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ČESKÁ EXPORTNÍ BANKA
ANNUAL FINANCIAL REPORT 2022

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/informace/mandatory-disclosures1/vz-html/

ČESKÁ EXPORTNÍ BANKA
CZECH EXPORT BANK

cost
restructuring
of the bank

setting
a new strategy

successful
cooperation with
commercial banks

22=

the most successful
year in terms of
business for the
past 8 years

breakthrough amendment
to Act No. 58/1995 Coll.,
on Insurance and Financing
of Exports with StateSupport

reduction in the volume
of non-performing receivables
to 2% of the volume of loan
principles

profit before tax of CZK 530 million

Introduction by the Chairman of the Board of Directors

Dear shareholders, dear business partners,

Despite the unprecedented challenges that affected all of us, 2022 was a successful year for Česká exportní banka, a.s. (CEB), a year of changes and a year, in which we launched the process of transforming the bank into a modern and active financial institution, offering solutions and value to its clients and partners.

Along with the numerous sequels of the global Covid-19 pandemic, in 2022 international trade trends were adversely affected by the growth of interest rates, the termination of financial incentive packages provided by the government, commodity price volatility, and geopolitical factors. Overall, in 2022 the development of global trade was influenced by slower than expected economic growth, inflation pressures in several economies and by the adverse global economic impact of the military conflict in Ukraine, which created further pressure leading to increases in prices of energy and primary commodities. Due to growing uncertainty, decisions on further investments were conservatively postponed.

Despite the above limitations, CEB managed to meet its strategic goals in 2022. The Bank entered 2022 with a new management team that had successfully implemented cost restructuring. It also began to redefine its strategy towards supporting the strengthening of the positions of Czech investors on foreign markets and supporting innovative companies and producers of final products and services with high added value. Our partnership with the commercial banking sector was mainly confirmed by CEB being invited to join several high-volume transactions arranged by major Czech and international banking groups.

Overall, in 2022 CEB provided supported financing products totalling CZK 5 billion to support export, exporters and Czech investors investing abroad, which is 136% more year-on-year. The more than double year-on-year increase in provided products represents at the same time the best result in eight years in terms of the financial volume of concluded contracts. Furthermore, the Bank succeeded in reducing the volume of non-performing receivables to 2% of the total amount of credit portfolio principals at the end of 2022. The increase in the volume of deals connected with the development of market interest rates and a reduction of the Bank's operating costs were reflected in improved return ratios and profit exceeding our expectations for 2022 and amounting to CZK 530 million before tax.

Thanks to intensive cooperation of the Ministry of Industry and Trade, the Ministry of Finance, professional associations, chambers and associations representing the interests of exporters, CEB, and EGAP, a breakthrough amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, was prepared and approved. It came into effect on 1 December 2022. This amendment enables the Bank to offer product solutions for meeting the needs in the field of investments in increasing export capabilities, export potential and international competitiveness of Czech export-oriented companies. The Bank's product range will already be extended by new products in the first quarter of 2023.

Dear shareholders, dear business partners, I would like to thank you for your cooperation in 2022. At the same time, I would like to thank the employees of Česká exportní banka, a.s., who proved by their work and effort that even a year full of difficult challenges can become a successful year.

Ing. Daniel Krumpolc
Chairman of the Board of Directors and CEO

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This document is an unsigned English translation of the Czech independent auditor's report that we issued on 27 March 2023 on the statutory financial statements included in the annual financial report of Česká exportní banka, a.s., prepared in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements. The accompanying annual financial report has not been prepared in accordance with the ESEF Regulation and therefore does not represent a statutory annual financial report. Consequently, neither it nor this copy of the auditor's report is a legally binding document. We did not audit the consistency of the accompanying annual financial report with the statutory and legally binding annual financial report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying annual financial report.

Independent Auditor's Report to the Shareholders of Česká exportní banka, a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Česká exportní banka, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2022, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

Impairment allowances for loans to customers and provisions for guarantees provided to customers

As at 31 December 2022, gross loans and advances to customers amount to CZK 16,013 million and related impairment allowance amounts to CZK 211 million; financial guarantees issued amount to CZK 1,814 million and related impairment provision amounts to CZK 33 million (31 December 2021, loans and advances to customers: CZK 22,935 million and impairment allowance: CZK 786 million; financial guarantees provided to customers: CZK 1,593 million and impairment provision: CZK 51 million).

Refer to the following notes to the financial statements: 2 (Accounting policies), 3 (Risk management), 10 (Loss from impairment of financial instruments) 13 (Loans and receivable at amortized costs) and 21 (Provisions).

Key audit matter	**How the audit matter was addressed**
The Company’s management makes significant judgments and complex assumptions when estimating expected credit losses (“the Expected Credit Losses”, “ECLs”) in respect of loans and advances to customers (together “Loans”, “exposures”) and financial guarantees issued („Guarantees“). For the purposes of estimating the Expected Credit Losses, the Loans and Guarantees are assigned to one of three stages in line with the requirements of IFRS 9 Financial instruments. Stage 1 and Stage 2 comprise performing exposures, with Stage 2 being exposures with a significant increase in credit risk since origination. Stage 3 are exposures in default. The assessment of whether a loan experienced a significant increase in credit risk or is in default requires use of quantitative criteria and judgment. Once the exposures are allocated to Stages, key judgements and assumptions relevant to the measurement of ECLs for Stage 1 Loans and Guarantees comprise:	Our procedures, performed, where applicable, with the assistance from our own credit risk and information technology (IT) specialists, included, among others: We critically assessed the Company‘s loan impairment policies, methods and models, and the processes related to estimating ECLs. As part of the procedure, we assessed the process of determination of internal ratings of borrowers and identifying indicators of default and significant increase in credit risk, and allocating of Loans and Guarantees to Stages. We also inspected and assessed the development and validation documentation for internal rating and ECL models, including the Company’s retrospective testing of major model inputs. We tested the design, implementation and operating effectiveness of selected IT-based and manual controls over the disbursement of loans and the receipt of borrowers’ repayments and their matching to scheduled loan instalments. We also tested design and implementation of selected controls over the ECL measurement.

Key audit matter	How the audit matter was addressed
• Exposure at default (EAD), determined as gross carrying amount decreased by the value of any underlying collateral (primarily created by insurance contracts, bank guarantees or cash); • Expected loss ratio, estimated using a statistical model relying on historical internal data about defaults of loans and related losses; • Upscale factor reflecting forward-looking information (FLI), determined by means of a statistical model based on selected macroeconomic indicators. ECLs for Stage 2 and Stage 3 Loans and Guarantees are determined on an individual basis by discounting the probability-weighted projections of estimated future cash flows. The key judgments and assumptions therein comprise: • Probabilities of cash flow projections; • Estimated amounts and timing of future cash repayments, including cash flows from any underlying collateral. Due to the above complexities, coupled with the need to consider the effects of the current volatile economic conditions (such as the increased inflation, rising energy cost and expected economic recession), on the measurement of ECLs, the area required our increased attention in the audit and as such was determined to be a key audit matter. .	We assessed whether the definition of default and staging criteria were applied consistently and in line with the requirements of the financial reporting standards. For a sample of exposures, we critically assessed, by reference to the underlying loan files and inquires of loan officers and credit risk personnel, the existence of any triggers for classification to Stage 2 or Stage 3. For a sample of Stage 1 *secured* exposures, we challenged the realizable value of collateral, by reference to the underlying collateral agreements (for non-cash collateral) or evidence supporting balances of cash serving as collateral. For a sample of Stage 1 *unsecured* exposures, we challenged the EAD parameter, the expected loss ratio and upscale factor assigned to these exposures, also considering the FLI, which we independently evaluated. For impairment allowances calculated individually (Stage 2 and Stage 3), for a risk-based sample of loans, we challenged the Company's cash flow projections and key assumptions used therein, by reference to the respective loan files and inquiries of the Company's credit risk personnel. We also evaluated the collateral values by reference to underlying terms of collateral agreements or evidence supporting balances of cash collateral. We evaluated whether in its ECL measurement the Company appropriately considered the effects of the market disruption resulting from the actual economic conditions. We examined whether the Company's loan impairment and credit risk-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Information

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

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

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 29 April 2021 and our uninterrupted engagement has lasted for 2 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 22 March 2023 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

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

Except for the statutory audit, we did not provide the Company with any other services that have not been disclosed in notes to the financial statements or annual report.

Report on Compliance with the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of financial statements included in the annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements.

Responsibilities of the Statutory Body

The Company's statutory body is responsible for the preparation of financial statements that comply with the ESEF Regulation. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation;
- the preparation of financial statements included in the annual report in the applicable XHTML format.

Auditor’s Responsibilities

Our responsibility is to express an opinion on whether the financial statements included in the annual report comply, in all material respects, with the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000”).

The nature, timing and extent of procedures selected depend on the auditor’s judgment. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with the above standard will always detect any existing material non-compliance with the ESEF Regulation.

Our selected procedures included:

- obtaining an understanding of the requirements of the ESEF Regulation;
- obtaining an understanding of the Company’s internal control relevant to the application of the ESEF Regulation;
- identifying and assessing the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on the above, designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The objective of our procedures was to evaluate whether the financial statements included in the annual report were prepared in the applicable 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 2022 included in the annual report are, in all material respects, in compliance with the ESEF Regulation.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Česká exportní banka, a.s. as at 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
27 March 2023

	Jindřich Vašina
KPMG Česká republika Audit, s.r.o.	Partner
Registration number 71	Registration number 2059

Contents

Key indicators

Key indicators

	unit	2022	2021
Financial results[1]			
Net interest income	CZK million	650	681
Net fee and commission income	CZK million	37	25
Operating income	CZK million	(4)	(3)
Impairment losses of assets	CZK million	45	103
Total operating costs	CZK million	(303)	(314)
Income tax	CZK million	110	(65)
Net profit	CZK million	640	358
Balance sheet			
Total assets	CZK million	32,473	35,952
Amounts due from entities other than credit institutions at amortised cost	CZK million	15,802	22,149
Amounts due from credit institutions at amortised cost	CZK million	9,773	5,876
Total financial liabilities to entities other than credit institutions at amortised cost	CZK million	2,442	3,196
Total financial liabilities at amortised cost to credit institutions	CZK million	5,435	5,503
Issued bonds	CZK million	15,516	18,661
Total equity	CZK million	8,285	7,655
Ratios			
Return on average assets (ROAA)	%	1.84	0.92
Return on average equity (ROAE)	%	8.44	4.92
Total capital ratio	%	131.92	142.90
Assets per employee	CZK million	292.55	283.08
Administrative expenses per employe	CZK million	(2.21)	(2.02)
Net profit per employee	CZK million	5.77	2.82
Other information			
Average headcount	employees	113	127
Headcount (as at 31 December)	employees	111	127
Guarantees issued	CZK million	1,814	1,593
Loan commitments	CZK million	3,944	2,147
Rating – long-term payables			
Moody's	–	Aa3	Aa3
Standard & Poor's	–	AA-	AA-

Source: CEB

1) Categories including the comparable period are disclosed in accordance with the definitions of the Financial Reporting Standards (FINREP) and are also in compliance with IFRS.

Operating income
Net profit for the reporting period divided by average total assets. Source: INCOME STATEMENT

Total operating costs
Administrative expenses + Amortisation and depreciation + Other operating expenses Source: INCOME STATEMENT

Return on average assets (ROAA)
Net profit for the reporting period divided by average total assets.
Average total assets: sum 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 Tier 1 capital: sum 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 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.

01 Profile of Česká exportní banka

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

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

Česká exportní banka, a.s. ("CEB" 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 conditional upon the ownership of at least 2/3 of the Bank's shares by the Czech state, as required by the aforementioned Act. CEB 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 CEB 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 Republic.
- c) Payment systems and clearing;
- e) Provision of guarantees;
- f) Opening of letters of credit;
- g) Collection services.
- h) Investment services under special regulation[2] 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

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[1] The banking licence replaced the permit issued by the Czech National Bank to Česká oxportní banka, a.s., based on which CEB was allowed to operate as a bank; the permit was issued on 6 February 1995 and changes to it were made on 27 June 1996.

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

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

p) Activities directly related to the activities mentioned in Ceska export™ banka's banking licence.

Summary of Activities the Performance or Provision of which was Limited or Eliminated by the Czech National Bank during 2022: 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:	Praha 1 Vodičkova 34 č. p. 701 post code 111 21
Legal form:	joint stock
Company Corporate ID:	IČ 63078333
Telephone:	+420 222 841 100
Fax:	+420 224 211 266
E-mail:	ceb@ceb.cz
Internet:	www.ceb.cz

Obligatory disclosures:
https://www.ceb.cz/kdo-jsme/povinne-zverejnovani-informace/pravidelne-ctvrtletni-informace2/

The principal Czech and European Union legal regulations under which CEB performed its activities in 2022:

Act No. 110/2019 Coll.,	on Personal Data Protection;
Act No. 250/2016 Coll.,	on Liability for Administrative Offences and Related Procedures;
Act No. 370/2017 Coll.,	on System of Payments;
Act No. 21/1992 Coll.,	on Banks; Act No. 280/2009 Coll., the Tax Procedure 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 Tax;
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 Entities 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 framework for CEB's activities. In addition to the aforementioned regulations, CEB'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

CEB'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 and Collection of Deeds, the updated version of CEB's Articles of Association is available under the following address: https://or.justice.cz

In addition, CEB'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 Environmental protection, labour-law relations and other information about Česká exportní banka, a.s.

CEB 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").

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

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

When providing export loans with a maturity period of at least two years, CEB complies with the rules for assessing the impacts the financed export projects may have on the environment and human rights of the export destination. CEB 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. In accordance with these rules, CEB requires all financed projects to be assessed by an independent external expert, an ESIA opinion (Environmental and Social Impact Assessment) to be prepared and the relevant conditions resulting from this opinion, if any, to be included into the contractual documentation concluded with the client.

CEB 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). CEB 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.

CEB has a potential to positively influence the environment, social environment and sustainable management in two ways, first by deciding to whom it will provide financing or not and for what projects and second by the way it manages its business, how it deals with the environmental aspects of its operations and how it acts with its clients, employees and other stakeholders. In frame of the preparations for the new mandatory standard on non-financial reporting following from the Eu's Corporate Sustainability Reporting Directive (CSRD) under the European Sustainability Reporting Standards (ESRS), CEB dealt with the set-up of monitoring the impacts of its operations and operations of its clients on the climate, social tolerance and sustainable management ("ESG") already in 2022. CEB's management has determined the implementation of ESG objectives as one of its tasks for 2023.

CEB'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 Corporations. CEB's regulations specify further provisions on specific areas concerning employment relations and executive functions in its internal policies (statutory standards, guidelines, internal policies, codes, strategies). These include in particular the following internal policies: CEB'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 CEB Employees ('Risk Takers'), Human Resources Management Principles.

CEB does not make any research and development investments on its own account. As part of the permitted version of the product loan to finance export manufacturing, CEB offers Czech manufacturers the option of financing the implementation of new results of research and development into production, i.e. commercialisation of tangible results of research and development in connection with exports. In 2022, this version of the product loan to finance export manufacturing was not provided. Historically, CEB records three loans provided under this version of the product in the aggregate nominal value of the principal of CZK 1.088 billion.

In compliance with Section 41 (a) of Act No. 21/1992 Coll., on Banks, CEB 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 14,538 in 2022.

CEB, 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 CEB amounted to CZK 10,000 in 2022.

Since 2016, CEB 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 2022 as stipulated by the Czech National Bank amounted to CZK 11,311,894.

1.5 Administrative, Management and Supervisory Bodies of CEB and their Committees

General Meeting – the supreme body of CEB that decides by the majority of present shareholders on 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 CEB's business activities and presents its opinions to the General Meeting.

Supervisory board as at 31 December 2022 *(with changes that occurred during 2022)*

Chairman	
Ing. Petr Knapp	substitute member from 18 November 2021 to 21 December 2021 and Chairman from 18 November 2021 to 21 December 2021 (as par of the substitute membership) Member and Chairman since 21 December 2021
Vice-Chairman	
prof. PhDr. Petr Teplý, Ph.D.	Vice-Chairman since 24 August 2021
Members	
Ing. Miroslav Zámečník	from 24 April 2017 to 24 April 2022 Substitute member from 24 November 2022 to 22 December 2022 Member since 22 December 2022
prof. PhDr. Petr Teplý, Ph.D.	from 24 June 2019 to 24 August 2021
Ing. Ivan Duda	since 24 June 2021
Ing. Dušan Hradil	since 1 August 2021

Nomination Committee –advisory committee to the Supervisory Board, which was established as at 9 June 2022 by decision of the Board of Directors dated 8 June 2022. Status of the Nomination Committee is set by Rules of Procedure of the Nomination Committee – SN 21.

Chairman	
Ing. Petr Knapp	Chairman since 9 June 2022
Members	
Prof. PhDr. Petr Teplý, Ph.D.	since 23 June 2022
Ing. Ivan Duda	since 23 June 2022
Mgr. Veronika Peřinová	since 7 July 2022
Ing. Daniel Krumpolc	since 9 June 2022
Mgr. Ondřej Zemina	since 9 June 2022

Note: No changes of members in current year

Board of Directors – the Bank's statutory body, manages the operations of the Bank, acts on its behalf, 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 at 31 December 2022

Chairman

Ing. Jaroslav Výborný, MBA *from 2 July 2020 to 28 February 2022 Chairman of the Board of Directors/Chief Executive Officer, in charge of the Export Financing division*	*Member, Chairman and Chief Executive Officer*
Ing. Daniel Krumpolc Executive Officer since 1 March 2022 Chairman of the Board of Directors/Chief Executive Officer, in charge of the Export Financing division	Member, Chairman and Chief

Vice-Chairman

Ing. Emil Holan Vice-Chairman 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 from 4 August 2020 to 21 December 2020 Member since 21 December 2020

Audit Committee – set up by a decision of the General Meeting of CEB, held on 10 December 2009, 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 at 31 December 2022

Chairman

Ing. Ladislav Langr *Position vacant since 19 December 2022*	*Member and Chairman from 19 December 2018 to 19 December 2022*

Members

Ing. Radovan Odstrčil	Member since 29 April 2020
Ing. Stanislav Staněk	Member since 29 April 2019
Ing. Petr Kříž, FCCA	Member since 22 December 2022*

* Chairman since 21 February 2023

Other Decision-Making Bodies of CEB

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 CEB. The Credit Committee is part of the management and control system of CEB. 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 2022 was as follows:

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

Vice-Chairman of the Credit Committee
Ing. Jaroslav Výborný, MBA *until 28*
February 2022 Chairman of the Board of Directors/Chief Executive Officer.
in charge of the Export Financing division

Ing. Daniel Krumpolc since 1 March 2022
Chairman of the Board of Directors/Chief Executive Officer,
in charge of the Export Financing division

Member of the Credit Committee
Ing. Jiří Schneller
Member of the Board of Directors,
in charge of the Finance and Operations division

Members of the Credit Committee on behalf of Risk Managemen
Ing. Jiří Soukup *until 31 March 2022*
Director of the Loan Analysis section

PhDr. Václav Fišer since 1 April 2022
Director of the Credit Risk Management and Loan Analysis section

Ing. Jiří Jeřábek since 12 April 2022
Risk Manager Senior

Members of the Credit Committee on behalf of Export Financing
Ing. Miloš Welser
Senior Manager of Export Financing Development and Strategy

Ing. Tomáš Nymburský *from 14 January 2022*
Director of Export Financing section I *to 12 April 2022*

Ing. Miroslav Stříbrný since 12 April 2022
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 CEB's banking transactions and operations on financial markets, and as an advisory body for CEB's managers. ALCO is a part of the management and control system of CEB.

The composition of ALCO in 2022 was as follows:

Chairman of ALCO
Ing. Jaroslav Výborný, MBA *until 28 February 2022*
Chairman of the Board of Directors/Chief Executive Officer,
in charge of the Export Financing division

Ing. Daniel Krumpolc since 1 March 202
Chairman of the Board of Directors/Chief Executive Officer,
in charge of the Export Financing division

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

Members of ALCO
Ing. Jiří Schneller
member of the Board of Directors,
in charge of the Finance and Operations division

Ing. Miloš Welser
Senior Manager of Export Financing Development and Strategy

Ing. David Franta, MBA
Director of Treasury

Ing. Roman Somol, MBA
Head of the Enterprise 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 CEB, dealing with issues relating to ICT management, and an advisory body of CEB's managers. KRIT is part of the management and control system of CEB.

The composition of ITDC in 2022 was as follows:

Chairman of ITDC
Ing. Jiří Schneller
Member of the Board of Directors,
in charge of the Finance and Operations division

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

Members of ITDC
Ing. Jan Bukovský
Director of the ICT Security section

Ing. Hana Vondráčková
Credit Methodologist

Ing. Petr Jindrák
Director of the Banking IS Development section

Ing. Dagmar Zelisková
Statistics Analyst

Bc. Miloslav Svoboda
Director of the Banking IS Development section

Operational Risk Management Committee (ORCO)

The Operational Risk Management Committee is a permanent decision-making and advisory body of the Board of Directors for all decision-making procedures and assessment of operational risks and an advisory body of CEB's managers. ORCO is part of the management and control system of CEB.

The composition of ORCO in 2022 was as follows:

Chairman of ORCO
Ing. Emil Holan
Vice-Chairman of the Board of Directors,
in charge of the Risk Management divisiok

Vice-Chairman of ORCO
Ing. Jiří Schneller
Member of the Board of Directors,
in charge of the Finance and Operations division

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

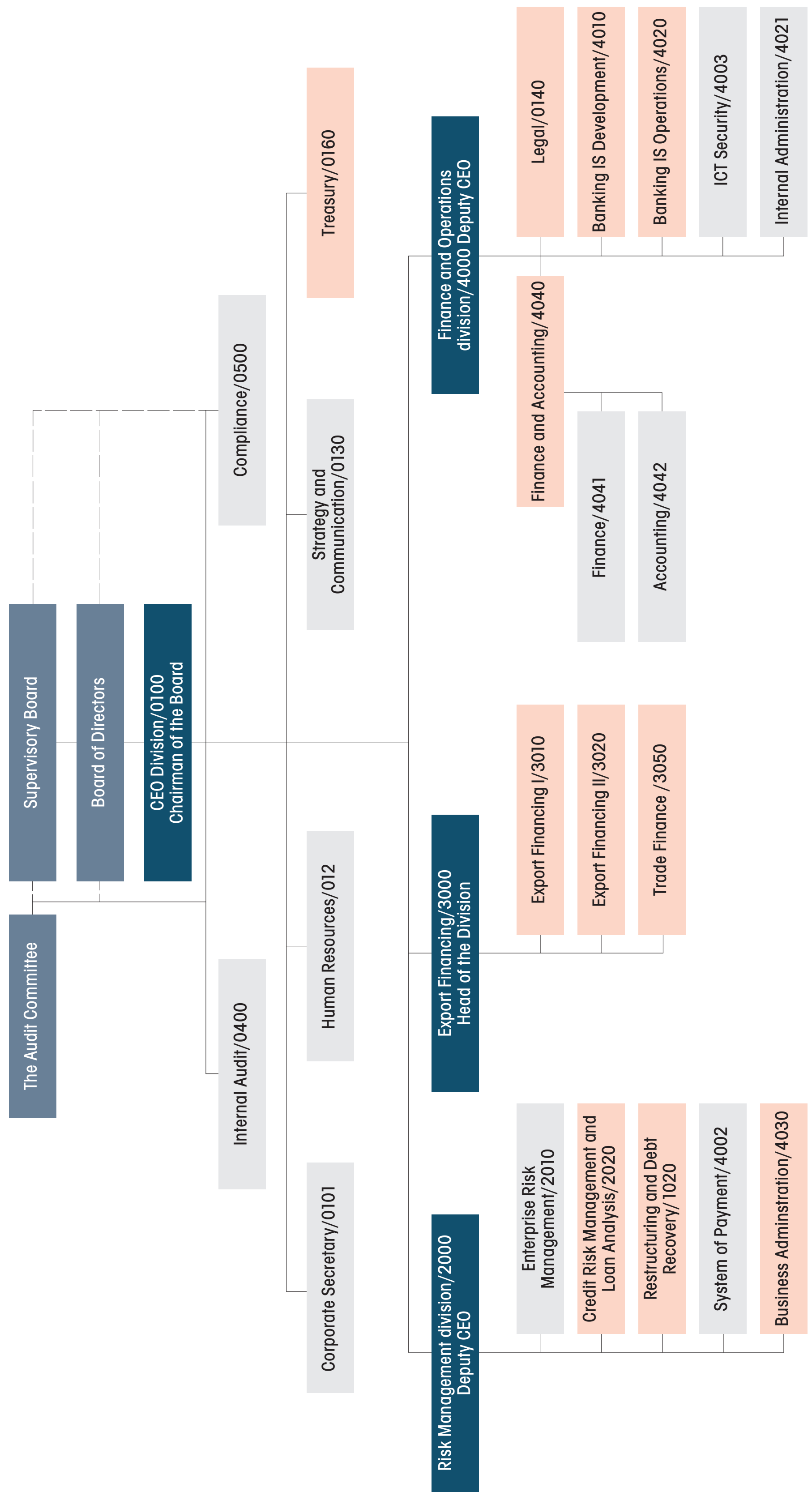
Ing. Miloš Welser
Senior Manager of Export Financing Development and Strategy

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

Mgr. Ondřej Zemina
Head of the Compliance department

Bc. Miloslav Svoboda
Director of the Banking IS Operations section

1.6 CEB Organisation Chart



Organizational structure of Česká exportní banka a.s., valid from September 9, 2022

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;

(7b) 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.

02

Annual Report

WE SUPPORT CZECH EXPORT, INVESTMENTS AND COMPETITIVENESS

In the past year, we mainly focused on making our work more professional and on intensifying our co-operation with commercial banks. CEB was invited to join the club of financing banks in several high-volume transactions arranged by major Czech and international banking groups. And this is the way it should work. We do not operate as a competitor of the banking sector but only complement its role in some sectors or in cases where the customer of a Czech exporter prefers or even requires the involvement of a state-owned bank. Our main competitors are foreign export banks and agencies that support exporters in competing economies – we endeavour to match them with our offer and products so that the Czech exporters have equal conditions on foreign markets.

Ing. Daniel Krumpolc
Chairman of the Board of Directors
and Chief Executive Officer
of Česká exportní banka, a.s.

2 | Annual report

2.1 Entrepreneurial activities of Česká exportní banka, a.s.

2.1.1 Export Financing

The principal business activity of CEB is export financing, realised through products included in CEB's product portfolio in accordance with the definitions stipulated in Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support and on Amendment to Act No. 166/1993 Coll., on the Supreme Audit Office, as amended (Act No. 58/1995 Coll.).

The long-term strategy of CEB 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 2022 reflected their specific needs when realising export contracts or entering foreign markets in form of outbound investments.

In 2022, international trade trends were adversely affected by increases in interest rates, the termination of economic stimuli packages, commodity prices volatility, and geopolitical factors. Overall, in 2022 the development of global trade was influenced by slower than expected economic growth, inflation pressures in several economies, and by the adverse global economic impact of the military conflict in Ukraine, which created further pressure, leading to increases in prices of energy and commodities. Inter-regional trade continued to be adversely affected by growing transportation costs, disrupted logistics, and geopolitical tensions in various parts of the world. Persisting administrative measures aimed to reduce the spread of the Covid-19 pandemic continued to contribute to disturbance of supplies, and the global economic uncertainty in 2022 increased the level of risks to which investments were exposed. In 2022, international trade was further affected by the shortening of supplier chains and diversification of suppliers, which is probably going to become a long-term trend in the global economy.

We can expect that geopolitical tensions, high energy prices, growing interest rates, and persisting inflation will restrict global trade flows in 2023. The economic growth forecasts for 2023 have been revised downward due to high energy prices, growing interest rates in many economies, and negative global spill-over effects of the war in Ukraine. The continued tightening of financial conditions will further increase the pressure on highly indebted governments and their vulnerability and adversely influence investments and international trade flows.

Further factors which may affect Czech export-oriented companies in 2023 are the development of global supplier chains and the transition to a greener global economy. One of the expected effects of the global business models adopted to mitigate the impact of these factors will be the diversification and shortening of distances between suppliers and customers, including building new manufacturing facilities in individual countries, including the Czech Republic. We can expect the efforts for establishing a greener and more sustainable global economy to initiate demand for sustainable products and at the same time to reduce the demand for goods with a high carbon footprint and fossil fuels. In this context, the new export strategy of the Czech Republic to be presented by the Czech government in cooperation with its social partners in 2023 will be of key importance for CEB. This new strategy will reflect the current situation of an open and export-oriented Czech economy.

The Czech Republic is affected by global trends combined with domestic inflationary pressures, the appreciation of the Czech crown, a rise in the CZK interest rate, as well as a sharp increase in energy prices and an unprecedented increase in the prices of other inputs. As with other segments of the Czech economy, Czech export-oriented companies are adversely influenced by the combination of these factors.

Thanks to the approved amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, as amended by Act No. 363/2022 Coll., support for increasing the international competitiveness of Czech export-oriented companies has been newly implemented into the system of state support for exports. CEB will add relevant products to its product range and as a complementary part of the Czech banking system, it will be able to offer the financial products to Czech export-oriented companies to support them in solving the new challenges brought by the current development both in the Czech and international environment.

Evaluation of CEB's results for 2022

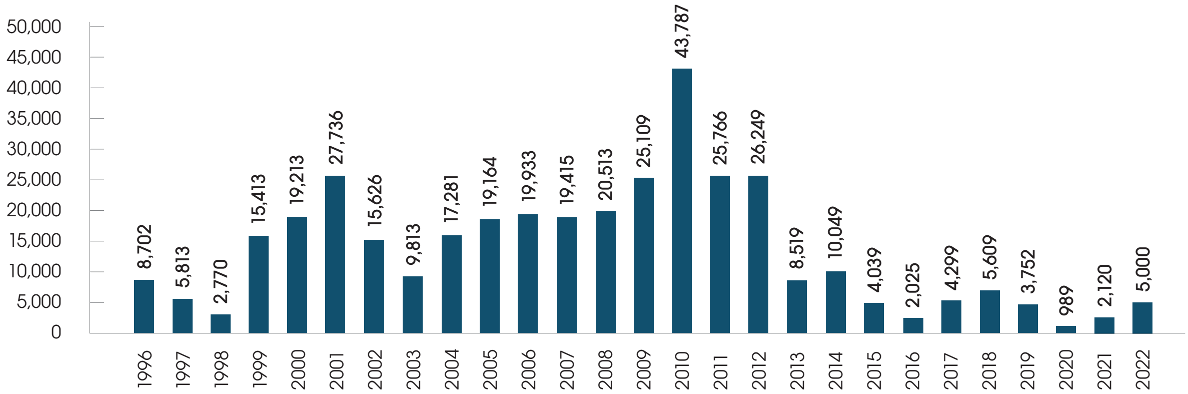
In export financing, in 2022 CEB's role consisted of providing support to Czech exporters, Czech producers of goods intended for export, and investors investing abroad in form of credit and guarantee instruments strictly linked to the existence of a specific export contract or a specific investment abroad, as stipulated in Act No. 58/1995 Coll. The volume and number of provided products are the result of satisfying the specific needs of Czech companies targeting foreign markets while respecting CEB's conservative requirements for an acceptable risk profile of the transaction. These products are realised in form of bilateral transactions or bank clubs arranged by Czech commercial banks, and they relate to:

- the realisation of foreign business cases of Czech investors and credit financing of the needs of their companies based abroad that meet the criteria defined in Act No. 58/1995 Coll.
- the acquisition of foreign contracts (non-payment guarantee as a necessary condition for the conclusion of an export contract)
- the financing of export contracts by credits for Czech manufacturers of goods intended for export or exporters
- the acceleration of collections through purchases of receivables or loans provided to foreign customers.

CEB provides its products while applying a non-discriminatory and non-preferential policy in relation to Czech applicants for supported financing, in combination with a conservative policy of assessing the creditworthiness of the entities and the risks of transactions, industries and territories as well as their limits.

2022 was a successful year for CEB as it provided supported financing to Czech producers of goods intended for export, exporters and investors investing abroad in the total volume of CZK 5,000.22 million (Figure 1), which represents a year-on-year increase of 135.79%. In terms of numbers, CEB provided a total of 495 products in 2022 to support 21 Czech exporters, Czech producers of goods intended for export, and Czech investors investing abroad.

Volume of signed contracts between 1996 and 2022 (CZK million) | Figure 1



Source: CEB

Apart from the volumes reported, CEB also initiated / processed 78 export letters of credit in the total volume of approximately CZK 1.34 billion, based on the requirements of 12 Czech exporters and their foreign customers.

In 2022, the Bank's transactions comprising insurance from Exportní garanční a pojišťovací společnosti, a.s. ("EGAP") represented approximately 1.51% of the volume of CEB's new products and 1.62% 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 2,128.30 million in 2022.

From a territorial point of view, CEB's support provided to Czech exporters and investors investing abroad for the purpose of a successful realisation of their export contracts and investments abroad that they were able to obtain and carry out in 2022 resulted in a relatively wide range of export target countries according to the share of volumes of provided products, specifically 28 territories (Table 1).

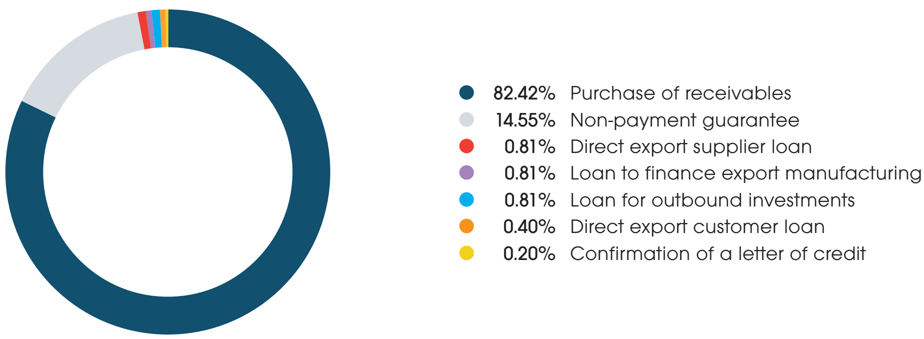
Table 1

Share of export target countries by volume new contracts concluded in 2022			
Poland	29.56%	Sultanate of Oman	0.15%
United States of America	20.17%	Kazakhstan	0.15%
Slovakia	14.69%	Armenia	0.15%
Germany	11.68%	Chile	0.11%
United Arab Emirates	8.60%	Russia	0.10%
Turkey	5.01%	Rwanda	0.07%
Mauritius	2.30%	Romania	0.05%
Ghana	1.96%	Vietnam	0.05%
Iraq (Iraqi Republic)	1.51%	Algeria	0,04%
Nigeria	0.96%	Israel	0,03%
Georgi	0.92%	United Mexican States	0,02%
Iraq	0.87%	Egypt	0,02%
Kingdom of Morocco	0.66%	Bahrain	0,01%
Kuwait	0.15%	India	0,00%

Source: CEB

In terms of the number of contracts, the structure of the products provided (Figure 2) shows a substantial proportion of products supporting accelerated collection from completed supplies, thanks to which the dominant product in terms of frequency is the purchase of receivables, accounting for 82.42%, followed by the non-payment guarantee with a share of 14.55%.

Share of the supported financing products in the number of products provided in 2022 | Figure 2



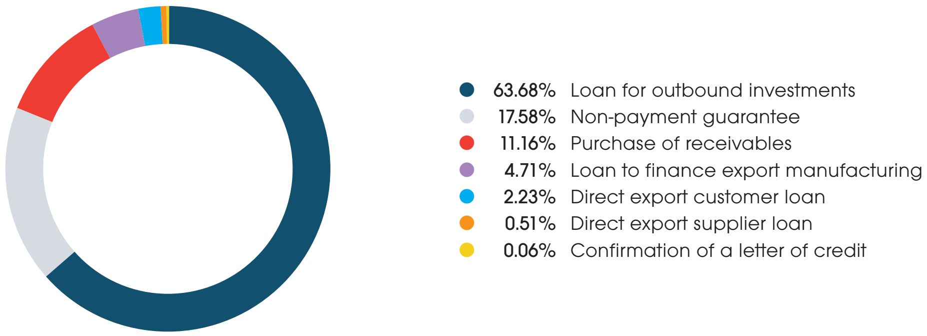
Source: CEB

In terms of the volume of provided products (Figure 3), the "direct loan for outbound investments" holds a dominant position in CEB's results for 2022; the total volume of these loans was CZK 3,184.44 million (corresponding to 63.68% of the total volume of newly concluded contracts). This volume of the loans is represented by four products provided by CEB within several club transactions arranged by commercial banks operating in the Czech Republic to major Czech groups, which have international operations, where the total volume of these club loans achieved CZK 24,567.32 million[1] (the share of CEB in these club loans was CZK 2,170 million). For CEB, this achievement was a significant milestone in realising its strategy of participation in high-volume transactions within clubs arranged by commercial banks where CEB was invited to participate in the transactions by the arranger of the relevant transaction with approval of the future debtor.

In terms of the number of contracts, in 2022 the structure of the products provided showed a substantial proportion of the "non-payment guarantee" product with a share of 17.58%, which reflects the increased need of Czech exporters for CEB's support when obtaining new contracts as guarantees play an important role in the structure of export contracts. "Purchase of a receivable"as an instrument to accelerate collections from export orders already delivered comprises 11.16% of the total result.

1) The volume corresponds to the translation under fixed exchange rates of CEB's financial and business plan, i.e. CZK/EUR: 25.00; CZK/USD: 21.40.

Share of the supported financing products in the number of products provided in 2022 | Figure 3



Source: CEB

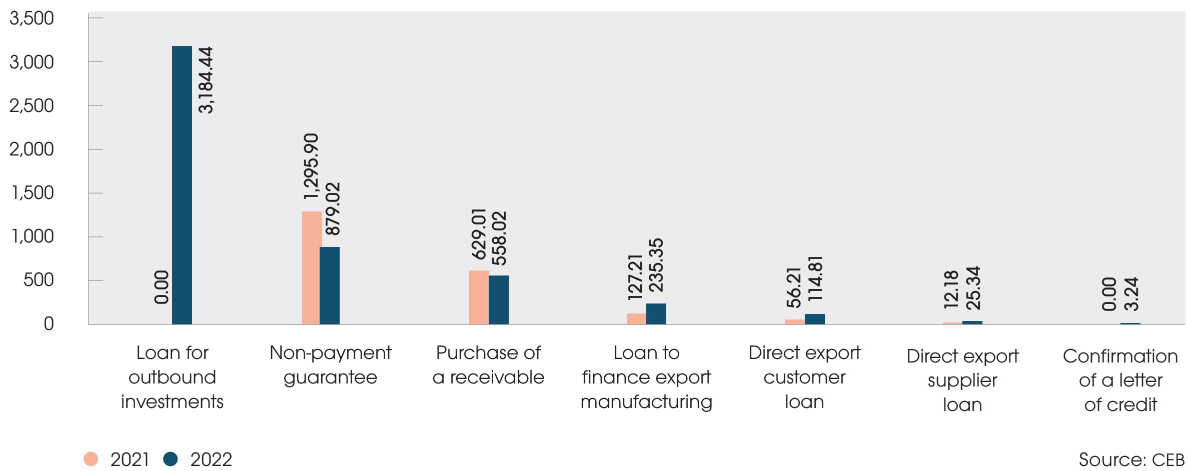
In terms of currency structure (Figure 4), the dominant currency in 2022 was EUR with the share of 73.89% followed by USD with the share of 26.11%.

Currency structure of new transactions volume in 2022 | Figure 4

Source: CEB

In a year-on-year comparison (Figure 5), we can clearly see an increase in the volume of provided "direct loans for outbound investments". This product was explained in the previous section. Similarly as in 2021, the other key products in terms of volume were the non-payment guarantees and purchases of receivables.

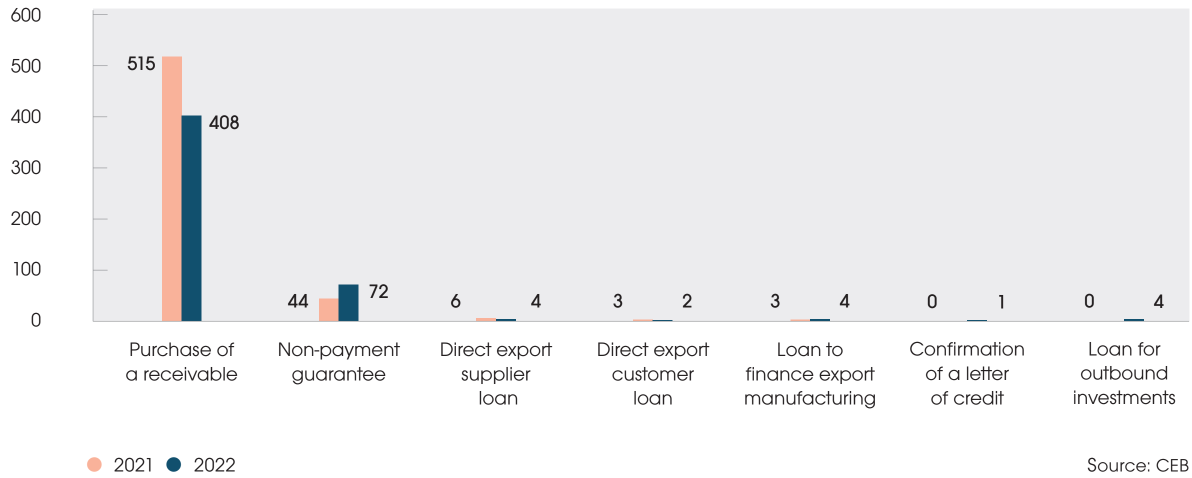
Year-on-year comparison of the development of the volume of new products (CZK million) | Figure 5



Source: CEB

In terms of the number of products, in a year-on-year comparison (Figure 6) we can see the most significant increase in the number of purchases of receivables, partly due to a wider use of framework agreements for purchases of receivables, which has considerably boosted the flexibility in providing this product and significantly accelerated services provided to Czech exporters. Another important product in terms of the number of concluded contracts was the non-payment guarantee, which helps Czech exporters gain export contracts and is of key importance for their success in international trade.

Year-on-year comparison of the development of the number of new contracts by product (CZK million) | Figure 6



Source: CEB

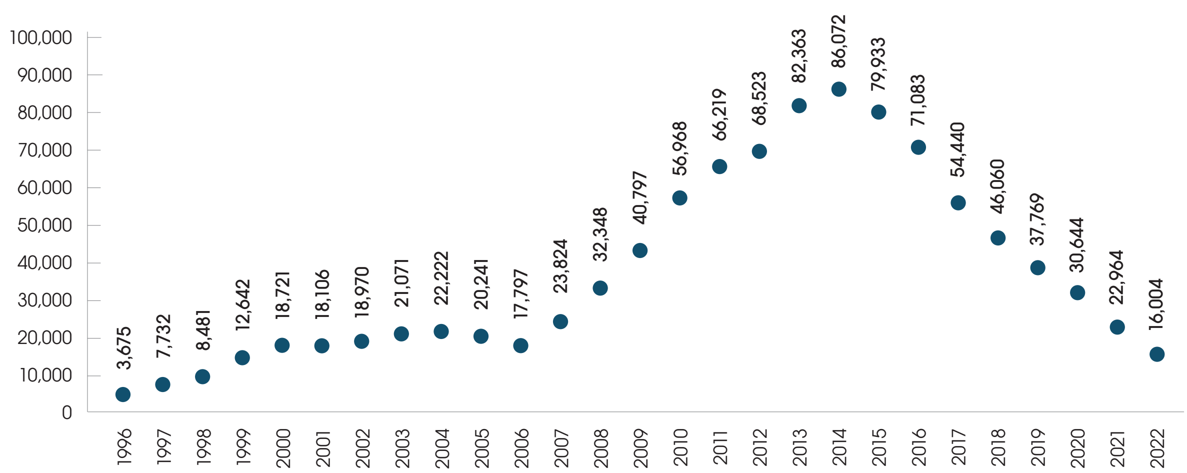
2.1.2 Development in the Credit Portfolio Balance and Structure

The total principal amount of provided loans and purchased receivables decreased year-on-year by CZK 6,960 million to CZK 16,004 million, i.e. by 30.31% as at 31 December 2022 (Figure 7).

The main reasons for this development are lower volumes of new contracts concluded in 2020 and 2021, a delayed development and related time shift in drawing loans in respect of some business cases, early repayment or extraordinary instalments in respect of some exposures in the Russian Federation, mutual offset of receivables with obtained insurance settlement, sale of non-performing receivables, and appreciation of the exchange rate of the Czech crown to EUR.

As at 31 December 2022, the total principal amount of provided loans and purchased receivables represented 49.3% of total assets.

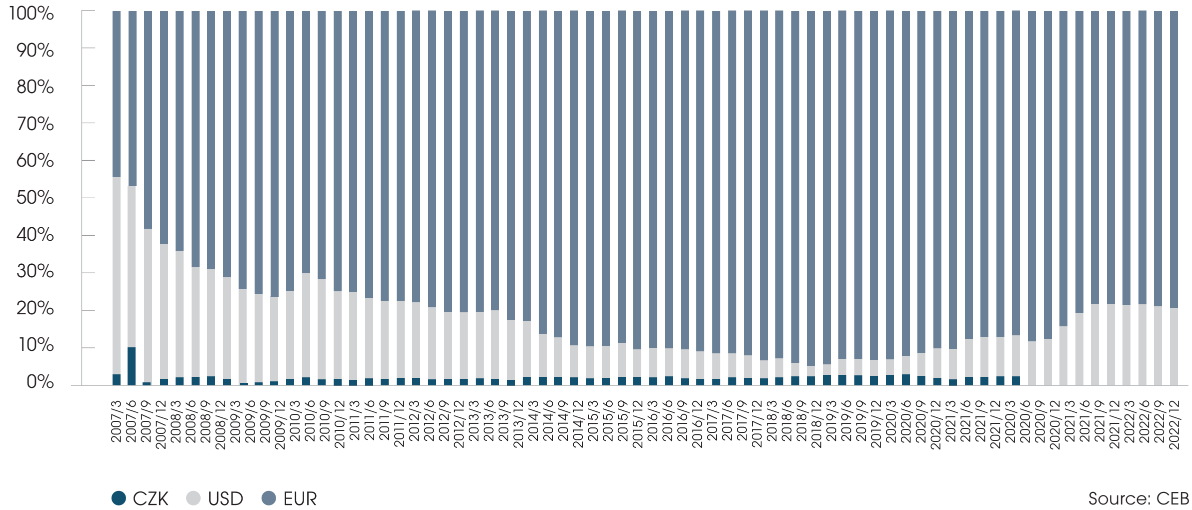
Loan balance (principal) in 1996–2022 (CZK million) | Figure 7



Source: CEB

In terms of the currency structure of the principal amount of provided loans, based on translation to CZK loans denominated in EUR represent 79.24% (2021: 87.79%) and loans denominated in USD 20.76% (2021: 12.21%) as at 31 December 2022 (Figure 8). The portion of loans provided in CZK of the total principal amount of provided loans equals to zero, similarly as in 2021.

Loan portfolio – currency – development (in CZK million) | Figure 8

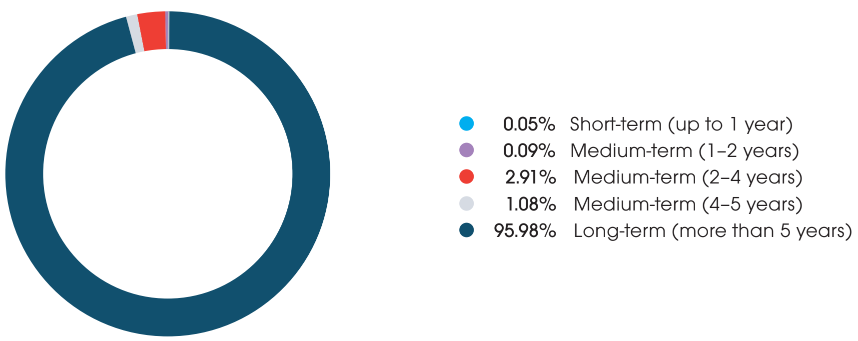


Source: CEB

At the end of 2022, the total principal amount of loans provided in EUR was EUR 526 million and the total principal amount of loans provided in USD was USD 147 million. At the end of 2022, the total principal amount of loans provided in EUR decreased year-on-year by 37.10% when translated to Czech crowns as the volume of receivables repaid in EUR was higher than the volume of amounts drawn in EUR in 2022; the total principal amount of loans provided in USD increased year-on-year by 18.55% as a result of newly drawn loans denominated in USD when translated to Czech crowns; the total principal amount of loans provided in CZK was zero similarly as in 2021.

The structure of the principal amount of provided loans by the contractual maturity of loans (Figure 9) remained almost the same from a year-on-year perspective. This parameter is influenced by two factors: the type of the exported goods financed by CEB both in the past and now, or the type investment financed by CEB both in the past and now, and the related maturity periods of the provided loan products, mainly long-term loans.

Loan portfolio – broken down by contractual maturity as at 31 December 2022 | Figure 9



Source: CEB

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

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

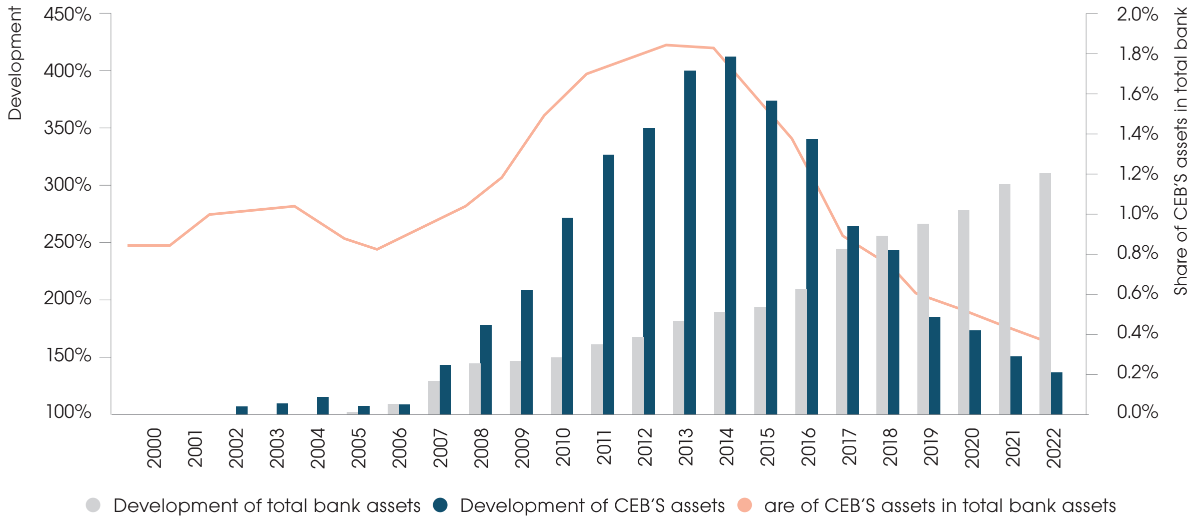
Compared to other banks operating in the Czech banking sector, CEB is considered by the Czech National Bank a small size bank. CEB's share of the total balance sheet assets of banks in the Czech Republic decreased year-on-year. During 2022, the share dropped from 0.42% to 0.36%. The decrease is consistent with the Bank's focus on the support of exporters and sectors that are not easy to be financed by commercial banks. In addition, the management of CEB continues their efforts to keep a high quality of the loan portfolio.

Table 2

	2021			2022		
	Total banks	CEB	Share of CEB	Total banks	CEB	Share of CEB
Total balance sheet assets (in CZK million)	8,603,872	35,952	0.42%	8,944,755	32,473	0.36%

Source: CEB and the Czech National bank

Development in the share of CEB in the Czech banking sector (assets in 2000 = 100%) | Figure 10



Source: CEB 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:

- CEB's position in the area of supported financing of exports 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 CEB 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 CEB is very narrow in terms of both the products provided and their specifics and from the viewpoint of CEB'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, CEB offers financing of exports under the conditions set out by international treaties ("OECD Consensus") based on CIRR.

- OECD Consensus regulates the provision of medium- and long-term export loans. For this reason, the financing of export loans under the OECD Consensus is naturally the core segment of CEB's activities. Financing of other loan types is offered by CEB under commercial conditions.

Information on CEB'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 CEB. This information demonstrates the fact that due to CEB'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

		2021			2022	
Client loans – by maturity (in CZK million)	**Banks total**	**CEB**	**CEB share**	**Banks total**	**CEB**	**CEB share**
	CNB ARAD	Financilal statements of CEB		CNB ARAD	Financilal statements of CEB	
Balance of client loans and receivables	3,847,750	22,871	0.6%	4,071,936	16,004	0.4%
Of which in CZK	3,107,680	0	0.0%	3,095,723	0	0.0%
Of which short-term loans (up to 1 year)	244,613	0	0.0%	207,586	0	0.0%
Medium-term loans (1–5 years)	302,387	0	0.0%	277,668	0	0.0%
Long-term loans (over 5 years)	2,560,680	0	0.0%	2,610,470	0	0.0%
Of which in foreign currency	740,071	22,871	3.1%	976 ,212	16,004	1.6%
Of which short-term loans (up to 1 year)	159,470	41	0.0%	226,753	8	0.0%
Medium-term loans (1–5 years)	207,600	359	0.2%	264,184	652	0.2%
Long-term loans (over 5 years)	373,000	22,471	6.0%	485,276	15,344	3.2%

Table 4

		2021			2022	
Client loans to residents – by purpose (in CZK million)	**Banks total**	**CEB**	**CEB share**	**Banks total**	**CEB**	**ČEB share**
Total in CZK + foreign currency, only residents	CNB ARAD	Financilal statements of CEB		CNB ARAD	Financilal statements of CEB	
Balance of resident loans and receivables (all currencies)	3,528,403	28	0.0%	3,727,442	1,094	0.0%
Of which total other loans	1,335,566	28	0.0%	1,416,588	1,094	0.1%
Of which investment	813,498	0	0.0%	881,952	1,069	0.1%
Total current assets, seasonal, costs, export, import	339,460	24	0.0%	358,851	24	0.0%
Total other loans (financial and special purpose)	102,689	4	0.0%	98,228	0	0.0%
Total trade receivables	30,345	0	0.0%	27,477	0	0.0%

Table 5

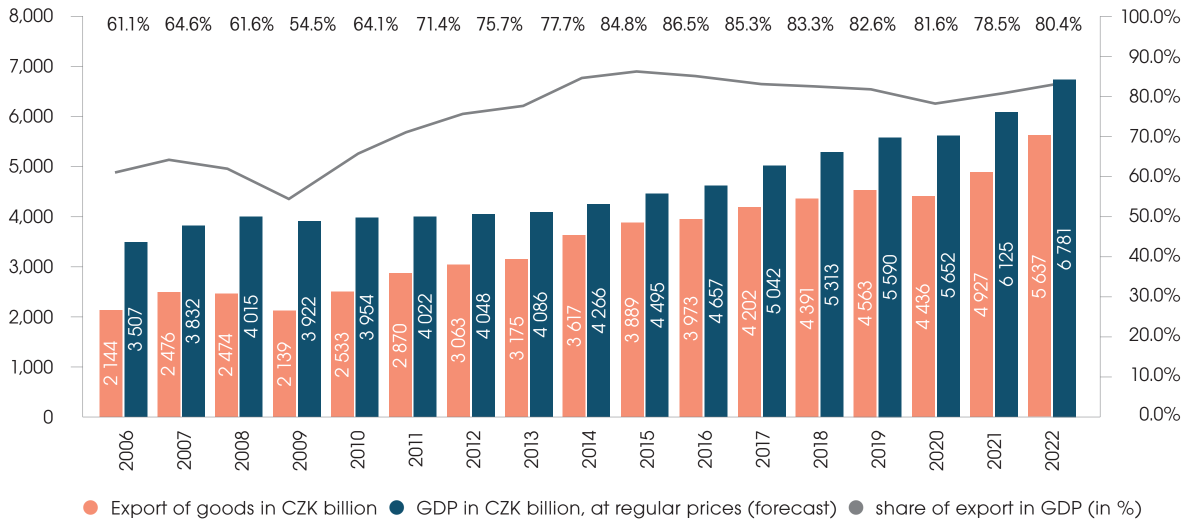
		2021			2022	
Client loans to non-residents – by purpose (in CZK million)	**banks total**	**ČEB**	**ČEB share**	**banks total**	**ČEB**	**ČEB share**
Total in CZK + foreign currency, only non-residents	CNB ARAD	Financilal statements of CEB		CNB ARAD	Financilal statements of CEB	
Balance of non-resident loans and receivables (all currencies)	319,347	22,843	7.2%	344,493	14,910	4.3%
Of which total other loans	265,000	22,843	8.6%	286,903	14,910	5.2%
Of which investment	124,814	1,313	1.1%	137,704	1,025	0.7%
Total current assets, seasonal costs, export, import	55,214	21,459	38.9%	63,011	13,838	22.0%
Total other loans (financial and special purpose)	49,672	0	0.0%	51,146	0	0.0%
Total trade receivables	2,773	71	2.6%	2,431	48	2.0%

Source: CEB

b) GDP and export

The year 2022 saw an increase in overall Czech exports, which continues to be a very significant component in generating the gross domestic product.

Export – significant component of GDP | Figure 11



Source: Czech Statistical Office

c) 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, the frame of which was decreased to EUR 1.5 billion in 2022, is used to refinance maturing previously obtained funding and to cover new loans denominated in EUR, USD and CZK. In total, CZK 15.5 billion (EUR 0.64 billion) was drawn under the EMTN Programme as at 31 December 2022. CEB's bonds are listed on Luxembourg Stock Exchange. A list of individual traded and outstanding issues of CEB's bonds as at 31 December 2022 is disclosed in the notes to the financial statements. The Bank did not issue any bonds under the EMTN programme in 2022.

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 2022, the Bank did not issue any short-term bonds.

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 Bank also concluded a series of long-term term deposits with EGAP, with the original maturity of 1 to 8 years in the total amount of USD 73.7 million, to complement its long-term funds obtained on capital markets.

The rating of CEB and most of its issued bonds is set by Standard & Poor's Credit Market Services Europe Limited on a contractual basis. CEB represents that the agency is a rating agency registered in accordance with Regulation (EC) 1060/2009 on credit rating agencies, as amended by Regulation (EC)

462/2013. The Bank decided not to authorise any rating agency with a market share below 10% to perform its rating assessments. CEB discloses information on the current rating of the bonds issued by it on its website. As of 31 December 2022, the Bank's outstanding bonds have the following ratings:

Table 6

	Standard & Poor's
Foreign currency – long-term payables	AA-
Local currency – long-term payables	AA
Short-term payables	A-1+
Stable outlook	

Source: CEB

2.1.4 Newly Introduced Products and Activities

CEB'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, CEB offers products and services to exporters and suppliers for export that allow them to be part of the competition for specific contracts on the international market under conditions comparable to those of foreign competitors from OECD countries. CEB offers products and services to Czech outbound investors that allow for the internationalisation of their business activities through investments on international markets

CEB's product range is derived primarily from the provisions of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support. The core supported financing products provided by CEB mainly include short-term and long-term export loans, loans for the funding of export production, loans for outbound investments, and bank guarantees, and purchase of receivables. As it is obvious from CEB's product portfolio, the Bank has been mainly concentrating on the "life cycle" of the export transactions, i.e. on the activities connected with the provable existence of a specific export contract (with the exception of loans for outbound investments and guarantees for a bid).

One of CEB's long-term strategic objectives is to further develop its product portfolio and adjust its product range to be comparable with developed foreign Export Credit Agencies (ECAs), which must be considered CEB's main competitors. In this context, 2022 can be considered a breakthrough year. Thanks to intensive cooperation of the Ministry of Industry and Trade, the Ministry of Finance, professional associations, chambers and associations representing the interests of export-oriented companies, CEB, and EGAP, an amendment to Act No. 58/1995 Coll., as amendment by Act No. 363/2022 Coll., was prepared and approved. It came into effect on 1 December 2022. This amendment enables the Bank to offer product solutions for meeting the needs in the field of investments in increasing export capabilities, export potential and international competitiveness of Czech export-oriented companies.

The ability to maintain and further increase the international competitiveness of Czech export-oriented companies (i.e. not the first time exporters but companies with experience in the field of exports) is of key importance with regard to the challenges to which the Czech open and export-oriented economy is exposed. The economic aftermath of the global Covid-19 pandemic, significant changes and instability in the field of global supplier-customer chains, unprecedented deterioration of the security situation in Europe, the necessity to respond to fundamental changes in the energy sector, in energies and energy prices and last but not least the necessity to carry out a fundamental reform of the economy in form of its decarbonisation and sustainability create significant challenges for the entire economy. CEB's products will now help you face these challenges as well. CEB's product range will be extended by new products in the first quarter of 2023.

In spite of the above mentioned significant change of CEB's product offer which will come in full force in 2023, it is necessary that CEB remain active in this area. In addition to the full-extent launch of the new credit products, specifically the loan for increasing international competitiveness, and other services for support of export-oriented companies, CEB will continue analysing and proposing other ways and options for extending the product portfolio, such as extending the number of options of providing supported financing products based on general agreements or effective servicing of small and medium-sized export-oriented companies in close cooperation with commercial banks.

WE SUPPORT CZECH EXPORT, INVESTMENTS AND COMPETITIVENESS

In addition to the "business restart" of the Bank, in 2022 we succeeded in establishing the conditions for extending CEB's product portfolio. It is naturally not only our merit. Thanks to intensive cooperation with our colleagues from the Ministry of Industry and Trade, the Ministry of Finance, EGAP, professional associations, chambers and associations epresenting the interests of exporters, a breakthrough amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, was prepared and approved, to which CEB's products relate. This amendment enables the Bank to offer products in the field of investments in increasing the export potential and international competitiveness of Czech export-oriented companies.

Ing. Daniel Krumpolc
Chairman of the Board of Directors
and Chief Executive Officer
of Česká exportní banka, a.s.

2.2 Financial Results, Balance of Assets and Liabilities

CEB's total assets amounted to CZK 32,473 million at the end of 2022, which represents a year-on-year decrease of 9.7%. 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.

Liabilities and equity

CEB 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 72% of the total volume of its liabilities.

The key source of funding comprised the issuance of bonds denominated in foreign currencies (mainly in EUR). As at 31 December 2022, they amounted to CZK 15,516 million. The volume of issues thus decreased by 16.85% year-on-year. The Bank repaid issued bonds amounting to EUR 95 million in October and November 2022.

Liabilities to credit institutions in the form of loans received from banks amounted to CZK 5,435 million at the end of 2022, which is a year-on-year decrease of 1.2%. The volume of deposits received from entities other than credit institutions was CZK 2,442 million, which is a year-on-year decrease of 23.6%.

Other liabilities of CZK 601 million mainly include financial collaterals accepted as a security (CZK 454 million) and liabilities from leases of office premises (CZK 21 million). Provisions of CZK 191 million at the end of 2022 mainly included provisions for loan commitments, guarantees and litigation provisions.

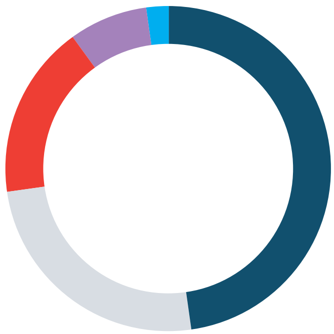
The Bank reported equity in the total volume of CZK 8,285 million. Reserve funds of CZK 2,663 million and retained earnings of CZK 640 million are recognised in equity.

Table 7

LIABILITIES AND EQUITY In CZK million	**2022**	**2021**	Year-on-year index in %
Derivatives held for trading	0	0	–
Financial liabilities at amortised cost	23,393	27,360	85.50
of which: Payables to credit institutions	*5,435*	*5,503*	*98.76*
Payables to entities other than credit institutions	*2,442*	*3,197*	*76.38*
Payables from issued debt securities	*15,516*	*18,660*	*83.15*
Hedging derivatives	0	6	–
Other liabilities	601	575	104.52
Provisions	191	315	60.63
Current tax payable	3	41	7.32
Total liabilities	**24,188**	**28,297**	**85.48**
Share capital	5,000	5,000	100.00
Revaluation reserve	(18)	(8)	225.00
Reserve funds	820	802	102.24
Other special-purpose funds from profit	1,843	1,503	122.62
Profit or loss for the reporting period	640	358	178.77
Total equity	**8,285**	**7,655**	**108.23**
Total equity and liabilities	**32,473**	**35,952**	**90.32**

Source: CEB

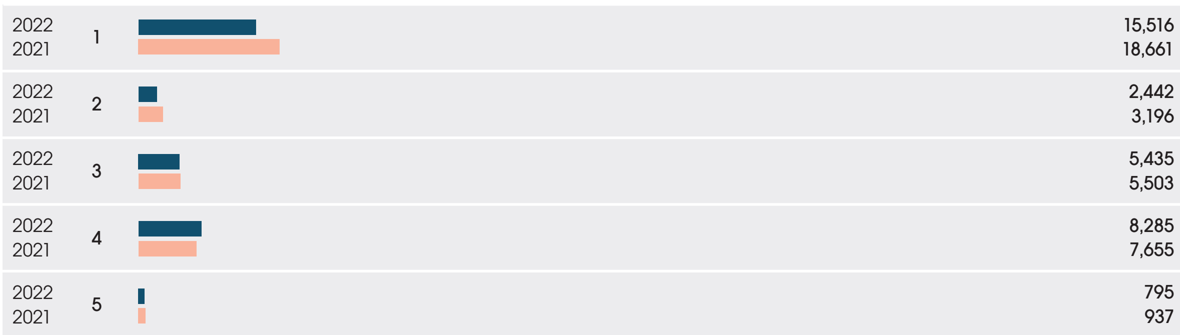
Liabilities and equity 2022 | Figure 12



Source: CEB

Development in principal categories of liabilities and equity in 2022/2021 | Figure 13

CZK million



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

Source: CEB

Assets

Assets predominantly include loans and other receivables at amortised cost, which amounted to CZK 25,575 million at the end of 2022 and accounted for 79% of total assets. Of this amount, CZK 15,802 million are receivables from entities other than credit institutions. These receivables decreased by 28.7% year-on-year, mainly due to proper and early repayment of some loans and sale of a loan receivable. Amounts due from credit institution, which also include cash deposited on fixed-term accounts with the Czech National Bank under state treasury and reverse repurchase agreements with the Czech National Bank, increased by 66.3% in 2022, to CZK 9,773 million.

Funds from equity and temporarily available funds were allocated to high-quality and liquid local and foreign securities. The volume of CEB's liquidity reserve held in securities totalled CZK 2,010 million at year-end, i.e. a decrease of 22.4%.

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 denominated in CZK predominantly on treasury accounts maintained by the Czech National Bank. Accordingly, funds of CZK 1,773 million (of which CZK 1,586 million in EUR and CZK 187 in CZK) were deposited on current accounts, and funds of CZK 7,532 million (of which CZK 2,532 million in EUR and CZK 5 billion in CZK) on fixed-term deposits.

Cash, deposits with central banks, and other deposits repayable on demand of CZK 1,979 million mainly include money deposited on CZK and EUR current accounts kept with the Czech National Bank under state treasury, and money on nostro accounts used for payments.

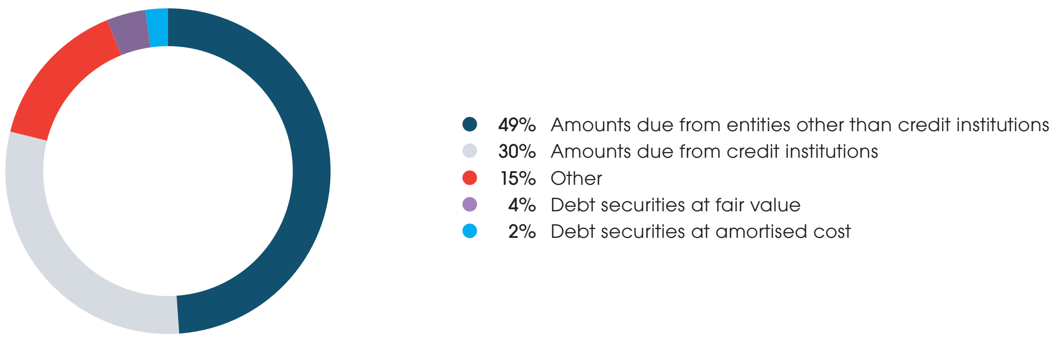
Other assets totalling CZK 2,823 million mainly include estimated insurance benefits (CZK 2,797 million).

Table 8

ASSETS In CZK million	**2022**	**2021**	Year-on-year index in %
Cash in hand, deposits with the central banks and other deposits repayable on demand	1,979	4,586	43.15
Derivatives held for trading	0	14	–
Debt securities at FVOCI	1,234	1,475	83.66
Financial assets at amortised cost	26,351	29,139	90.43
of which: Debt securities at amortised cost	*776*	*1,114*	*69.66*
Loans and receivables at amortised cost	*25,575*	*28,025*	*91.26*
of which: Amounts due from credit institutions	*9,773*	*5,876*	*166.32*
Amounts due from entities other than credit institutions	*15,802*	*22,149*	*71.34*
Hedging derivatives	0	0	–
Property, plant and equipment	43	83	51.81
Intangible assets	13	13	100.00
Other assets	2,823	612	461.27
Current tax receivable	0	0	–
Deferred tax asset	30	30	100.00
Total assets	**32,473**	**35,952**	**90.32**

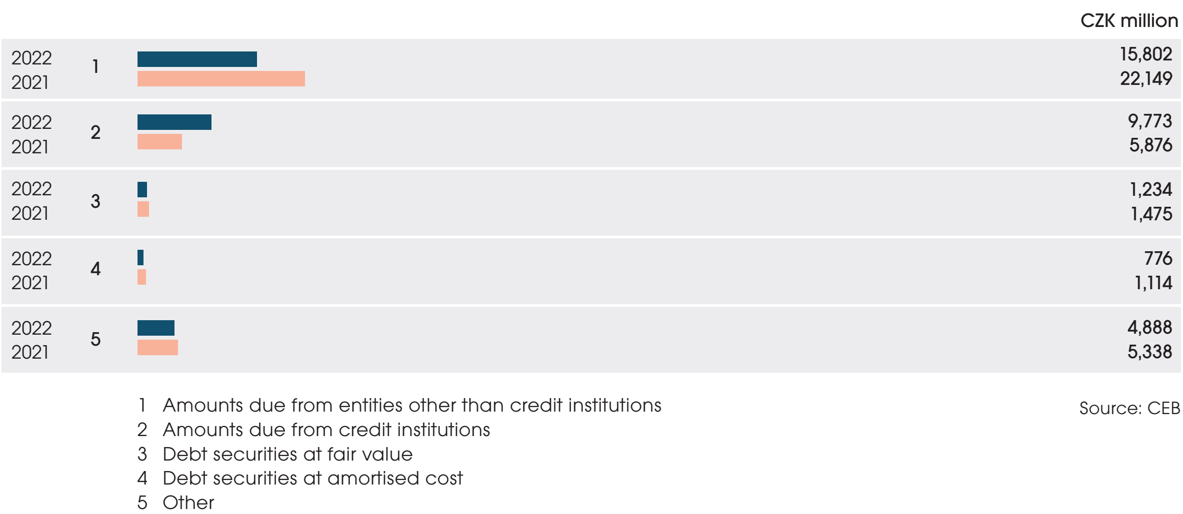
Source: CEB

Assets 2022 | Figure 14



Source: CEB

Development in principal categories of assets in 2022/2021 | Figure 15



Source: CEB

Generation of Profit

In 2022, CEB generated profit before tax of CZK 530 million. After offsetting the preliminarily calculated current income tax and releasing the provision for a potential additionally assessed corporate income tax for 2014, CEB generated profit after tax of CZK 640 million, which is a year-on-year increase of 79%.

As part of its business activities, CEB reported interest income totalling CZK 902 million in 2022; in a year-on-year comparison, it decreased by 2%, which correlates with the decreasing volume of interest bearing assets, in particular loans (at the end of 2022, the loan principal amount was CZK 16,004 million). The decrease has been caused by lower volumes of newly concluded loan agreements in 2020 and 2021, the influence of which outweighed the increase in the market interest rates.

CEB raises the funds necessary for its business activities on capital markets. In 2022, interest expenses associated with such funds amounted to CZK 252 million, which is a year-on-year increase of 5.4%, mainly resulting from higher market interest rates. Net interest income amounted to CZK 650 million, which is a year-on-year decrease of 4.6%.

Net fee and commission income amounted to CZK 37 million, which is a year-on-year increase of 47%. The increase results from higher fee and commission income from loan agreements.

Other components of the profit/loss include losses from financial transactions of CZK 5 million and other operating income of CZK 1 million.

CEB incurred expenses for its operation in the total volume of CZK 303 million, which is 3.5% less than in 2021. In addition to administrative expenses of CZK 245 million, operating expenses include depreciation/amortisation of tangible and intangible assets of CZK 45 million and other operating expenses of CZK 13 million. Other operating expenses mainly include expenses incurred in recovery of non-performing receivables of approx. CZK 4 million in 2022, and an unrecoverable portion of VAT.

The net balance of income from and expenses on loss allowances and provisions relating to credit and guarantee financial instruments including income from and expenses on written-off receivables was positive and amounted to CZK 27 million. This is connected among others with the gradual resolution of the portfolio of non-performing receivables, the principal amount of which dropped to CZK 340 million at the end of 2022.

In 2022, the provision for penalties and default interest of CZK 118 million was released, relating to the provision for a potential additionally assessed corporate income tax of CZK 190 million, which was created in 2020. As for this reason, the profit after tax for the reporting period is higher than the profit before tax.

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. In 2022, CEB did not assert its claim to the subsidy; instead, it generated a profit from this activity of CZK 245.5 million, which is part of the Bank's total profit for 2022 before tax.

Table 9

PROFIT/LOSS In CZK million	**2022**	**2021**	Year-on-year index in %
Interest income	902	920	98.04
Of which: Interest income calculated using the effective interest rate	*902*	*849*	*106.24*
Interest expenses	(252)	(239)	105.44
Net interest income	**650**	**681**	**95.45**
Fee and commission income	45	35	128.57
Fee and commission expense	(8)	(10)	80.00
Net profit/loss from financial transactions including state subsidy	(5)	(7)	71.43
Other operating income	1	4	25.00
Other operating expenses	(13)	(10)	130.00
Administrative expenses	(245)	(257)	95.33
Depreciation and amortisation	(45)	(47)	95.74
Modification Gains and Losses	5	2	250.00
Impairment losses on financial assets not reported at FVTPL or their (-) reversal	45	103	43.69
Provisions for provided guarantees and commitments or their reversal	(18)	4	(460.98)
Other provisions or their reversal	118	(75)	(157.89)
Profit or (loss) before tax	**530**	**423**	**125.29**
Income tax	110	(65)	(169.23)
Profit or (loss) for the reporting period	**640**	**358**	**178.76**

Source: CEB

2.3 Factors Having an Impact on the Bank's Business and Financial Position in 2023

CEB's activities in 2023 and its business and financial position will be affected by the following factors:

- International attention and the process of solving the economic effects caused by the measures to contain the spread of the Covid-19 pandemic were diverted to the military conflict in Ukraine after the attack of the Russian Federation on this country on 24 February 2022. This conflict has brought further security and economic risks and challenges. Due to the identified risks resulting from this military conflict, CEB has immediately interrupted the provision of any new funding to Ukraine, Russia and Belarus until further notice and no instruments such as indicative bids or Letters of Support have been issued for business operations in these countries. CEB has been cautiously monitoring the situation in this region and regularly carrying out various stress tests of products provided in Russia and Ukraine, including the evaluation of the sanctions imposed on the Russian Federation and the related risks, concerning mainly the depreciation of Russian rouble or Ukrainian hryvnia and restrictions on payments from/to the Russian Federation and other restrictions resulting from the administrative measures adopted by the Russian Federation towards foreign creditors. In 2022, the Bank managed to solve individual business cases provided in the past so that no Russian debtors are in default with repaying their loans. At the end of 2022, the principal amount of the credit exposures in Russia was CZK 2,479 million (EUR 103 million) and the principal amount of the credit exposures in Ukraine was CZK 86.8 million (EUR 3.6 million). CEB had no credit exposures in Belarus. CEB renewed its payments in RUB already five months since their sudden termination in February 2022 due to the imposed sanctions.
- In 2022, CEB participated together with EGAP and representatives of the Ministry of Industry and Trade and entrepreneurial chambers, unions and associations in negotiations aimed at preparing and presenting instruments supporting Czech exporters heading to Ukraine even under these complicated conditions.
- The causes of the inflation issues mainly come from the past years where the interest rates were close to zero and the "cheap money" policy supported by massive compensation schemes to solve various economic shocks led to huge amounts of money being in circulation. After the breakout of the military conflict in Ukraine, the strong inflation pressures were amplified by significant increase in energy prices and prices of other commodities and influenced the consumer prices. These events made the central banks respond, divert from the easing monetary

policy applied in the years affected by the Covid-19 crisis, and start to gradually increase the basic interest rates. The increased inflation is further accompanied by the risk of economic recession in many countries all over the world.

- At the end of 2022, the 14-day repo rate of the Czech National Bank amounted to 7%. The CZK/EUR exchange rate was stable as a result of the central bank's effort to fight inflation through foreign currency interventions in favour of the Czech crown, fluctuating around the rate of CZK/EUR 24.20. The increase in the rates over 7% is less probable, although such decision of the Czech National Bank cannot be excluded. According to the current predictions, the inflation rate in the Czech Republic should decrease to one-digit numbers in the second half of 2023. In spite of that, it will still remain high above the Czech National Bank's inflation objective. CNB predicts a moderate year-on-year decrease in GDP of 0.7%, the exchange rate of the Czech crown being under the level of CZK/EUR 25.
- The European Central Bank raised its basic interest rate to 2.5% in December 2022. ECB has been tightening its monetary policy despite the worsening economic outlooks of the eurozone. Further movements of the rates are expected, possibly exceeding 3%. ECB decreased the estimated economic growth in the countries of the eurozone for the next year to 0.9%.
- The U.S. Central bank FED raised its basic interest rate to the range of 4.25% - 4.50% in December 2022. According to a new forecast of FED, the peak of the increase in interest rates should come in 2023, falling into the range of 5.0–5.25%. In 2024, according to the current FED forecasts the interest rate will decrease to 4.1% and to 3.1% in 2025. The inflation will remain over the 2% objective probably at least until the end of 2025; in 2023 it will be above 3%. In spite of the market expectations (a moderate decrease in inflation caused by a lower oil price) have been causing absence of impulses for strengthening of USD towards EUR. The representatives of FED expect the increases in interest rates to raise the unemployment rate to 4.6% in the last quarter of 2023 and the rate of increase of the U.S. Economy to be around 0.5% in 2023.
- Further economic development in the Czech Republic and other European countries is burdened by uncertainty and it significantly depends on the measures of the central banks regarding changes of interest rates in response to the development of inflation and budget responsibility of the individual governments, which try to mitigate the social and economic effects of the energy crisis on citizens and companies using often unprecedented tools. The European Union has responded to the growing energy prices by adopting electricity and gas price cap. I In spite of that, companies still have to fight with growing prices of production inputs and the growing inflation represents pressure on pay rises. All these events have an adverse impact on the competitiveness of the whole Europe.
- The very open and pro-export oriented Czech economy with its recent high dependence on Russian gas and energy-consuming manufacture is even more vulnerable. After having terminated its presidency of the European Council (the second half of 2022), the year 2023 will be marked by the revised government declaration and prepared fiscal changes for the Czech Republic, aiming at consolidation of public budgets. The changes should be disclosed approximately in mid-2023. Their final form will significantly influence the further development of the GDP and inflation in the Czech Republic (except for the external effects "imported" to the Czech Republic). The economic situation will also depend on the further development of the military conflict between Russia and Ukraine. Security and energy aspects and dynamics of the implementation of the Green Deal will still play a key role.
- After two years marked by the Covid-19 pandemic, CEB has successfully restarted its business activities. The volume of newly concluded loan agreements and guarantee contracts amounted to CZK 5 billion in 2022, which is more than double the result for 2021. 2022 was the most successful year in terms of business results over the past eight years. The Bank plans to increase the volume of transactions by 50% in 2023, i.e. by CZK 7.5 billion where the expected product structure of the transactions reflects the change in demand of Czech entities, with an increase in the share of loans for outbound investments. The planned profit before tax for 2023 is more than CZK 400 million, being mostly determined by the net interest income of CZK 893.3 million. CEB does not expect to ask for a state subsidy to settle losses on provided supported financing.
- The development of the total assets of CEB denominated in foreign currencies, which consist for 80% of loan assets denominated in EUR, will depend on the development of the exchange rate of the Czech crown, the further movements of which mainly depend on the monetary policy of the Czech National Bank and the European Central Bank as regards the interest differential amount and on the global market or geopolitical impacts.
- The activities of CEB and fulfilment of its role within the system of state support for exports depend on the final form, focus and tasks following from the prepared Economic Strategy of the Czech Republic until 2030, or if appropriate from the prepared Export Strategy of the Czech Republic until 2030.

- CEB is ready to flexibly respond to possible further tasks given to it by the state to solve extraordinary situations and crises to maximise the support for Czech companies by utilising supported financing products and to help them in finding new markets.
- The amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, which came into effect on 1 December 2022, has given CEB an opportunity to support also export-oriented companies, which are defined as companies for which the share of revenues from exports on the total annual revenues from the sale of products, services and sale of goods in the past accounting period was at least 25%. In relation to this significant amendment to Act No. 58/1995 Coll., in the first quarter of 2023 CEB will present new products, focusing on meeting the needs in the field of investments in increasing export capabilities, export potential and international competitiveness of Czech export-oriented companies.
- CEB will continue to be influenced by possible new regulatory requirements put on the banking sector by EBA and the Czech National Bank, including regulatory reporting.

Goals for 2023 in the business and financial area

- Fulfil the updated CEB's strategy for 2023–2025 and reflect the new Export Strategy of the Czech Republic, to be issued in 2023, in its activities.
- Respond to significant changes in the global economy and to shifts in activities of the competing Export Credit Agencies and to adjust the Bank's product range in compliance with the amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, in effect since 1 December 2022.
- Support the strengthening of the positions of Czech innovative companies and producers of final products and high added-value services and of Czech outbound investors, including the credit instruments supporting acquisitions of foreign companies.
- Support the international competitiveness of export-oriented companies, which move higher in the value chains by producing higher added value and higher technological development level.
- Support SMEs with a significant growth potential.
- Focus on segments with a limited access to commercial funding (e.g. the defence industry, energy sector, or aviation industry), segments with high added value and a growth potential (e.g. ICT, e-commerce, health care sector and biomedicine, environmental solutions, logistics, food industry, and agriculture (the 4.0 trend in industry), and sectors with products and services aiming at environmental protection, decarbonisation, and digitalisation.
- Keep participating in preparations of a guarantee framework and framework for funding project of Czech companies aimed at future renovation of Ukraine.
- Only support creditworthy transactions with a good credit profile and be a transparent and reliable partner for the commercial banking sector, primarily in terms of funding high-volume export transactions, or if appropriate in providing guarantee products.
- Be a bank in respect of which the counterparties of Czech exporters (e.g. sovereign debtors) and investors can appreciate the participation of a state-owned bank.
- Maximise support for Czech exporters and suppliers for exports 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.
- Be a flexible tool of the state to solve extraordinary situations or crises and a tool for promoting the national interests of the Czech Republic.
- Continue cooperating closely with the Agency for Intra-Governmental Defence Cooperation (AMOS) of the Ministry of Defence in supporting export projects of the Czech Republic’s defence and security industry.
- Support the steps connected with economic diplomacy and cooperation in terms of foreign development cooperation.
- Maximise the volume of supported exports and outbound investments on the condition of adequate profitability.
- Gradually increase the volume of loan principals to achieve the amount of CZK 20 billion at the end of 2023.
- Maintain the operational efficiency of the Bank on the level of the set cost/income ratio and achieve a positive result of operations.
- Keep the share of non-performing receivables on the overall credit exposure level below 5% in the mid-term.
- Minimise the need for state subsidies and thus draw on the 2016-2022 period where the Bank did not draw any state subsidies to settle losses from supported financing.

2.4 Risks to which Česká exportní banka, a.s. is Exposed and Objectives and Methods of their

Methods of their Management Risk factors

The risk management concept in CEB in all risk management segments builds on the rules of prudent operation determinedby 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 CEB 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 2022 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 2022, the Bank did not exceed the limit for large exposures. At the end of 2022, CEB 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.

2.4.1 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;
  - Classifying receivables, and creation of loss allowances and provisions.

- 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 CEB principally arises from credit risk concentration;
  - Monitoring credit risk concentration in terms of the debtor's country of the registered office and industry; and
  - Setting limits to mitigate credit risk concentration.

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

For credit risk and concentration risk, CEB 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.

2.4.2 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 CEB 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 CEB's committees and management so as to manage negative financial impacts potentially resulting from these changes in market prices.

CEB is not exposed to risk on shares and commodity risk. To manage foreign currency risk and interest rate risk, CEB 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) – CEB uses the standard method (according to European Banking Authority's Guidelines on the management of interest rate risk arising from non-trading book activities EBA/GL/2018/).

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

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

2.4.3 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.

Refinancing risk is managed by means of a suitable funding structure, mainly in terms of maturities and volumes of funds.

2.4.4 Liquidity Risk

To manage liquidity risk, CEB 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 in individual significant currencies and in total for the Bank;
  - Quarterly measurements using stress scenarios;
  - Maintaining the liquidity coverage ratio;
  - Maintaining the net stable funding ratio; and
  - Gap analyses that measure the maximum cumulated outflow of cash in individual currencies and time gaps;

CEB 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, CEB has emergency plans in place. In 2022, CEB had no problems ensuring sufficient liquidity.

2.4.5 Operational Risk

CEB 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 CEB 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 2022, CEB updated its assessment of operational risks in the individual divisions 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 CEB's operations in 2022.

2.4.6 Capital Adequacy and Capital Requirements

Table 10

31 December 2022	CZK million
Capital	**7,637**
Tier 1 (T1) capital	7,637
Common equity tier 1 (CET1) capital	7,637
CET1 capital instruments	5,000
Accumulated other comprehensive income (OCI) and other provisions	2,643
Adjustments of the CET1 capital due to the utilisation of prudential filters	(1)
(-) Other intangible assets	(5)
Other temporary adjustments of the CET1 capital	0
Other deductions from the CET1 capital – methodology changes (transition to IFRS 9)	0

Table 11

31 December 2022		CZK million
	Risk-weighted exposure	**Capital requirement**
Total	**5,789**	**463**
Total risk-weighted exposures in respect of credit risk under STA	4,419	353
Exposures in respect of central governments and central banks	292	23
Exposures in respect of institutions	570	46
Exposures in respect of enterprises	3,343	267
Default exposures	36	3
Other exposures	178	14
Total risk exposures in respect of position, foreign currency and commodity risks – currency transactions	0	0
Total risk exposures in respect of operational risk – BIA	1,370	110
Risk exposures in respect of credit risk adjustments to measurement total – standardised method	0	0

Table 12

31 December 2022	CZK million
Capital ratios	
CET1 capital ratio	131.92%
Surplus (+) / shortage (-) of the CET1 capital	7,376
T1 capital ratio	131.92%
Surplus (+) / shortage (-) of the T1 capital	7,290
Total capital ratio	**131.92%**
Total capital surplus (+) / shortage (-)	**7,174**
Total capital ratio SREP (TSCR)	*15.600%*
TSCR – comprising CET1 capital	*10.200%*
TSCR – comprising T1 capital	*13.600%*
Overall capital requirement (OCR)	*19.312%*
OCR – comprising CET1 capital	*13.912%*
OCR – comprising T1 capital	*17.312%*
Overall capital requirement (OCR) and the recommended capital planning reserve (P2G)	*19.312%*
OCR and P2G – comprising CET1 capital	*13.912%*
OCR and P2G – comprising T1 capital	*17.312%*

2.4.7 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.

2.5 Corporate Governance Report

2.5.1 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 CEB'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. CEB's governance is based on the main pillars listed below:

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 CEB's website:

https://www.ceb.cz/kodexy.

CEB 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
CEB meets the statutory reporting duty, under which primary emphasis is placed upon a timely, accessible, and balanced disclosures concerning CEB'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 CEB
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 CEB 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 CEB'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 CEB as well as matters concerning the regulation of the risks to which CEB 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 CEB'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.

2.5.2 Shareholder Rights

The Bank's shares have been issued in the registered book-entry form and are not tradeable. The list of shareholders was replaced by the records of book-entered securities maintained by the Central Depositary in the Central Records of securities. One vote belongs to every million of CEB's share nominal value; a total of 5,000 votes are divided among all CEB's shares. At least two thirds of CEB's shares must be held by the Czech Republic, which executes the shareholder rights through the Ministry of Finance of the Czech Republic. The exercise of the voting right by a shareholder is carried out mainly by voting at the General Meeting – in person, in representation or by voting per rollam (outside of the General Meeting). Similar provisions are included in the publicly available Articles of Association of CEB.

2.5.3 Internal Control System

The internal control system fully complies with the statutory requirements. It includes Risk Management, Compliance and Internal Audit. These internal control functions have further powers to effectively execute their functions. A significant element of the Internal control system is also to ensure and regularly assess the credibility and professional competences of the members of the Bank's bodies and persons holding the key offices. The effectiveness of the management and control system of the Bank is assessed by the Internal audit department on annual basis.

2.5.4 Description of the Decision Procedures of the Bank's Bodies and Committees

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 special legal regulations or the Articles of Association require a larger majority. Changes to the Articles, increases or decreases in the registered capital and the dissolution of the Bank with liquidation is decided are decided upon by 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.

Supervisory Board

The Supervisory Board consists of five members.

Meetings of the Supervisory Board are convened by its Chairman or Vice-Chairman as necessary, usually once a month. 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.

Supervisory Board meetings via technical means are admissible; adoption of resolutions outside the meeting (per rollam) is admissible subject to a prior consent by all members of the Supervisory Board.

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, usually once a month. 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. 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.

Meetings of the Board of Directors via technical means are admissible; adoption of resolutions outside the meeting (per rollam) is admissible subject to a prior consent by all members of the Board of Directors.

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. 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.

Audit Committee meetings via technical means are admissible; adoption of resolutions outside the meeting (per rollam) is admissible subject to a prior consent by all members of the Audit Committee.

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.

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.

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.

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.

2.5.5 Remuneration of Persons with Managing Powers

With regard to the application of the proportionality principle, CEB 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 2022, CEB 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 CEB 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 CEB 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/General Meeting. The amount of remuneration of the members of the Board of Directors is approved by the General Meeting.

60% of total annual remuneration of a member of the Board of Directors in charge of managing CEB (Chief Executive Officer) is a fixed component and 40% is a variable component; 50% of total annual remuneration of a member of the Board of Directors in charge of the Finance and Operations Division is a fixed component and 50% is a variable component; 62.5% of total annual remuneration of a member of the Board of Directors in charge of the Risk Management Division is a fixed component and 37.5% is a variable component. 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 CEB's Articles of Association. The remuneration policy for the members of the Board of Directors, referred to as the Principles of Remunerating CEB's Managers and Members of CEB's Bodies, is defined and approved by CEB's General Meeting. The variable component of the remuneration of the CEO and Deputy CEOs is derived from assessing their performance, which is measured against defined performance criteria, Bank-wide and individual. The Bank-wide performance criteria are always set for the calendar year and approved by the General Meeting and subsequently assessed by CEB's Supervisory Board. The Bank-wide performance criteria include financial indicators (for 2022: modified cost/income ratio), business indicators (for 2022: total volume of new transactions, volume of loans drawn), and portfolio and risk indicators (for 2022: proportion of NPL to the Bank's aggregate portfolio, and proceeds from receivables in work-out management – not including insurance settlements from EGAP and proceeds from Adularya). 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 CEB's performance and based on the methodology for retrospective assessment of the quality of loan production (malus methodology).

Supervisory Board

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

The Supervisory Board has five members. As at 31 December 2022, the Supervisory Board had all five 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 Corporations and Cooperatives, which is concluded for five years. This Contract provides for the rights and obligations of contractual parties in respect of holding the office of a member of the Supervisory Board. The Contract on Holding the Office of a Member of the Supervisory Board was approved by CEB’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 2022 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 CEB’s Managers and Members of CEB’s Bodies, is defined and approved by CEB’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 individual performance criteria are always set for a calendar year and approved and subsequently assessed by CEB’s General Meeting held in April. The performance criteria are divided into five areas: CEB’s strategy (for 2022: Discussion on the proposed CEB Strategy for 2023–2025 (including the measures aimed at sustainability of CEB's business model), in relation to the discussed measures resulting from the results of a HR audit carried out in CEB in 2022, updating the product range (for 2022: active cooperation in discussing the update of CEB's product range), financial and business plan (for 2022: active participation in preparing and negotiating the FBP plan for 2023), remuneration system (for 2022: 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 2022: 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. 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.

100% of the variable component of the remuneration granted for the assessed year is paid out to the members of the Supervisory Board immediately since 2022 (no share of the component is deferred).

Received Income of Directors and Members of the Bank’s Bodies in Cash and in Kind for 2022

Table 13

Received income of persons with managing powers from the issuer (CEB) in CZK thousand	Members of the Board of Directors	Members of the Supervisory Board	Other persons with managing powers
In cash	18,481	3,241	0
In kind	0	0	0
Total	18,481	3,241	0

Source: CEB

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

CEB 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 CEB 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 CEB'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. 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.

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. In June 2022, a Nomination Committee was newly established to make these assessments as an advisory body to CEB's Supervisory Board. The status of this committee is defined in the Rules of procedure of CEB's Nomination Committee.

2.5.6 Authorised Auditors

In a 2021 tender, the Bank selected KPMG Česká republika Audit, s.r.o., with its registered office at the address stated below, to be its auditor.
Pobřežní 648/1a 186 00
Praha 8

The contract was signed for the period from 2021 to 2024.

Table 14

	2022	2021
Statutory audit of the annual financial statements	1,750	1,597
Other assurance services	400	120
Other non-audit services	0	0
Total	2,150	1,717

Source: CEB

In 2022, the Bank incurred overrun of CZK 150 thousand, relating to the extended assessing of data in the first year of audit.

In 2021, KPMG Česká republika Audit, s.r.o. charged fees for services provided under the Audit Services Contract totalling CZK 640 thousand.

In 2021, in accordance with the signed contract, the Bank paid additional TCZK 957 for the statutory audit of the 2020 financial statements and TCZK 120 for other assurance services to its previous statutory auditor, Deloitte Audit s.r.o., with its registered office at:

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

2.5.7 Court and Arbitration Proceedings

In 2022, a petition was filed against CEB by a former member of one of CEB's bodies under Section 9 (2) (f) of Act No. 99/1963 Coll., the Civil Procedure Rules, citing a settlement of CZK 1.5 million to be required from CEB. Furthermore, CEB is only involved only in disputes related to the collection of receivables, especially legal disputes as part of individual insolvency proceedings with CEB’s debtors. The financial impacts of the outcomes of these proceedings represent only potential income for CEB (not an expense), but given their size, their effect on CEB’s operating profit or financial situation is insignificant. Most of the disputes that CEB is involved in are proceedings held on behalf of CEB but on the account of EGAP due to the relations between CEB and EGAP arising from insurance agreements.

2.5.8 Contracts of Significance

During 2022, CEB 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 CEB's ability as the issuer to meet its obligations arising from issued bonds towards the securities holders.

2.6 Provision of information pursuant to Act No. 106/1999 Coll., on Free Access to Information

Number of requests for information filed, and of decisions to dismiss the request issued
2 requests for information were filed in 2022 and 2 decision to dismiss the request were issued in 2022.

Number of appeals filed against the decisions
No appeals against the decisions were filed in 2022

Copy of significant parts of each court judgements reviewing the lawfulness of the legally bound person's decision to dismiss the request for information, with an overview of all expenses incurred by the legally bound person in connection with the judicial proceeding, including costs of its own employees and costs of legal representation.

No judgements concerning the exercising of the right to information were issued in 2022.

Number of exclusive licences provided, including a reasoning of the need to provide an exclusive licence
No exclusive licences have been provided so far.

Number of complaints filed under Section 16a, reasons for their filing and a brief description of how they were settled
No complaints under Section 16a of the Act on Free Access to Information were filed in 2022.

Further information on the application of the Act
In accordance with Section 5 (3) of the Act on Free Access to Information, information provided is also published on the website on https://www.ceb.cz/106/.

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 27 March 2023

Daniel Krumpolc
Chairman of the Board of Directors
and CEO

Emil Holan
Vice-Chairman of the Board of Directors
and Deputy CEO

03

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 2022

CONTENT OF THE FINANCIAL STATEMENTS

INCOME STATEMENT

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

(MCZK)	Note	2022	2021
Interest income		902	920
of which: Interest income calculated using the effective interest rate method		902	849
Interest expense		(252)	(239)
Net interest income	6	**650**	**681**
Fee and commission income	7	45	35
Fee and commission expense	7	(8)	(10)
Net profit or (loss) on financial operations, including state subsidy	8	(5)	(7)
Other operating income		1	4
Other operating expenses	9	(13)	(10)
Administrative expenses	9	(245)	(257)
Depreciation and amortisation	9	(45)	(47)
Modification gains and losses		5	2
Impairment losses on financial assets not reported at fair value through P/L (or their reversal)	10	45	103
Provisions for loan commitments and guarantees or their reversal	10	(18)	4
Other provisions or their reversal	21	118	(75)
Profit or (loss) before tax		**530**	**423**
Income tax expense	11	110	(65)
Profit or (loss) for the year		**640**	**358**

STATEMENT OF COMPREHENSIVE INCOME

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

(MCZK)	Note	2022	2021
Profit or (loss) for the year		**640**	**358**
Items that may be subsequently reclassified to profit of loss			
Total change in OCI from revaluation of financial assets	24	(10)	(24)
Other comprehensive income (OCI)		**(10)**	**(24)**
Total comprehensive income		**630**	**334**

The notes are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

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

(MCZK)	Note	2022	2021
ASSETS			
Cash in hand, cash with the central bank and other deposits repayable on demand	12	1,979	4,586
Derivatives held for trading	14	0	14
Debt securities at fair value recognised in OCI	3b, 15	1,234	1,475
Financial assets at amortised cost		26,351	29,139
Debt instruments at amortised cost	3b, 15	776	1,114
Loans and receivables at amortised cost	3b, 13	25,575	28,025
Property, plant and equipment	16	43	83
Intangible assets	17	13	13
Other assets	18	2,823	612
Deferred tax assets	22	30	30
Total assets		**32,473**	**35,952**
LIABILITIES AND EQUITY			
Financial liabilities measured at amortised cost	19	23,393	27,360
Hedging derivatives	14	0	6
Other liabilities	20	601	575
Provisions	3b, 21	191	315
Current tax liabilities		3	41
Total liabilities		**24,188**	**28,297**
Share capital	23	5,000	5,000
Revaluation reserve	24	(18)	(8)
Reserve funds	25	820	802
Other special funds	25	1,843	1,503
Profit or (loss) for the year		640	358
Total equity		**8,285**	**7,655**
Total liabilities and equity		**32,473**	**35,952**

STATEMENT OF CHANGES IN EQUITY

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

(MCZK)	Note	Share capital	Retained earnings	Reserve fund	Export risk reserve	Revaluation reserve	Total
31 December 2020		**5,000**	**164**	**794**	**1,348**	**16**	**7,322**
Total change in OCI from revaluation of financial assets	24	0	0	0	0	(24)	(24)
Net profit or (loss) for the year		0	358	0	0	0	358
Total comprehensive income		0	358	0	0	(24)	334
Transfer to other special funds	25	0	(155)	0	155	0	0
Transfer to reserve fund	25	0	(8)	8	0	0	0
Rounding in the breakdown of transfers to funds			(1)				(1)
31 December 2021		**5,000**	**358**	**802**	**1,503**	**(8)**	**7,655**
Total change in OCI from revaluation of financial assets	24	0	0	0	0	(10)	(10)
Net profit or (loss) for the year		0	640	0	0	0	640
Total comprehensive income		0	640	0	0	(10)	630
Transfer to other special funds	25	0	(340)	0	340	0	0
Transfer to reserve fund	25	0	(18)	18	0	0	0
31 December 2022		**5,000**	**640**	**820**	**1,843**	**(18)**	**8,285**

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

(MCZK)	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		695	608
Interest paid		(190)	(293)
Net fee and commission received		12	20
Net trading and other net income received		16	(123)
Net income on hedges		1,627	1,814
Payments to employees and suppliers		(254)	(239)
(Income tax paid) received adjustment to income tax		55	(152)
(Other taxes paid) received adjustment to other taxes		12	6
Net cash used in operating activities before changes in operating assets and liabilities		**1,973**	**1,641**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Decrease (increase) in loans to banks		748	3,313
Decrease (increase) in loans to customers		2,325	5,099
Decrease (increase) in other assets		0	1
Decrease (increase) in other liabilities		(3)	1
Increase (decrease) in liabilities due to banks		(15)	(948)
Increase (decrease) in liabilities due to customers		(828)	(914)
Cash used in operating activities		**4,200**	**8,193**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(19)	(69)
Purchase of securities		(66)	0
Proceeds from matured securities		638	459
Net cash from investment activities		**553**	**390**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issued bonds		0	8,220
Redemption of issued bonds		(2,628)	(12,804)
Lease payments		(18)	(18)
Net cash flows financing activities		**(2,646)**	**(4,602)**
Effect of exchange rate changes on cash and cash equivalents		**(38)**	**(66)**
Net increase in cash and cash equivalents		**2,069**	**3,915**
Cash and cash equivalents at the beginning of the year	12	**6,684**	**2,769**
Allowances for cash equivalents		**(14)**	**0**
Cash and cash equivalents at the end of the year	12	**8,739**	**6,684**

	Note	Issued bonds	Leases
At 31 December 2020	**19,20**	**24,319**	**69**
Inflow		8,220	0
Outflow		(12,804)	(18)
Other non-monetary changes		(86)	2
Effect of exchange rate changes		(988)	0
At 31 December 2021	**19,20**	**18,661**	**53**
Inflow		0	0
Outflow		(2,628)	(18)
Other non-monetary changes		(7)	(13)
Effect of exchange rate changes		(524)	0
At 31 December 2022	**19,20**	**15,516**	**21**

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 Vodickova 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 Czech National Bank'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 confirmed the credit rating of "Aa3" with stable outlook for non-current liabilities in foreign currency. 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 and under the accrual and matching principle with transactions recorded in the period in which they actually occur. Financial instruments remeasured at fair value are carried at fair value at the reporting date.

The financial statements consist of the statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes containing accounting policies and other material events.

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 2022.

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

- Amendments to IFRS 3 – Reference to the Conceptual Framework, effective date: 1 January 2022;
- 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;
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, and IAS 41).

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.

- FRS 17 – Insurance Contracts, effective date: 1 January 2023;
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information, effective date: simultaneously with the effective date of IFRS 17.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued in May 2021) effective date: 1 January 2023;
- Amendments to IAS 8 – Definition of Accounting Estimates, effective date: 1 January 2023;
- Amendments to IAS 1 – Disclosure of Accounting Policies, effective date: 1 January 2023.

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:

- Amendments to IFRS 10 and 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 IAS 1 – Classification of Liabilities as Current or Non-Current, postponement of the effective date, not yet adopted by the European Union;
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback, effective date: 1 January 2024.
- Amendments to IAS 1 Non-current Liabilities with Covenants (issued in October 2022).

The Bank closely follows the issue of the interest rate benchmark reform, which consists in replacing interbank interest rates with alternative, almost risk-free interest rates. 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 main risk the Bank is exposed to due to the IBOR reform is the operational risk resulting from the need to negotiate changes in contracts, update contracts and product terms and conditions used by the Bank, update information systems and internal operational controls. For the transition from the existing rates to risk-free rates, the Bank has appointed a project team to manage the transition.

It is the transition from USD LIBOR to SOFR that is relevant for the Bank. The bank offers clients new loans bearing interest based on 3M Term SOFR. Loans bearing interest based on USD SOFR of USD 37 million were provided in 2022. For existing USD loans (of USD 106 million as at 31 December 2022) bearing interest based on USD LIBOR, the Bank expects to complete the transition to risk-free rates in the first half of 2023. The transition is made on the same interest rate basis, i.e., 3M Term SOFR, as the interest rate of the bilateral loan from Komerční banka, a. s. (balance as at 31 December 2022 of USD 80 million). The Bank does not expect any impact on the income statement. The Bank is not changing its interest rate risk management due to the IBOR reform.

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 application 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 consisting of 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 the Bank was established by the state, 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 or (loss) on financial operations, including state subsidy".

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

	EUR	USD
31 December 2022	24.115	22.616
31 December 2021	24.860	21.951

(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, 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 the 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 or (loss) on 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 or (loss) on 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 or (loss) on 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 life cycle 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.

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.

Positive interest expense determined on the basis of negative interest rates are included in "Interest income" and negative interest income in "Interest expense".

(f) Fee and commission income

Fees and commissions directly relating to the provision of the loan are included in the effective interest rate. 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 providing loan commitments are also included in the effective interest rate as the Bank assumes that all provided loan commitments will be drawn. Commitment commissions for loans that will not 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. As part of the main business model, the Bank deposits the funds provided to it from the state budget, in particular subsidies to cover loss from the provision of officially supported financing, funds to increase the share capital, funds to refinance loans taken out or to repay debt securities issued, and insurance benefits received from an export insurance company, in its bank accounts subordinated to the Treasury and held with the Czech National Bank in under the Act on Budget Rules. The Bank also uses these accounts to deposit temporarily available funds in those currencies for which current accounts under the Treasury can be opened and maintained. The Bank's supplementary business model is the 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 main business model whose objective is to hold financial 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 supplementary 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)**. Derivative instruments are measured at FVTPL by the Bank.

The Bank does not arrange any financial assets held for trading. 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 only includes credit risk, time value for 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 as at the settlement date. The settlement date means the date of the delivery of the underlying asset related to the financial instrument. Loans and receivables are recognized as at the date of providing the funds to the client. 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 at 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 consists of the acquisition cost less principal payments, including any discount/premium, less an allowance for expected credit losses and accrued interest calculated using the effective interest rate. Impairment in the form of expected credit losses is presented in the income statement.

Bonds at fair value through other comprehensive income (FVOCI) are remeasured at fair value after initial recognition. These are bonds held to generate cash flows and for sale, where the cash flows consist of principal and interest payments. 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 as at the balance sheet date, 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 during the period between the initial recognition and maturity, 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, or significant extension of the loan's contractual maturity.

In such a case, the original asset is derecognized, and the Bank recognizes 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 gain or loss").

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, bonds at fair value through other comprehensive income, provided 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-offs

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.

Such situations may include:

- liquidation of the debtor without a legal successor (deletion of a legal entity from the Commercial Register, termination of inheritance proceedings after the death of an individual without heirs, and failure to satisfy the claim from the inheritance), and there is no collateral for the receivable that is recoverable from third parties
- a final court decision on the non-existence of the receivable
- termination of the receivable by other legal means, including the replacement of the original debt by the debt specified in the restructuring plan and the subsequent fulfilment of the restructuring plan by the debtor
- the final termination of insolvency or similar proceedings against the debtor or the final dismissal of the insolvency petition for lack of assets of the debtor and there is no third-party collateral or rights and assets for the receivable that could be realized
- assignment of the receivable
- the uncollectibility or financial inefficiency of any further recovery; i.e., it is clear from the circumstances of the case that any further recovery of the risk receivable or part thereof would not be successful (e.g., if enforcement proceedings have been unsuccessful in recovering the receivable or part thereof, or if the debtor has successfully pleaded the limitations statute), or if the cost of recovery would exceed the expected return in relation to the amount of the receivable.

If the receivable has not been extinguished and the receivable, although uncollectible, continues to exist legally and all recovery actions have not yet been completed, it is written off in the off-balance sheet and continues to be accounted for in the off-balance sheet records.

(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 or between the purchase and the repurchase prices is treated as interest and accrued over the term of repo agreements using the effective interest rate method.

Borrowed securities are not recognized in the financial statements unless they are sold to third parties. In that case, the purchase and sale of securities is recognized together with the corresponding gain or loss recorded under "Net profit or (loss) on financial operations, including state subsidy" . The obligation to return these securities is recorded at fair value as a liability measured at fair value through profit or loss.

(j) Property, plant and equipment and intangible assets

All property, plant and equipment and intangible assets are stated at historical cost less accumulated depreciation and amortisation or loss allowances. 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 and amortisation of property, plant and equipment and intangible 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.

Property, plant and equipment and tangible assets under construction are not depreciated until relevant assets are completed and put into use.

The net book value of assets and their useful lives are 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. In accordance with the standard, the Bank decided not to apply the right-of-use asset and lease liability for short-term and low-value leases. In such a case, lease payments are recognized on a straight-line basis 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

Cash is defined as cash and receivables from credit institutions repayable on demand, including balances on the minimum mandatory reserves account. The Bank considers cash equivalents to be short-term and highly liquid receivables from credit institutions with original maturities of 3 months or less that are readily convertible into known amounts of cash and for which the risk of changes in value is not significant.

(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, working from home, 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 recognizes 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.

The fair value of a financial liability as at the acquisition date is generally its transaction price.

Valuation of financial liabilities as at 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 provision of supported financing.

The subsidy is provided for the loss from selected expense and income items incurred in connection with certain business cases arising from the provision of supported financing.

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 also enters into contingent financial relationships 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.

Provisions representing expected credit losses are created for guarantees and loan commitments in accordance with the requirements of IFRS 9.

(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. Accepted guarantees and insurance are an integral part of the loan. The Bank considers them in the calculation of expected credit losses.

3 | RISK MANAGEMENT

(a) Strategy for using financial instruments

The Bank provides export financing products, especially credit products and trade finance products in accordance with Act No. 58/1995 Coll., on Insurance and Financing Exports with State Subsidies, as amended, and related regulations.

The Bank funds export loans through the use of debt securities issues in EMTN and ECP programmes and long-term bank borrowings; short-term borrowings from the interbank market and customer deposits are used as additional sources of funding. The Bank also uses customer deposits as loan security.

Under amendment to Act No. 58/1995 Coll. Effective from April 2020, the Bank does not invest funds in securities on the financial market unless such investment is necessary to ensure compliance with regulatory risk management rules. The Bank deposits temporarily available funds in its bank accounts subordinated to the Treasury and maintained with the Czech National Bank under the Act on Budget Rules. It uses interbank market transactions for currencies in which accounts under the Treasury cannot be maintained, for the purpose of short-term liquidity management or as a standard tool to hedge instruments or positions against interest rate and currency risk.

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 Bank only trades on its own account with approved investment vehicles in accordance with the portfolio of permitted Bank products.

The Bank shall enter into financial market transactions only with eligible counterparties that are financial counterparties or securities dealers that do not require to be treated as professional customers. The Bank neither provides investment services to its customers nor offers the possibility of investing in investment vehicles.

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 reverse 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 2022 and in 2021, the Bank did not reclassify any 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 or economically connected group of debtors. 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 rating models for assessing the risk level of corporate customers and risks of banks. The rating models are subject to validation and are updated as and when necessary.

Overview of internal rating grades

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 above average and other economic factors are very 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.

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 current projections of the customer's economic situation 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 a 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 guarantee issued by the Bank sent the Bank a request for extending a guarantee (extend or pay);
- A modification of the financial asset has been performed; the impact of the 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, which may lead to the declaration of bankruptcy and a petition for the commencement of such proceedings has not been dismissed or rejected or the proceedings have not been suspended within 30 days from commencement;
- Legal disputes 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)

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

- Payments are made by the guarantor if it was not known when the business case was approved 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 or 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 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[1] 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 1 assets, the 12-month ECL is used to quantify the allowances and provisions representing the expected credit losses incurred due to a financial instrument default that may occur within twelve months from the reporting date. The modelling and subsequent calculation of loan allowances does not result in the segmentation of the loan portfolio.

The Bank uses the portfolio approach to determine the ECL in segments of receivables from loans, off-balance sheet products and trade receivables in Stage 1. 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 accepted collateral. The Bank uses only recoverable collateral in the calculation, selected on the basis of historical experience and with respect to the exposure to the foreign legal environment. 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 the probability of loss applied to exposure at default (EAD), i.e., the unsecured portion of the receivable.

For portfolio-significant exposures, the Bank includes forward-looking information (FLI) in the form of a coefficient for the expected macroeconomic outlook of the debtor's country in the calculation of expected credit losses (ECL). This coefficient is calculated individually for Russia, Slovakia, Turkey, Indonesia, Senegal, and Azerbaijan, where the Bank has significant exposure. The calculation included expertly selected macroeconomic variables – GDP growth, government debt, oil price, exchange rate and inflation.

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 method of probability-weighted estimated cash flow scenarios, which also consider FLI. Estimated cash flows are determined by evaluators using the estimated cash flow scenarios.

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

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;
- For Stage 2 receivables, scenarios reflecting the possibility of default must be used (and thus the possibility of insurance payments by a loan insurance company if applicable) based on boundary values of the probability of default as per rating;
- For Stage 3 receivables and if the insurance payment receivable is expected to be paid with a probability of > 50%, a scenario reflecting the possibility of reduction of insurance payments by the insurance company may be used until the insurance company's statement on insurance payments is received;

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

Russian invasion of Ukraine

In connection with the Russian invasion of Ukraine, the Bank transferred all receivables from Russian and Ukrainian borrowers that were recorded in performing exposures to non-performing exposures in 2022. As all receivables were collected according to existing payment schedules in 2022, the Bank reclassified receivables from Russian borrowers and ranked them again among performing exposures. The Bank did not record any financial losses from Russian borrowers arising from the Russia-Ukraine conflict. The only real impact is thus the failure to recover receivables from borrowers based in Ukraine, where the Bank collects insurance payments from EGAP and is likely to incur a temporary loss equal to insurance excess. We expect that all receivables from Ukrainian borrowers will be paid after the conflict has ended.

The Bank is consistently monitoring the financial situation of all borrowers in its portfolio in connection with deteriorating economic conditions, especially with respect to the inflation development. The Bank did not identify any significant credit risk deterioration for any of its borrowers for the above reasons.

Impacts are identified in tables illustrating the development of exposures and adjustments.

ESG

The Bank has the potential to positively influence the environment, its social environment, and corporate governance in two ways, namely by to whom and to what projects the Bank provides financing, and at the same time, by how the Bank is managed, how it approaches environmental aspects of its operations, and how it deals with its clients, employees, and other stakeholders.

In preparation for the new mandatory standard for non-financial reporting arising from the European Corporate Sustainability Reporting Directive (CSRD) under European Sustainability Reporting Standards (ESRS), the Bank already addressed the set-up for the monitoring of the impact of its and its clients' activities in the environmental, social, and corporate governance area ("ESG") during 2022. The Bank's management also set the implementation of ESG targets as one of the tasks for the next year.

The Bank started preparations for the assessment of clients with respect to ESG. In this area, the Bank focuses on setting up mechanisms for obtaining information from its clients as clearly and widely as possible. In connection with this, a strategy is being prepared to include these findings in client assessments.

Exposures by level of credit risk

(MCZK)							2022
	Carrying amount (net)	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	**1,234**	**1,236**	**0**	**0**	**(2)**	**0**	**0**
Government institutions	**1,234**	1,236	0	0	(2)	0	0
Financial assets at amortised cost	**26,351**	**15,481**	**10,758**	**340**	**(34)**	**(130)**	**(64)**
Debt instruments at amortised cost	**776**	**777**	**0**	**0**	**(1)**	**0**	**0**
Government institutions	**754**	755	0	0	(1)	0	0
Credit institution	**22**	22	0	0	0	0	0
Loans and receivables at amortised cost	**25,575**	**14,704**	**10,758**	**340**	**(33)**	**(130)**	**(64)**
Central banks	**8,746**	8,762	0	0	(16)	0	0
Government institutions	**2,753**	2,755	0	0	(2)	0	0
Credit institutions	**1,027**	1,027	0	0	0	0	0
Non-financial corporation	**13,049**	2,160	10,758	340	(15)	(130)	(64)
Other receivables	**17**	**17**	**0**	**6**	**0**	**0**	**(6)**

(MCZK)							2021
	Carrying amount (net)	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	**1,475**	**1,475**	**0**	**0**	**0**	**0**	**0**
Government institutions	**1,350**	1,350	0	0	0	0	0
Credit institutions	**125**	125	0	0	0	0	0
Financial assets at amortised cost	**29,139**	**13,399**	**11,705**	**4,822**	**(11)**	**(137)**	**(639)**
Debt instruments at amortised cost	**1,114**	**1,114**	**0**	**0**	**0**	**0**	**0**
Government institutions	**1,114**	1,114	0	0	0	0	0
Loans and receivables at amortised cost	**28,025**	**12,285**	**11,705**	**4,822**	**(11)**	**(137)**	**(639)**
Central banks	**4,764**	4,765	0	0	(1)	0	0
Government institutions	**2,835**	2,836	0	0	(1)	0	0
Credit institutions	**1,112**	1,113	0	0	(1)	0	0
Non-financial corporations	**19,314**	3,571	11,705	4,822	(8)	(137)	(639)
Other receivables	**5**	**8**	**0**	**33**	**(3)**	**0**	**(33)**

(MCZK)						2022
	Carrying amount (gross)			Allowances		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Provided loan commitments total	**2,340**	**1,604**	**0**	**(41)**	**(22)**	**0**
Government institutions	185	0	0	0	0	0
Non-financial corporations	2,155	1,604	0	(41)	(22)	0
Provided financial guarantees total	**902**	**845**	**68**	**(18)**	**(4)**	**(11)**
Non-financial corporations	902	845	68	(18)	(4)	(11)
Off-balance sheet positions total	**3,242**	**2,449**	**68**	**(59)**	**(26)**	**(11)**

(MCZK)						2021
	Carrying amount (gross)			Provision		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Provided loan commitments total	**494**	**1,653**	**0**	**0**	**(31)**	**0**
Government institutions	372	0	0	0	0	0
Non-financial corporations	122	1,653	0	0	(31)	0
Provided financial guarantees total	**1,335**	**192**	**66**	**(26)**	**(12)**	**(10)**
Non-financial corporations	1,335	192	66	(26)	(12)	(10)
Off-balance sheet positions total	**1,829**	**1,845**	**66**	**(26)**	**(43)**	**(10)**

Development of balance sheet exposures by level of credit risk

(MCZK)				
Movements between stages of loans and receivables at gross amortised cost	Stage 1	Stage 2	Stage 3	**Total**
31 December 2021	**12,285**	**11,705**	**4,822**	**28,812**
Transfer from Stage 1	(1,353)	1,353	0	**0**
Transfer from Stage 2	0	(3,147)	3,147	**0**
Transfer from Stage 3	0	2,253	(2,253)	**0**
Changes in ongoing transactions (repayments)/drawing and accrued interest	(444)	(1,029)	(747)	**(2,220)**
Creation of new assets	10,915	2	0	**10,917**
Fully paid-up transactions	(6,698)	(12)	0	**(6,710)**
Written-off transactions	0	0	(4,539)	**(4,539)**
Exchange rate gains or losses	(1)	(367)	(90)	**(458)**
31 December 2022	**14,704**	**10,758**	**340**	**25,802**

(MCZK)				
Provisions and allowances for loans and receivables at amortised cost	Stage 1	Stage 2	Stage 3	**Total**
31 December 2021	**(11)**	**(137)**	**(639)**	**(787)**
Transfer from Stage 1	0	0	0	**0**
Transfer from Stage 2	0	114	(114)	**0**
Transfer from Stage 3	0	(73)	73	**0**
Changes in allowances	(2)	(38)	10	**(30)**
Creation of allowances for newly created assets	(22)	0	0	**(22)**
Release of allowances for derecognized assets	1	0	5	**6**
Depreciation and amortisation	0	0	589	**589**
Exchange rate gains or losses	1	4	12	**17**
31 December 2022	**(33)**	**(130)**	**(64)**	**(227)**

In 2022, receivables from Russian and Ukrainian borrowers of CZK 1,353 million were reclassified from Stage 1 to Stage 2 due to the military conflict in Ukraine. Subsequently, CZK 3,147 million were reclassified to Stage 3 following the announcement of sanctions. Thus, all receivables from Russian borrowers that had previously been in Stage 2 were reclassified to Stage 3. With respect to the successful recovery of outstanding payments, receivables from Russian entities of CZK 2,253 million were transferred back to Stage 2 after the expiry of the minimum verification period. An increased risk due to these events was mainly identified in Stage 2.

An insured impaired receivable of CZK 4,214 gross was assigned in 2022. The terms of the assignment contract resulted in the use of already created allowances in Stage 3 of CZK 385 million.

The item “Creation of new assets” in Stage 1 primarily includes short-term exposures to the Czech National Bank of TCZK 8,762 million. The rest are deposits with other banks and newly granted loans. The creation of allowances for newly created assets was also affected by rating agencies increasing the Czech Republic’s PD due to inflation developments and the external political and economic situation.

Movements between stages of loans and receivables at gross amortised cost

(MCZK)				
Movements between stages of loans and receivables at gross amortised cost	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2020	13,143	15,641	6,962	**35,746**
Transfer from Stage 1	(312)	312	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in ongoing transactions (repayments)/drawing and accrued interest	(1,190)	(1,213)	8	**(2,395)**
Creation of new assets	5,904	0	0	**5,904**
Fully paid-up transactions	(5,073)	(2,310)	0	**(7,384)**
Written-off transactions	0	0	(1,834)	**(1,834)**
Exchange rate gains or losses	(187)	(725)	(313)	**(1,225)**
At 31 December 2021	**12,285**	**11,705**	**4,822**	**28,812**

(MCZK)				
Provisions and allowances for loans and receivables at amortised cost	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2020	(20)	(166)	(1,091)	**(1,277)**
Transfer from Stage 1	4	(4)	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in allowances	6	(12)	14	**8**
(Creation of allowances for newly created assets)	(2)	0	0	**(2)**
Release of allowances for derecognized assets	1	38	53	**92**
Depreciation and amortisation	0	0	349	**349**
Exchange rate gains or losses	0	7	36	**43**
At 31 December 2021	**(11)**	**(137)**	**(639)**	**(787)**

In 2021, allowances increased by CZK 6 million due to the transfer of receivables of CZK 312 million from Stage 1 to Stage 2. A further increase was caused by the drawing of long-term loans transferred to Stage 2 in the previous year. Overall, there was a significant repayment of loans and receivables in Stage 2 in 2021, which led to the release of allowances for derecognized loans. In 2021, bad debts of CZK 1,834 million were also derecognized. This was covered partly by allowances of CZK 349 million and partly by insurance payments.

Development of off-balance sheet exposures by level of credit risk

(MCZK)				
Movements between stages of off-balance sheet positions	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2021	**1,829**	**1,846**	**66**	**3,741**
Transfer from Stage 1	(789)	789	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in ongoing transactions (drawing or derecognition) / increase)	(156)	(123)	0	**(279)**
Creation of new off-balance sheet positions	2,592	0	0	**2,592**
Termination (drawing or derecognition)	(182)	0	0	**(182)**
Exchange rate gains or losses	(52)	(63)	2	**(113)**
At 31 December 2022	**3,242**	**2,449**	**68**	**5,759**

(MCZK)				
Provisions for off-balance sheet positions	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2021	**(27)**	**(43)**	**(10)**	**(80)**
Transfer from Stage 1	3	(3)	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in provisions	9	19	0	**27**
(Creation of provisions for newly created positions)	(51)	0	(1)	**(51)**
Release of provisions for derecognized positions	6	0	0	**6**
Exchange rate gains or losses	1	1	0	**2**
At 31 December 2022	**(59)**	**(26)**	**(11)**	**(96)**

The issued guarantees were transferred from Stage 1 to Stage 2 mainly due to the military conflict in Ukraine.

(MCZK)				
Movements between stages of off-balance sheet positions	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2020	**2,546**	**2,013**	**64**	**4,623**
Transfer from Stage 1	0	0	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in ongoing transactions (drawing or derecognition) / increase	(229)	(83)	0	**(312)**
Creation of new off-balance sheet positions	420	0	0	**420**
Termination (drawing or derecognition) / increase	(790)	0	0	**(790)**
Exchange rate gains or losses	(118)	(84)	2	**(200)**
At 31 December 2021	**1,829**	**1,846**	**66**	**3,741**

(MCZK)				
Provisions for off-balance sheet positions	Stage 1	Stage 2	Stage 3	**Total**
Balance at 31 January 2020	**(38)**	**(37)**	**(10)**	**(85)**
Transfer from Stage 1	0	0	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Changes in provisions	2	(6)	0	**(4)**
(Creation of provisions for newly created positions)	(16)	0	0	**(16)**
Release of provisions for derecognized positions	24	0	0	**24**
Exchange rate gains or losses	1	0	0	**1**
Balance at 31 December 2021	(27)	(43)	(10)	**(80)**

In 2021, the Bank mainly issued new guarantees for which provisions of CZK 16 million were established. Overall, however, off-balance sheet positions decreased, which corresponds to the release of provisions.

Classification by internal rating

(MCZK)								2022
	Internal	Carrying	Carrying amount (gross)			Allowances		
	rating	amount	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Highest credit quality	1	776	777	0	0	(1)	0	0
Debt instruments at amortised cost		**776**	**777**	**0**	**0**	**(1)**	**0**	**0**
Highest credit quality	1	8,746	8,762	0	0	(16)	0	0
High credit quality	2	1,027	1,027	0	0	0	0	0
Very good credit quality	3	2,650	2,654	0	0	(4)	0	0
Good credit quality	4	875	879	0	0	(4)	0	0
Quality requiring prudence	5	9,737	1,382	8,433	0	(9)	(69)	0
Vulnerable	6	0	0	0	0	0	0	0
Unsatisfactory	7	2,264	0	2,325	0	0	(61)	0
Default of project	D	276	0	0	340	0	0	(64)
Loans and receivables at amortised cost		**25,575**	**14,704**	**10,758**	**340**	**(33)**	**(130)**	**(64)**
Financial assets at amortised cost		**26,351**	**15,481**	**10,758**	**340**	**(34)**	**(130)**	**(64)**
Highest credit quality	1	1,234	1,236	0	0	(2)	0	0
Debt securities at fair value recognized in OCI		**1,234**	**1,236**	**0**	**0**	**(2)**	**0**	**0**

(MCZK)								2021
	Internal	Carrying	Carrying amount (gross)			Allowances		
	rating	amount	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Highest credit quality	1	1,114	1,114	0	0	0	0	0
Debt instruments at amortised cost		**1,114**	**1,114**	**0**	**0**	**0**	**0**	**0**
Highest credit quality	1	4,764	4,765	0	0	(1)	0	0
High credit quality	2	504	504	0	0	0	0	0
Very good credit quality	3	3,209	3,210	0	0	(1)	0	0
Good credit quality	4	2,313	2,313	0	0	0	0	0
Quality requiring prudence	5	11,232	1,493	9,819	0	(9)	(71)	0
Vulnerable	6	1,714	0	1,774	0	0	(60)	0
Unsatisfactory	7	106	0	112	0	0	(6)	0
Default of project	D	4,183	0	0	4,822	0	0	(639)
Loans and receivables at amortised cost		**28,025**	**12,285**	**11,705**	**4,822**	**(11)**	**(137)**	**(639)**
Financial assets at amortised cost		**29,139**	**13,399**	**11,705**	**4,822**	**(11)**	**(137)**	**(639)**
Highest credit quality	1	1,422	1,422	0	0	0	0	0
Very good credit quality	2	53	53	0	0	0	0	0
Debt securities at fair value recognized in OCI		**1,475**	**1,475**	**0**	**0**	**0**	**0**	**0**

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 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 balance sheet exposures not due and overdue

(MCZK)								2022
	Carrying amount (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 instruments at amortised cost	776	776	0	0	0	0	0	0
Loans and receivables at amortised cost	25,575	25,299	0	0	0	57	0	219
Financial assets at amortised cost	**26,351**	**26,075**	**0**	**0**	**0**	**57**	**0**	**219**
Debt securities at fair value recognized in OCI	**1,234**	1,234	0	0	0	0	0	0
Performing and non-performing balance sheet exposures in total	**27,585**	**27,309**	**0**	**0**	**0**	**57**	**0**	**219**

(MCZK)								2021
	Carrying amount (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 rok ≤5 years	>5 years
Debt instruments at amortised cost	1,114	1,114	0	0	0	0	0	0
Loans and receivables at amortised cost	28,025	23,842	0	0	0	0	0	4,183
Financial assets at amortised cost	**29,139**	**24,956**	**0**	**0**	**0**	**0**	**0**	**4,183**
Debt securities at fair value recognized in OCI	**1,475**	1,475	0	0	0	0	0	0
Performing and non-performing balance sheet exposures in total	**30,614**	**26,431**	**0**	**0**	**0**	**0**	**0**	**4,183**

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 obligations 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.

(MCZK)							2022
Financial assets at amortised cost with forbearance							
	Carrying amount	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost with forbearance	**9,702**	435	9,383	33	(1)	(115)	(33)

(MCZK)							2021
Financial assets at amortised cost with forbearance							
	Carrying amount	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets at amortised cost with forbearance	**15,157**	1,348	10,066	4,289	0	(126)	(420)

The Bank recognizes interest income on receivables with forbearance of CZK 237 million (2021 – CZK 495 million).

Proportion of exposures with forbearance to total exposure

(MCZK)			2022			2021
	Performing and non-performing exposures in total	Exposures with forbearance (net)	Share in performing and non-performing exposures	Performing and non-performing exposures in total	Exposures with forbearance (net)	Share in performing and non-performing exposures
Government institutions	2,753	414	15.0%	2,835	284	10.0%
Credit institutions	9,773	0	0.0%	5,876	0	0.0%
Other financial institutions	0	0	0.0%	0	0	0.0%
Non-financial corporations	13,049	9,288	71.2%	19,314	14,873	77.0%
Loans and receivables at amortised cost	**25,575**	**9,702**	**0.0%**	**28,025**	**15,157**	0.0%
Debt securities at amortised cost	**776**	**0**	**0.0%**	**1,114**	**0**	**0.0%**
Debt securities at fair value recognized in OCI	**1,234**	**0**	**0.0%**	**1,475**	**0**	**0.0%**
Performing and non-performing exposures in total	**27,585**	**9,702**	**35.2%**	**30,614**	**15 ,157**	**49.5%**

Modified contractual cash flows

(MCZK)	2022	2021
Receivables at amortised cost in stages 2 and 3 before modification	1,790	1,774
Modification gains and losses	5	2
Gross carrying amount of receivables in stages 2 and 3 transferred to stage 1 during the reporting period	0	0

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

(MCZK)							2022
	Total exposure value			Allocated collateral for exposures			
	Balance sheet positions	Off-balance sheet positions	Total exposure	Financial guarantees received	Cash collateral	Securities	Total collateral
Cash in hand, cash with the central bank and other deposits repayable on demand	1,979	0	1,979	0	0	0	0
Debt securities at fair value recognized in OCI	1,234	0	1,234	0	0	0	0
Balance-sheet exposures at amortised cost and off-balance sheet exposures	26,351	5,759	32,110	19,510	491	1,177	21,178
Exposures from credit institutions	*9,773*	*0*	*9,773*	*0*	*1*	*1,177*	*1,178*
Exposures from other customers	*15,802*	*5,759*	*21,561*	*19,510*	*490*	*0*	*20,000*
Debt securities	*776*	*0*	*776*	*0*	*0*	*0*	*0*
Other assets	2,909	0	2,909	0	0	0	*0*
Total exposure	**32,473**	**5,759**	**38,232**	**19,510**	**491**	**1,177**	**21,178**

(MCZK)							2021
	Total exposure value			Allocated collateral for exposures			
	Balance sheet positions	Off-balance heet positions	Total exposure	Financial guarantees received	Cash collateral	Securities	Total collateral
Cash in hand, cash with the central bank and other deposits repayable on demand	4,586	0	4,586	0	0	0	0
Debt securities at fair value recognized in OCI	1,475	0	1,475	0	0	0	0
Balance-sheet exposures at amortised cost and off-balance sheet exposures	29,139	3,741	32,879	21,715	310	392	22,417
Exposures from credit institutions	*5,876*	*0*	*5,876*	*14*	*3*	*392*	*409*
Exposures from other customers	*22,149*	*3,740*	*25,889*	*21,701*	*307*	*0*	*22,008*
Debt securities	*1,114*	*0*	*1,114*	*0*	*0*	*0*	*0*
Other assets	*752*	*0*	*752*	*0*	*0*	*0*	*0*
Total exposure	**35,952**	**3,740**	**39,692**	**21,715**	**310**	**392**	**22,417**

Derivative financial 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. Losses may be mitigated as not all exposures will be used.

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 a collateral in repo transactions.

Breakdown by geographic segment

(MCZK)								2022
	Carrying amount (net)	(%)	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Czech Republic	**754**	97.16%	755	0	0	(1)	0	0
Luxembourg	**22**	2.84%	22	0	0	0	0	0
Debt instruments at amortised cost	**776**	**100.00%**	**777**	**0**	**0**	**(1)**	**0**	**0**
Azerbaijan	**1,024**	4.00%	0	1,024	0	0	0	0
Czech Republic	**9,832**	38.44%	9,854	0	4	(22)	0	0
Indonesia	**2,339**	9.15%	2,340	0	0	(1)	0	0
Russia	**2,399**	9.38%	0	2,238	252	0	(58)	(33)
Slovak Republic	**7,423**	29.02%	0	7,493	0	0	(70)	0
Switzerland	**851**	3.33%	851	0	0	0	0	0
Turkey	**934**	3.65%	942	0	0	(8)	0	0
Ukraine	**58**	0.23%	0	0	88	0	0	(30)
Other	**715**	2.80%	717	3	0	(2)	(2)	(1)
Loans and receivables at amortised cost	**25,575**	100.00%	14,704	10,758	340	(33)	(130)	(64)
Financial assets at amortised cost	**26,351**		**15,481**	**10,758**	**340**	**(34)**	**(130)**	**(64)**
Czech Republic	**1,184**	95.95%	1,186	0	0	(2)	0	0
Slovak Republic	**50**	4.05%	50	0	0	0	0	0
Debt securities at fair value recognized in OCI	**1,234**	**100.00%**	**1,236**	**0**	**0**	**(2)**	**0**	**0**

(CZK'm)								2021
	Carrying amount (net)	(%)	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Czech Republic	**1,114**	100.00%	1,114	0	0	0	0	0
Debt instruments at amortised cost	**1,114**	**100.00%**	**1,114**	**0**	**0**	**0**	**0**	**0**
Azerbaijan	**1,361**	4.86%	0	1,362	0	0	(1)	0
Czech Republic	**4,788**	17.08%	4,789	0	4	(1)	0	(4)
Indonesia	**2,552**	9.11%	2,552	0	0	0	0	0
Russia	**4,318**	15.41%	2,289	1,774	366	0	(60)	(51)
Slovak Republic	**8,404**	29.99%	16	8,458	198	0	(70)	(198)
Turkey	**5,010**	17.88%	1,150	0	4,254	(8)	0	(386)
Other	**1,592**	5.68%	1,489	111	0	(2)	(6)	0
Loans and receivables at amortised cost	**28,025**	100.00%	12,285	11,705	4,822	(11)	(137)	(639)
Financial assets at amortised cost	**29,139**		**13,399**	**11,705**	**4,822**	**(11)**	**(137)**	**(639)**
Czech Republic	**1,297**	87.93%	1,297	0	0	0	0	0
Luxembourg	**125**	8.47%	125	0	0	0	0	0
Slovak Republic	**53**	3.59%	53	0	0	0	0	0
Debt securities at fair value recognized in OCI	**1,475**	**100.00%**	**1,475**	**0**	**0**	**0**	**0**	**0**

Breakdown by industry

(MCZK)								2022
	Carrying amount (net)	(%)	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
International development banks and organisations	**22**	2.84%	22	0	0	0	0	0
Public administration and defence	**754**	97.16%	755	0	0	(1)	0	0
Debt instruments at amortised cost	**776**	**100.00%**	**777**	**0**	**0**	**(1)**	**0**	**0**
Processing industry	**1,775**	6.94%	24	1,798	33	0	(47)	(33)
Production and distribution of electricity, gas, heat, and air	**8,969**	35.07%	942	7,836	307	(8)	(78)	(30)
Transport and warehousing	**1,144**	4.47%	120	1,024	0	0	0	0
Banking and insurance industry	**9,773**	38.21%	9,789	0	0	(16)	0	0
Public administration and defence	**2,752**	10.76%	2,754	0	0	(2)	0	0
Other	**1,162**	4.54%	1,075	100	0	(7)	(5)	(1)
Loans and receivables at amortised cost	**25,575**	**100.00%**	**14,704**	**10,758**	**340**	**(33)**	**(130)**	**(64)**
Financial assets at amortised cost	**26,351**		**15,481**	**10,758**	**340**	**(34)**	**(130)**	**(64)**
Public administration and defence	**1,234**	100.00%	1,236	0	0	(2)	0	0
Debt securities at fair value recognized in OCI	**1,234**	**100.00%**	**1,236**	**0**	**0**	**(2)**	**0**	**0**

(CZK'm)								2021
	Carrying amount (net)	(%)	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Banking and insurance industry	**0**	0.00%	0	0	0	0	0	0
Public administration and defence	**1,114**	100.00%	1,114	0	0	0	0	0
Debt instruments at amortised cost	**1,114**	**100.00%**	**1,114**	**0**	**0**	**0**	**0**	**0**
Processing industry	**2,991**	10.67%	1,277	1,774	237	0	(60)	(237)
Production and distribution of electricity, gas, heat, and air	**14,710**	52.49%	2,216	8,391	4,585	(8)	(72)	(402)
Transport and warehousing	**1,432**	5.11%	59	1,374	0	0	(1)	0
Banking and insurance industry	**5,875**	20.96%	5,877	0	0	(2)	0	0
Public administration and defence	**2,834**	10.11%	2,835	0	0	(1)	0	0
Other	**183**	0.65%	21	166	0	0	(4)	0
Loans and receivables at amortised cost	**28,025**	**100.00%**	**12,285**	**11,705**	**4,822**	**(11)**	**(137)**	**(639)**
Financial assets at amortised cost	**29,139**		**13,399**	**11,705**	**4,822**	**(11)**	**(137)**	**(639)**
Public administration and defence	**1,350**	91.53%	1,350	0	0	0	0	0
International development banks and organisations	**125**	8.47%	125	0	0	0	0	0
Debt securities at fair value recognized in OCI	**1,475**	**100.00%**	**1,475**	**0**	**0**	**0**	**0**	**0**

(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 European Banking Authority's document Guidelines on the management of interest rate risk arising from non-trading book activities EBA/GL/2018/02). The Board sets limits on the acceptable value of risk, from which all market risks limits are derived. Current 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 non-linear instruments. All EVE changes are summarised in the table below.

EVE values

(MCZK)	**12 months to 31 December 2022**			**12 months to 31 December 2021**		
ΔEVE	Average	High	Low	Average	High	Low
Interest rate risk	(387)	(210)	(526)	(120)	(54)	(241)
Currency risk	(3)	0	(13)	(2)	0	(5)
Total ΔEVE	(390)	(210)	(527)	(122)	(57)	(245)

(MCZK)		**31 December 2022**	**31 December 2021***
ΔEVE			
	Parallel up (plus 200 bps)	76	189
	Parallel down (minus 200 bps)	(295)	(170)
	Increase of short-term rates	54	104
Interest rate risk	Decrease of short-term rates	(186)	(204)
	Steepener (short-term rates down and long-term rates up)	(55)	(58)
	Flattener (short-term rates up and long-term rates down)	35	52
	Maximum	**(295)**	**(204)**
	CZK depreciation	0	0
Currency risk	CZK appreciation	(3)	(3)
	Maximum	**(3)**	**(3)**
Total ΔEVE		(298)	**(207)**

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

The first table shows EVE values, specifically the average, high, and low EVE values for the period, broken down into individual components of this indicator (interest rate and currency risk) and total. They characterise the level of the set of values that make up the daily EVE for all trading days of the period under review.

The second table contains the EVE values for a given trading day, again structured as per the interest rate and currency components. The impact of the application of each shock scenario is also presented in each of these components: six interest rate and two currency scenarios. Interest rate shock scenarios are taken from the EBA document mentioned above, currency shock scenarios are defined as the change in EVE with a percentage change in the relevant spot FX rate, and have been calibrated based on the historical behaviour of FX rates. We consider the following FX rate changes: a shift of +30% USD/+15% EUR is considered for the CZK depreciation scenario; a shift of -25% USD/-15% EUR applies to the CZK appreciation scenario.

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.

(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.

Concentration of assets, liabilities and off-balance sheet items

(MCZK)	CZK	EUR	USD	Other	Total
31 December 2022					
ASSETS					
Cash in hand, cash with the central bank and other deposits repayable on demand	228	1,618	129	4	**1,979**
Financial assets held for trading	0	0	0	0	**0**
Debt securities at fair value recognized in OCI	1,184	50	0	0	**1,234**
Financial assets at amortised cost	6,974	15,734	3,643	0	**26,351**
Property, plant and equipment	43	0	0	0	**43**
Intangible assets	13	0	0	0	**13**
Tax assets	30	0	0	0	**30**
Other assets	10	2,813	0	0	**2,823**
Total assets	**8,482**	**20,215**	**3,772**	**4**	**32,473**
LIABILITIES					
Financial liabilities measured at amortised cost	91	19,660	3,638	4	**23,393**
Hedging derivatives	0	0	0	0	**0**
Provisions	22	158	11	0	**191**
Tax liabilities	3	0	0	0	**3**
Other liabilities	105	383	113	0	**601**
Total liabilities	**221**	**20,201**	**3,762**	**4**	**24,188**
Net balance sheet position	8,261	14	10	0	**8,285**
FX derivative	0	0	0	0	**0**
Net currency position	**8,261**	**14**	**10**	**0**	**8,285**

(MCZK)	CZK	EUR	USD	Other	Total
31 December 2021					
ASSETS					
Cash in hand, cash with the central bank and other deposits repayable on demand	3,362	1,210	13	1	**4,586**
Financial assets held for trading	14	0	0	0	**14**
Debt securities at fair value recognized in OCI	1,168	307	0	0	**1,475**
Financial assets at amortised costt	3,532	21,940	3,579	88	**29,139**
Property, plant and equipment	83	0	0	0	**83**
Intangible assets	13	0	0	0	**13**
Tax liabilities	30	0	0	0	**30**
Other liabilities	23	589	0	0	**612**
Total assets	**8,225**	**24,046**	**3,592**	**89**	**35,952**
LIABILITIES					
Financial liabilities measured at amortised cost	91	23,518	3,663	88	**27,360**
Hedging derivatives	0	6	0	0	**6**
Provisions	160	132	23	0	**315**
Tax liabilities	41	0	0	0	**41**
Other liabilities	110	235	230	0	**575**
Total liabilities	**402**	**23,891**	**3,916**	**88**	**28,297**
Net balance sheet position	7,823	155	(324)	1	**7,655**
FX derivative	0	(211)	226	0	**15**
Net currency position	**7,823**	**(56)**	**(98)**	**1**	**7,670**

(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.

Interest rate gap

(MCZK)												2022
		≤ 1M	1M - 3M	3M - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 4Y	4Y - 5Y	5Y - 10Y	> 10Y	**Total**
Assets	CZK	5,513	1,034	1,337	193	30	121	186	98	301	58	**8,871**
Liabilities		404	7	2,199	3,544	1,064	537	505	280	229	59	**8,828**
Assets	EUR	6,121	5,139	4,948	3,372	628	385	233	163	542	0	**21,531**
Liabilities		1,223	2,665	4,992	936	5,151	3,175	0	2,345	75	0	**20,563**
Assets	USD	492	2,432	1,626	32	56	38	37	42	50	0	**4,805**
Liabilities		409	2,816	1,241	114	9	7	7	19	20	0	**4,642**
Assets	**Total**	**12,126**	**8,605**	**7,911**	**3,597**	**714**	**544**	**456**	**303**	**893**	**58**	**35,207**
Liabilities	**Total**	**2,036**	**5,488**	**8,432**	**4,594**	**6,224**	**3,719**	**513**	**2,644**	**324**	**59**	**34,033**
Accumulated GAP		**10,090**	**13,207**	**12,686**	**11,689**	**6,179**	**3,004**	**2,947**	**606**	**1,175**	**1,174**	**1,174**

(MCZK)												2021
		≤ 1M	1M - 3M	3M - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 4Y	4Y - 5Y	5Y - 10Y	> 10Y	**Total**
Assets	CZK	7,100	1,571	1,592	204	177	48	122	185	400	60	**11,459**
Liabilities		3,342	16	1,984	2,902	1,072	436	405	312	296	59	**10,824**
Assets	EUR	7,424	4,208	5,774	4,021	1,810	819	570	239	706	6	**25,577**
Liabilities		1,892	2,940	3,995	2,842	2,619	3,895	4,722	3	2,495	0	**25,403**
Assets	USD	697	3,490	2,269	29	47	32	32	26	52	0	**6,674**
Liabilities		223	3,189	1,676	729	446	2	2	2	4	0	**6,273**
Assets	**Total**	**15,221**	**9,269**	**9,635**	**4,254**	**2,034**	**899**	**724**	**450**	**1,158**	**66**	**43,710**
Liabilities	**Total**	**5,457**	**6,145**	**7,655**	**6,473**	**4,137**	**4,333**	**5,129**	**317**	**2,795**	**59**	**42,500**
Accumulated GAP		**9,764**	**12,888**	**14,868**	**12,649**	**10,546**	**7,112**	**2,707**	**2,840**	**1,203**	**1,210**	**1,210**

Assets and liabilities (e.g., principal and interest), including off-balance sheet items, enter the time basket in the nominal amount (i.e., without discounting), with floating-rate instruments entering the position on the date of the next revaluation and fixed-rate instruments on the maturity date.

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). GAP is composed of undiscounted cash flows in nominal amounts of principal and accessories (interest, commitment commissions, etc.). Fixed maturity inflows and outflows are based on contractual arrangements; liquidity assumptions for inflows and outflows are the expected maturities of products without fixed contractual maturities (current and nostro accounts, insurance claims). The liquidity provision is stated at the fair value of highly liquid securities and receivables of the CNB.

Likviditní GAP

(MCZK)						**2022**
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
Fixed maturity inflows	2,421	522	5,389	18,533	2,329	**29,194**
Inflows – liquidity assumptions	61	0	0	0	2,796	**2,857**
Liquidity reserve	12,426	0	0	0	0	**12,426**
Total inflows	14,908	522	5,389	18,533	5,125	**44,476**
Fixed maturity outflows	2,592	1,387	7,883	16,951	1,436	**30,248**
Outflows – liquidity assumptions	105	60	454	0	0	**619**
Capital	0	0	0	0	7,638	**7,638**
Total outflows	2,697	1,447	8,336	16,951	9,074	**38,505**
Accumulated GAP	**12,211**	**11,286**	**8,338**	**9,921**	**5,971**	**5,971**

(MCZK)						**2021**
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
Fixed maturity inflows	4,980	3,550	4,501	19,682	2,616	**35,329**
Inflows – liquidity assumptions	31	0	0	0	579	**609**
Liquidity reserve	11,810	0	0	0	0	**11,810**
Total inflows	16,821	3,550	4,501	19,682	3,195	**47,748**
Fixed maturity outflows	4,593	2,923	5,948	19,206	3,280	**35,950**
Outflows – liquidity assumptions	167	111	835	0	0	**1,113**
Capital	0	0	0	0	7,297	**7,297**
Total outflows	4,761	3,034	6,783	19,206	10,577	**44,360**
Accumulated GAP	**12,060**	**12,576**	**10,294**	**10,769**	**3,387**	**3,387**

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 (foreign exchange 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.

The regulatory liquidity coverage ratio (LCR) has a minimum required compliance level of 100%. The Bank reported an LCR of 3,557% as at 31 December 2022 (4,515% as at 31 December 2021).

The regulatory net stable funding ratio (NSFR) (NSFR) has a minimum required level of 100%. The Bank reported an NSFR of 161% as at 31 December 2022 (164% as at 31 December 2021).

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 contractual non-discounted cash flows.

Maturity of non-derivative financial liabilities

(MCZK)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
At 31 December 2022						
Financial liabilities to credit institutions at amortised cost	0	30	17	5,161	351	**5,559**
Financial liabilities to other customers at amortised cost	954	257	281	200	1,070	**2,762**
Issued debt securities at amortised cost	0	0	5,003	10,796	0	**15,799**
Lease liabilities	3	0	8	11	0	**22**
Total financial liabilities at amortised cost	**957**	**287**	**5,309**	**16,168**	**1,421**	**24,142**
Provided loan commitments	1,108	1,100	1,679	58	0	**3,945**
Provided financial guarantees	33	47	938	728	68	**1,814**

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
At 31 December 2021						
Financial liabilities to credit institutions at amortised cost	0	9	19	4,735	768	**5,531**
Financial liabilities to other customers at amortised cost	1,427	87	1,186	493	9	**3,202**
Issued debt securities at amortised cost	34	68	2,706	13,594	2,486	**18,888**
Lease liabilities	4	0	13	36	0	**53**
Total financial liabilities at amortised cost	**1,465**	**164**	**3,924**	**18,858**	**3,263**	**27,674**
Provided loan commitments	81	253	1,793	20	0	**2,147**
Provided financial guarantees	0	218	947	362	66	**1,593**

The provided financial guarantees are non-payment guarantees unlikely to be called within one month due to their nature, the negligible frequency with which they have been called in the past and the credit risk. Therefore, the final expiry date when the guarantees can be called is applied.

Maturity of derivative financial liabilities

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

(MCZK)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
At 31 December 2022						
Hedging derivatives	0	0	0	0	0	**0**
At 31 December 2021						
Hedging derivatives	0	(2)	(4)	0	0	**(6)**

Derivatives to be settled in gross value include foreign exchange derivatives.

(MCZK)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
At 31 December 2022						
FX derivatives for trading						
outflow	0	0	0	0	0	**0**
inflow	0	0	0	0	0	**0**
Total outflow	**0**	**0**	**0**	**0**	**0**	**0**
Total inflow	**0**	**0**	**0**	**0**	**0**	**0**

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
At 31 December 2021						
FX derivatives for trading						
outflow	0	0	(211)	0	0	**(211)**
inflow	0	0	226	0	0	**226**
Total outflow	**0**	**0**	**(211)**	**0**	**0**	**(211)**
Total inflow	**0**	**0**	**226**	**0**	**0**	**226**

(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.

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.

(MCZK)	2022	2021	2022	2021
	Carrying amount		Fair value	
FINANCIAL ASSETS				
Deposits with the central bank	8,746	4,764	8,744	4,741
Deposits with credit institutions	995	1,020	995	1,021
Loans to credit institutions	32	92	32	94
Total receivables from credit institutions	**9,773**	**5,876**	**9,953**	**5,984**
Receivables from other customers	15,802	22,149	16,455	23,307
Debt securities at amortised cost	776	1,114	683	1,062
FINANCIAL LIABILITIES				
Financial liabilities to credit institutions at amortised cost	5,435	5,503	5,337	5,551
Financial liabilities to other customers at amortised cost	2,442	3,196	2,461	3,196
Issued debt securities at amortised cost	15,516	18,661	14,905	18,890

Debt securities of government and central banks are all quoted and measured at level 1, issued debt securities are measured at level 2.

All other financial assets and liabilities are measured at fair value within the level 2, with the exception of receivables and liabilities from customers. Receivables and liabilities from customers are measured at level 3.

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 measured at amortised cost

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

Liabilities from issued bonds are measured using a model.

Instruments measured at fair value

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).

(MCZK)	**2022**		**2021**	
	Level 1	Level 2	Level 1	Level 2
Derivatives held for trading	0	0	0	**14**
Debt securities at fair value recognized in OCI	1,234	0	1,475	0
Total assets	**1,234**	**0**	**1,475**	**14**
Derivatives held for trading	0	0	0	0
Fair value hedging derivatives	0	0	0	6
Total liabilities	**0**	**0**	**0**	**6**

Offsetting of financial instruments

The Bank is entitled to present certain financial instruments (net amounts) in the statement of financial position in accordance with the criteria set out in Note 2d). This concerns derivatives with receivables and payables from an arranged transaction recognized in the statement of financial position at net fair value or other financial instruments that have been offset under arranged netting agreements. 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.

(MCZK)						**2022**
	Gross amounts of financial assets	Gross amounts of financial liabilities accounted for	Net amounts of financial assets reported in the balance sheet	Pledged securities	Cash collateral	Net amount
Positive value of financial derivatives	0	0	**0**	0	0	0
Receivable from reverse repo transaction	1,201	0	1,201	1,177	0	24
Total assets	**1,201**	**0**	**1,201**	1,177	0	24

	Gross amounts of financial liabilities	Gross amounts of financial assets accounted for	Net amounts of financial liabilities reported in the balance sheett	Pledged securities	Cash collateral	Net amount
Negative market value of derivatives	0	0	**0**	0	0	0
Total liabilities	**0**	**0**	**0**	0	0	0

(MCZK)						**2021**
	Gross amounts of financial assets	Gross amounts of financial liabilities accounted for	Net amounts of financial assets reported in the balance sheet	Pledged securities	Cash collateral	Net amount
Positive value of financial derivatives	14	0	**14**	0	0	14
Receivable from reverse repo transaction	400	0	400	392	0	8
Total assets	**414**	**0**	**414**	392	0	22

	Gross amounts of financial liabilities	Gross amounts of financial assets accounted for	Net amounts of financial liabilities reported in the balance sheett	Pledged securities	Cash collateral	Net amount
Negative market value of derivatives	6	0	**6**	0	(6)	0
Total liabilities	**6**	**0**	**6**	**0**	**(6)**	**0**

(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 strengthen 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. 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.

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.

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 has created and used 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 2022 and 2021, 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

(MCZK)	2022	2021
Paid-up share capital registered in the Commercial Register	5,000	5,000
Funds from profit	2,661	2,304
Accumulated other comprehensive income	(18)	(8)
Deductible items from the original equity	(5)	(8)
Capital adjustment due to the use of prudential filters	(1)	(2)
Initial capital (Tier 1)	**7,637**	**7,286**
Regulatory capital	**7,637**	**7,286**

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 loss (PL) loss, exposure at loss (EAD) 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 is a strategy set out by the Bank's management, which formulates the objectives of financial asset management. 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. The Bank applies a mixed business model. In the main business model, the Bank provides export financing products, especially credit products and trade finance products in accordance with Act No. 58/1995 Coll., on Insurance and Financing Exports with State Subsidies, as amended, and related regulations. 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 business model is the holding of an asset with the purpose of obtaining contractual cash flows from the principal and interest as well as selling the asset. The Bank does not arrange any financial assets or financial liabilities held for trading.

For instruments classified as AC (amortised cost), 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 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 (FVOCI), 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) Securing the financial needs of the 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;
f) 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;
g) 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 Bank;
h) 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. Deviations from the standard model of payments of principal and interest for classifying an asset as AC or FVOCI are assessed by the ALCO based on significance and frequency.

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 through supported financing 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 recognizes 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.

At the end of 2022, an amendment was made to Act No. 58/1995 Coll., adjusting the activities of the Bank. While, as for subsidies, certain income and expense items were excluded from the subsidy formula, e.g., gains/losses from derivatives, other items were included, e.g., income from fees for guarantees. The most significant change is the limitation of the portion of interest income transferred to circle 001 to cover operating expenses with the operating loss amount of circle 001. Split of interest income into individual items or industries according to the respective circles will thus no longer be performed.

(MCZK)	**2022 revised after amending the law**			**2022**			**2021**		
	circle 001	circle 002	**Total**	circle 001	circle 002	**Total**	circle 001	circle 002	**Total**
Interest income	377	525	**902**	529	373	**902**	380	540	**920**
Interest expense	*(14)*	*(238)*	**(252)**	*(9)*	*(243)*	**(252)**	*(3)*	*(236)*	**(239)**
Impairment losses on loans	*(15)*	*60*	***45***	*(15)*	*60*	***45***	*32*	*71*	***103***
Creation of provisions or reversal	*127*	*(27)*	***100***	*127*	*(27)*	***100***	*(61)*	*(10)*	***(71)***
Other changes due to the amendment to the act on supported financing	*(7)*	7	***0***						
Loss/profit before income tax	*120*	*410*	***530***	*284*	*246*	***530***	*24*	*399*	***423***
Income tax	110	0	**110**	110	0	**110**	(65)	0	**(65)**
Net profit for the year	230	410	**640**	394	246	**640**	*(41)*	399	**358**
Loans and receivables at amortised cost	8,790	16,785	**25,575**	8,790	16,785	**25,575**	6,583	21,442	**28,025**
Total assets	12,715	19,758	**32,473**	12,715	19,758	**32,473**	13,144	22,808	**35,952**
Financial liabilities measured at amortised cost	2,442	20,951	**23,393**	2,442	20,951	**23,393**	1,263	26,097	**27,360**
Total liabilities and equity	11,197	21,276	**32,473**	11,197	21,276	**32,473**	9,571	26,381	**35,952**

Revenue from core activities of the Bank as per geographic segment

(MCZK)			2022			2021
	Interest income	Fee and commisions income	**Total**	Interest income	Fee and commisions income	**Total**
Czech Republic	301	25	**326**	156	25	**181**
Slovak Republic	243	15	**258**	260	6	**266**
Russia	145	0	**145**	241	1	**242**
Indonesia	104	1	**105**	63	0	**63**
Turkey	50	0	**50**	131	0	**131**
Azerbaijan	16	0	**16**	44	0	**44**
Other	43	4	**47**	25	3	**28**
Total interest income and fees	**902**	**45**	**947**	**920**	**35**	**955**

6 | NET INTEREST INCOME

(MCZK)	2022	2021
Interest income from loans to credit institutions	1	3
of which: Interest on non-performing loans	*0*	*0*
Interest income from loans to other customers	600	826
of which: Interest on non-performing loans	*56*	*202*
Interest income from interbank deposits	167	30
Interest income from CNB loans – repos	50	5
Interest income from current accounts with other banks	2	0
Interest income from loans and receivables at amortised cost	**820**	**864**
Interest on debt securities at fair value recognized in the OCI	50	12
Interest on debt securities at amortised cost	17	32
Interest on liabilities	15	12
Other interest income	**82**	**56**
Interest income	**902**	**920**
Interest expense from received bank loans	(59)	(28)
Interest expense from term deposits	(31)	(11)
Interest expense from interbanking operations	0	(1)
Interest expense from issued bonds	(156)	(187)
Interest expense from financial liabilities in amortised costs	**(246)**	**(227)**
Interest expense from assets	0	(2)
Interest expense on hedging iderivatives	(5)	(9)
Other interest – leases	(1)	(1)
Interest expense	**(252)**	**(239)**
Net interest income	**650**	**681**

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 and penalty interest, which is part of the item 'Interest income from loans to other customers, amounting to CZK 0 million (2021 – CZK 71 million).

Interest expense is calculated using the effective interest rate with the exception of interest from hedging of CZK 5 million (2021 – CZK 9 million) and interest from finance leases of CZK 1 million (2021 – CZK 1 million).

7 | FEE AND COMMISSION NET INCOME

(MCZK)	2022	2021
Fees and commissions from loan agreements	15	1
Fees and commissions from payments	5	3
Fees and commissions from guarantees	25	31
Fee and commissions income	**45**	**35**
Fees and commissions from clearing and settlement	0	(1)
Fees for guarantees	(5)	(7)
Fee for security operations	(1)	0
Fees and commissions for rating	(2)	(2)
Fee and commissions expense	**(8)**	**(10)**
Net fee and commissions income	**37**	**25**

8 | NET PROFIT OR (LOSS) ON FINANCIAL OPERATIONS INCLUDING STATE SUBSIDY

Profit from financial operations

(MCZK)	2022	2021
Profit or (loss) on financial assets at FV through OCI	0	0
Profit or (loss) on financial assets at amortised cost	0	1
Profit or (loss) on the derecognition of financial assets and liabilities not carried at fair value through profit or loss	0	1
Profit or (loss) on derivative transactions with interest rate instruments	0	0
Profit or (loss) on derivative transactions with currency instruments	5	147
Profit or (loss) on financial assets and liabilities held for trading	**5**	**147**
Foreign exchange gains or losses	**(10)**	**(155)**
Net profit (loss) from financial operations, including state subsidy	**(5)**	**(7)**

The Bank did not qualify for a subsidy for a loss from officially supported financing in 2022 or in 2021.

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

	2022	2021
Number of employees	111	127
Average recorded number of employees	113	127
Board and Supervisory Board	8	8

(MCZK)	Note	2022	2021
Salaries and emoluments		(137)	(156)
Social security and health insurance costs		(41)	(44)
Staff costs		(178)	(200)
Advertising		(2)	0
Advisory		(7)	(4)
Information technology		(28)	(25)
Contribution to the Financial market guarantee system		(11)	(8)
Other		(19)	(20)
Total administrative expenses		**(245)**	**(257)**
Purchase of property, plant and equipment	16	(28)	(28)
Software amortisation	17	(17)	(19)
Depreciation and amortisation		**(45)**	**(47)**
Cost of debt collection		(4)	(5)
Value added tax		(9)	(4)
Other		0	(1)
Other operating expenses		**(13)**	**(10)**
Total operating costs		(303)	(314)

In 2022, the income of members of the Board of Directors and the Supervisory Board amounted to CZK 22 million (2021 – CZK 20 million). Staff costs also include provisions for bonuses and employee benefits. The payment of the provision for bonuses for employees that influence the Bank's overall risk profile is deferred and depends on the financial results and other criteria in future years. This provision was decreased by CZK 11 million to CZK 11 million due to the use of a pro rata portion of the provision for board members and the use of all retained portions for other employees. The provision for social security and health insurance relating to these deferred bonuses decreased by CZK 4 million to CZK 4 million. Provisions for employee benefits (the sum of provisions for long-term employee benefits, untaken holidays, severance pays, etc.), including social security and health insurance, decreased by CZK 6 million to CZK 6 million.

Depreciation/amortisation of fixed assets includes amortisation of the right-of-use assets under a lease of CZK 17 million (2021 – CZK 17 million).

10 | LOSSES FROM IMPAIRMENT OF FINANCIAL INSTRUMENTS

(MCZK)	2022	2021
(Creation) / release of allowances – Stage 1	(17)	0
(Creation) / release of allowances – Stage 2	0	0
(Creation) / release of allowances – Stage 3	0	0
(Creation) / release of allowances for loans to credit institutions	**(17)**	**0**
(Creation) / release of allowances – Stage 1	(12)	10
(Creation) / release of allowances – Stage 2	(37)	22
(Creation) / release of allowances – Stage 3	17	66
(Creation) / release of allowances for receivables to other customers	**(32)**	**98**
Net written-off receivables from other customers	94	5
Net written-off receivables	**94**	**5**
Impairment (losses) on loans	**45**	**103**

Net written-off receivables primarily include income from insurance payments of CZK 121 million (2021 – CZK 1,486 million) and a partial write-off of the related insured loan receivables of CZK 121 million (2021 – CZK 1,471 million); and write-off of bad loans of CZK 232 million (2021 – CZK 363 million) and the related release of allowances of CZK 232 million (2021 – CZK 349 million).

Income from insurance payments also includes payments relating to receivables sold in prior periods of CZK 7 million (2021 – CZK 15 million). In 2022, the Bank generated net income of CZK 87 million in connection with the sold impaired receivable.

11 | INCOME TAX

The income tax consists of:

(MCZK)	2022	2021
Income tax for the current period – current	(78)	(81)
Income tax for the prior period – current	1	1
Deferred income tax	(3)	15
Realisation of tax receivable arising from additional tax	190	0
Income tax	110	(65)

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

(MCZK)		2022		2021
Profit before income tax		530		423
Income tax at 19% rate		(101)		(80)
Effect of tax non-deductible expenses		(93)		(46)
Effect of income not liable to tax		113		60
Income tax for prior periods		1		1
Income tax – subtotal	15.09%	(80)	15.37%	(65)
Realisation of tax receivable arising from additional tax		190		0
Income tax	(20.75%)	110	(15.37%)	(65)

Tax non-deductible expenses primarily include the write-off of receivables of CZK 562 million. Income not liable to tax primarily comprises items of the use of allowances for the write-off of receivables of CZK 556 million. A provision for additional tax of CZK 190 million related to the Specialised Tax Office's review for 2014 was released as the Appellate Financial Directorate annulled the Specialised Tax Office's decision on additional tax and the entire proceeding was terminated upon a final judgement.

12 | CASH IN HAND, CASH WITH THE CENTRAL BANK AND OTHER DEPOSITS REPAYBLE ON DEMAND

The item 'Cash in hand, cash with the central bank and other deposits repayable on demand' includes deposits with banks repayable on demand, including balances on the account of minimum mandatory reserves.

Minimum mandatory reserves are set up as 2% of the Bank's liabilities from the deposits and loans received from other customers and of issued 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. The set amount of minimum mandatory reserves is measured against the average balances on the minimum mandatory reserves account for the maintenance period starting on the first Thursday of the month and ending on the Wednesday before the first Thursday of the following month. The funds in the minimum mandatory reserves account are available daily and used to provide operational liquidity. The regulator's requirements are complied with on a monthly basis.

(MCZK)	2022	2021
Cash with the central bank	1,814	4,556
of which Accounts of cash reserves with the central bank	*41*	*303*
Other deposits repayable on demand	168	30
Cash in hand, cash with the central bank and other deposits repayable on demand	**1,982**	**4,586**
Loss allowances	(3)	0
Cash in hand, cash with the central bank and other deposits repayable on demand (net)	**1,979**	**4,586**

For cash flow statement purposes, "Cash and cash equivalents" include "Cash in hand, cash with the central bank and other deposits repayable on demand", as well as selected receivables with a maturity of less than 3 months from acquisition.

(MCZK)	2022	2021
Cash in hand, cash with the central bank and other deposits repayable on demand (net)	**1,979**	**4,586**
Receivables from the central bank due within 3 months	5,776	1,643
Receivables from other credit institutions due within 3 months	995	455
Cash equivalents	6,771	2,098
Loss allowancesy	(11)	0
Cash equivalents	6,760	2,098
Cash and cash equivalents	**8,739**	**6,684**

For ECL calculation purposes, all financial assets included in cash and cash equivalents are classified in Stage 1.

13 | LOANS AND RECEIVABLES AT AMORTISED COST

(MCZK)	2022	2021
Receivables included in cash equivalents	6,771	2,097
Other receivables from credit institutions	3,018	3,780
Allowance for receivables	(16)	(1)
Total loans and receivables from credit institutions at amortised cost	**9,773**	**5,876**
Receivables from other customers	16,013	22,935
Allowance for receivables	(211)	(786)
Total loans and receivables from other customers at amortised cost	**15,802**	**22,149**
Total loans and receivables at amortised cost	**25,575**	**28,025**
Remaining maturity:		
Short-term loans and receivables	10,424	5,869
Long-term loans and receivables	15,151	22,156

At the end of 2022, the receivables written-off and in the process of hard collection amounted to CZK 10,615 million (2021 – CZK 19,823 million). Generally, these receivables represent receivables where the Bank acts as an agent in the process of hard collection under obligations from insurance contract.

Loans and receivables from credit institutions at amortised cost

(MCZK)	2022	2021
Loans provided to the central bank	1,202	400
Deposits with the central bank	7,561	4,365
Loans and receivables from the central bank	**8,763**	**4,765**
Deposits with other credit institutions	995	1,020
Purchased receivables from other credit institutions	31	92
Loans and receivables from other credit institutions	**1,026**	**1,112**
Allowance for receivables	(16)	(1)
Total loans and receivables from credit institutions at amortised cost	**9,773**	**5,876**
Remaining maturity:		
Short-term receivables from credit institutions	9,771	5,784
Long-term receivables from credit institutions	2	92

Loans and receivables from other customers at amortised cost

(MCZK)	2022	2021
Loans		
Pre-export funding	21	12
Export funding	13,879	21,532
Investment funding	2,097	1,316
For bank guarantee	0	4
Purchase of receivables	16	71
Receivables from other customers	**16,013**	**22,935**
Allowance for receivables	(211)	(786)
Total receivables from other customers at amortised cost	**15,802**	**22,149**
Remaining maturity:		
Short-term receivables from other customers	653	85
Long-term receivables from other customers	15,149	22,064

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 2022 and 2021. The Bank enters into transactions with interest rate and FX derivatives. Counterparties include other financial institutions.

Total derivatives

(MCZK)				
	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2022				
Derivatives held for trading	0	0	0	0
Hedging derivatives	0	0	0	0
Total derivatives	**0**	**0**	**0**	**0**
Remaining maturity:				
Short-term derivatives held for trading	0	0	0	0
Long-term derivatives held for trading	0	0	0	0
Short-term hedging derivatives	0	0	0	0
Long-term hedging derivatives	0	0	0	0

(MCZK)				
	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2021				
Derivatives held for trading	226	211	14	0
Hedging derivatives	249	249	0	6
Total derivatives	**475**	**460**	**14**	**6**
Remaining maturity:				
Short-term derivatives held for trading	0	0	0	0
Long-term derivatives held for trading	226	211	14	0
Short-term hedging derivatives	0	0	0	0
Long-term hedging derivatives	249	249	0	6

Derivatives held for trading

(MCZK)				
	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2022				
Cross-currency swap	0	0	0	0
Total derivatives held for trading	**0**	**0**	**0**	**0**
31 December 2021				
Cross-currency swap	226	211	14	0
Total derivatives held for trading	**226**	**211**	**14**	**0**

Fair value hedging derivatives

(MCZK)				
	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilitiesy
31 December 2022				
Interest rate swaps	0	0	0	0
Total hedging derivatives	**0**	**0**	**0**	**0**
31 December 2021				
Interest rate swaps	249	249	0	6
Total hedging derivatives	**249**	**249**	**0**	**6**

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 (convert fixed interest payments into variable).

As at 31 December 2021, the Bank recorded one hedging interest rate swap maturing in August 2022. Due to an increase in the credit risk of the hedged loan during 2022, the testing of the hedge's effectiveness showed that the hedge was no longer highly effective. The hedging relationship was terminated. The hedging derivative was reclassified to the derivatives held for trading category and the change in its fair value of CZK 0 million in 2022 is recorded on the line "Net gain/loss on financial operations, including state subsidy" in the income statement. Hedge losses of CZK (5) million are recorded on the line "Interest expense in the income statement" in 2022. In 2021, the net fair value of the hedging swap was reported on the line "Hedging derivatives," and the net fair value of the hedged loans was reported on the line "Financial assets at amortised cost" in the statement of financial position. The net profit from the change in fair value of the hedging swap of CZK 8 million and losses from changes in the fair value of hedged loans of CZK (8) million was recorded on the "Interest income" line of the income statement. Interest on the hedging interest rate swap of CZK 9 million was also recorded on this line. The effect of the ineffective hedge component was CZK 0 million in 2021.

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 the European Investment Bank.

All investment securities in the Bank's portfolio are, according to IFRS 9, categorized as Stage 1.

Classification by listing status

(MCZK)							2022
Debt securities at fair value recognized in OCI	**Carrying amount**	**Carrying amount (gross)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage
	1,234	**1,236**	0	0	(2)	0	0
– listed	**1,234**	**1,236**	0	0	(2)	0	0
Debt instruments at amortised cost							
	776	**777**	**0**	**0**	**(1)**	**0**	**0**
– listed	**776**	777	0	0	(1)	0	0

(MCZK)							2021
Debt securities at fair value recognized in OCI	**Carrying amount**	**Carrying amount (gross)**			**Allowances**		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
	1,475	**1,475**	**0**	**0**	**0**	**0**	**0**
– listed	**1,475**	1,475	0	0	0	0	0
Debt instruments at amortised cost							
	1,114	**1,114**	**0**	**0**	**0**	**0**	**0**
– listed	**1,114**	1,114	0	0	0	0	0

Classification by residual maturity

Remaining maturity:	**2022**	**2021**
Debt securities at fair value recognized in OCI – short-term	1,016	264
Debt securities at fair value recognized in OCI – long-term	218	1,211
Debt instruments at amortised cost – short-term	179	362
Debt instruments at amortised cost – short-term	598	752

16 | PROPERTY, PLANT AND EQUIPMENT

(MCZK)	Right-of-use	Office equipment	Motor vehicles	Assets under construction	**Total**
Cost					
At 1 January 2020	102	128	2	2	234
Additions	0	2	0	14	16
Modification	0	0	0	0	0
Disposals	0	(7)	0	(2)	(9)
At 31 December 2021	102	123	2	14	241
Additions	0	16	0	3	19
Modification	(18)	0	0	0	(18)
Disposals	(14)	(43)	0	(17)	(74)
At 31 December 2022	70	96	2	0	168
Accumulated depreciation					
At 1 January 2021	(34)	(102)	(2)	0	(138)
Additions	(17)	(11)	0	0	(28)
Modification	0	0	0	0	0
Disposals	0	8	0	0	8
At 31 Decembe 2021	(51)	(105)	(2)	0	(158)
Additions	(17)	(11)	0	0	(28)
Modification	18	0	0	0	18
Disposals	0	43	0	0	43
At 31 December 2022	(50)	(73)	(2)	0	(125)
Closing net book value					
At 31 December 2021	51	18	0	14	83
At 31 December 2022	20	18	0	0	43

The Bank uses an operating lease with a notice period of one year. As of 2023, annual lease of CZK 18 million paid on a straight-line basis at the beginning of each quarter will be reduced to CZK 11 million due to a reduction in both the scope and the price of the lease. The expected residual lease period as at 1 January 2022 was 3 years. The expected residual lease period as at 1 January 2023 was 2 years. The right-of-use asset was measured at CZK 20 million as at 1 January 2023.

17 | INTANGIBLE ASSETS

(MCZK)	2022	2021
Intangible assets		
Cost at 1 January	**382**	**361**
Additions	17	22
Disposals/transfers	(1)	(1)
Cost at 31 January	**398**	**382**
Accumulated amortisation at 1 January	**(369)**	**(351)**
Additions	(17)	(19)
Disposals/transfers	1	1
Accumulated amortisation at 31 December	**(385)**	**(369)**
Net book amount at 1 January	**13**	**10**
Net book amount at 31 December	**13**	**13**

18 | OTHER ASSETS

(MCZK)	2022	2021
Expected insurance payments from assigned loans	2,797	586
Prepayments and accrued income	9	12
Value added tax	0	8
Receivables from various debtors	0	1
Other receivables gross	23	41
Allowance for other receivables	(6)	(36)
Total other assets	**2,823**	**612**
Remaining maturity:		
Current other assets	1,031	611
Non-current other assets	1,792	1

19 | FINANCIAL LIABILITIES AT AMORTISED COST

Total financial liabilities at amortised cost

(MCZK)	2022	2021
Financial liabilities to credit institutions at amortised cost	5,435	5,503
Financial liabilities to other customers at amortised cost	2,442	3,196
Deposits, loans and other financial liabilities at amortised cost	7,877	8,699
Issued debt securities at amortised cost	15,516	18,661
Total financial liabilities at amortised cost	**23,393**	**27,360**
Remaining maturity:		
Short-term payables at amortised cost	6,330	5,426
Long-term payables at amortised cost	17,063	21,934

Financial liabilities to credit institutions at amortised cost

(MCZK)	2022	2021
Deposits received	0	14
Borrowings	5,435	5,489
Total financial liabilities to credit institutions at amortised cost	**5,435**	**5,503**
Remaining maturity:		
Total short-term payables to credit institutions	8	18
Total long-term payables to credit institutions	5,427	5,485

Financial liabilities to other customers at amortised cost

(MCZK)	2022	2021
Current accounts	620	1,113
Term deposits	1,807	2,024
Escrow accounts	15	59
Total financial liabilities to other customers at amortised cost	**2,442**	**3,196**
Remaining maturity:		
Total short-term payables to other customers	1,439	2,698
Total long-term payables to other customers	1,003	498

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 decreased only slightly in 2022 (2021 – decreased by CZK 1,111 million). Liabilities to other customers decreased by CZK 754 million in 2022 (2021 – increased by CZK 1,107 million). Liabilities from issued bonds decreased by CZK 3,145 million (2021 – decreased by CZK 5,658 million).

Financial liabilities at amortised cost arising from issued debt securities

(MCZK)				2022
ISIN	**Currency**	**Issue date**	**Maturity date**	**Amortised cost**
XS0911304326	EUR	8 April 2013	8 April 2025	985
XS1121094632	EUR	16 October 2014	16 October 2024	3,635
XS1210661572	EUR	1 April 2015	3 April 2023	2,423
XS2353477685	EUR	17 June 2021	17 June 2027	2,428
XS2354449923	EUR	16 June 2021	16 June 2023	2,415
XS2344000299	EUR	19 May 2021	19 May 2025	2,418
XS0849907281	EUR	5 November 2012	5 November 2024	1,212
Issued debt securities at amortised cost				**15,516**
Remaining maturity:				
Current				4,883
Non-current				10,633

(MCZK)				2021
ISIN	**Currency**	**Issue date**	**Maturity date**	**Amortised cost**
XS0828623073	EUR	3 October 2012	3 October 2022	1,251
XS0850460634	EUR	15 November 2012	15 November 2022	1,431
XS1210661572	EUR	1 April 2015	3 April 2023	2,485
XS2354449923	EUR	16 June 2021	16 June 2023	2,499
XS1121094632	EUR	16 October 2014	16 October 2024	3,729
XS0849907281	EUR	5 November 2012	5 November 2024	1,249
XS0911304326	EUR	8 April 2013	8 April 2025	1,015
XS2344000299	EUR	19 May 2021	19 May 2025	2,496
XS2353477685	EUR	17 June 2021	17 June 2027	2,507
Issued debt securities at amortised cost				**18,661**
Remaining maturity:				
Current				2,710
Non-current				15,951

The Bank is entitled to early redeem bond XS2353477685 in the nominal value of EUR 100 million as at the coupon payment date of 17 June 2025.

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

20 | OTHER LIABILITIES

(MCZK)	2022	2021
Lease payables	21	53
Accruals and deferrals	9	10
Tax liabilities	1	2
Liabilities to different creditors	570	510
of which financial collateral	*454*	*445*
Total other liabilities	**601**	**575**

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 53 million. Annual lease of CZK 18 million was paid on a straight-line basis at the beginning of each quarter. At the end of 2022, the scope and the price of the lease were reduced. At the end of 2022, lease liabilities were reduced by CZK 14 million to CZK 21 million due to modification. The revised borrowing interest rate was set at 5.94 % Liabilities from short-term leases and low-value leases were immaterial as at both 1 January 2022 and 31 December 2022.

21 | PROVISIONS

(MCZK)	Note	2022	2021
Provisions for financial guarantees			
At 1 January		**50**	**65**
Creation / (reversal) of provision	3b	(16)	(14)
Exchange rate gains or losses		(1)	1
At 31 December		**33**	**50**
Provisions for loan commitments			
At 1 January		**30**	**20**
Creation / (reversal) of provision	3b	34	10
Exchange rate gains or losses		(1)	0
At 31 December		**63**	**30**
Provisions for deferred compensation including insurance payments			
At 1 January		**29**	**35**
Creation of provision	9	4	6
Release of provision	9	(1)	(1)
Usage of provision	9	(17)	(11)
At 31 December		**15**	**29**
Provisions for employee benefits			
At 1 January		**12**	**5**
Creation of provision	9	3	12
Release of provision	9	(4)	(4)
Usage of provision	9	(5)	(1)
At 31 December		**6**	**12**
Provision for penalty and default interest			
At 1 January		**118**	**118**
Creation of provision		0	0
Release of provision		(118)	0
At 31 December		0	118
Provisions for litigations			
At 1 January		**76**	**0**
Creation of provision		0	75
Release of provision		0	0
Exchange rate gains or losses		(2)	1
At 31 December		**74**	**76**
Total provisions		**191**	**315**

In 2020, the Bank created a provision for penalties and interest on late payments of CZK 118 million in relation to the potential additional corporate tax liability resulting from a tax inspection completed in July 2021. This provision was released as the Appellate Financial Directorate annulled the Specialised Tax Office's decision on additional tax and the entire proceeding was terminated upon a final judgement. Together with this provision, the provision for tax liability was released as shown in table No. 11.

In 2021, the Bank created a provision for legal costs of litigations conducted abroad of CZK 75 million.

Considering the circumstances of the case and the legal environment, the provision was estimated at the upper limit of the possible range, with the final amount to be decided by the local court.

22 | DEFERRED INCOME TAXES

Deferred income tax for 2022 is calculated using a tax rate for years of expected use of the deferred tax in the amount of 19% for 2022 and the following years.

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

(MCZK)	Note	2022	2021
At 1 January		**30**	**9**
Change in property, plant and equipment and intangible asset		0	0
Change in provisions for employee benefits		(3)	1
Change in provisions for litigation		0	14
Total deferred tax asset presented in the income statement		(3)	15
Change in debt securities at FV recognized in the OCI	24	3	6
At 31 December		**30**	**30**

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

(MCZK)	2022	2021
Deferred tax on debt securities at FV recognized in OCI	5	2
Deferred tax on property, plant and equipment and intangible assets	1	1
Deferred tax on employee benefits reserves	10	13
Deferred tax on the provision for litigation	14	14
Net deferred income tax assets/(liability)	**30**	**30**

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.

(MCZK)	Number of shares No.	Nominal value per share	Total nominal value	Share (%)
31 December 2022				
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 2021				
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**

24 | REVALUATION RESERVE

(MCZK)	Note	2022	2021
Debt securities at fair value recognized in OCI			
At 1 January		**8**	**16**
Changes in fair value		(13)	(30)
Deferred tax	22	3	6
Total change		**(10)**	**(24)**
At 31 December		**(18)**	**(8)**

25 | RESERVES

Statutory reserve fund

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 2022, it increased by CZK 18 million by allocating the 2021 profit. The closing balance of the reserve was CZK 820 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 2022, the fund was increased by CZK 340 million, a share of the 2021 profit distribution. The balance of the fund amounts to CZK 1,843 million.

26 | 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 ordinary 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.

(MCZK)					2022
*)	Ministry of Finance of the Czech Republic	Exportní garanční a pojišťovací společnost, a.s.	Czech National Bank	Českomoravská záruční a rozvojová banka, a.s./ Národní rozvojová banka	Total
Cash with the central bank and deposits repayable on demand	0	0	1,810	0	1,810
Loans and receivables at amortised cost	0	0	8,747	0	8,747
Debt instruments at amortised cost	755	0	0	0	755
Debt securities at fair value recognised in OCI	1,184	0	0	0	1,184
Right of use	0	20	0	0	20
Other receivables	0	13	0	0	13
Expected insurance payments from assigned loans	0	2,796	0	0	2,796
Financial liabilities measured at amortised cost	0	(1,731)	0	0	(1,731)
Lease liabilities	0	(21)	0	0	(21)
Interest expense	0	(26)	0	0	(26)
Interest income	66	0	200	3	269
Net profit or (loss) on financial operations, including state subsidy, including attributable exchange rate gains or losses	(4)	(100)	(124)	0	(228)
Right-of-use asset depreciation	0	(17)	0	0	(17)
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	(3)	0	(18)	0	(21)
Received guarantees and loan securities, receivables and loan commitments	0	(15,150)	0	0	(15,150)
Received collaterals – securities	0	0	(1,177)	0	(1,177)

*) positive numbers – assets/contingent liabilities and income; negative numbers – liabilities/contingent assets and expenses.

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

(MCZK)					2021
*)	Ministry of Finance of the Czech Republic	Exportní garanční a pojišťovací společnost, a.s.	Czech National Bank	Českomoravská záruční a rozvojová banka, a.s./ Národní rozvojová banka	Total
Cash with the central bank and deposits repayable on demand	0	0	4,556	0	4,556
Loans and receivables at amortised cost	0	0	4,764	0	4,764
Debt instruments at amortised cost	1,114	0	0	0	1,114
Debt securities at fair value recognised in OCI	1,297	0	0	0	1,297
Right of use	0	53	0	0	51
Other receivables	0	3	0	0	3
Expected insurance payments from assigned loans	0	586	0	0	586
Financial liabilities measured at amortised cost	0	(1,933)	0	0	(1,934)
Lease liabilities	0	(53)	0	0	(53)
Interest expense	0	(12)	0	0	(12)
Interest income	44	0	29	0	73
Net profit or (loss) on financial operations, including state subsidy, including attributable exchange rate gains or losses	(28)	(75)	(98)	0	(201)
Right-of-use asset depreciation	0	(18)	0	0	(17)
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	0	0	0	0	0
Received guarantees and loan securities, receivables and loan commitments	0	(21,092)	0	0	(21,092)
Received collaterals – securities	0	0	(392)	0	(392)

*) positive numbers – assets/contingent liabilities and income; negative numbers – liabilities/contingent assets and expenses.

Salaries and bonuses paid to members of the Board of Directors and the Supervisory Board are disclosed in Note 9. The Bank does not record any other items of receivables or liabilities in respect of members of the Board of Directors and the Supervisory Board.

27 | SUBSEQUENT EVENTS

On 10 March 2023, the membership of Jiří Schneller on the Bank's Board of Directors was terminated by the decision of the general meeting.

Date of preparation: 27 March 2023

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

Daniel Krumpolc
Chairman of the Board of Directors
and CEO

Emil Holan
Member of the Board of Director
and Deputy CEO

04

Report on Relations

4 | Report on Relations between Related Parties for the period from 1 January 2022 to 31 December 2022

Report on relations between related parties prepared in accordance with Section 82 (1) of Act No. 90/2012 Coll., on Corporations and Cooperatives (Act on Corporations), as amended

Company name:	Česká exportní banka, a.s. (the "Bank")
Registered office:	Praha 1, Vodičkova 34 č. p. 701, post code 111 21
Corporate ID:	63078333
Tax ID:	CZ63078333
Recorded in the Register of Companies:	Municipal Court in Prague, File B, Insert 3042

4.1 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.

Ministry of Finance of the Czech Republic **84%**

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

For information on other related parties, refer to Appendix 1

4.2 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 compliance with 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.

4.3 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 – Ministry of Finance of the Czech Republic	**84% of shares**
with its registered office at Letenská 15, Prague 1, post code 118 10, corporate ID 00006947	4,200 votes
2. Exportní garanční a pojišťovací společnost, a.s.	**16% of shares**
with its registered office at Vodičkova 34, Praha 1, post code111 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.

4.4 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.

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

Agreement on the Insurance of Export Credit Risks		
1. Insurance contract	No. 202002705	as of 10 November 2022
2. Insurance contract	No. 107011711	as of 20 May 2022
3. Insurance contract	No. 107011755	as of 30 September 2022

Amendments to Individual Insurance Contracts			
1. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011248
2. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011259
3. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011182
4. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011226
5. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011193
6. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011204
7. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011237
8. Amendment No. 03	as of 26 July 2022	to insurance contract	No. 107011171
9. Amendment No. 04	as of 30 December 2022	to insurance contract	No. 107011171
10. Amendment No. 04	zas of 30 December 2022	to insurance contract	No. 107011248
11. Amendment No. 04	as of 30 December 2022	to insurance contract	No. 107011259
12. Amendment No. 04	as of 30 December 2022	to insurance contract	No. 107011182
13. Amendment No. 04	as of 30 December 2022	to insurance contract	No. 107011226
14. Amendment No. 04	as of 30 December 2022	to insurance contract	No. 107011193
15. Amendment No. 04	as of 30 December 2022	to insurance contract	No. 107011204
16. Amendment No. 04	as of 30 December 2022	to insurance contract	No. 107011237
17. Amendment No. 12	zas of 5 December 2022	to insurance contract	No. 133004813
18. Amendment No.. 09	as of 5 December 2022	to insurance contract	No. 135005164
19. Amendment No.. 12	as of 5 December 2022	to insurance contract	No. 137001915
20. Amendment No. 08	as of 5 December 2022	to insurance contract	No. 137001926
21. Amendment No. 08	as of 5 December 2022	to insurance contract	No. 133004824
22. Amendment No. 05	as of 24 January 2022	to insurance contract	No. 135006637
23. Amendment No. 06	as of 28 April 2022	to insurance contract	No. 135006637
24. Amendment No. 07	as of 27 May 2022	to insurance contract	No. 135006637
25. Amendment No. 08	as of 21 July 2022	to insurance contract	No. 135006637
26. Amendment No. 03	as of 13 May 2022	to insurance contract	No. 107011272
27. Amendment No. 04	as of 14 September 2022	to insurance contract	No. 107011272

Insurance Rulings			
1. Insurance ruling	No. 01 dated 9 June 2022	to insurance contract	No. 107011711
2. Insurance ruling	No. 02 dated 9 June 2022	to insurance contract	No. 107011711
3. Insurance ruling	No. 03 dated 9 June 2022	to insurance contract	No. 107011711
4. Insurance ruling	No. 04 dated 9 June 2022	to insurance contract	No. 107011711
5. Insurance ruling	No. 05 dated 21 June 2022	to insurance contract	No. 107011711
6. Insurance ruling	No. 06 dated 21 June 2022	to insurance contract	No. 107011711
7. Insurance ruling	No. 07 dated 21 June 2022	to insurance contract	No. 107011711
8. Insurance ruling	No. 01 dated 10 October 2022	to insurance contract	No. 107011755
9. Insurance ruling	No. 02 dated 10 October 2022	to insurance contract	No. 107011755
10. Insurance ruling	No. 03 dated 10 October 2022	to insurance contract	No. 107011755
11. Insurance ruling	No. 04 dated 10 October 2022	to insurance contract	No. 107011755
12. Insurance ruling	No. 05 dated 30 November 2022	to insurance contract	No. 107011755
13. Insurance ruling	No. 06 dated 30 November 2022	to insurance contract	No. 107011755
14. Insurance ruling	No. 07 dated 1 February 2022	to insurance contract	No. 202002334
15. Insurance ruling	No. 01 dated 1 December 2022	to insurance contract	No. 202002705
16. Insurance ruling	No. 02 dated 8 December 2022	to insurance contract	No. 202002705
17. Insurance ruling	No. 03 dated 16 December 2022	to insurance contract	No. 2020027051

Other types of agreements

1. Settlement Agreement dated 29 September 2022 to insurance contract No. 107008291

Insurance contracts with CEB effective as at 31 December 2022 (including agreements concluded in 2022)

Characteristics of the contracts	Number
One-time insurance contract, type If	1
One-time insurance contracts, type Z	7
One-time insurance contracts, type D	23
Total one-time insurance contracts in effect as at 31 December 2022	**31**
Limit insurance contracts, type Bf, including insurance rulings on those contracts	12
Limit insurance contracts, type D, including insurance rulings on those contracts	28
Total limit insurance contracts and insurance rulings issued on the limit insurance contracts (including rulings on limit insurance contacts concluded in prior years) in effect as at 31 December 2022	**40**
Total number of insurance contracts (including insurance rulings on limit insurance contracts) In effect as at 31 December 2022	**71**

Insurance contracts and amendments to insurance contracts with EGAP concluded between 1 January and 31 December 2022

Characteristics of the contracts/amendments	Number
Amendments to insurance contracts, type Z	9
New limit insurance contracts, type Bf	1
New limit insurance contracts, type D	2
Amendments to insurance contracts, type D	18
Total new one-time and limit insurance contracts and amendments	**30**
Insurance rulings on the limit insurance contracts, type Bf, issued in 2022	4
Insurance rulings on the limit insurance contracts, type D, issued in 2022	13
Total new insurance rulings and amendment thereto issued on limit insurance contracts (including rulings on limit insurance contacts concluded in prior years)	**17**
Total new insurance contracts, amendments to insurance contracts concluded in 2022 and insurance rulings on insurance agreements concluded in 2022 (including rulings on limit insurance contacts concluded in prior years)	**47**

Contracts and amendments concluded with EGAP from 1 January 2022 to 31 December 2022

- Lease agreement dated 9 December 2022 and effective from 1 January 2023
- Amendment No. 4 to the agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts as of 17 June 2022

Other agreements with EGAP in effect from 1 January 2022 to 31 December 2022

- Agreement on temporary assignment of employees (concluded under Section 1746 of Act No. 89/2012 Coll., the Civil Code, as amended) dated 28 May 2020, effective from 1 June 2020 to 30 June 2020. Subsequently, upon repeated requests by EGAP and with the consent of CEB, the agreement was extended also in 2022 to cover the temporary assignment of one employee until September 2022.
- Agreement on the lease of non-residential premises dated 1 April 1998, effective until 31 December 2022, as amended by Amendments 1 – 11.
- Agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts dated 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 dated 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 dated 17 April 2019
- 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 dated 30 September 2020
- Agreement on commercial current accounts No. 21684 dated 23 April 2014
- Amendment No. 1 to the agreement on commercial current accounts No. 21684 dated 10 August 2020 I Amendment No. 2 to the agreement on commercial current accounts No. 21684 dated 7 October 2020 I Framework agreement on trading on the financial market dated 4 April 2011
- 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 dated 26 June 2008
- Agreement on the protection and non-disclosure of confidential information between CEB, a.s. and EGAP, a.s. dated 11 November 2015
- Cooperation agreement in providing support to SMEs between CEB, a.s., CMZRB, a.s., EGAP, a.s. and Raiffeisenbank a.s. dated 10 December 2009
- Cooperation agreement in providing support to SMEs between CEB, a.s., CMZRB, a.s., EGAP, a.s. and KB, a.s. dated 6 October 2009
- Agreement on using compatible media in payments dated 6 November 2000 – terminated as at 30 November 2022

Other agreements concluded with the National Development Bank (NDB)

- Agreement on the settlement of over-the-counter deals and transactions No. 01/2015MOT dated 14 October 2015

Other agreements concluded with the Ministry of Finance of the Czech Republic in effect from 1 January 2022 to 31 December 2022

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

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

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.

4.6 Advantages and Disadvantages Arising from Relations between the Controlling Entities 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 and conditions of supported financing in order to meet the current needs of Czech exporters and export suppliers during export transactions and the terms and conditions for supporting the export-oriented companies in strengthening their international competitiveness;
- More efficient cooperation with key ministries (such as the Ministry of Industry and Trade, the Ministry of Foreign Affairs, and the Ministry of Defence) in fulfilling the state's pro-export policy priorities;
- Possibility of obtaining rating at the sovereign level;
- 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.

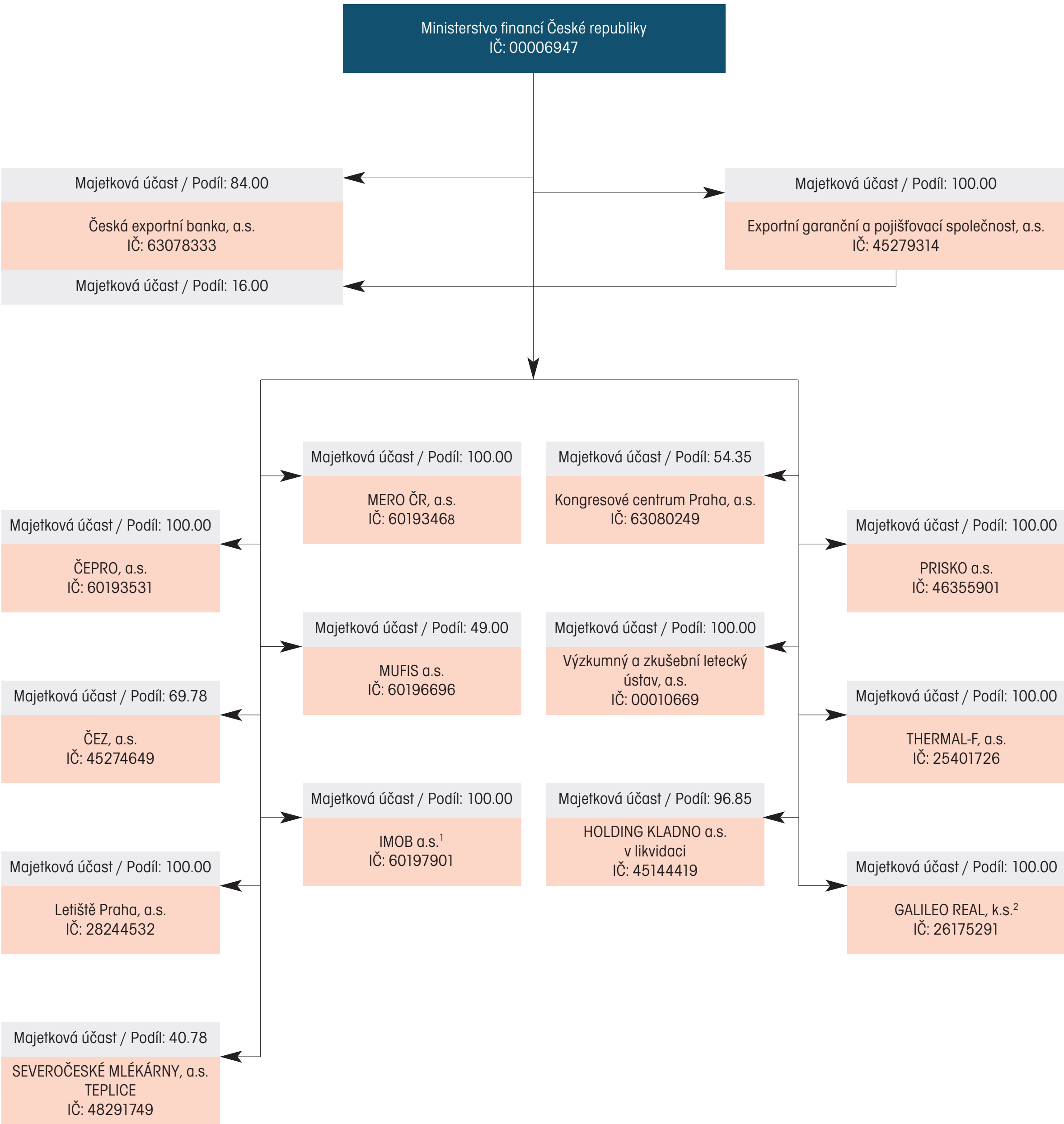
Prague, 27 March 2023

Ing. Daniel Krumpolc
Chairman of the Board of Directors
and CEO

Ing. Emil Holan
Vice-Chairman of the Board of Directors
and Deputy CEO

Seznam akciových společností ovládaných akcionáři s akciovým podílem ve výši 40–100 %

Ministerstvo financí ČR



[1] IMOB a.s. – uvedena do likvidace, zapsáno do VR 1. 12. 2020

[2] GALILEO REAL, k.s. – uvedena do likvidace, zapsáno do VR 1. 12. 2020