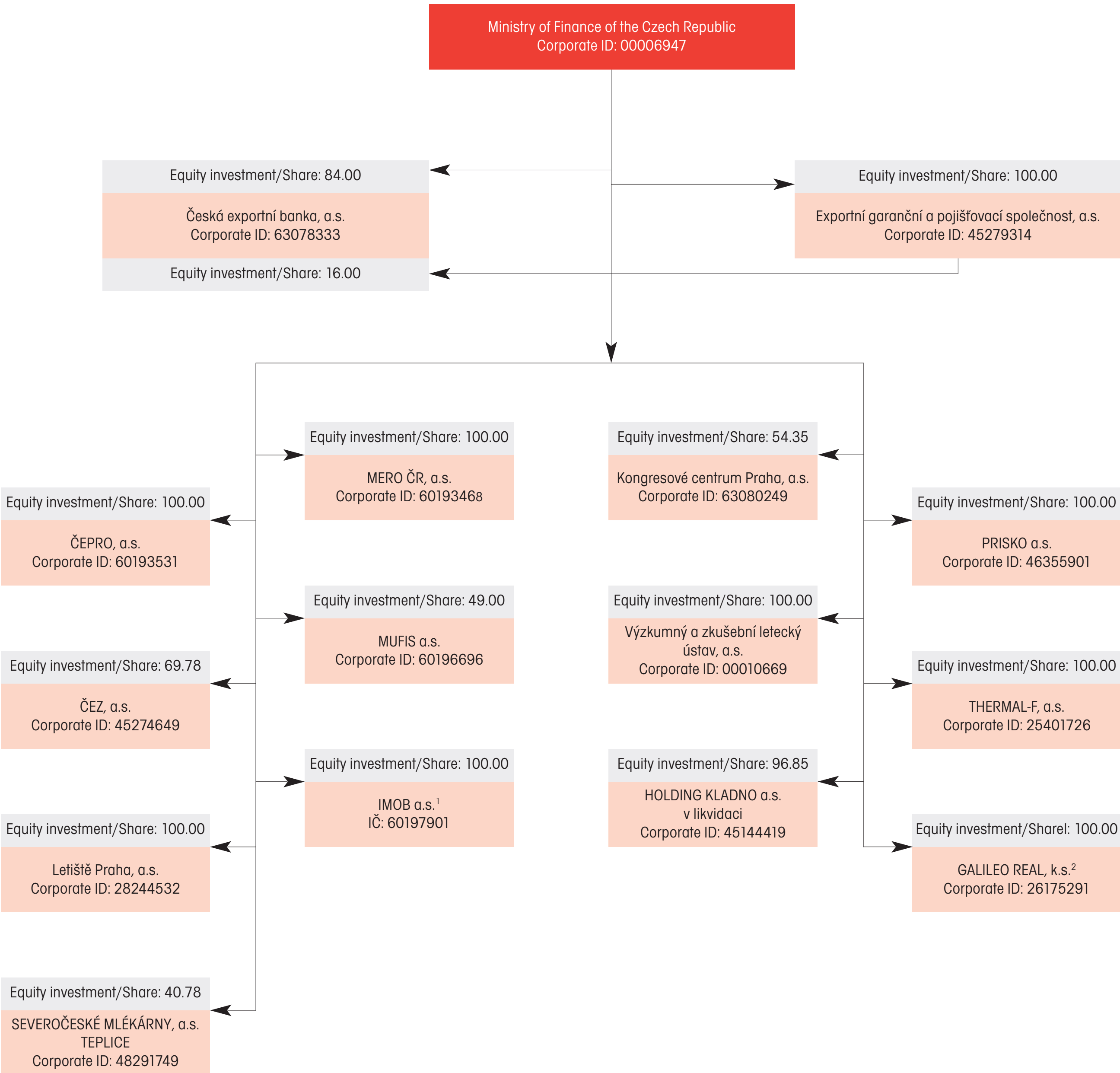
Ing. Jaroslav Výborný, MBA
Chairman of the Board of Directors

Ing. Emil Holan
Vice-Chairman of the Board of Directors

Appendix 1

List of Joint Stock Companies Controlled by Shareholders Holding an Equity Investment between 40% and 100%

Ministry of Finance of the Czech Republic



[1] IMOB a.s. – brought into liquidation; recorded in the public register on 1 December 2020

[2] ALILEO REAL, k.s. – brought into liquidation; recorded in the public register on 1 December 2020

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