ČESKÁ EXPORTNÍ BANKA ANNUAL REPORT 2021

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

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

ČESKÁ EXPORTNÍ BANKA
CZECH EXPORT BANK

Foreword by the Chairman of the Board of Directors

Dear shareholders, business partners,

2021 has been largely affected by the lasting effects of the global COVID-19 pandemic on international trade. Disruption of national and international supplier-customer relations, postponement of strategic and investment decisions by foreign partners, restrictions on international travel, and reduced possibilities of contacts with foreign customers – all of these affected the number of concluded export contracts, for which the credit and guarantee products of Česká exportní banka, a.s., (CEB) are normally provided as a part of the state support to exports.

Despite these limitations, domestic exporters, with the aid of CEB's stated supported financing, managed to gain export contracts in the amount of CZK 7.19 billion in 2021. The Bank's guarantee products played a key role in this regard. In total for the year, CEB provided supported financing products in the amount of CZK 2.12 billion to Czech exporters, which is an increase of more than 114% compared to the previous year.

As part a part of the long-term goal to gradually reduce the share of high-risk receivables in its portfolio, CEB managed to achieve a 90% reduction in high-risk receivables in 2021 compared to 2015. The successful sale of the receivable from Adularya Enerji Elektrik A.S. in the beginning of 2022 finally closed the case of an unfinished project of a lignite power plant in Turkey, reducing the share of the Bank's high-risk receivables below 5%.

CEB continues to generate profit before tax, totalling CZK 423 million in 2021. After-tax, the Bank made a profit of CZK 358 million last year, which is more than twice the amount achieved in 2020.

The continuing effects of the global COVID-19 pandemic, and the current security situation affected by the Russian-Ukrainian conflict bring an unprecedented level of uncertainty in several areas, including international trade. Significant inflationary pressures, possible shortages of commodities, and an effort to protect own strategic interests will be the determining factors in the upcoming periods. Therefore, it is important that CEB, in cooperation with Exportní garanční a pojišťovací společnost, a.s. (EGAP), continues to complement the commercial banking sector in supporting the internationalization and successful international expansion of Czech exporters, while at the same time, in cooperation with professional associations and chambers, bringing new products and solutions responding to the exporters' current needs.

To conclude, allow me to thank you, our shareholders and business partners, for your cooperation in these challenging times. I would also like to thank the employees of Česká exportní banka, a.s. for their continuous commitment to providing high quality services to our partners.

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

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Auditor's report

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

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

This document is an unsigned English translation of the Czech independent auditor's report that we issued on 28 March 2022 on the statutory financial statements included in the annual 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 report has not been prepared in accordance with the ESEF Regulation and therefore does not represent a statutory annual 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 report with the statutory and legally binding annual report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying annual 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 2021, 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 2021 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 2021, gross loans and advances to customers amount to CZK 22,935 million and related impairment allowance amounts to CZK 786 million, financial guarantees issued amount to CZK 1,593 million and related impairment provision amounts to CZK 51 million (31 December 2020, loans and advances to customers: CZK 30,554 million, impairment allowance: CZK 1,276 million, financial guarantees provided to customers: CZK 1,742 million and impairment provision: CZK 65 million).

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

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”) 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.	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 rating of borrowers and identifying indicators of default, significantly increased credit risk, and allocating of Loans and Guarantees to Stages. We tested the design, implementation and operating effectiveness of selected IT-based and manual controls over the drawing of loans and the receipt of borrowers’ repayments and their matching to scheduled loan instalments. We also tested design and implementation of

Key audit matter	How the audit matter was addressed
Key judgements and assumptions relevant to the determination of ECLs for the Stage 1 Loans and Guarantees comprise: • Definition of default and of significant increase in credit risk; • Exposure at default (EAD), determined as gross carrying amount decreased by the value of underlying collateral (primarily created by insurance contracts, bank guarantees or cash); • Expected loss ratio, estimated by statistical model using historical internal data about defaults of loans and related losses; • Upscale factor reflecting forward-looking information (FLI), determined by 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: • Definition of default and of significant increase in credit risk; • Probabilities of cash flow projections; • Estimated amounts and timing of future cash repayments, including cash flows from underlying collateral. We consider the area to be associated with a significant risk of material misstatement and high estimation uncertainty. As such it required our increased attention in the audit and we determined it to be a key audit matter.	selected controls over the ECL measurement. We assessed whether the definition of default and the financial reporting standards' staging criteria were consistently applied. We also assessed whether the definition of default applied is appropriate based on the requirements of the 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 value of collateral by reference to the underlying conditions of collateral agreements or balances of cash collateral. For a sample of Stage 1 *unsecured* exposures, we challenged the EAD, 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 assessed the reasonableness of the collateral values to underlying conditions of collateral agreements or balances of cash collateral. We examined whether the Company's loan impairment and credit risk-related disclosures in the financial statements appropriately include and describe 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 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 1 year.

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 23 March 2022 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 and its controlled undertakings 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 2021 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 2021, based on which this independent auditor’s report has been prepared.

Prague
28 March 2022

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

Jindřich Vašina
Partner
Registration number 2059

Contents

Key indicators

Key indicators

	unit	2021	2020
Financial results[1]			
Net interest income	CZK million	681	780
Net fee and commission income	CZK million	25	13
Operating income	CZK million	(3)	127
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	CZK million	103	159
Total operating expenses	CZK million	(314)	(604)
Income tax	CZK million	(65)	(273)
Net profit	CZK million	358	164
Balance sheet			
Total assets	CZK million	35,952	41,236
Amounts due from entities other than credit institutions at amortised cost	CZK million	22,149	29,278
Amounts due from credit institutions at amortised cost	CZK million	5,876	5,191
Financial liabilities to entities other than credit institutions at amortised cost	CZK million	3,196	2,089
Total financial liabilities to credit institutions at amortised cost	CZK million	5,503	6,614
Issued bonds	CZK million	18,661	24,319
Total equity	CZK million	7,655	7,322
Ratios			
Return on average assets (ROAA)	%	0.92	0.36
Return on average equity (ROAE)	%	4.92	2.30
Total capital ratio	%	142.90	106.90
Assets per employee	CZK million	283.09	314.78
Administrative expenses per employee	CZK million	(2.02)	(1.96)
Headcount (as of 31 December)	CZK million	2.82	1.25
Other information			
Average headcount	employees	127	137
Headcount (as at 31 December)	employees	127	131
Guarantees issued	CZK million	1,593	1,742
Loan commitments	CZK million	2,147	2,881
Rating – long-term payables			
Moody's	–	Aa3	Aa3
Standard & Poor's	–	AA-	AA-

Source: CEB

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

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

Total operating expenses
Administrative expenses + Amortisation and depreciation + Other operating expenses Source: PROFIT AND LOSS ACCOUNT (FINREP)

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 the year-end.
Assets per employee
Total assets for the reporting period divided by average headcount.
Administrative expenses per employee
Administrative expenses for the reporting period divided by average headcount.
Net profit per employee
Net profit for the reporting period divided by average headcount.

1

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
- m) Trading on the Bank's own account or on the client's account in foreign currencies that are not investment instruments and in gold to the extent of the following:

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

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

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

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

Overview of Activities the Performance or Provision of which was Limited or Eliminated by the Czech National Bank in 2021: No activities have been limited or eliminated.

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

Registered office:	Prague 1 Vodičkova 701/34 Post code 111 21
Legal form:	joint stock company
Corporate ID:	63078333
Telephone:	+420 222 841 100
E-mail:	ceb@ceb.cz
Website:	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 2021:

Act No. 110/2019 Coll.,	on Personal Data Protection;
Act No. 250/2016 Coll.,	on Liability on Administrative Offences and related Procedures;
Act No. 370/2017 Coll.,	on 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.,	the 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 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);

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 under file No. B 3042/SL 186/MSPH of the Municipal Court in Prague.

On the website of the Commercial Register – Collection of Deeds, the updated version of 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. Additional Information on CEB

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").

Under Section 8 (1) (b) of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, the state is held liable for the obligations of CEB arising from payments of funds received by CEB and for obligations arising from other CEB's operations 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. CEB does not perform any environmental activities on its own.

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 Business Corporations and Cooperatives (Act on Business Corporations). CEB's regulation base specifies further provisions on specific areas concerning employment relations and executive functions in its internal policies (statutory norms, guidelines, internal policies, codes, strategies). These include in particular the following internal policies: 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 financing possibilities to Czech manufacturers for introducing new results of research and development into production, i.e. commercialisation of tangible results of research and development with respect to export. In 2021, 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.

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.

In compliance with Section 41a 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 18,874 in 2021.

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 2021.

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 2021 as stipulated by the Czech National Bank amounted to CZK 8,427,2016.

CEB deposits the funds defined in Section 1 (6) of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, in bank accounts subordinated to the state treasury maintained by the Czech National Bank in line with budgetary rules. In 2021, CEB kept in these accounts also part of funds provided as a registered capital.

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

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

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

Supervisory Board as at 31 December 2021 *(with changes during 2021)*

Chairman	
Ing. Rudolf Rabiňák	*Substitute member from 27 June 2019 to 18 December 2019 and Chairman from 1 September 2019 to 18 December 2019 (as part of the substitute membership)* *Member and Chairman from 18 December 2019 to 27 June. 2021*
Ing. Petr Knapp	Substitute member from 18 November 2021 to 21 December 2021 and Chairman from 18 November 2021 to 21 December 2021 (as part of the substitute membership) Member and Chairman from 21 December 2021
Vice-Chairman	
Office vacant	*until 24 August. 2021*
prof. PhDr. Petr Teplý, Ph.D.	Vice-Chairman since 24 August 2021
Members	
Ing. Miroslav Zámečník	since 24 April 2017
prof. PhDr. Petr Teplý, Ph.D.	from 23 June 2014 to 23 June 2019, re-appointed as member since 24 June 2019
Ing. Ivan Duda	since 24 June 2021
Ing. Dušan Hradil	since 1 August 2021

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

Board of Directors as at 31 December 2021

Chairman **Ing. Jaroslav Výborný, MBA** Chairman of the Board of Directors / Chief Executive Officer in charge of Export Financing	*Member form 1 July 2015 to 1 July 2020 Vice-Chairman from 22 September 2016 to 26 March 2018 and Chairman from 27 March 2018 to 1 July 2020* Re-elected member since 2 July 2020 Chairman and CEO since 2 July 2020*
Vice-Chairman **Ing. Emil Holan,** Vice-Chairman of the Board of Directors, in charge of Risk Management	Member since 1 August 2018 Vice-Chairman since 2 July 2020
Member **Ing. Jiří Schneller** Member of the Board of Directors, in charge of Finance and Operations	Substitute member from 4 August 2020 to 21 December 2020

** Ing. Daniel Krumpolc was elected as Chairman of the Board of Directors and CEO since 1 March 2022*

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 monitors the process of preparing the Bank's financial statements, evaluates the effectiveness of the Bank's internal controls, internal audit and/or risk management systems. It monitors the procedure of statutory audit of the financial statements and recommends the statutory auditor.

Audit Committee as at 31 December 2021

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

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 an advisory body to CEB managers. The Credit Committee is part of the Bank's management and control system. Since 1 July 2018, this decision-making body has assumed certain competencies of the Board of Directors, such as negotiating and approving business transaction.

The composition of the Credit Committee in 2021 was as follows:

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

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

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

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

PhDr. Václav Fišer
Director of the Credit Risk Management section

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

Ing. Miloš Welser
Deputy Director of the Export Financing division

Assets and Liabilities Management Committee (ALCO)

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

The composition of ALCO in 2021 was as follows:

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

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

Members of ALCO
Ing. Jiří Schneller
Member of the Board of Directors
in charge of Finance and Operations

Ing. Miloš Welser
Deputy Director of the Export Financing division

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 for issues related to ICT management, and an advisory body to CEB managers. ITDC is part of the Bank's management and control system.

The composition of ITDC in 2020 was as follows:

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

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

Members of ITDC
Ing. Jan Bukovský
ICT Security Inspector

Ing. Hana Vondráčková
Credit Methodologist

Ing. Petr Jindrák
Director of the Banking IS Development section

Ing. Dagmar Zelisková
Statistics Analyst

Bc. Miloslav Svoboda since 1 January 2021
Director of the Banking IS Operations section

Operational Risk Management Committee (ORCO)

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

The composition of ORCO in 20210 was as follows:

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

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

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

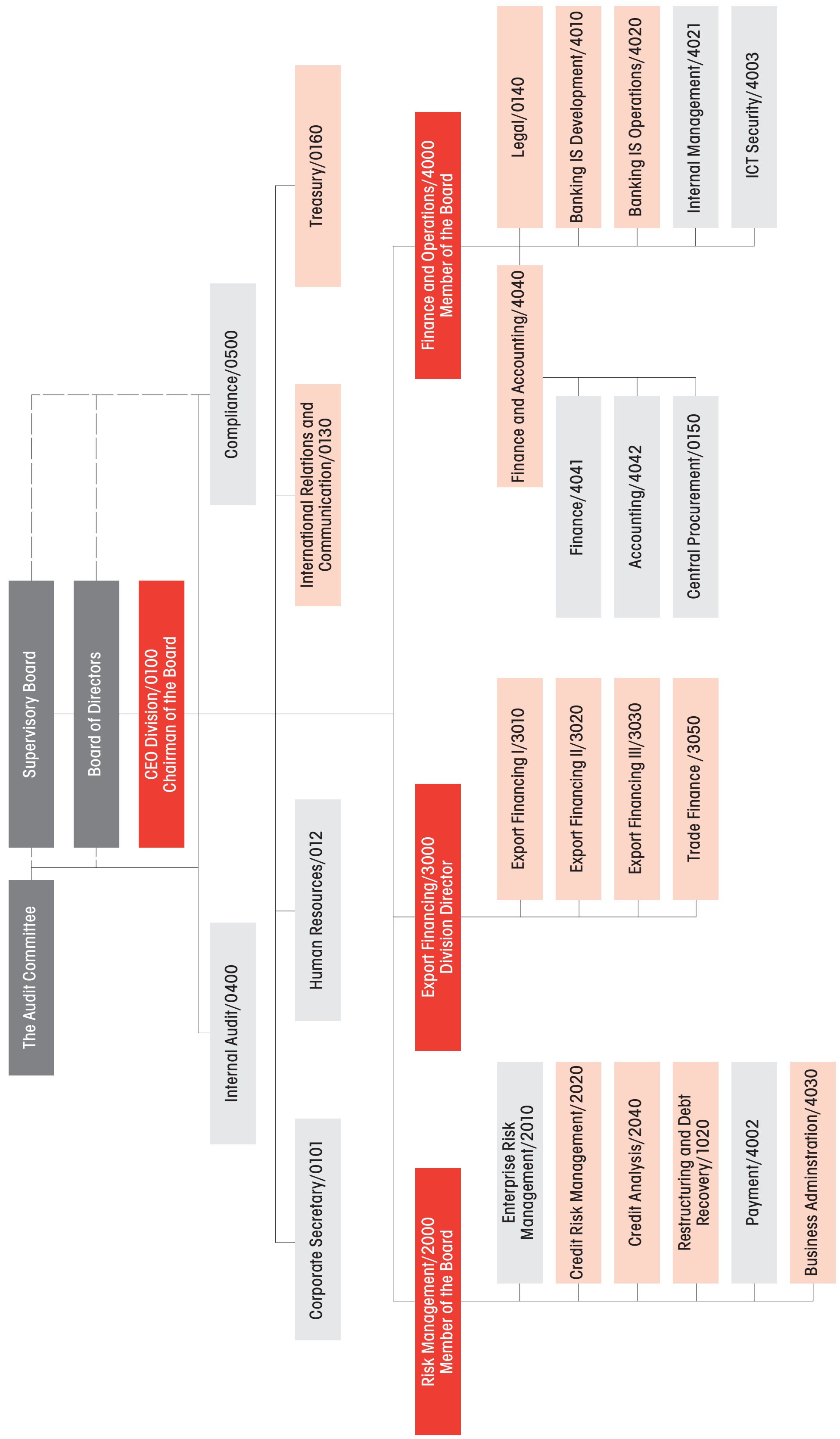
Ing. Miloš Welser
Deputy Director of the Export Financing division

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

Mgr. Ondřej Zemina
Head of the Compliance department

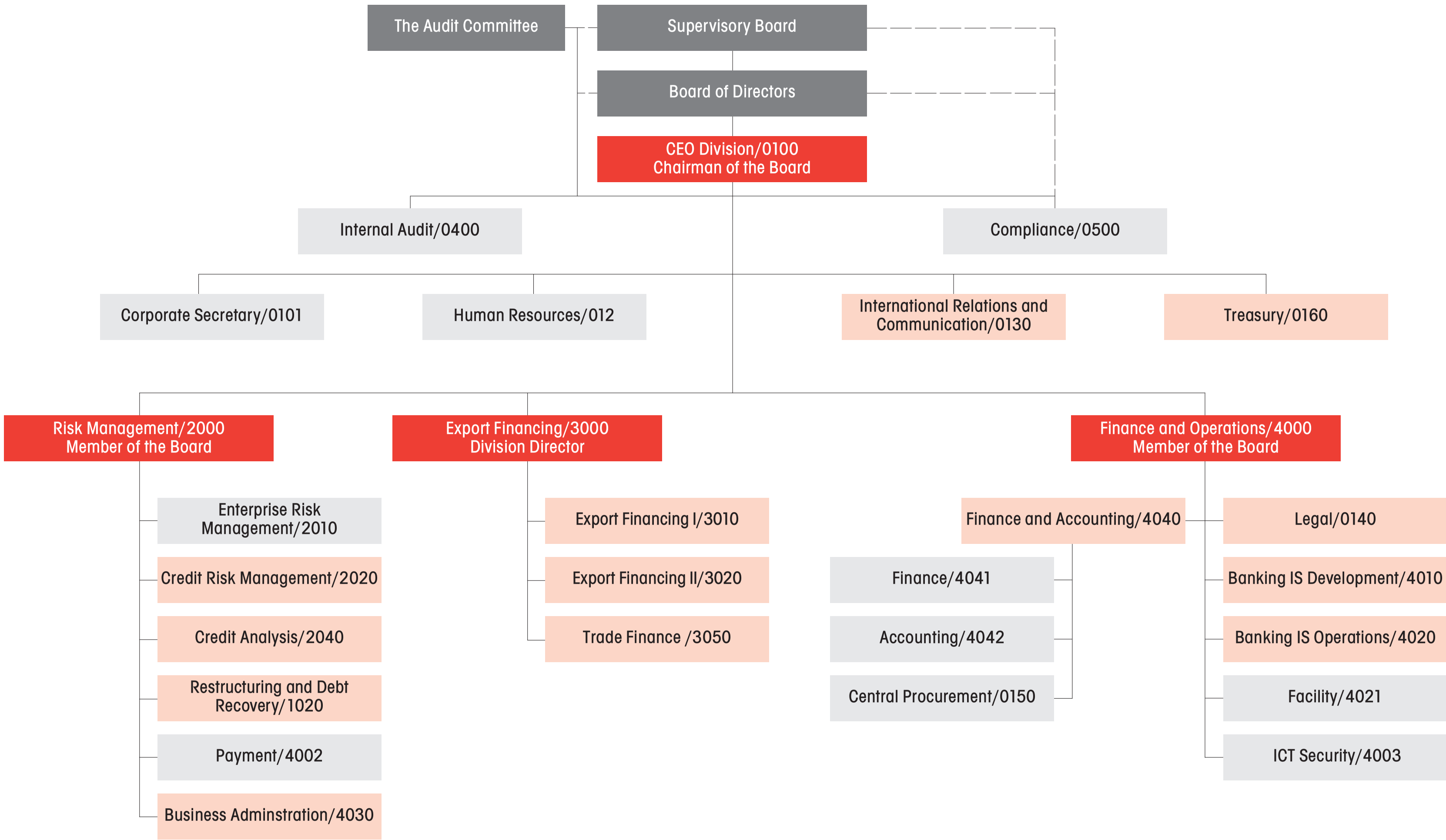
Bc. Miloslav Svoboda since 1 January 2021
Director of the Banking IS Operations section

1.6. CEB Organisation Chart



Division · Section · Department

Organizational structure of Česká exportní banka a.s., valid from 1 January 2021



Division Section Department

Organizational Structure of Česká exportní banka a.s., valid from 1 February 2021

1.7. Declaration of No Conflicts of Interest

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

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

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

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

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

2

Report of the Board of Directors

2 | Report of the Board of Directors of Česká exportní banka, a.s. on the Bank's Business Activities and its Assets and Liabilities in 2021

2.1. Overview of the Bank's Business Activity

2.1.1. Export Financing

The principal business activity of CEB is export financing, realised through products introduced in the CEB's product portfolio in accordance with the definitions set by 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 2021 reflected their needs when entering foreign markets or realising export contracts, while 2021 was still significantly affected by the impacts of the COVID-19 pandemic, both on international trade and on Czech economy.

While international trade of goods has picked up in 2021, international trade of services remained below the prior years' level. Despite the recovery, the effects of the unprecedented disruption of national and international supplier-customer relations continued, as well the uncertainty of domestic and foreign companies regarding their further development, leading to a conservative postponement of decisions on further investments. Significant restrictions of international travel reduced the possibility of face-to-face meetings, of essential importance when negotiating large volume export orders. This negatively affected the number of concluded export contracts for which CEB's loan and guarantee products are usually provided as part of the state support to exports.

In 2022, we may see a major reshaping of global trade flows due to geopolitical factors strengthening the regional flow of goods. Similarly, efforts towards a more socially and environmentally sustainable economy may affect international trade, where we expect a shift away from products with a high carbon footprint.

The need to protect individual countries' own strategic interests and commodity shortages in specific sectors may affect trade in 2022, with impacts also on Czech exporters. At the same time, significant impacts on international trade are expected due to inflationary pressures, which may negatively affect national economies and international trade flows.

In the Czech Republic, global trends combined with domestic inflationary pressures have led to the appreciation of the Czech crown, a rise in CZK interest rates, as well as a sharp increase in energy prices and unprecedented growth in the prices of other inputs. As with other segments of the Czech economy, the combination of these factors negatively affects Czech export-oriented companies.

Evaluation of CEB's results for 2021

The export financing 'ecosystem' benefits not just from CEB's credit and guarantee instruments, but also from CEB's active involvement in new projects that have the potential to open new business opportunities for Czech export-oriented companies. In 2021, the following CEB activities could certainly be included in this category:

A. As part of the system of state support to exports and after consultations with the Ministry of Finance of the Czech Republic in April 2021, CEB became a Private Sector Liaison Office, acting as a point of contact for the World Bank in the Czech Republic. Czech companies thus have a new contact point for information about tenders, business opportunities, as well as contacts, financing and other assistance in projects focusing on transactions in less developed markets organised by the World Bank and its branch, the International Finance Corporation.

B. Another milestone in the implementation of the CEB Strategy for the 2021–2022 period was the signing of a Memorandum of Cooperation between the Agency for Inter-Governmental Defence Cooperation (AMOS) of the Ministry of Defence of the Czech Republic and CEB in October 2021. The aim of the cooperation between the two institutions is to ensure the sustainability and development of technological-industrial capabilities of the defence and security industry of the Czech Republic.

Both institutions have begun to cooperate in the development of financial instruments that may be used in the sale of military and security equipment at the intergovernmental level or in sales with the support of AMOS. To meet the cooperation's set goals, a special expert team was established with the agenda to find suitable solutions to finance Czech companies' export in the defence and security industry.

Throughout 2021, CEB also actively participated in several activities of governmental institutions and professional associations in connection with export financing. As a member, CEB also took an active part in various organisations, such as the Czech Chamber of Commerce, the Confederation of Industry of the Czech Republic, the Association of Small and Medium-Sized Enterprises (AMSP), and the Banking Association (ICC CR). CEB participated in the activities of the initiative for the state support of business development: The Czech Republic – a Country for the Future (CFF), especially during its presidency in the first half of 2021. CEB has also traditionally participated in major trade fairs held in the Czech Republic (e.g., IDET – International Defence and Security Technologies Fair, and the International Engineering Fair). Other events, including participation in foreign missions, took place in cooperation with the ministries of finance, industry and trade, defence, agriculture, and the environment, the CzechTrade agency, and non-governmental organisations such as the Chamber of Commerce of the Czech Republic, ICC CR, Brno Trade Fairs, Association of Industrial Plants Suppliers (SDIC), All for Power, and the Modern Energy Union.

CEB has been carefully assessing the impacts of the COVID-19 pandemic on the Czech and international economic situation, both from the perspective of the needs of Czech export manufactures/producers, exporters and investors and the possibilities of their support, and from the perspective of possible effect on the quality of the Bank's credit portfolio. CEB provides its products while applying a non-discriminatory and non-preferential policy with respect to Czech applicants for supported financing, in combination with a conservative policy of assessing the creditworthiness of entities and the risks of transactions, industries and territories and the respective limits.

Despite the restrictions in face-to-face communication, CEB kept in touch with Czech export-oriented companies as regards their prepared export plans. Communication with clients took place by phone or via the Webex application, as well as in person, while observing strict health-protection measures. Accordingly, CEB carried out meetings with more than 300 Czech export-oriented companies in 2021 and issued tens of indicative offers to support them. As a part of its services to export-oriented companies, CEB continued to provide free-of-charge consultations on contemplated export contracts, in a higher than standard scope and quality.

The effects of the COVID-19 pandemic, noticeable in the much slower responsiveness of counter parties, which CEB already observed in 2020, were also felt in 2021. Investment decisions were postponed or even cancelled by foreign customers, which had an impact on the expected total volumes of products provided for 2021. Another factor affecting the overall result achieved was the fact that ČEB did not take up some of the of Czech export-oriented companies' demands in 2021, for reasons of prudence, due to the increased risk aspects of the demanded transactions.

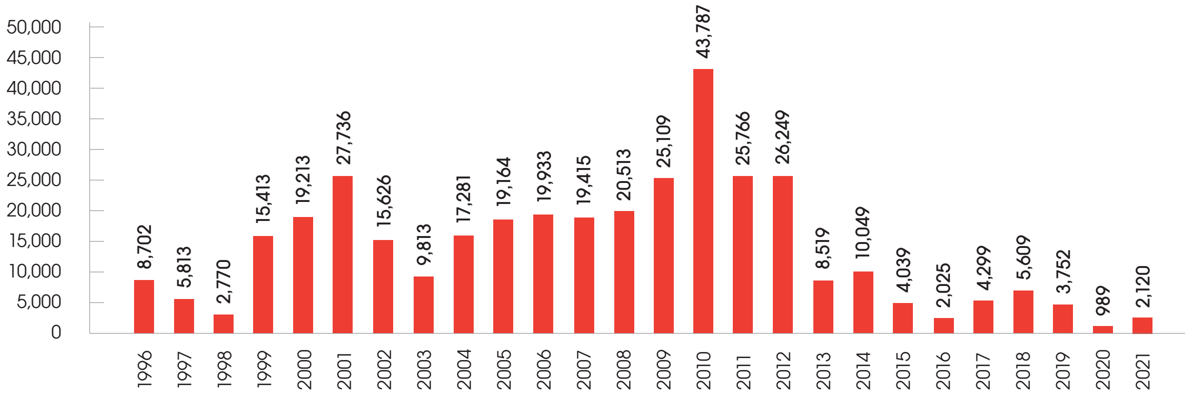
In its traditional activities, i.e., export financing, CEB's role consisted in supporting Czech export-oriented companies with guarantee and credit products strictly linked to the existence of a specific export contract, as stipulated in the current wording of Act No. 58/1995 Coll. The volume and number 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 are products related to:

- the acquisition of foreign contracts (non-payment guarantee as a necessary condition for the conclusion of an export contract)
- financing of the implementation of export orders, by credits for Czech export manufacturers or exporters
- acceleration of collection in the form of purchases of receivables or loans to foreign customers.

In 2021, CEB provided supported financing to Czech producers and exporters in the total volume of CZK 2,120.51 million (Figure 1), which represents an increase of 114.43% compared to 2020. In terms of numbers, CEB provided a total of 571 products in 2021 (of which 515 products were sub-purchases under framework contracts), which represents an increase of 534.44% compared to 2020. The volume of export contracts won by Czech exporters thanks to the use of CEB products in 2021 amounts to CZK 7,193.8 million[1].

In 2021, guarantee instruments were of great importance for Czech exporters, as without them it would have been impossible to win foreign contracts. Thanks to non-payment guarantees of approximately CZK 1,295.90 million, export contracts totalling approximately CZK 5,355.9 million[2] were won. The export contracts realised with CEB's support were also positively affected by credits of CZK 195.60, supporting export contracts totalling CZK 1,220.1 million[3].

Volume of signed contracts between 1996 and 2021 (in CZK million) | Figure 1



Source: CEB

The result for 2021 in respect of the number of Czech companies served was affected by the aforementioned negative influences, with 17 Czech companies provided with support as applicants for supported financing, which corresponds to the 2014–2017 level.

Apart from the volumes reported, CEB also initiated / processed 26 export letters of credit in the total volume of approximately CZK 4.937 billion, based on requirements of Czech exporters and their foreign customers.

The Bank's transactions comprising the insurance from Exportní garanční a pojišťovací společnost, a.s. ("EGAP") in 2021 account for approximately 3.74% of the volume of CEB's new products and 3.85% of the number of newly concluded contracts.

The Czech crown equivalent of the total volume drawn under credit contracts and purchased receivables amounted to CZK 1,140.46 million in 2021.

In 2021, the CEB continued the traditional support of small and medium-sized enterprises (SMEs), where the Bank prioritises, in addition to the financing and issuing of guarantees, mainly the provision of comprehensive support to business entities. A significant role is played not only by the numbers and volumes of transactions, but also the advisory in structuring and carrying out export orders or supplies of manufacturers from the SME segment as sub-suppliers for large Czech exporters. The importance of CEB's expert support as well as financing and guarantees for SMEs grew further during the period affected by the COVID-19 pandemic.

During 2021, 32 new credit and guarantee products were concluded for the support of exporters and manufacturers from the SME segment in the total volume of approximately 315.38 million. A non-payment guarantee was a dominant product in this segment, both in terms of volumes and in terms of numbers.

1) The amount was converted using the fixed exchange rates of the CEB's financial business plan, i.e. CZK/EUR: 25.80; CZK/USD: 21.80.
2) The amount was converted using the fixed exchange rates of the CEB's financial business plan, i.e. CZK/EUR: 25.80; CZK/USD: 21.80.
3) The amount was converted using the fixed exchange rates of the CEB's financial business plan, i.e. CZK/EUR: 25.80; CZK/USD: 21.80.

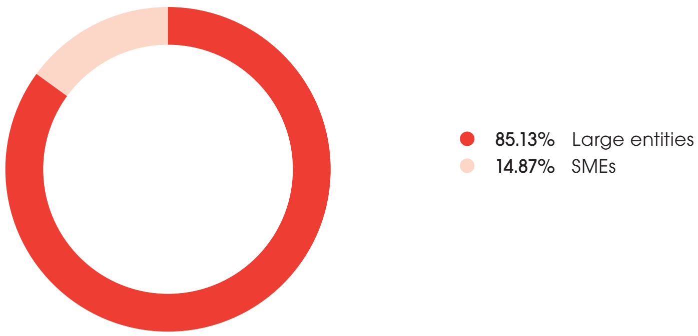
Compared to 2020, support to Czech SMEs decreased by approximately 11.51% in 2021 in terms of the volume of contracts, the number of contracts accounted for 76.19% of the 2020 level. Of the 32 transactions for SMEs, transactions comprising EGAP insurance accounted for approximately 9.38% (0.73% in terms of the volume of transactions).

The number of contracts supporting SMEs accounts for 5.60% of the total number of 571 new products provided to support export manufacturers and exporters in 2021 (Figure 2) and for 14.87% of their total volume (Figure 3).

Proportion of the number of products for SMEs and products for large entities concluded in 2021 | Figure 2

Source: CEB

Proportion of the volume of products for SMEs and products for large entities concluded in 2021 | Figure 3



Source: CEB

The remaining 94.40% of the number of contracts signed with the total volume amounting to CZK 1,805.13 million relates to 539 new loan and guarantee products provided to support export manufacturers and exporters from the Mid Cap and Large Entities segments. Of these 539 transactions, transactions comprising EGAP insurance accounted for 3.53% (4.26% in terms of the volume of transactions), while transactions without EGAP insurance accounted for 96.47% (95.74% in terms of the volume of transactions).

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

CEB's support to Czech exporters in the successful realisation of export contracts that they were able to obtain and carry out under circumstances affected by the global COVID-19 pandemic results in a rather wide range of export destination countries in 2021, specifically 19 territories, broken down by the volume of products provided (Table 1).

Table 1

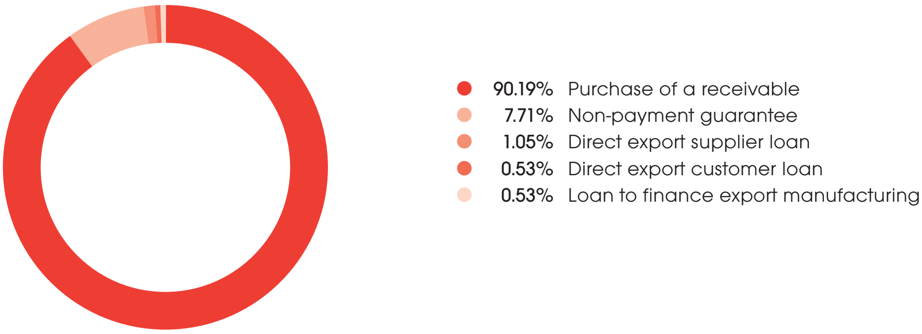
Share of export destination countries by volume of new contracts concluded in 2021

Morocco	46.97%	Kameron	0.26%
Germany	29.02%	Romania	0.23%
Ethiopia	6.82%	Egypt	0.19%
Iraq	5.15%	Ukraine	0.17%
Turkey	4.32%	Mexico	0.16%
Mauritius	2.65%	Jordan	0.15%
Slovakia	1.27%	Chile	0.05%
Russia	1.03%	Pakistan	0.04%
Rwanda	0.75%	Saudi Arabia	0.04%
USA	0.74%		

Source: CEB

In terms of the number of contracts, the structure of the products provided (Figure 4) shows a substantial proportion of products supporting accelerated collection of payments for completed supplies: the dominant product in terms of frequency is the purchase of receivables, accounting for 90.19%, in combination with non-payment guarantees, accounting for 7.71%.

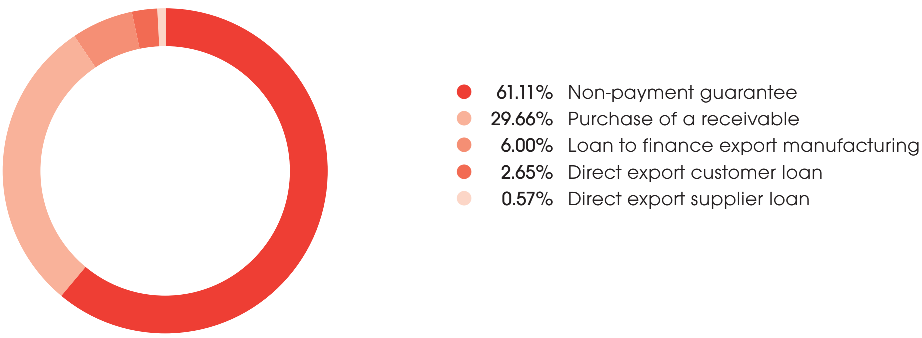
Share of supported financing products in the number of products provided in 2021 | Figure 4



Source: CEB

The dominant products in the structure of provided products in terms of volume (Figure 5) in 2021 were non-payment guarantees with a share of 61.11%, 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 a product to accelerate collections from export orders already delivered comprise 29.66 % of the total result.

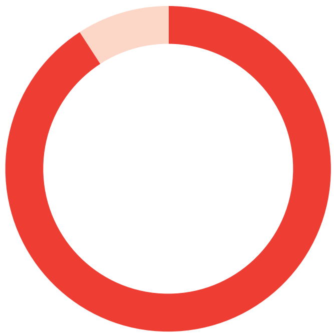
Share of supported financing products in the volume of products provided in 2021 | Figure 5



Source: CEB

In terms of currency structure (Figure 6), the dominant currency in 2021 was EUR with the share of 90.92% followed by USD with the share of 9.08%.

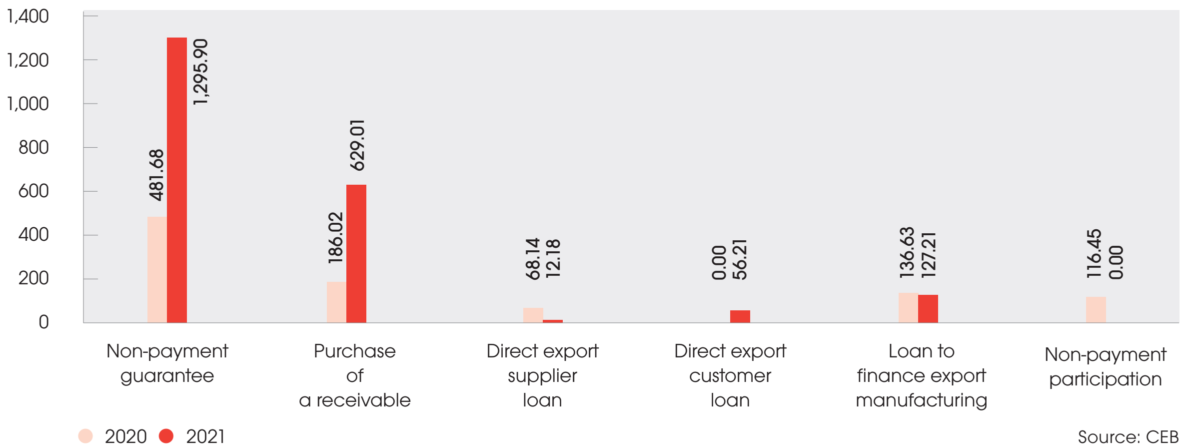
Currency structure of new transactions volume in 2021 | Figure 6



Source: CEB

In a year-on-year comparison (Figure 7), we see a clear increase in the volume of provided products related to winning export contracts (non-payment guarantee), and to stabilising cash flow by accelerating collection from export contracts (purchase of a receivable).

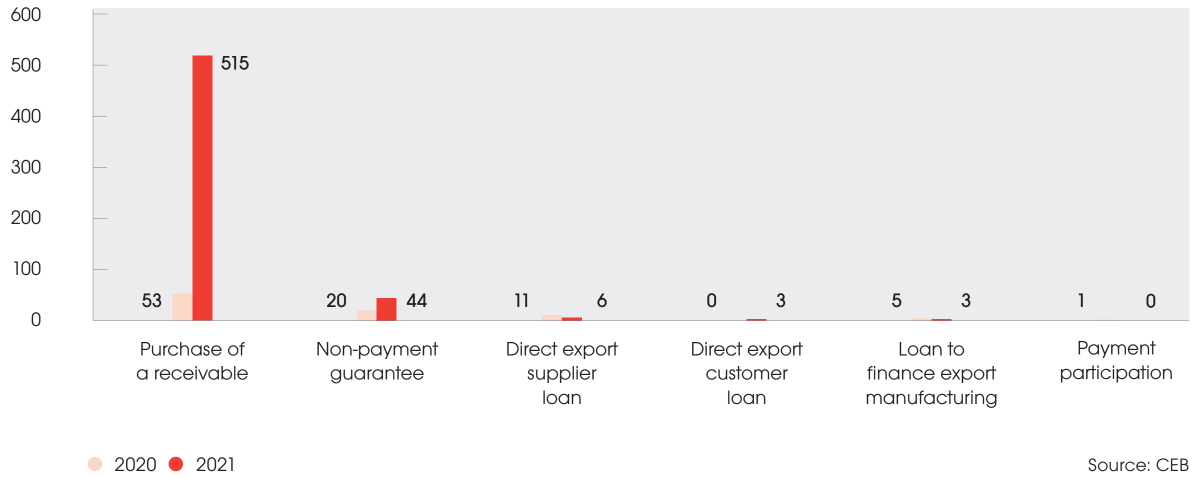
Year-on-year comparison of the development in the volume of new products (in CZK million) | Figure 7



Source: CEB

In terms of the number of products, in a year-on-year comparison (Figure 8), we see the most marked increase in the number purchases of receivables, partly due to a wider use of framework agreements for receivable purchase, which has considerably increased the flexibility of providing this product and accelerated the service to Czech exporters.

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



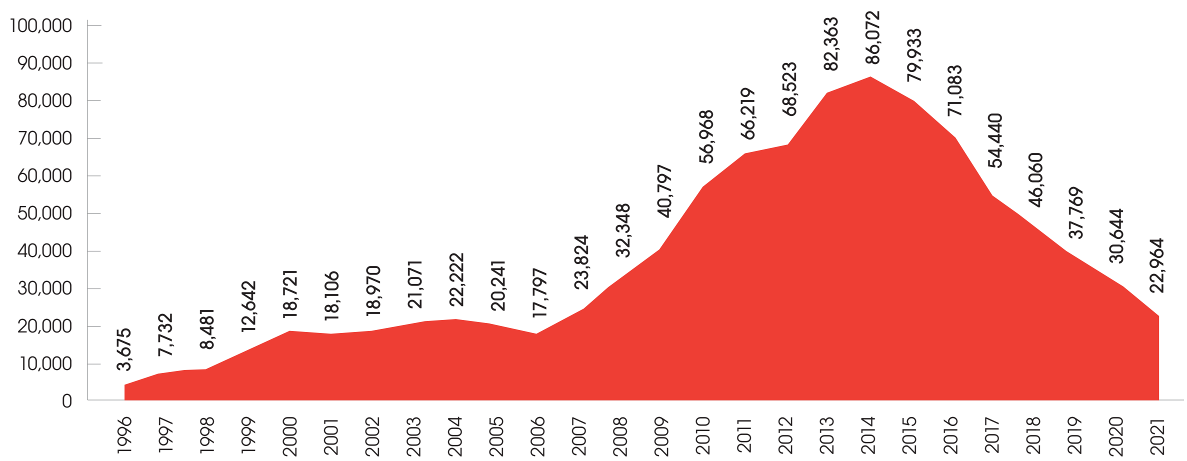
Source: CEB

2.1.2. Development in the Loan Portfolio Balance and Structure

The total principal amount of provided loans and purchased receivables decreased year-on-year by CZK 7,680 million to CZK 22,964 million, i.e. by 25.06%, as of 31 December 2021 (Figure 9). The main causes of this development were: the lower volumes of new transactions in 2020 and 2021 and a delayed development (drawing of loans) for some transactions as a result of the COVID-19 pandemic situation; strengthening of CZK exchange rate to EUR (in 2021 (this effect amounted to approximately CZK 1.2 billion); early repayments and unscheduled instalments of some major exposures in Azerbaijan and Russia; and write-off of receivables were insurance settlement was received or were the Bank no longer expects to receive any financial amounts.

As of 31 December 2021, the total principal amount of provided loans and purchased receivables represented 63.9% of total assets.

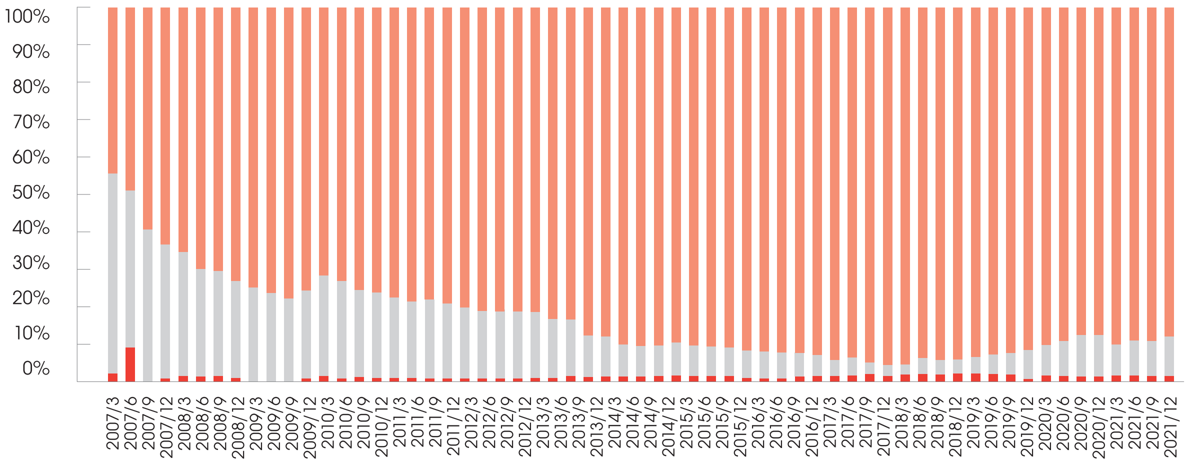
Loan (balance) principal in 1996–2021 (in CZK milion) | Figure 9



Source: CEB

In terms of the currency structure of the principal amount of provided loans, loans denominated in EUR represent 87.79% (2020: 86.62%), loans denominated in USD represent 12.21% (2020: 11.36%) as of 31 December 2021 (Figure 10). The portion of loans provided in CZK dropped to 0% (2020: 2.02%).

Loan portfolio – currency structure – development (in CZK million) | Figure 10



Source: CEB

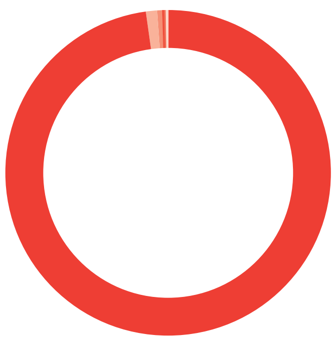
The total principal amount of loans provided in EUR as of the end of 2021 decreased year-on-year by approximately EUR 200.44 million to a total of EUR 810.99 million, i.e. by 19.82%.

The total principal amount of loans provided in USD as at the end of the same period increased by USD 35.01 million to a total of USD 127.69 million, i.e. by 21.52%.

The total principal amount of loans provided in CZK as of the end of 2021 was zero, i.e. decreased by CZK 619.3 million year-on-year.

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

Loan portfolio – broken down by contractual maturity as of 31 December 2021 | Figure 11



- 97.85% Long-term (over 5 years)
- 1.19% Medium-term (4–5 years)
- 0.57% Medium-term (2–4 years)
- 0.21% Medium-term (1–2 years)
- 0.18% Short-term (up to 1 year)

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

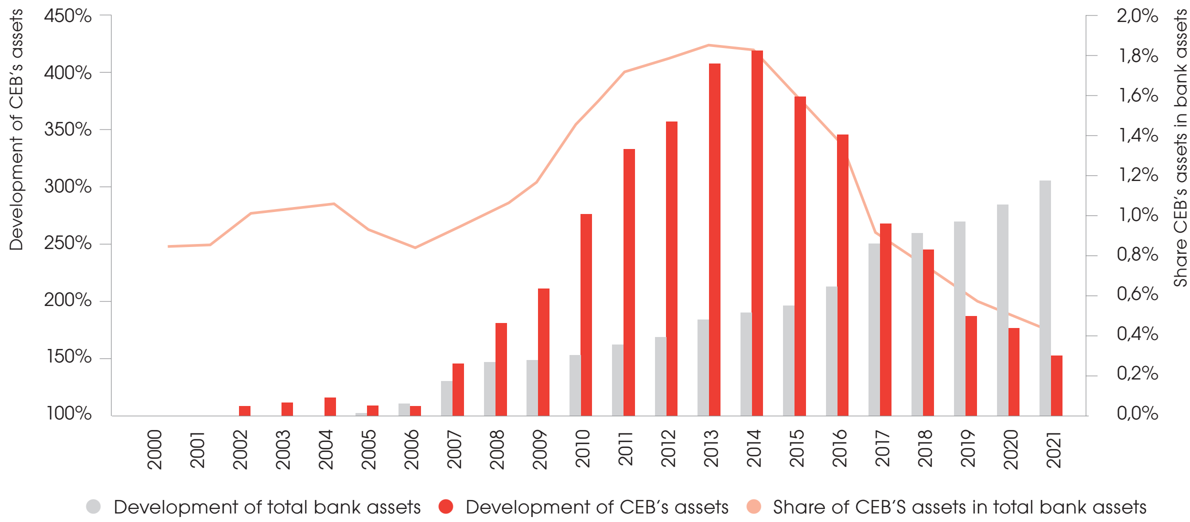
Compared to other banks operating in the Czech banking sector, CEB is considered by the Czech National Bank a small size bank. CEB's share in the total balance sheet assets of banks in the Czech Republic decreased year-onyear in 2021, from 0.52% to 0.42%. The decrease is consistent with the Bank's focus on the support of exporters in entering new markets in exports in sectors that are not easy to be financed by commercial banks. In addition, the management of CEB continues their efforts to increase the quality of the loan portfolio.

Table 2

	2020			**2021**		
	Total banks	ČEB	Share of ČEB	Total banks	ČEB	Share of ČEB
Total balance sheet assets (in CZK million)	8,018,098	41,236	0.52%	8,603,872	35,952	0.42%

Source: CEB and the Czech National bank

Development of CEB's share in the Czech banking sector (assets in 2000 = 100%) | Figure 12



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 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. Compared to commercial banks, the range of activities performed by CEB is very narrow in terms of both the products provided and their specifics, and in terms 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.
- The Czech Republic has committed to finance exports of Czech exporters in line with international rules. The Czech Republic is bound by the OECD Consensus which regulates the provision of medium- and long-term export loans. For this reason, the financing of export loans under the OECD Consensus is 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 seen from the statistical data on client loans published by the Czech National Bank. When compared with the nominal values of loans provided by CEB, this 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 sheet assets of all banks in the Czech Republic.

Table 3

	2020			2021		
Client loans – by maturity (in CZK million)	**Banks total**	**CEB**	**CEB share**	**Banks total**	**CEB**	**CEB share**
	CNB ARAD	CEB statements		CNB ARAD	CEB statements	
Balance of client loans and receivables	3,595,598	30,469	0.8%	3,847,750	22,871	0.6%
Of which in CZK	2,874,037	619	0.0%	3,107,680	0	0.0%
Of which short-term loans (up to 1 year)	228,694	0	0.0%	244,613	0	0.0%
Medium-term loans (1–5 years)	288,685	0	0.0%	302,387	0	0.0%
Long-term loans (over 5 years)	2,356,659	619	0.0%	2,560,680	0	0.0%
Of which in foreign currency	721,561	29,850	4.1%	740,071	22,871	3.1%
Of which short-term loans (up to 1 year)	140,127	82	0.1%	159,470	41	0.0%
Medium-term loans (1–5 years)	194,085	438	0.2%	207,600	359	0.2%
Long-term loans (over 5 years)	387,349	29,330	7.6%	373,000	22,471	6.0%

Table 4

	2020			2021		
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	CEB statements		CNB ARAD	CEB statements	
Balance of resident loans and receivables (all currencies)	3,249,940	844	0.0%	3,528,403	28	0.0%
Of which total other loans	1,255,843	844	0.1%	1,321,224	28	0.0%
Of which investment	786,390	144	0.0%	804,873	0	0.0%
Total current assets, seasonal, costs, export, import	308,037	695	0.2%	334,973	24	0.0%
Total other loans (financial and special purpose)	96,455	4	0.0%	101,571	4	0.0%
Total trade receivables	25,981	0	0.0%	30,232	0	0.0%

Table 5

	2020			2021		
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	CEB statements		CNB ARAD	CEB statements	
Balance of non-resident loans and receivables (all currencies)	345,658	29,625	8.6 %	319,347	22,843	7.2%
Of which total other loans	298,500	29,625	9.9 %	265,000	22,843	8.6%
Of which investment	129,538	1,555	1.2 %	124,814	1,313	1.1%
Total current assets, seasonal costs, export, import	73,991	28,030	37.9 %	55,214	21,459	38.9%
Total other loans (financial and special purpose)	46,360	0	0.0 %	49,672	0	0.0%
Total trade receivables	2,364	41	1.7 %	2,773	71	2.6%

Source: CEB

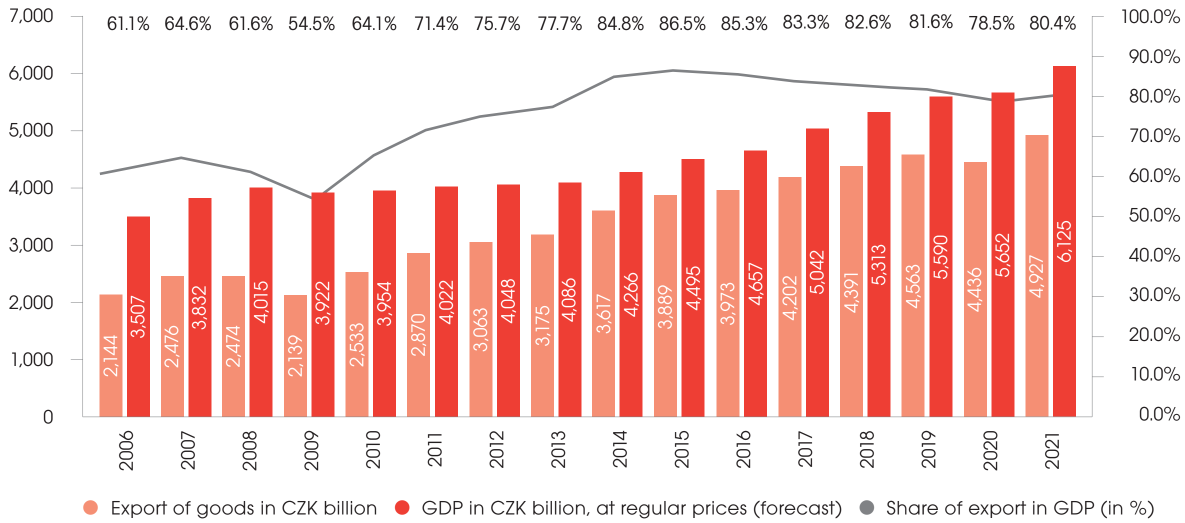
In absolute figures, exports grew for all country groups except for the Commonwealth of Independent States, where we saw a decrease in the volume of exports.

b) Breakdown of Czech export and the Bank's state support in 2021 by territory

GDP and exports

The year 2021 saw continuous growth of aggregate exports of the Czech Republic, which continues to be a very significant component in generating the gross domestic product (GDP).

Export – significant component of GDP | Figure 13



Source: Czech Statistical Office

In absolute figures, exports grew for all country groups except for the Commonwealth of Independent States, where we saw a decrease in the volume of exports.

Table 6

	Exports of the Czech Republic in CZK billion		Share in exports of the Czech Republic	
	2020	2021	2020	2021
Neighbouring countries	2,242	2,545	50.6%	51.7%
EU 15 countries	2,777	3,064	62.6%	62.2%
EU 28 countries	3,703	4,136	83.5%	84.0%
CIS countries	124	117	2.8%	2.4%
European transitory economies	24	31	0.5%	0.6%
Developing economies	171	185	3.9%	3.7%
Other advanced market economies	227	257	5.1%	5.2%

Source: Czech Statistical Office

Based on the analysis of the Czech exporters' performance with regard to the destination countries whose share of the aggregate Czech exports exceeds 1%, it should be noted that only minimal year-on-year changes occurred. Germany, Senegal, Indonesia, and Mauritius are the countries that constitute more than a 92% share of the total drawing of all loans provided by CEB. These countries account for approximately 32% of Czech Republic's aggregate exports.

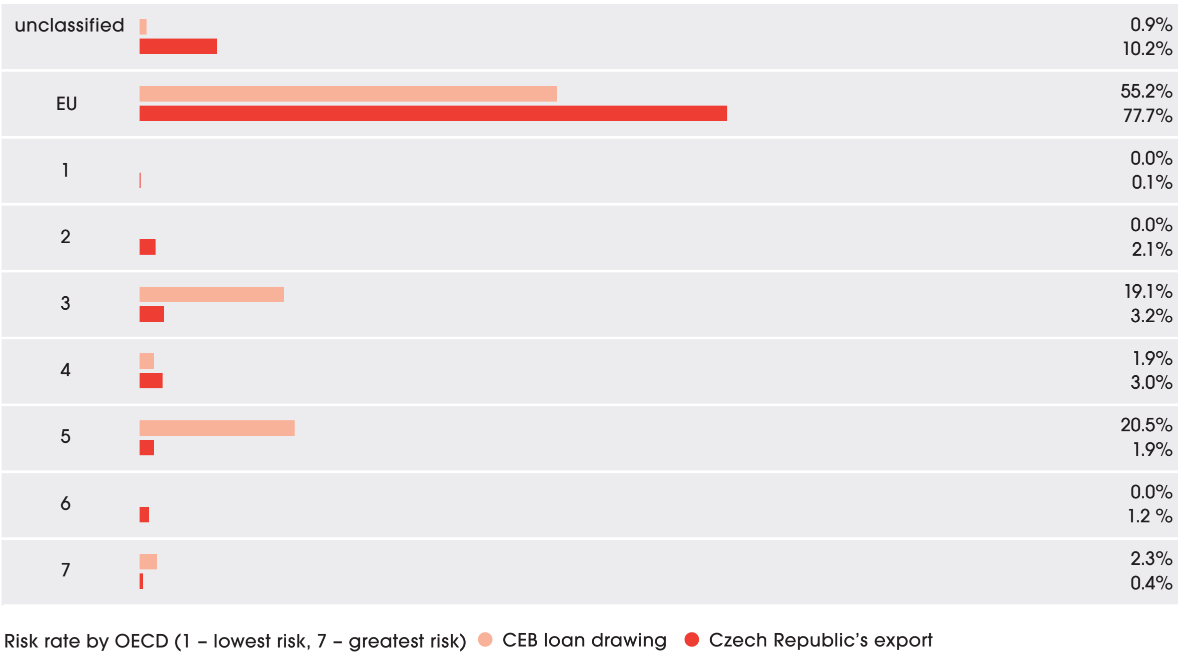
Table 7

Countries with a share in the Czech Republic's exports over 1% in 2020	Czech Republic's exports in % in 2020	Czech Republic's exports in % in 2021	Year-on-year changes in the share in the Czech Republic's exports in 2021
Germany	32.6	32.4	(0.2)
Slovakia	7.6	8.1	0.5
Poland	6.2	6.7	0.5
France	4.7	4.6	(0.1)
Austria	4.2	4.5	0.3
Italy	3.9	3.9	0.0
United Kingdom	4.0	3.8	(0.2)
Netherlands	4.1	3.7	0.3
Hungary	3.3	3.3	0.0
Spain	2.6	2.5	(0.1)
USA	2.4	2.4	0.0
Belgium	2.1	2.2	0.1
Russian	2.2	1.9	(0.3)
Sweden	1.6	1.7	0.1
Romania	1.6	1.5	(0.1)
Switzerland	1.6	1.5	(0.1)
China	1.4	1.3	(0.1)
Denmark	1.1	1.0	(0.1)
Turkey	1.2	1.0	(0.2)

Source: Czech Statistical Office

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

Comparison of the structure of the Czech Republic's export and CEB's loan drawing in 2021 by export destination country risk classification (OECD Classification as of 31 December 2021) | Figure 14



Source: CEB, Czech Statistical Office and OECD

Situation on Financial Markets – Opportunities to Obtain Funding

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

The EMTN Programme currently amounts to EUR 4 billion and is used to refinance maturing funding previously obtained and to cover new loans denominated in EUR, USD and CZK. In total, CZK 18.58 billion (EUR 0.75 billion) was drawn under the EMTN Programme as of 31 December 2021. CEB bonds are listed on the Luxembourg Stock Exchange. A list of individual traded and outstanding issues of CEB bonds as of 31 December 2021 is disclosed in the notes to the financial statements. In the first half of 2021, the Bank took advantage of negative interest rates and raised long-term funds in the form fixed-coupon bonds totalling EUR 300 million (3 times EUR 100 million). These were bonds with a 4-year maturity and issue arranged by KBC Bank N.V., and bonds with a 2-year maturity, issued with UniCredit Bank AG. Bonds with a 6-year maturity and a possibility of early redemption after 4 years were issued by the Bank together with Česká spořitelna, a.s.

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 2021, two issues of such short-term bonds were placed by the Bank.

To increase the degree of diversity and prevent the dependence on limited funding resources, to a certain degree the Bank increases the resources of funding by deposits received from other banks and its own clients. Through such diversification, the Bank's flexibility is secured. Moreover, the Bank's dependency on a single type of funding resource is limited. In this respect the Bank gradually assesses the liquidity risk, principally by monitoring the changes in the funding structure. The Bank also concluded a series of term deposits with EGAP, with 2-year maturity, in the total amount of USD 83.7million, to complement is long-term funds.

The rating of CEB and most of its issued bonds is set by Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd on a contractual basis. CEB acknowledges that both agencies are rating agencies registered in accordance with Regulation (EC) 1060/2009 on credit rating agencies as amended by Regulation (EC) No. 462/2013. The Bank decided not to authorise any rating agency with a market share below 10% to perform its rating assessments. CEB discloses information on the current rating of the bonds issued by it on its website. As of 31 December 2021, the Bank's outstanding bonds have the following ratings:

Table 8

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

Source: CEB

2.1.4. Newly Introduced Products and Activities

In compliance with the objectives of the economic policy of the Czech Republic, CEB's mission 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 compete for specific orders on the international market under conditions comparable to those of foreign competitors from OECD countries. The Bank offers products and services to Czech outbound investors that allow for the internationalisation of their business activities through investments on international markets.

CEB's product offer is derived primarily from the provisions of Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support. The main supported financing products provided by CRB include short- and long-term export credits, loans to finance export manufacturing, loans for foreign investments, as well as bank guarantees and purchases of receivables. Any further development of the Bank's product portfolio, to align it with that of advanced foreign export credit agencies (ECAs), would depend on a possible amendment to Act No. 58/1995 Coll. In the product area.

CEB will continue to actively collaboration with its shareholders, the Ministry of Finance and EGAP, and with its key partner, namely the Ministry Industry and Trade, the Ministry of Defence, the Ministry of Foreign Affairs, as well as with the commercial banking sector and professional unions, chambers and associations representing exporters' interests, create conditions for the development of new or significantly improved supported financing products.

CEB's long-term goal is to increase its ability to flexibly respond to the evolving needs of Czech exporters and suppliers for export in the area of export financing, especially at a time of fundamental changes in international trade resulting from the global COVID-19 pandemic and the subsequent resetting of supply chains and relationships. The aim of CEB, in cooperation with the commercial banking sector, is also to support the modernization and competitiveness of Czech industry and the entire economy, and its gradual transformation into an economy with a significant share of manufacturers of final, high added value products. To this end, in the upcoming period, the Bank will accentuate in particular proposals of a systemic nature intersecting with the system state support to export financing and insurance, concerning the introduction of the concept of an export-oriented company and related product innovations, namely:

- investing in modernisation of export capacities;
- widening the range of guarantee products offered;
- implementing the results of research and development into production;
- making Czech producers and exporters a part of international supply chains.

2.1.5. Financial Results, Balance of Assets and Liabilities

CEB's total assets amounted to CZK 35,952 million as at the end of 2021, which represents a year-on-year decrease of 12.8%. 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, liabilities to credit institutions and liabilities to entities other than credit institutions, which represent over 76.1% of the total volume of liabilities and equity.

The key source of funding comprised the issuance of bonds denominated in foreign currencies (mainly EUR). As of 31 December 2021, these amounted to CZK 18,661 million. The volume of bonds issued decreased by 23.3% year-on-year. In the course of 2021, the Bank redeemed long-term bond issues in the amount of EUR 320 million and CZK 3,675 million, and short-term bonds from the ECP programme in the amount of EUR 20 million. On the other hand, the Bank issued three new bond issues under the EMTN programme in the total amount of EUR 300 million in May and June.

Liabilities to credit institutions in the form of loans received from banks amounted to CZK 5,503 million as at the end of 2021, which is a year-on-year decrease of 16.8 %. The volume of deposits received from entities other than credit institutions was CZK 3,196 million, which means a year-on-year increase by 53%. These were mainly USD term deposits received.

Other liabilities in the amount of CZK 575 million include mainly financial collaterals accepted as a security (CZK 445 million) and liabilities from leases of office premises (CZK 53 million). Provisions in the amount of CZK 315 million as at the end 2021 comprised mainly provisions for penalties and late payment interest, and litigation provisions.

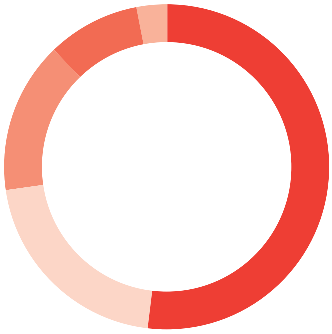
The Bank reported equity in the total volume of CZK 7,655 million. Reserve funds of CZK 2,305 million and retained earnings of CZK 358 million are recognised as part of equity.

Table 9

LIABILITIES AND EQUITY In CZK million	**2021**	**2020**	Year-on-year index in %
Derivatives held for trading	0	256	0.00
Financial liabilities at amortised cost	27,360	33,022	82.85
of which: Liabilities to credit institutions	*5,503*	*6,614*	83.20
Liabilities to entities other than credit institutions	*3,196*	*2,089*	152.99
Liabilities from issued debt securities	*18,661*	*24,319*	76.73
Hedging derivatives	6	16	37.50
Other liabilities	575	283	203.18
Provisions	315	243	129.63
Current tax payable	41	94	43.62
Total liabilities	**28,297**	**33,914**	**83.44**
Share capital	5,000	5,000	100.00
Revaluation reserve	(8)	16	(50.00)
Reserve funds	802	794	101.01
Other special-purpose funds from profit	1,503	1,348	111.50
Profit or loss for the reporting period	358	164	218.29
Total equity	**7,655**	**7,322**	**104.55**
Total equity and liabilities	**35,952**	**41,236**	**87.19**

Source: CEB

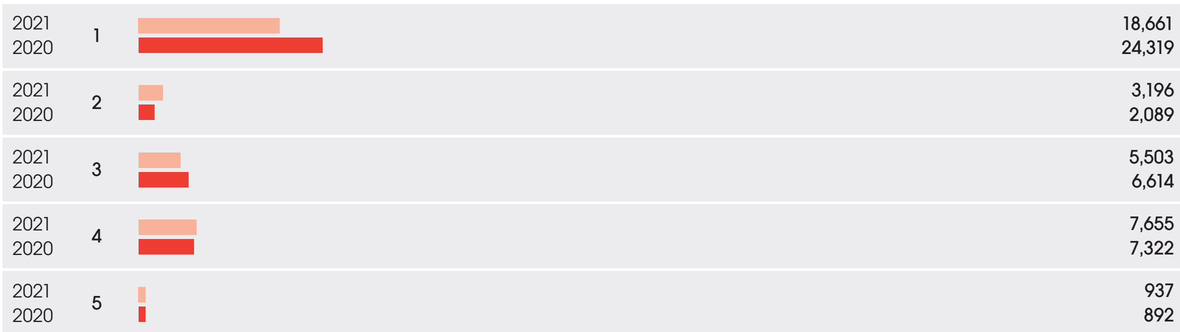
Liabilities and equity 2021 | Figure 15



Source: CEB

Development in principal categories of liabilities and equity in 2021/2020 | Figure 16

CZK million



Source: CEB

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

Assets

Assets predominantly comprise loans and receivables at amortised cost which amounted to CZK 28,025 million as at the end of 2021 and account for 78% of total assets. Of this amount, CZK 22,149 million are amounts due from entities other than credit institutions. These dropped by 24.3% year-on-year, mainly due to due and proper repayment of some loans. Amounts due from credit institution, which also include money in term deposits accounts with the Czech National Bank under state treasury, increased by 13.2 % in 20021, to CZK 5,876 million.

Funds from equity and temporarily free funds were placed in high-quality and liquid local and foreign securities. The volume of the Bank's liquidity reserve held in securities totalled CZK 2,589 million at the year-end, i.e. a 17.5% decrease. In accordance with the amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, effective since the end of April 2020, the Bank deposits available funds denominated in EUR and non-invested equity funds denominated in EUR predominantly in its accounts with the Czech National Bank under state treasury. Accordingly, funds in the amount of CZK 4,253 million (of which CZK 1,193 million in EUR and CZK 3,060 in CZK) were deposited in current accounts, and funds in the amount of CZK 4,365 million (of which CZK 1,988 million in EUR and CZK 2,377 million in CZK).

Cash, deposits with the central banks, and other deposits due on demand in the amount of CZK 4,586 million comprise mainly money deposited in CZK and EUR current accounts kept with the Czech National Bank under state treasury, and money in nostro accounts used for payments.

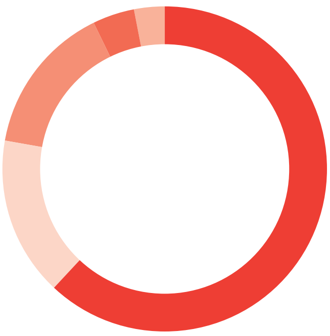
Other assets in the total amount of CZK 612 million mainly comprise estimated insurance benefits (CZK 586 million).

Table 10

ASSETS In CZK million	**2021**	**2020**	Year-on-year index in %
Cash and deposits with the central banks and other deposits due on demand	4,586	2,638	173.84
Derivatives held for trading	14	0	–
Debt securities at FVOCI	1,475	1,534	96.15
Financial assets at amortised cost	29,139	36,072	80.78
of which: Debt securities at amortised cost	1,114	1,603	69.49
Loans and receivables at amortised cost	28,025	34,469	81.30
of which: Amounts due from credit institutions	5,876	5,191	113.20
Amounts due from entities other than credit nstitutions	22,149	29,278	75.65
Hedging derivatives	0	0	–
Property, plant and equipment	83	96	86.46
Intangible assets	13	10	130.00
Other assets	612	877	69.78
Current tax receivable	0	0	–
Deferred tax asset	30	9	333.33
Total assets	**35,952**	**41,236**	**87.19**

Source: CEB

Assets 2021 | Figure 17



Source: CEB

Development in principal categories of assets in 2021/2020 | Figure 18

1 Amounts due from entities other than credit institutions
2 Amounts due from credit institutions
3 Debt securities at fair value
4 Debt securities at amortised cost
5 Other

Source: CEB

Generation of Profit

In 2021, CEB generated profit before tax of CZK 423 million. After offsetting the preliminarily calculated current income tax in the amount of CZK 65 million, the Bank generated profit after tax of CZK 358 million, which is more than double compared to 2020.

As part of its business activities, the Bank reported interest income totalling EUR 920 million in 2021; in a year-on-year comparison, it decreased by 27.3%, which correlates with the decreasing balance due to lower volumes of newly concluded loan contracts. 2020 was also affected by extraordinary interest income in the form of default interest of CZK 104 million, in connection with reaching an agreement as to the amount of insurance benefits (claim settlement) and closing the dispute.

The Bank raises the funds necessary for its business activities on capital markets. In 2021, interest expenses associated with such funds amounted to CZK 239 million, which is a year-on-year decrease of 50.7%. This was mainly due to a lower need of funds, high volumes of redeemed bonds, and lower interest rates for the EUR. Net interest income amounted to CZK 681 million, which is a year-on-year decrease of 12.7%.

Net fee and commission income amounted to CZK 25 million. i.e. almost double the value of 2020. This is due to the higher proportion of guarantee products concluded, compared to previous years.

Another component of the profit or loss is the loss from financial transactions of CZK 7 million, and other operating income of CZK 4 million. The amount of other operating income was positively affected by the proceeds from the assignment of a receivable previously written off.

The Bank incurred expenses for its operation in the total volume of CZK 314 million, that is 48% less than in 2020. Operating expenses include administrative expenses of CZK 257 million, depreciation of property, plant and equipment and amortisation of intangible assets of CZK 47 million, and other operating expenses of CZK 10 million. Other operating expenses comprise mainly expenses incurred in recovery of high-risk receivables of CZK 5 million in 2021, and an unrecoverable portion of VAT.

The release of provisions and allowances related to financial assets amounted to CZK 103 million. This is connected, among other things, with a gradual resolution of the high-risk receivables' portfolio, the principal amount of which dropped to CZK 4,751 million as at the end of 2021.

in line with Act No. 58/1995 Coll. the loss arising from the operation of long-term supported export financing is covered by subsidies from the state budget. The state subsidy primarily comprises the net difference between interest income from loans provided to banking and non-banking entities under conditions that are common on international markets for state-supported export credits, and costs incurred on raising funds on the financial market plus the costs of provisioning for selected loan receivables. In 2020, CEB did not claim the subsidy; contrariwise, it generated a profit from this activity of CZK 398.9 million, which is part of the Bank's total profit before tax.

Table 11

PROFIT/LOSS In CZK million	**2021**	**2020**	Year-on-year index in %
Interest income	920	1 265	72.73
Of which: Interest income calculated using the effective interest rate	849	1 126	75.40
Interest expenses	(239)	(485)	49.28
Net interest income	**681**	**780**	**87.31**
Fee and commission income	35	25	140.00
Fee and commission expense	(10)	(12)	83.33
Net profit / (loss) from financial transactions including state subsidy	(7)	22	(31.82)
Other operating income	4	105	3.81
Other operating expenses	(10)	(280)	3.57
Administrative expenses	(257)	(257)	100.00
Depreciation and amortisation	(47)	(67)	70.15
Modification gains and losses	2	9	22.22
Impairment losses on financial assets not reported at FVTPL or their reversal	103	159	64.78
Provisions for provided guarantees and commitments or their reversal	4	(55)	(7.27)
Other provisions or their reversal	(75)	8	(937.50)
Profit or (loss) before tax	**423**	**437**	**96.80**
Income tax	(65)	(273)	23.81
Profit or (loss) for the reporting period	**358**	**164**	**218.29**

Source: CEB

2.2. Factors Having an Impact on the Bank's Business and Financial Position in 2022

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

- The year 2021, like 2020, was affected by the global COVID-19 pandemic. However, the increasing vaccination coverage of the world's population together with the gradual easing of anti-epidemic restrictions, as well as significant fiscal support by many governments, have supported global economic growth. However, the pandemic has fundamentally disrupted the functionality of global supply chains and customer-supplier relationships. This was also accompanied by a significant increase in prices of maritime transport. In response to strong inflationary pressures caused by significantly increased prices of energies and other input commodities affecting consumer prices, some central banks moved away from their so-far loose monetary policy.
- The US Fed has clearly declared its intention to end quantitative easing and return to a monetary normal. The current level of inflation is tolerable to the FED, therefore its base rate is expected to rise already in the first quarter of 2022. By contrast, the European Central Bank is not yet anticipating any change to its monetary policy and maintains technically zero rates, with the aim to support economic growth as much as possible with acceptable inflation.
- The very open and export-oriented Czech economy with a high share held by the automotive industry, where supply chains play a crucial role, is more vulnerable in this respect. Supply-side problems, persistent labour shortages in some sectors of the economy (the unemployment rate was only 2.2% in December 2021), accompanied by wage pressures, the government's very accommodative fiscal policy and, last but not least, global growth of energy prices enhance the adverse inflationary developments. Year-on-year growth in consumer prices reached 6.6% in December 2021, the average inflation rate for the whole of 2021 was 3.8%. The Czech Republic recorded a year-on-year GDP growth of 3.6%.
- Already in 2021, the Czech National Bank has responded several times to inflationary pressures, which are a combination of "imported" price growth and domestic impulses. The two-week repo rate was still at 0.25% in early June and at 0.75% in September, but then the central bank in three steps raised the key rate to 3.75% at the end of 2021. Then, in February 2022, the central bank raised the base rate up to 4.5%. In response to the actions of the Czech National Bank, the exchange rate of the Czech koruna to the USD and EUR has strengthened, which may have some negative impacts on exporters.

- The Bank's business results correlated with the impact of the COVID-19 pandemic on Czech exports. The volume of newly concluded loan and guarantee transactions amounted to CZK 2,121 million in 2021, which is more than double compared to 2020, but still lower than the Bank had planned.
- The number of business missions organised by constitutional officials to support the Czech Republic's exports was still limited in 2021, among other things due to various measures on the part of the destination countries. In 2021, the Bank's representatives only took a very limited number of foreign trips: although trade fairs (namely the traditional International Engineering Fair in Brno and IDET) did take place, their extent was limited.
- The Bank did not get involved in any COVID state aid programmes for the business community, and hence neither has seen not expects to see any significant effects on its loan portfolio and results.
- The Bank has been closely monitoring the situation around the virus outbreak, especially in relation to the elimination of operational risks, and adopted several preventative operational measures to ensure business continuity. Therefore, the COVID-19 pandemic has not had any negative impact on the Bank's operations, despite the increased volume of work from home.
- In the second half of 2022, the Czech Republic will hold the Presidency of the European Union for the second time. Together with France and Sweden, it forms what is referred to as 'the Presidency Trio'. In the next year and a half, we expect the European Union's priorities to be post-covid economic growth, security (the situation in Ukraine, ongoing migration issues), and sustainability. The European Commission's Green Deal policy initiative, whose main objective is to achieve Europe's climate neutrality by the end of 2050, will undoubtedly be a crucial topic. The plan includes the commitment to reduce EU's greenhouse gas emissions by 55% compared to 1990 by 2030, as well as investment in cutting-edge research and innovation and environmental protection, with an emphasis on the long-term sustainability of economic growth. EU policy will undoubtedly be greatly influenced by the new German coalition government and the outcome of the presidential elections in France. The further development of the debate about the ambitious climate goals and the EU's energy mix will also influence Czech export policy.
- The European Union will have to respond to rising energy prices making production inputs more expensive, which could have negative consequences for the competitiveness of Europe as such. The Green Deal is not only a commitment requiring a deeper discussion (the future of nuclear energy is a crucial topic for the Czech Republic), especially concerning social and economic impacts, but can also be an opportunity for innovative, high value-added producers in a number of sectors.
- Any protectionist measures have a significant effect on the development of the global economy. It is essential for the Czech Republic to maintain as few restrictions on international trade as possible. This depends not only on the pandemic situation, but also on the political climate and relations between individual powers. Relations between the US, China, Russia, and the European Union play a major role in this regard.
- In terms of the Bank's business activities, the security and economic situation is important in export destinations on the African continent, in the Southeast Asian region, but also, e.g., in Turkey, facing a significant increase in inflation and the fall of the Turkish lira in 2021. Any natural disasters or health risks can also be a problem.
- A restriction of the Bank's traditional export destination, at least a temporary one, is expected in connection with the Russian-Ukrainian armed conflict. On 23 February 2022, the Bank decided neither to provide any new financing to the territories of Ukraine and Russia, nor to issue instruments such as indicative offers or letters of support, until further notice. The Bank closely monitors the situation and regularly assesses risks in relation to its existing exposures in both countries, including sanctions applied to the Russian Federation and sanctions applied by the Russian Federation against EU member states.
- As for Russia, the risks are connected with a steep depreciation of the ruble, and other economic impacts on the Russian economy as a whole. From an operational point of view, the Bank is dealing with restrictions on payments to/from Russia due to the inclusion of some Russian banks on the sanctions lists and their disconnection from the SWIFT system effective from 12 March 2022. Further risks arise from the approval of the list of enemy countries (including all EU member states) by the Russian government and the decree of the President of the Russian Federation titled Temporary Order on the Waiver of Obligations Towards Certain Foreign Creditors, which was issued on 5 March 2022. According to the decree, Russian citizens and companies can pay their foreign currency liabilities to creditors from enemy countries in rubles, which may complicate the repayment of the Bank's loan receivables from Russian borrowers denominated in EUR. As for the exposure in Ukraine, the Bank evaluates the risks associates with the impacts of the war itself, and with the restrictions on making payments in EUR abroad. The bank is in intensive contact with its debtors from the Russian Federation and Ukraine, as well as with Czech exporters, and consults possible solutions with them. The quantification of all impacts is currently very

difficult due to the uncertain current situation, unpredictable developments, and the dynamics of the adoption of further sanctions and reciprocal reactions by the Russian Federation.

- The Bank's business outlook is based on the expected development of the Czech economy. According to the January forecast of the Ministry of Finance, GDP growth is estimated at 3.1% in 2022, an average inflation rate of 8.5% and an unemployment rate of 2.3%. Taming the inflation is a crucial task to ensure further growth of the Czech economy.
- When planning its business activities for 2022, the Bank expected only minimal restrictions in connection with the pandemic situation. This expectation was based on the vaccination coverage of the population, and on the high number of people who have already had COVID-19. These factors should contribute to eliminating any major restrictions with economy-wide lockdowns that we had seen in 2020 and 2021. This leads us to a slightly optimistic view of the opportunities for support, and to the increased business objectives of the Bank, which were also reflected in the estimated results. The bank expects profit before tax at a level of approximately CZK 100 million.
- Thanks to the growing interest rate differential between the Czech koruna, EUR and USD, a strengthening of the Czech koruna can be expected; already at the end of 2021, the Czech crown broke the limit of 25 CZK per 1 EUR. Since the Bank has approximately 88% of its credit assets denominated in EUR, this may have an effect of the decline in the balance sheet amount expressed in CZK
- At the end of 2021, a new Czech government was appointed. In the area of support to exports, the coalition of five political parties has committed to develop a new strategy to support exports and the internationalisation of companies by the end of 2022, focusing on cross-cutting sectors, innovative businesses and manufacturers of final products with high added value, and to adapting individual support instruments to their needs. In the defence and security industry, the coalition also undertook to amend the relevant legislation to increase support for the export of products and services of the Czech defence and security industry, including assistance with guarantees, financing and government-to-government sales.
- At the general economy level, the new government coalition aims to support the modernisation and competitiveness of Czech industry and the entire economy, based on high added value, innovation, entrepreneurship, creativity, growth in labour and capital efficiency, and the creation of an environment for final production.
- The Bank's operations and fulfilment of its role within the system of state export support will be determined by the final shape, focus and tasks arising from the Economic Strategy of the Czech Republic until 2030 (or the Export Strategy of the Czech Republic until 2030) being prepared.
- The amendment to Act No. 58/1995 Coll., on Insurance and Financing of Exports with State Support, has not been discussed in the chamber of deputies by the end of the parliamentary term, and the legislative process will have to start again from the beginning in 2022. It will be up to the new government to reflect in the law its priorities as to the use of existing instruments and, in particular, the introduction of new instruments of the system of state support for exports with credit and insurance products. From this point of view, the possibilities of introducing such products to support Czech exporters, as other ECAs (Export Credit Agencies) provide to national exports in the context of international competition, are essential.
- The Bank will be further affected by any new regulatory requirements imposed on the banking sector by the EBA and the Czech National Bank.

Goals for 2022 in the business and financial area

- Until the publication of the Economic Strategy of the Czech Republic until 2030, and the new Export Strategy of the Czech Republic, implement the Export Strategy of the Czech Republic for 2012-2020 and the Bank's updated strategy.
- In line with the Czech Republic's economy policy, enhance the international presence of Czech businesses and the competitiveness of Czech exporters' offer foreign customers.
- Support research and development to increase the share of exports with higher added value, and the number of innovative exporters.
- Be ready for the acceleration of Czech exporter and export supplier demand for the Bank's products post-COVID, as the financial position of domestic and foreign companies may show a temporary worsening of the parameters of financial results. On the other hand, COVID-19 may accelerate changes in industry and international trade, as it is to be expected that economy policies of global economies will place more emphasis on strategic self-sufficiency, shorter supply chains, domestic production capacity, and green transformation of the economy.

- Support Czech investors in entering new foreign markets, including credit instruments supporting investments abroad and acquisitions of foreign companies.
- Support for Czech exporters and suppliers for export in establishing their presence in territories outside of Europe with the aim to continuously expand export markets to include countries in Africa, Latin America and Southeast Asia, gradually eliminating current concentration risks.
- Actively cooperate and enhance partnership with the commercial banking sector in the financing of large volume export transactions or in the provision of guarantee products.
- Play a significant role in sovereign risk-based transactions in regions where debtors prefer a state institution as a counterparty.
- Closely cooperate with the new 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.
- Stabilise the balance sheet amount (total asset) and the amount of loan principals at the level allowing the Bank to sustainably finance its operating needs while generating profit.
- Maintain the operational efficiency of the Bank on the level of the set cost/income ratio.
- Complete the process of recovery of high-risk receivables originated between 2007 and 2011, reducing their share in the Bank's overall credit exposure below 5%.
- In relation to the state budget, minimise the needs of state subsidies, following up to the period between 2016 and 2021 when the Bank did not draw any funds to settle losses from provided supported financing.
- Adhere to Government Resolution No. 839 of 25 November 2019 on ownership consolidation of institutions of the system of the state support to exports.

3 Narrative Part

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

Risk factors

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

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

In order to comply with the statutory duty in the planning and on-going maintenance of the internally determined capital in the amount, structure and distribution that is sufficient to cover all risks to which the Bank is or may be exposed, the Bank maintains the Internal Capital Adequacy Assessment Process (ICAAP). Methods used to assess and measure individual risks included in the ICAAP that are used by the Bank in relation to its risk profile are approved by the Board of Directors. Quantifiable risks are assessed in the form of internally determined capital needs. Other risks as part of the ICAAP are covered by qualitative measures in risk management, organisation of processes and control mechanisms (Code of Ethics, communication policy, etc.). The internal capital adequacy in 2021 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 2021, the Bank did not exceed the limit for large exposures. As of the end of 2021, the Bank did not exceed any regulatory limit.

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

3.1.1. Credit Risk

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

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

3.1.2. Market Risk

Market risk is the risk of suffering losses owing to changes in market factors, ie prices, exchange rates and interest rates on financial markets. Market risk management in 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.

3.1.3. Refinancing Risk

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

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

3.1.4. 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;
  - 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 and limits 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 2021, CEB had no problems ensuring sufficient liquidity.

3.1.5. 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 2021, CEB updated its assessment of operational risks on an on-going basis in the form of self-assessment.

The instances of operational risks were not significant in terms of the volume, amount and impact on the Bank's operations in 2021.

3.1.6. Capital Requirements and Capital Ratios

Table 12

31 December 2021	CZK million
Capital	**7,286**
Tier 1 (T1) capital	7,286
Common equity tier 1 (CET1) capital	7,286
CET1 capital instruments	5,000
Accumulated other comprehensive income (OCI) and other reserve funds	2,295
Adjustments of the CET1 capital due to the utilisation of prudential filters	(1)
(-) Other intangible assets	(8)
Other temporary adjustments of the CET1 capital	0
Other deductions from the CET1 capital – methodology changes (transition to IFRS 9)	0

Table 13

31 December 2021		CZK million
	Risk-weighted exposure	**Capital requirement**
Total	**5,099**	**407**
Total risk exposures in respect of credit risk under STA	3,605	288
Exposures to central governments and central banks	315	25
Exposures to institutions	990	79
Exposures to corporates	1,591	127
Exposures in default	449	36
Other exposures	260	21
Total risk exposures from position, foreign currency and commodity risks – currency transactions	168	13
Total risk exposures from operational risk – BIA	1,323	106
Total risk exposures from credit valuation adjustment (CVA) risk – standardised method	3	0

Table 14

31 December 2021	CZK million
Capital ratios	
CET1 capital ratio	142.90
Surplus (+) / shortage (-) of the CET1 capital	7,057
T1 capital ratio	142.90
Surplus (+) / shortage (-) of the T1 capital	6,878
Total capital ratio	**142.90**
Total capital surplus (+) / shortage (-)	**6,878**
*Total capital ratio SREP (TSCR)**	*15.600*
TSCR – comprising CET1 capital	*10.200*
TSCR – comprising T1 capital	*13.600*
Overall capital requirement (OCR)	*18.414*
OCR – comprising CET1 capital	*13.014*
OCR – comprising T1 capital	*16.414*
Overall capital requirement (OCR) and the recommended capital planning reserve (P2G)	*18.414*
OCR and P2G – comprising CET1 capital	*13.014*
OCR and P2G – comprising T1 capital	*16.414*

* Capital ratios required by regulator

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

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

3.3. Remuneration of Persons with Managing Powers

With regard to the application of the proportionality principle, 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 2021, 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 their Committees). Members of the Board of Directors perform their duties with due managerial care, carefully and with the necessary knowledge. They are remunerated in line with the Contract on Holding the Office of a Member the Board of Directors concluded in compliance with the relevant provisions of Act No. 90/2012 Coll., on Business Corporations and Cooperatives. The Contract on Holding the Office of a Member of the Board of Directors (the "Contract") is concluded for a functional period of five years. This Contract provides for the rights and obligations of contractual parties in respect of holding the office of a member or of Board of Directors.

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

The total annual remuneration of the members of the Board of Directors is broken down into the base component and the variable component, which make up 50% and 50%, respectively, or 62.5% and 37.5%, respectively, for the member of the Board of Directors in charge of the Risk Management Division. The remuneration of the CEO and Deputy CEOs was paid out in the form of the base component, which was the remuneration for holding the office. 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 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 2021: modified cost/income ratio, amount of subsidies to settle losses from supported financing), business indicators (for 2021: total volume of new transactions, volume of loans drawn), and portfolio and risk indicators (for 2021: proportion of NPL to the Bank's aggregate portfolio, amount of provisions, and proceeds from receivables in work-out management – not including insurance proceeds from EGAP), and strategic indicators (for 2021: integration with EGAP). The assessment of the performance criteria listed above is made once a year after the end of the year being assessed, using the results as of 31 December of the relevant year.

50% of the variable component of the remuneration granted for the year being assessed is paid out to the members of the Board of Directors immediately, while 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 entitlement to 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 exercising of the Board of Director's powers in performing CEB's business activities.

The Supervisory Board has five members. As of 31 December 2021, all five members were exercising their offices. Members of the Supervisory Board are elected by the General Meeting and include persons proposed by shareholders. Members of the Supervisory Board are remunerated based on the Contract on Holding the Office of a Member of the Supervisory Board pursuant to the relevant sections of Act 90/2012 Coll., on Business Corporations and Cooperatives, which is concluded for five years. The Contract on Holding the Office of a Member of the Supervisory Board was approved by CEB's General Meeting. The members of the Supervisory board are remunerated in the amount approved by the General Meeting. The remuneration for holding the office of a member of the Supervisory Board was paid out providing that the member was not subject to the limitation stipulated by 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 2021is 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 holding the office. The remuneration policy for the members of the Supervisory Board, referred to as the Principles of Remunerating 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 their performance, which is measured against defined performance criteria. The individual performance criteria are always set for a calendar year and approved and subsequently assessed by CEB's General Meeting in April. The performance criteria are divided into five areas: CEB Strategy (for 2021: active involvement in discussing the modification of CEB's product range and its critical assessment), finance and business plan (for 2021: active cooperation in preparing and negotiating the FBP for 2022), remuneration system (for 2021: active participation in negotiating the K.O. criteria, Bank-wide KPIs as well as individual KPIs for risk takers of group I, and approving KPIs for risk takers of group II in line with the Supervisory Board's schedule of KPI approval), and control system (for 2021: 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), and integration(for 2021: discussing the proposed organisational change in the Bank following the amendment to Act No,. 58/95 Coll.). The assessment of the performance criteria is made once a year, after the end of the year being assessed, using the results as of 31 December of the relevant year.

50% of the variable component of the remuneration granted for the year being assessed is paid out to the members of the Supervisory Board immediately, while the payment of the other 50% of the variable component is postponed. The deferral 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 entitlement to such payments always arises from the assessment of the defined financial and non-financial indicators of CEB's performance.

3.4. Received Income of Directors and Members of the Bank's Bodies in Cash and in Kind for 2021

Table 15

Received income of persons with managing powers from the issuer (CEB) (CZK '000)	Members of the Board of Directors	Members of the Supervisory Board	Other persons with managing powers
In cash	18,009	2,329	0
In kind	0	0	0
Total	18,009	2,329	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. Candidates must additionally adhere to general guidelines for assessing the suitability of members of a management body and persons in key positions determined by the EBA, such as evaluation of experience, reputation or prudential requirements. The winner of the selection process (nominee) is subsequently presented to the government's Committee for Personnel Nominations, which then either does or does not recommend the proposed nomination.

3.5. Information on Codes

The Corporate Governance Code of Česká exportní banka, a.s. (KOD 01) is based on the OECD principles. Any deviations from are disclosed in its wording. 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, and neither the Bank's legal position nor its shareholder structure changes these main principles. The Bank's corporate governance is based on the main pillars listed below:

Shareholder Rights

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

Fair Treatment of Shareholders

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

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

Disclosures and Transparency

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

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

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

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

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

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

3.6.1. General Meeting

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

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

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

3.6.2. Supervisory Board

The Supervisory Board consists of five members.

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

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.

3.6.3. Board of Directors

The Board of Directors consists of three members.

Meetings of the Board of Directors are convened by its Chairman or an authorised Vice-Chairman as necessary. The Board of Directors has a quorum, if an absolute majority of its members is present. The Board of Directors decides by resolutions adopted by a majority of votes of its members. Each member of the Board of Directors has one vote. 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.

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

3.6.4. Audit Committee

The Audit Committee consists of three members.

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

Resolutions of the Audit Committee are adopted by an absolute majority of the votes of all members. Each member has one vote. 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.

3.6.5. Credit Committee

The Credit Committee consists of seven members.

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

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

3.6.6. Assets and Liabilities Management Committee (ALCO)

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 approved by the Head of the Enterprise Risk Management department who is a member of the ALCO.

3.6.7. Information Technologies Development Committee (ITDC)

The ITDC consists of seven members.

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

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

3.6.8. Operational Risk Management Committee (ORCO)

The ORCO consists of seven members.

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

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

3.7. Authorised Auditors

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

The contract was signed for the period from 2021 to 2024. In 2021, KPMG Česká republika Audit, s.r.o., charged fees for services provided under the Audit Services Contract in the amount of TCZK 640.

Unbilled expenses:
TCZK 960 statutory audit
TCZK 250 supervisory report
TCZK 150 supported loans review

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 address at:
Churchill I building
Italská 2581/67
120 00 Praha 2 – Vinohrady

Table 16

Cost in TCZK excl. VAT	**2021**	**2020**
Statutory audit of the annual financial statements	1,597	1,590
Other assurance services	120	120
Other non-audit services	0	0
Total	1,717	1,710

Source: CEB

In 2021, the Bank incurred additional costs on statutory audit of TCZK 57, relating to the review of the information in the annual report being published in the new ESEF format.

3.8. Court and Arbitration Proceedings

Court and Arbitration Proceedings with CEB's participation as of 31 December 2021

CEB is currently involved in disputes relating to the collection of receivables, in particular legal disputes that are a part of individual insolvency proceedings against CEB's debtors. The financial impacts of the outcomes of these proceedings may only be income for CEB (not an expense); however, 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 contracts.

3.9. Contracts of Significance

During 2021, the Bank concluded no significant contracts (except for the contracts concluded as part of the its regular business activities) that could establish any liability or claim which that would be significant in terms of CEB's ability to meet its obligations to holders of securities issued.

3.10. 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
5 requests for information were filed, and no decision to dismiss the request was issued in 2021

Number of appeals filed against the decisions
No appeals against the decisions were filed in 2021

Copy of significant parts of each court judgment 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 judgments concerning the exercising of the right to information were issued in 2021.

Number of exclusive licences provided
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 2021.

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 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 its 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 28 March 2022

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

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

4 Financial Part

4 | Financial Part

ČESKÁ EXPORTNÍ BANKA, A.S.

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

FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENT OF THE FINANCIAL STATEMENTS

INCOME STATEMENT

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

(CZK'm)	Note	2021	2020 adjusted*
Interest income		920	1,265
of which: Interest income calculated using the effective interest rate method		849	1,126
Interest expense		(239)	(485)
Net interest income	6	**681**	**780**
Fee and commission income	2u, 7	35	25
Fee and commission expense	2u, 7	(10)	(12)
Net profit (loss) from financial operations, including state subsidy	8	(7)	22
Other operating income		4	105
Other operating expenses	9	(10)	(280)
Administrative expenses	9	(257)	(257)
Depreciation and amortisation	9	(47)	(67)
Modification gains and losses		2	9
Impairment losses on financial assets not reported at fair value through P/L or their reversal	2u, 10	103	159
Provisions for loan commitments and guarantees or their reversal	2u, 10	4	(55)
Other provisions or their reversal	21	(75)	8
Profit or (loss) before tax		**423**	**437**
Income tax expense	11	(65)	(273)
Profit or (loss) for the year		**358**	**164**

* Adjustment to the presentation of balances as at 31 December 2020 is described in Note 2 (u).

STATEMENT OF COMPREHENSIVE INCOME

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

(CZK'm)	Note	2021	2020
Profit or (loss) for the year		**358**	**164**
Items that may be subsequently reclassified to profit of loss			
Total change in OCI from revaluation of financial assets	24	(24)	(13)
Other comprehensive income (OCI)		**(24)**	**(13)**
Total comprehensive income		**334**	**151**

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

(CZK'm)	Note	2021	2020
ASSETS			
Cash in hand, cash with the central bank and other deposits repayable on demand	12	4,586	2,638
Derivatives held for trading	14	14	0
Debt securities at fair value recognised in OCI	3b, 15	1,475	1,534
Financial assets at amortised cost		29,139	36,072
Debt instruments at amortised cost	3b, 15	1,114	1,603
Loans and receivables at amortised cost	3b, 13	28,025	34,469
Property, plant and equipment	16	83	96
Intangible assets	17	13	10
Other assets	18	612	877
Deferred tax assets	22	30	9
Total assets		**35,952**	**41,236**
LIABILITIES AND EQUITY			
Derivatives held for trading	14	0	256
Financial liabilities measured at amortised cost	19	27,360	33,022
Hedging derivatives	14	6	16
Other liabilities	20	575	283
Provisions	3b, 21	315	243
Current tax liabilities		41	94
Total liabilities		**28,297**	**33,914**
Share capital	23	5,000	5,000
Revaluation reserve	24	(8)	16
Reserve funds	25	802	794
Other special funds	25	1,503	1,348
Profit or (loss) for the year		358	164
Total equity		**7,655**	**7,322**
Total liabilities and equity		**35,952**	**41,236**

The notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

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

(CZK'm)	Note	Share capital	Retained earnings	Reserve fund	Export risk reserve	Revaluation reserve	Total
31 December 2019		**5,000**	**66**	**791**	**1,285**	**29**	**7,171**
Total change in OCI from revaluation of financial assets	24	0	0	0	0	(13)	(13)
Profit or (loss) for the year		0	164	0	0	0	164
Total comprehensive income		0	164	0	0	(13)	151
Transfer to other special funds	25	0	(63)	0	63	0	0
Transfer to reserve fund	25	0	(3)	3	0	0	0
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)
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**

The notes are an integral part of the financial statements.

CASH FLOW STATEMENT

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

(CZK'm)	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received on loans without debtor default		608	1,365
Interest paid		(293)	(585)
Net fee and commission received		20	122
Net trading and other net income received		(123)	153
Net income on defaulted receivables		1,814	2,453
Payments to employees and suppliers		(239)	(603)
Income tax paid		(152)	11
Other taxes paid		6	(29)
Net cash used in operating activities before changes in operating assets and liabilities		**1,641**	**2,887**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Decrease (increase) in loans to banks		3,313	(3,920)
Decrease (increase) in loans to customers		5,099	4,446
Decrease (increase) in other assets		1	42
Increase (decrease) in other liabilities		1	1
Increase (decrease) in liabilities due to banks		(948)	5,086
Increase (decrease) in liabilities due to customers		(914)	(3,261)
Cash used in operating activities		**8,193**	**5,281**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(69)	(51)
Sale of property, plant and equipment and intangible asset		0	0
Purchase of securities		0	0
Proceeds from matured securities		459	164
Sale of securities		0	101
Net cash from investment activities		**390**	**214**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issued bonds		8,220	1,081
Redemption of issued bonds		(12,804)	(9,574)
Lease payments		(18)	(18)
Return (receipt) of state subsidy		0	(73)
Net cash flows financing activities		**(4,602)**	**(8,584)**
Effect of exchange rate changes on cash and cash equivalents		**(66)**	**(10)**
Net increase in cash and cash equivalents		**3,915**	**(3,099)**
Cash and cash equivalents at the beginning of the year	12	**2,769**	**5,868**
Cash and cash equivalents at the end of the year	12	**6,684**	**2,769**

RECONCILIATION OF CASH FLOWS FROM FINANCING ACTIVITIES

	Note	Issued bonds	Leases	Subsidies
At 31 December 2019		**31,782**	**86**	**73**
Inflow		1,081	0	0
Outflow		(9,574)	(18)	(73)
Other non-cash changes		125	1	0
Effect of exchange rate changes		1,155	0	0
At 31 December 2020	**19,20**	**24,319**	**69**	**0**
Inflow		8,220	0	0
Outflow		(12,804)	(18)	0
Other non-cash changes		86	2	0
Effect of exchange rate changes		(988)	0	0
At 31 December 2021	**19,20**	**18,661**	**53**	**0**

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 společností, 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 2021.

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

- Amendments to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9, effective date: 1 January 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (phase 2), effective date: 1 January 2021;

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.

- IFRS 17 – Insurance Contracts, effective date: 1 January 2023;
- Amendments to IAS 16 Property, Plant and Equipment: 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;
- IFRS 16 Leases: COVID-19-Related Rent Concessions, effective date: 1 April 2021.
- Annual improvements to IFRSs – 2018-2020 Cycle, effective date: 1 January 2022.

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 8 – Definition of Accounting Estimates; not yet adopted by the European Union, effective date: 1 January 2023;
- 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 IAS 1 – Disclosure of Accounting Policies, effective date: 1 January 2023;
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued in May 2021), expected effective date: 1 January 2023;
- Amendments to IFRS 3 Reference to the Conceptual Framework; not yet adopted by the EU;
- Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued in December 2021), not yet adopted by the European Commission.

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 as it does not offer foreign currency products in other currencies. The bank offers clients new loans bearing interest based on 3M Term SOFR. For existing USD loans (of USD 126 million as at 31 December 2021) bearing interest based on USD LIBOR, the Bank expects to transition to risk-free rates in the second half of 2022 or in the first half of 2023. The transition will be made on the same interest rate basis in connection with the change in the interest rate of the bilateral loan from Komerční banka,a. s. (balance as at 31 December 2021 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 not significant. 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 expects 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 from financial operations including state subsidy'.

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

	EUR	USD
31 December 2021	24.860	21.951
31 December 2020	26.245	21.387

(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 (loss) from financial operations including state subsidy'.

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

(e) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized under 'Interest income' and 'Interest expense' in the income statement using the effective interest rate method, with the exception of interest on derivatives hedging interest rate risks. Interest on financial instruments at fair value through profit or loss (FVTPL) that do not function as effective hedging instruments is part of gains and losses arising from changes in fair value reported under 'Net profit (loss) from financial operations including state subsidy'.

The effective interest rate method is a method of calculating the gross amortised cost of a financial asset or financial liability and allocating the interest income or interest expense until maturity of the relevant asset or liability. The effective interest rate is the rate that discounts estimated future cash flows over the expected 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 attributable to providing 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 accrual basis when the service is provided.

Loan commitment commissions are also included in the effective interest rate as the Bank assumes that all provided loan commitments will be drawn. Commissions for loan commitments that were not 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 repayments, the discount/premium not yet amortized, less an allowance for expected credit losses and of the 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 gains or losses').

Derecognition of financial assets

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

(h) Impairment of assets

The Bank creates allowances and provisions for expected credit losses in respect of financial assets at amortised cost, 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 credit-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 has no reasonable 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 uncollectability 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 (loss) from 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 its` acquisition costs can be measured reliably. Repair and maintenance costs are charged to the income statement when incurred.

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

The residual 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 has elected not to recognize right-of-use assets and lease liabilities 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 required 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 tax

Deferred 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 tax is determined using the income 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 fair value through profit or loss (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 amount of the subsidy is calculated as the sum of:
- The recorded interest income from operating long-term supported financing (reduced by a fixed interest mark-up);
- Plus interest income from the current investment of available financial resources intended for supported financing;
- Minus actual interest expense from received funds;
- Minus relating fees paid by the Bank to acquire these funds;
- Minus allowances and provisions; and
- Plus/minus the difference between income from financial derivative transactions and costs related to these transactions, foreign exchange rate differences and other costs that were incurred by the Bank on acquiring the funds.

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

(r) Provisions

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

(s) Guarantees and loan commitments

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

The Bank 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.

(u) Changes in financial statements and tables of Notes

In the income statement, the item 'Net fee and commission income' has been replaced by a split between 'Fee and commission income' and 'Fee and commission expense'.

The income statement item 'Creation of provisions or reversal' has been split into 'Provisions for commitments and guarantees or their reversal', which shows provisions made under IFRS 9, and 'Other provisions or their reversal', which shows provisions made under IAS 37.

Income statement	2020 after adjustment	2020 before adjustment
Fee and commission income	25	–
Fee and commission expense	(17)	–
Net fee and commission income	–	8
	8	**8**
Provisions for commitments and guarantees or their reversal	(55)	–
Other provisions or their reversal	8	–
Creation (-) of provisions or their reversal	–	(47)
	(47)	**(47)**

The Bank has elected not to present an aggregated income statement line 'Profit (loss) from operating activities'".

The reconciliation of cash flows from financing activities was added to the cash flow statement.

To improve the information for users of the financial statements, the Bank has decided to revise the tables on the effects of changes in credit risk on loss allowances and provisions and refrained from presenting the effect of impairment on the net balances of financial assets.

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 uses customer deposits as loan collateral and as means of funding export loans.

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 No. 218/2000, 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 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 2021 and in 2020, 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. 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, risks of banks, and a model for project quality assessment. 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. he 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 1 – 3) and the special POCI category.

- Stage 1 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 2 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 3 includes financial assets that are credit-impaired at the reporting date (default).
- Financial assets classified as POCI include financial assets that are impaired at the date of initial recognition, except for receivables from invoices.

Significant increase in credit risk

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

The assessment of whether there has been a significant increase in credit risk since initial recognition is based on all reasonable and demonstrable information available to the Bank without unreasonable expenses or effort. These include historical information, information on future prospects and credit risk assessment over the estimated useful life of the financial asset, including information on the circumstances that led to the potential modification. The assessment whether there has been a significant increase in credit risk since initial recognition is based on a significant increase in the probability of default since initial recognition rather than on the events that have occurred. In assessing the credit risk, the Bank takes into account the 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 collateral 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.

At the same time, the following applies:

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

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

COVID-19

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

- The macroeconomic forecast has been revised and an expert assessment of Stage 1 allowances/provisions has been carried out;
- Once a week, the Credit Committee presents information on the latest the economic results of companies on the "COVID list" with an exposure over CZK 50 million, in relation to the effects of the pandemic; and

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

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

Exposures by level of credit risk

(CZK'm)							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)**

(CZK'm)							2020
	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	**1,534**	**1,534**	**0**	**0**	**0**	**0**	**0**
Government institutions	**1,402**	1,402	0	0	0	0	0
Credit institutions	**132**	132	0	0	0	0	0
Financial assets at amortised cost	**36,072**	**14,746**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Debt instruments at amortised cost	**1,603**	**1,603**	**0**	**0**	**0**	**0**	**0**
Government institutions	**1,553**	1,553	0	0	0	0	0
Credit institutions	**50**	50	0	0	0	0	0
Loans and receivables at amortised cost	**34,469**	**13,143**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Central banks	**4,988**	4,989	0	0	(1)	0	0
Government institutions	**3,888**	2,661	1,232	0	(1)	(4)	0
Credit institutions	**203**	203	0	0	0	0	0
Non-financial corporations	**25,390**	5,290	14,409	6,962	(18)	(162)	(1,091)
Other receivables	**2**	**2**	**0**	**44**	**0**	**0**	**(44)**

(CZK'm)						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
Credit institutions	0	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)**

(CZK'm)						2020
	Carrying amount (gross)			Provision		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Provided loan commitments total	**1,136**	**1,745**	**0**	**(3)**	**(20)**	**0**
Government institutions	795	0	0	(1)	0	0
Credit institutions	214	0	0	(1)	0	0
Non-financial corporations	127	1,745	0	(1)	(20)	0
Provided financial guarantees total	**1,410**	**268**	**64**	**(35)**	**(17)**	**(10)**
Non-financial corporations	1,410	268	64	(35)	(17)	(10)
Off-balance sheet positions tota	**2,546**	**2,013**	**64**	**(38)**	**(37)**	**(10)**

Development of balance sheet exposures by level of credit risk

(CZK'm)				
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)**
Origination of new assets	5,904	0	0	**5,904**
Fully repaid transactions	(5,073)	(2,310)	0	**(7,384)**
Write-offs	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**

(CZK'm)				
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**
Net remeasurement of allowances	6	(12)	14	**8**
Creation of allowances for newly originated assets	(2)	0	0	**(2)**
Release of allowances for derecognized assets	1	38	53	**92**
Write-offs	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.

Movements between stages of loans and receivables at gross amortised cost

(CZK'm)				
Movements between stages of loans and receivables at gross amortised cost	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2021	19,988	10,672	13,179	**43,839**
Transfer from Stage 1	(6,276)	6,276	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	(475)	(1,026)	384	**(1,117)**
Origination of new assets	5,341	0	0	**5,341**
Fully repaid transactions	(5,730)	(526)	(304)	**(6,560)**
Write-offs	0	0	(6,869)	**(6,869)**
Exchange rate gains or losses	295	245	572	**1,112**
At 31 December 2020	13,143	15,641	6,962	**35,746**

(CZK'm)				
Provisions and allowances for loans and receivables at amortised cost	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2019	(28)	(152)	(5,668)	**(5,848)**
Transfer from Stage 1	8	(8)	0	**0**
Transfer from Stage 2	0	0	0	**0**
Transfer from Stage 3	0	0	0	**0**
Net remeasurement of allowances	2	(21)	100	**81**
Creation of allowances for newly originated assets	(3)	0	0	**(3)**
Release of allowances for derecognized assets	2	14	33	**49**
Write-off	0	0	4,724	**4,724**
Exchange rate gains or losses	(1)	1	(280)	**(280)**
At 31 December 2020	(20)	(166)	(1,091)	**(1,277)**

In 2020, the Bank wrote off receivables of CZK 6,869 million gross classified in Stage 3 using allowances of CZK 4,724 million, insurance payments and other collateral. The favourable outcome of a litigation resulted in a reduction of allowances for receivables classified in Stage 3. The transfer of receivables of CZK 6,276 million to Stage 2 resulted in an increase of allowances in Stage 2.

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

(CZK'm)				
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 to Stage 1	0	0	0	**0**
Transfer to Stage 2	0	0	0	**0**
Transfer to 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**

(CZK'm)				
Provisions for off-balance sheet positions	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2020	(38)	(37)	(10)	**(85)**
Transfer to Stage 1	0	0	0	**0**
Transfer to Stage 2	0	0	0	**0**
Transfer to 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**
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.

(CZK'm)				
Movements between stages of off-balance sheet positions	Stage 1	Stage 2	Stage 3	**Total**
At 31 December 2019	4,639	57	68	4,764
Transfer to Stage 1	(1,981)	1,981	0	**0**
Transfer to Stage 2	0	0	0	**0**
Transfer to Stage 3	0	0	0	**0**
Changes in ongoing transactions (drawing or derecognition) / increase	(1,370)	0	0	**(1,370)**
Creation of new off-balance sheet positions	1,525	0	0	**1,525**
Termination (drawing or derecognition) / increase	(375)	0	0	**(375)**
Exchange rate gains or losses	108	(25)	(4)	**79**
At 31 December 2020	2,546	2,013	64	**4,623**

(CZK'm)				
Provisions for off-balance sheet positions	Stage 1	Stage 2	Stage 3	**Total**
Balance at 31 January 2019	(19)	(2)	(11)	**(32)**
Transfer to Stage 1	2	(2)	0	**0**
Transfer to Stage 2	0	0	0	**0**
Transfer to Stage 3	0	0	0	**0**
Changes in provisions	14	(35)	0	**(21)**
Creation of provisions for newly created positions	(42)	0	0	**(42)**
Release of provisions for derecognized positions	8	0	0	**8**
Exchange rate gains or losses	(1)	2	1	**2**
Balance at 31 December 2020	(38)	(37)	(10)	**(85)**

The creation of provisions in Stage 2 of CZK 35 million is mainly due to the transfer of significant long-term loan and guarantee commitments to Stage 2.

Classification by internal rating

(CZK'm)								2021
	Internal rating	Carrying amount	Carrying amount (gross)			Allowances		
			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**

(CZK'm)								2020
	Internal rating	Carrying amount (net)	Carrying amount (gross)			Allowances		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Highest credit quality	1	1,553	1,553	0	0	0	0	0
Very good credit quality	2	50	50	0	0	0	0	0
Debt instruments at amortised cost		**1,603**	**1,603**	**0**	**0**	**0**	**0**	**0**
Highest credit quality	1	4,988	4,989	0	0	(1)	0	0
High credit quality	2	23	23	0	0	0	0	0
Very good credit quality	3	2,763	2,764	0	0	(1)	0	0
Good credit quality	4	3,948	3,512	445	0	0	(9)	0
Quality requiring prudence	5	14,073	1,690	12,465	0	(17)	(65)	0
Vulnerable	6	2,777	165	2,705	0	(1)	(92)	0
Unsatisfactory	7	26	0	26	0	0	0	0
Default of project	D	5,871	0	0	6,962	0	0	(1,091)
Loans and receivables at amortised cost		**34,469**	**13,143**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Financial assets at amortised cost		**36,072**	**14,746**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Highest credit quality	1	1,476	1,476	0	0	0	0	0
Very good credit quality	2	58	58					
Debt securities at fair value recognized in OCI		**1,534**	**1,534**	**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

(CZK'm)								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**

(CZK'm)								2020
	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	1,603	1,603	0	0	0	0	0	0
Loans and receivables at amortised cost	34,469	28,598	0	0	0	0	5,230	641
Financial assets at amortised cost	**36,072**	**30,201**	**0**	**0**	**0**	**0**	**5,230**	**641**
Debt securities at fair value recognized in OCI	**1,534**	1,534	0	0	0	0	0	0
Performing and non-performing balance sheet exposures in total	**37,606**	**31,735**	**0**	**0**	**0**	**0**	**0**	**641**

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.

(CZK'm)							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)

(CZK'm)							2020
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	**18,957**	1,785	11,959	5,807	0	(135)	(459)

The Bank recognizes interest income on receivables with forbearance of CZK 495 million (2020 – CZK 609 mil.)

Proportion of exposures with forbearance to total exposure

(CZK'm)			2021			2020
	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	2,835	284	10.0%	3,888	0	0.0%
Credit institutions	5,876	0	0.0%	5,191	0	0.0%
Other financial institutions	0	0	0.0%	0	0	0.0%
Non-financial corporations	19,314	14,873	77.0%	25,390	18,957	74.7%
Loans and receivables at amortised cost	28,025	15,157	87.0%	34,469	18,957	74.7%
Debt securities at amortised cost	1,114	0	0.0%	1,603	0	0.0%
Debt securities at fair value recognized in OCI	1,475	0	0.0%	1,534	0	0.0%
Performing and non-performing exposures in total	**30,614**	**15,157**		37,606	18,957	

Modified contractual cash flows

(CZK'm)	2021	2020
Receivables at amortised cost in stages 2 and 3 before modification	1,774	4,631
Modification gains and losses	2	9
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

(CZK'm)							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**
Financial assets at amortised cost	**29,139**	**3,740**	**32,879**	**21,715**	**310**	**392**	**22,417**
Receivables from credit institutions	*5,876*	*0*	***5,876***	*14*	*3*	*392*	***409***
Receivables 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**

(CZK'm)							2020
	Total exposure value			Allocated collateral for exposures			
	Balance sheet positions	Off-balance heet positions	Total exposure	Financial guarantees received	Cash collateral	Securities	Total collatera
Cash in hand, cash with the central bank and other deposits repayable on demand	2,638	0	**2,638**	0	0	0	**0**
Debt securities at fair value recognized in OCI	1,534	0	**1,534**	0	0	0	**0**
Financial assets at amortised cost	**36,072**	**4,623**	**40,695**	**27,946**	**188**	**0**	**28,134**
Receivables from credit institutions	*5,191*	214	***5,405***	*265*	*3*	0	***268***
Receivables from other customers	*29,278*	4,409	***33,687***	*27,681*	*185*	0	***27,866***
Debt securities	1,603	0	**1,603**	0	0	0	**0**
Other assets	992	0	**992**	0	0	0	**0**
Total exposure	**41,236**	**4,623**	**45,859**	**27,946**	**188**	**0**	**28,134**

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

(CZK'm)								2021
	Carrying amount (net)	(%)	Carrying amount (gross) Stage 1	Stage 2	Stage 3	Allowances 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**	90.89%	12,285	11,705	4,822	(11)	(137)	(639)
Financial assets at amortised cost	**29,139**	**100.00%**	**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**

(CZK'm)								2020
	Carrying amount (net)	(%)	Carrying amount (gross) Stage 1	Stage 2	Stage 3	Allowances Stage 1	Stage 2	Stage 3
Czech Republic	**1,553**	96.88%	1,553	0	0	0	0	0
Netherlands	**50**	3.12%	50	0	0	0	0	0
Debt instruments at amortised cost	**1,603**	**100.00%**	**1,603**	**0**	**0**	**0**	**0**	**0**
Azerbaijan	**2,980**	8.65%	0	2,993	0	0	(13)	0
Czech Republic	**5,742**	16.66%	5,065	624	161	(2)	(24)	(82)
Russia	**6,499**	18.85%	3,488	2,526	944	0	(78)	(381)
Slovak Republic	**9,657**	28.02%	242	9,472	209	(5)	(51)	(210)
Turkey	**6,534**	18.96%	1,315	0	5,648	(11)	0	(418)
Other	**3,057**	8.87%	3,033	26	0	(2)	0	0
Loans and receivables at amortised cost	**34,469**	100.00%	13,143	15,641	6,962	(20)	(166)	(1,091)
Financial assets at amortised cost	**36,072**	**100.00%**	**14,746**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Czech Republic	**1,344**	87.61%	1,344	0	0	0	0	0
Luxembourg	**132**	8.60%	132	0	0	0	0	0
Slovak Republic	**58**	3.78%	58	0	0	0	0	0
Debt securities at fair value recognized in OCI	**1,534**	**100.00%**	**1,534**	**0**	**0**	**0**	**0**	**0**

Breakdown by industry

(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 securities 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**	**100.00%**	**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**

(CZK'm)								2020
	Carrying amount (net)	(%)	**Carrying amount (gross)**			**Allowances**		
			Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Banking and insurance industry	**50**	3.12%	50	0	0	0	0	0
Public administration and defence	**1,553**	96.88%	1,553	0	0	0	0	0
Debt securities at amortised cost	**1,603**	**100.00%**	**1,603**	**0**	**0**	**0**	**0**	**0**
Processing industry	**4,459**	12.94%	1,729	2,705	372	(1)	(92)	(254)
Production and distribution of electricity, gas, heat, and air	**18,340**	53.21%	3,258	9,471	6,433	(12)	(52)	(758)
Transport and warehousing	**1,801**	5.22%	22	1,788	0	0	(9)	0
Banking and insurance industry	**5,191**	15.06%	5,192	0	0	(1)	0	0
Public administration and defence	**3,888**	11.28%	2,661	1,232	0	(1)	(4)	0
Other	**790**	2.29%	281	445	157	(5)	(9)	(79)
Loans and receivables at amortised cost	**34,469**	**100.00%**	**13,143**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Financial assets at amortised cost	**36,072**	**100.00%**	**14,746**	**15,641**	**6,962**	**(20)**	**(166)**	**(1,091)**
Public administration and defence	**1,402**	91.40%	1,402	0	0	0	0	0
Activities of extraterritorial organizations and bodies	**132**	8.60%	132	0	0	0	0	0
Debt securities at fair value recognized in OCI	**1,534**	**100.00%**	**1,534**	**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

(CZK'm)	12 months to 31 December 2021			12 months to 31 December 2020		
ΔEVE	Average	High	Low	Average	High	Low
Interest rate risk	(120)	(54)	(241)	(214)	(53)	(359)
Currency risk	(2)	0	(5)	(3)	0	(9)
Total ΔEVE	(122)	(57)	(245)	(217)	(55)	(365)

(CZK'm)		31 December 2021*	31 December 2020*
ΔEVE			
Interest rate risk	Parallel up (plus 200 bps)	189	(90)
	Parallel down (minus 200 bps)	(170)	40
	Increase of short-term rates	104	(49)
	Decrease of short-term rates	(204)	(6)
	Steepener (short-term rates down and long-term rates up)	(58)	(37)
	Flattener (short-term rates up and long-term rates down)	52	(23)
	Maximum	**204**	**(90)**
Currency risk	CZK depreciation	0	0
	CZK appreciation	(3)	(4)
	Maximum	**(3)**	**(4)**
Total ΔEVE		**(207)**	**(94)**

* The values reported with the negative sign represent the negative impact while those with the positive sign represent the positive impact of stress 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 stress scenario is also presented in each of these components: six interest rate and two currency scenarios. Interest rate stress scenarios are taken from the EBA document mentioned above, currency stress 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: for the CZK depreciation scenario, +30% USD/+15% EUR; for the CZK appreciation scenario, -25% USD/-15% EUR.

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 stress 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

(CZK'm)	CZK	EUR	USD	Other	Total
At 31. December 2020					
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 assets	30	0	0	0	**30**
Other assets	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**
Currency forward	0	(211)	226	0	**15**
Net currency position	**7,823**	**(56)**	**(98)**	**1**	**7,670**
At 31. December 2020					
Total assets	8,450	29,155	3,620	11	**41,236**
Total liabilities	5,281	25,033	3,589	11	**33,914**
Net balance sheet position	3,169	4,122	31	0	**7,322**
Currency forward	3,859	(4,120)	0	0	**(261)**
Net currency position	**7,028**	**2**	**31**	**0**	**7,061**

(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

(CZK'm)												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		**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**

(CZK'm)												2020
		≤ 1M	1M - 3M	3M - 6M	6M - 1Y	1Y - 2Y	2Y - 3Y	3Y - 4Y	4Y - 5Y	5Y - 10Y	> 10Y	**Total**
Assets	CZK	2,154	511	7,905	1,759	30	135	94	121	585	62	**13,356**
Liabilities		1,874	175	5,037	3,438	832	483	377	244	422	60	**12,942**
Assets	EUR	8,983	2,461	7,685	6,233	2,755	1,669	1,042	620	981	44	**32,473**
Liabilities		8,631	5,044	7,160	839	3,347	424	3,860	2,632	14	0	**31,951**
Assets	USD	756	5,376	128	45	67	38	37	32	80	0	**6,559**
Liabilities		513	3,770	434	495	657	366	7	2	6	0	**6,250**
Assets	**Total**	**11,893**	**8,348**	**15,718**	**8,037**	**2,852**	**1,842**	**1,173**	**773**	**1,646**	**106**	**52,388**
Liabilities		**11,018**	**8,989**	**12,631**	**4,772**	**4,836**	**1,273**	**4,244**	**2,878**	**442**	**60**	**51,143**
Accumulated GAP		**875**	**234**	**3,321**	**6,586**	**4,602**	**5,171**	**2,100**	**(5)**	**1,199**	**1,245**	**1,245**

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 reserve is stated at the fair value of highly liquid securities and receivables from the CNB.

Liquidity gap

(CZK'm)						**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**

(CZK'm)						**2020**
	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	**Total**
Fixed maturity inflows	3,742	3,168	10,040	25,265	4,419	**46,633**
Inflows – liquidity assumptions	349	0	0	0	866	**1,215**
Liquidity reserve	9,975	0	0	0	0	**9,975**
Total inflows	14,066	3,168	10,040	25,265	5,285	**57,823**
Fixed maturity outflows	4,816	5,460	15,652	18,700	1,192	**45,821**
Outflows – liquidity assumptions	34	22	168	0	0	**224**
Capital	0	0	0	0	7,148	**7,148**
Total outflows	4,850	5,482	15,820	18,700	8,340	**53,193**
Accumulated GAP	**9,216**	**6,901**	**1,121**	**7,685**	**4,630**	**4,630**

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

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

The regulatory liquidity coverage ratio (LCR) has a minimum required compliance level of 100%. The Bank reported an LCR of 4,515% as at 31 December 2021 (1,300% as at 31 December 2020).

As of 28 June 2021, a regulatory requirement for the net stable funding ratio (NSFR) came into force, setting out the minimum required level of 100%. As at 31 December 2021, the Bank reported an NSFR of 164%.

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

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

Maturity of non-derivative financial liabilities

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
At 31 December 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**
At 31 December 2020						
Financial liabilities to credit institutions at amortised cost	963	10	5	4,501	1,176	**6,655**
Financial liabilities to other customers at amortised cost	264	45	644	1,137	11	**2,101**
Issued debt securities at amortised cost	43	1,991	10,700	12,065	0	**24,799**
Lease liabilities	4	0	13	52	0	**69**
Total financial liabilities at amortised cost	**1,274**	**2,046**	**11,362**	**17,755**	**1,187**	**33,624**
Provided loan commitments	605	1,082	347	847	0	**2,881**
Provided financial guarantees	2	1	1,073	602	64	**1,742**

These 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.

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
At 31 December 2021						
Hedging derivatives	0	(2)	(4)	0	0	**(6)**
At 31 December 2020						
Hedging derivatives	(1)	(2)	(6)	(6)	0	**(15)**

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

(CZK'm)	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
At 31 December 2021						
FX derivatives for trading						
outflow	0	0	(211)	0	0	**(211)**
inflow	0	0	226	0	0	**226**
Cross currency swaps for trading						
outflow	0	0	0	0	0	**0**
inflow	0	0	0	0	0	**0**
Total outflow	**0**	**0**	**(211)**	**0**	**0**	**(211)**
Total inflow	**0**	**0**	**226**	**0**	**0**	**226**
At 31 December 2020						
FX derivatives for trading						
outflow	(184)	0	0	0	0	**(184)**
inflow	184	0	0	0	0	**184**
Cross currency swaps for trading						
outflow	0	0	(3,941)	0	0	**(3,941)**
inflow	0	0	3,695	0	0	**3,695**
Total outflow	**(184)**	**0**	**(3,941)**	**0**	**0**	**(4,125)**
Total inflow	**184**	**0**	**3,695**	**0**	**0**	**3,879**

(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.

(CZK'm)	**2020**	**2019**	**2020**	**2019**
	Carrying amount		Fair value	
FINANCIAL ASSETS				
Deposits with the central bank	4,764	4,988	4,741	5,001
Deposits with credit institutions	1,020	32	1,021	32
Loans to credit institutions	92	171	222	260
Total receivables from credit institutions	**5,876**	**5,191**	**5,984**	**5,294**
Receivables from other customers	22,149	29,278	23,307	31,232
Debt securities at amortised cost	1,114	1,603	1,062	1,648
FINANCIAL LIABILITIES				
Financial liabilities to credit institutions at amortised cost	5,503	6,614	5,551	6,728
Financial liabilities to other customers at amortised cost	3,196	2,089	3,196	2,096
Issued debt securities at amortised cost	18,661	24,319	18,890	26,771

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).

(CZK’m)	2021		2020	
	Level 1	Level 2	Level 1	Level 2
Derivatives held for trading	0	14	0	0
Debt securities at fair value recognized in OCI	1,475	0	1,534	0
Total	**1,475**	**14**	**1,534**	**0**
Derivatives held for trading	0	0	0	257
Fair value hedging derivatives	0	6	0	16
Total	**0**	**6**	**0**	**272**

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.

(CZK’m)						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	**14**	**0**	**14**	**0**	**0**	**22**

(CZK'm)						2021
	Gross amounts liabilities	Gross amounts of financial assets accounted for	Net amounts of financial liabilities reported in the balance sheet	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**

(CZK'm)						2020
	Gross amounts of financial assets	Gross amounts of financial liabilities accounted for	Net amounts of financial assets reported in the balance sheet	Securities	Cash collateral	Net amount
Positive value of financial derivatives	0	0	**0**	0	0	0
Total assets	**0**	**0**	**0**	**0**	**0**	**0**

(CZK'm)						2020
	Gross amounts of financial liabilities	Gross amounts of financial assets accounted for	Net amounts of financial liabilities ireported in the balance sheet	Securities	Cash collateral	Net amount
Negative market value of derivatives	272	0	**272**	0	(15)	257
Total liabilities	**272**	**0**	**272**	**0**	**(15)**	**257**

(h) Capital management

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

The Bank uses the standardised approach based on an external rating to calculate the capital requirement for the credit risk of the investment portfolio, i.e. to calculate risk-weighted exposures. The risk weighting is based on the exposure category and credit quality. 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 created and uses a Internal Capital Adequacy Assessment Process (ICAAP). 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.

ICAAP 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 ICAAP concept in the form of a capital management strategy which defines the key goals, principles, parameters and limits of ICAAP, including the methods used to evaluate and measure each risk undertaken by the Bank. Quantifiable risks within ICAAP are assessed in the form of internally set capital requirements. Other risks within ICAAP are covered by qualitative measures in risk management and organisation of processes and controls (code of ethics, code of corporate governance, etc.).

In 2021 and 2020, the Bank met all regulatory requirements for capital adequacy.

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

Regulatory capital

(CZK'm)	**2021**	**2020**
Paid-up share capital registered in the Commercial Register	5,000	5,000
Reserve funds	2,304	2,141
Loss for the period	0	0
Accumulated other comprehensive income	(8)	16
Deductible items from the original equity – intangible assets	(8)	(2)
Capital adjustment due to the use of prudential filters	(2)	(2)
Other transitional adjustment of capital	0	0
Other deductions from CET1 capital (implementation of IFRS 9)	0	0
Initial capital (Tier 1)	**7,286**	**7,153**
Regulatory capital	**7,286**	**7,153**

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

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

a) Reduction in the credit quality of the asset's issuer, sale of assets with increased credit risk;
b) Sales shortly (3 months) before maturity;
c) Unforeseen urgent financial needs of the 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. Exceptional deviations from the standard model of payments of principal and interest for classifying an asset as AC or FVOCI are assessed by the ALCO.

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

(c) State subsidy

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

(d) Income taxes

The Bank is subject to Czech income tax in compliance with effective regulations. The Bank 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.

(CZK'm)			**2021**			**2020**
	circle 001	circle 002	**Total**	circle 001	circle 002	**Total**
Interest income	380	540	**920**	520	745	**1,265**
of which: over 10% of revenues						
Financial and insurance sectors	*0*	*0*	***0***	*85*	*0*	***85***
Electricity production and distribution	*135*	*293*	***428***	*157*	*350*	***507***
Public administration and defence	63	*0*	***63***	*63*	*0*	***63***
Wholesale and retail	*0*	*62*	***62***	*0*	*0*	***0***
Manufacture of basic metals and metal processing	*0*	*0*	***0***	*0*	*116*	***116***
Interest expense	(3)	(236)	***(239)***	(35)	(450)	***(485)***
Impairment losses on loans	32	71	**103**	12	147	**159**
Creation (-) of provisions or their reversal	(61)	(10)	**(71)**	(24)	(23)	**(47)**
Loss/profit before income tax	24	399	**423**	(47)	484	**437**
Income tax	(65)	*0*	**(65)**	(273)	*0*	**(273)**
Net profit for the year	(41)	399	**358**	(320)	484	**164**
Loans and receivables at amortised cost	6,583	21,442	**28,025**	8,357	26,112	**34,469**
Total assets	13,144	22,808	**35,952**	13,401	27,835	**41,236**
Financial liabilities measured at amortised cost	1,263	26,097	**27,360**	1,266	31,756	**33,022**
Total liabilities and equity	9,571	26,381	**35,952**	9,063	32,173	**41,236**

In the segment of electricity production and distribution, five clients generated income exceeding 10% of the aggregate segment income in 2021 (three clients in 2020). One client generated income exceeding 10% of the aggregate income both in the public administration and defence segment and the wholesale and retail segment. Income tax is allocated only to segment 001 based on the statutory limitation for items eligible for subsidy from the state budget.

Revenue from core activities of the Bank as per geographic segment

(CZK'm)			**2021**			**2020**
	Interest income	Fee and commisions income	**Total**	Interest income	Fee and commisions income	**Total**
Czech Republic	156	25	**181**	181	20	**201**
Slovak Republic	260	6	**266**	402	5	**407**
Russia	241	1	**242**	338	0	**338**
Turkey	131	0	**131**	164	0	**164**
Other	132	3	**135**	180	0	**180**
Total interest income and fees	***920***	***35***	***955***	***1,265***	***25***	***1,290***

6 / NET INTEREST INCOME

(CZK'm)	2021	2020
Interest income from loans to credit institutions	3	3
of which: Interest on non-performing loans	*0*	*0*
Interest income from loans to other customers	826	1,102
of which: Interest on non-performing loans	*202*	*336*
Interest income from interbank deposits	30	40
Interest income from CNB loans – repos	5	61
Interest income from current accounts with other banks	*0*	1
Interest income from loans and receivables at amortised cost	864	1,207
Interest on debt securities at fair value recognized in the OCI	12	19
Interest on debt securities at amortised cost	32	37
Interest on liabilities	12	2
Other interest income	56	58
Interest income	**920**	**1,265**
Interest expense from received bank loans	(28)	(35)
Interest expense from term deposits	(11)	(22)
Interest expense from interbanking operations	(1)	(33)
Interest expense from issued bonds	(187)	(382)
Interest expense from financial liabilities in amortised costs	(227)	(472)
Interest expense from assets	(2)	(1)
Interest expense on hedging iderivatives	(9)	(10)
Other interest – leases	(1)	(2)
Interest expense	**(239)**	**(485)**
Net interest income	**681**	**780**

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

Interest income is calculated using the effective interest rate, with the exception of interest income on hedging derivatives at CZK 0 million (2020: CZK 0 million) and penalty interest, which is part of the item 'Interest income from loans to other customers, amounting to CZK 71 million (2020 – CZK 139 million).

Interest expense is calculated using the effective interest rate with the exception of interest from hedging of CZK 9 million (2020 – CZK 10 million) and interest from finance leases of CZK 1 million (2020 – CZK 2 million).

7 / FEE AND COMMISSION NET INCOME

(CZK'm)	2021	2020
Fees and commissions from loan agreements	1	1
Fees and commissions from payments	3	2
Fees and commissions from guarantees	31	22
Fee and commissions income	**35**	**25**
Fees and commissions from clearing and settlement	(1)	0
Fees for guarantees	(7)	(7)
Fee for security operations	0	(1)
Fees and commissions for rating	(2)	(4)
Fee and commissions expense	**(10)**	**(12)**
Net fee and commissions income	**25**	**13**

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

Profit from financial operations

(CZK'm)	2021	2020
Profit (loss) on financial assets at FV through OCI	0	1
Profit (loss) on financial assets at amortised cost	1	0
Profit (loss) from the derecognition of financial assets and liabilities not carried at fair value through profit or loss	1	1
Loss from derivative transactions with currency instruments	0	(215)
Income from derivative transactions with currency instruments	147	243
Profit (loss) from financial assets and liabilities held for trading	147	28
Foreign exchange gains or losses	(155)	(7)
Net profit (loss) from financial operations, including state subsidy	**(7)**	**22**

In 2021 and 2020, the Bank did not qualify for a subsidy for a loss from officially supported financing.

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

	2021	2020
Number of employees	127	131
Average recorded number of employees	127	137
Board and Supervisory Board	8	6

(CZK'm)	Note	2021	2020
Salaries and emoluments		(142)	(148)
Social security and health insurance costs		(44)	(43)
Other staff costs		(14)	(3)
Staff costs		(200)	(194)
Advertising		0	(2)
Advisory		(4)	(5)
Information technology		(25)	(29)
Contribution to the Financial market guarantee system		(8)	(12)
Other		(20)	(15)
Total administrative expenses		**(257)**	**(257)**
Depreciation and amortisation of fixed assets	16	(28)	(31)
Software amortisation	17	(19)	(36)
Depreciation and amortisation		**(47)**	**(67)**
Cost of debt collection		(5)	(20)
Value added tax		(4)	(7)
Other		(1)	(253)
Other operating expenses		**(10)**	**(280)**
Total operating expenses		**(314)**	**(604)**

In 2021, the income of members of the Board of Directors and the Supervisory Board amounted to CZK 20 million (2020 – CZK 24 million). Staff costs also include provisions for bonuses and employee benefits. The provision for bonuses for the employees having an influence on the Bank's overall risk profile, the payment of which is deferred and depends on the financial results and other criteria in future years, was used proportionally for current year and thus decreased by CZK 4 million to CZK 22 million. The provision for social security and health insurance relating to these deferred bonuses decreased (due to the use of a pro rata portion of the provision) by CZK 1 million to CZK 8 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, increased by CZK 5 million to CZK 12 million.

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

In 2020, Other operating expenses included CZK 251 million of compensation for damages to the bankruptcy trustee in connection with an impaired business transaction. The expenses were partially compensated by the insurance company, which is reported under Other operating income.

10 / LOSSES FROM IMPAIRMENT OF FINANCIAL INSTRUMENTS

(CZK'm)	2021	2020
(Creation) / release of allowances – Stage 1	0	3
(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	**0**	**3**
(Creation) / release of allowances – Stage 1	10	6
(Creation) / release of allowances – Stage 2	22	(14)
(Creation) / release of allowances – Stage 3	66	135
(Creation) / release of allowances for receivables to other customers	**98**	**127**
Net value of written-off receivables from other customers	5	29
Net value of written-off receivables	**5**	**29**
Impairment losses on loans	**103**	**159**

Net value of written-off receivables primarily include income from insurance payments of CZK 1,486 million (2020 – CZK 2,169 million) and a partial write-offs of the related insured loan receivables of CZK 1,471 million (2020 – CZK 2,145 million); and write-off of bad loans of CZK 363 million (2020 – CZK 4,724 million) and the related use of allowances of CZK 349 million (2020 – CZK 4,724 million).

Income from insurance payments also includes payments relating to receivables sold in prior periods of CZK 15 million (2020 – CZK 27 million).

11 / INCOME TAX

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

(CZK'm)		2021		2020
Profit (loss) before income tax		423		437
Income tax at 19% rate		(80)		(83)
Effect of tax non-deductible expenses		(46)		(966)
Effect of income not liable to tax		60		933
Income tax for prior periods		1		(190)
Unutilised deferred tax asset arising from tax loss		0		33
Income tax	15.37%	(65)	62.47%	(273)

Tax non-deductible expenses primarily include the write-off of receivables of CZK 331 million. Income not liable to tax primarily comprises items of the use of allowances for the write-off of receivables of CZK 317 million.

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 required reserves.

Minimum reserve requirement is 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 required reserves is measured against the average balances on the minimum required 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 required reserves account are available daily and used to provide operational liquidity. The regulator's requirements are complied with on a monthly basis.

(CZK'm)	2021	2020
Cash with the central bank	4,556	1,903
of which Accounts of cash reserves with the central bank	*303*	*29*
Other deposits repayable on demand	30	735
Cash in hand, cash with the central bank and other deposits repayable on demand	**4,586**	**2,638**

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 an original maturity of less than 3 months.

(CZK'm)	2021	2020
Cash in hand, cash with the central bank and other deposits repayable on demand	**4,586**	**2,638**
Receivables from the central bank due within 3 months	1,643	120
Receivables from other credit institutions due within 3 months	455	11
Cash equivalents	**2,098**	**131**
Total cash and cash equivalents	**6,684**	**2,769**

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

(CZK'm)	2021	2020
Receivables included in cash equivalents	2,097	130
Other receivables from credit institutions	3,780	5,062
Allowance for receivables	(1)	(1)
Total loans and receivables from credit institutions at amortised cost	**5,876**	**5,191**
Receivables from other customers	22,935	30,554
Allowance for receivables	(786)	(1,276)
Total loans and receivables from other customers at amortised cost	**22,149**	**29,278**
Total loans and receivables at amortised cost	**28,025**	**34,469**
Remaining maturity:		
Short-term loans and receivables	5,869	5,773
Long-term loans and receivables	22,156	28,695

At the end of 2021, the receivables written-off and in the process of hard collection amounted to CZK 19,823 million (2020: CZK 19,329 million). Generally, these receivables represent receivables where the Bank acts as an agent in the process of hard collection under obligations from insurance contracts.

Loans and receivables from credit institutions at amortised cost

(CZK'm)	2021	2020
Loans provided to the central bank	400	0
Deposits with the central bank	4,365	4,989
Loans and receivables from the central bank	**4,765**	**4,989**
Deposits with other credit institutions	1,020	32
Purchased receivables from other credit institutions	92	171
Loans and receivables from other credit institutions	**1,112**	**203**
Allowance for receivables	(1)	(1)
Total loans and receivables from credit institutions at amortised cost	**5,876**	**5,191**
Remaining maturity:		
Short-term receivables from credit institutions	5,784	5,031
Long-term receivables from credit institutions	92	160

Loans and receivables from other customers at amortised cost

(CZK'm)	2021	2020
Loans		
Pre-export funding	12	677
Export funding	21,532	28,119
Investment funding	1,316	1,714
For bank guarantee	4	4
Trade receivables	0	0
Purchase of receivables	71	40
Receivables from other customers	**22,935**	**30,554**
Allowance for receivables	(786)	(1,276)
Total receivables from other customers at amortised cost	**22,149**	**29,278**
Remaining maturity:		
Short-term receivables from other customers	85	742
Long-term receivables from other customers	22,064	28,536

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 2021 and 2020. The Bank enters into transactions with interest rate and FX derivatives. Counterparties include other financial institutions.

Total derivatives

(CZK'm)	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 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
31 December 2020				
Derivatives held for trading	3,859	4,120	0	256
Hedging derivatives	289	289	0	16
Total derivatives	**4,148**	**4,409**	**0**	**272**
Remaining maturity:				
Short-term derivatives held for trading	0	0	0	0
Long-term derivatives held for trading	3,859	4,120	0	256
Short-term hedging derivatives	0	0	0	0
Long-term hedging derivatives	289	289	0	16

Derivatives held for trading

(CZK'm)	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2021				
Cross-currency interest rate swap	226	211	14	0
Total derivatives held for trading	**226**	**211**	**14**	**0**
31 December 22020				
Cross-currency interest rate swap	3,859	4,120	0	256
Total derivatives held for trading	**3,859**	**4,120**	**0**	**256**

Fair value hedging derivatives

(CZK'm)	Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
31 December 2021				
Interest rate swaps	249	249	0	6
Total hedging derivatives	**249**	**249**	**0**	**6**
31 December 2020				
Interest rate swaps	289	289	0	16
Total hedging derivatives	**289**	**289**	**0**	**16**

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). The testing of hedging effectiveness indicated that hedging is highly effective and complies with the requirements of IAS 39. The net fair value of the hedging swaps is reported in the line 'Hedging derivatives' and the net fair value of the hedged loans is reported in the line 'Financial assets at amortised cost' in the statement of financial position. The net profit from the change in fair value of hedging swaps of CZK 8 million (2020 – CZK 8 million) and losses from changes in the fair value of hedged loans of CZK (8) million (2020 – CZK (8) million) was recognised in the "Interest income" line of the income statement. Interest on the hedging interest rate swap of CZK 9 million (2020 – CZK 10 million) is also recognized in this line. The effect of the ineffective hedging component was CZK 0 million in 2021 (2020 – CZK 0 million). As at 31 December 2021, the Bank has one hedging interest rate swap maturing in August 2022.

15 / DEBT SECURITIES

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

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

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

Classification by listing status

(CZK’m)							2021
							IFRS 9
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

(CZK’m)							2020
							IFRS 9
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
	1,534	**1,534**	**0**	**0**	**0**	**0**	**0**
– listed	**1,534**	1,534	0	0	0	0	0
Debt instruments at amortised cost							
	1,603	**1,603**	**0**	**0**	**0**	**0**	**0**
– listed	**1,553**	1,553	0	0	0	0	0
– unlisted	**50**	50	0	0	0	0	0

Classification by residual maturity

Remaining maturity:	2021	2020
Debt securities at fair value recognized in OCI – short-term	264	16
Debt securities at fair value recognized in OCI – long-term	1,211	1,518
Debt instruments at amortised cost – short-term	362	480
Debt instruments at amortised cost – short-term	752	1,123

16 / PROPERTY, PLANT AND EQUIPMENT

(CZK'm)	Right-of-use	Office equipment	Motor vehicles	Assets under construction	**Total**
Cost					
At 1 January 2020	102	137	2	3	**244**
Additions	0	5	0	4	**9**
Modification	0	0	0	0	**0**
Disposals	0	(14)	0	(5)	**(19)**
At 31 December 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**
Accumulated depreciation					
At 1 January 2020	(17)	(101)	(2)	0	**(120)**
Additions	(17)	(14)	0	0	**(31)**
Modification	0	0	0	0	**0**
Disposals	0	13	0	0	**13**
At 31 December 2020	**(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 December 2021	**(51)**	**(105)**	**(2)**	**0**	**(158)**
Closing net book value					
At 31 December 2020	**68**	**26**	**0**	**2**	**96**
At 31 December 2021	**51**	**18**	**0**	**14**	**83**

The Bank uses an operating lease with the notice period of one year and annual lease payments of CZK 18 million, which are paid off on a straight-line basis at the beginning of a quarter. The lease payments were not deferred as a result of COVID-19. The expected residual lease period as at 1 January 2021 was 4 years. The right-of-use asset was measured at CZK 51 million as at 1 January 2022.

17 / INTANGIBLE ASSETS

(CZK'm)	**2021**	**2020**
Intangible assets		
Cost at 1 January	**361**	**351**
Additions	22	13
Disposals/transfers	(1)	(3)
Cost at 31 December	**382**	**361**
Accumulated amortisation at 1 January	**(351)**	**(318)**
Additions	(19)	(36)
Disposals/transfers	1	3
Accumulated amortisation at 31 December	**(369)**	**(351)**
Net book amount at 1 January	**10**	**33**
Net book amount at 31 December	**13**	**10**

18 / OTHER ASSETS

(CZK'm)	2021	2020
Expected insurance payments from assigned loans	586	866
Estimated receivable from other reinsurance	0	1
Prepayments and accrued income	12	6
Value added tax	8	1
Receivables from various debtors	1	1
Other receivables gross	41	46
Allowance for other receivables	(36)	(44)
Total other assets	**612**	**877**
Remaining maturity:		
Current other assets	611	9
Non-current other assets	1	868

19 / FINANCIAL LIABILITIES AT AMORTISED COST

Total financial liabilities at amortised cost

(CZK'm)	2021	2020
Financial liabilities to credit institutions at amortised cost	5,503	6,614
Financial liabilities to other customers at amortised cost	3,196	2,089
Deposits, loans and other financial liabilities at amortised cost	8,699	8,703
Issued debt securities at amortised cost	18,661	24,319
Total financial liabilities at amortised cost	**27,360**	**33,022**
Remaining maturity:		
Short-term payables at amortised cost	5,426	14,108
Long-term payables at amortised cost	21,934	18,914

Financial liabilities to credit institutions at amortised cost

(CZK'm)	2021	2020
Deposits received	14	900
Borrowings	5,489	5,714
Total financial liabilities to credit institutions at amortised cost	**5,503**	**6,614**
Remaining maturity:		
Total short-term payables to credit institutions	18	966
Total long-term payables to credit institutions	5,485	5,648

Financial liabilities to other customers at amortised cost

(CZK'm)	2021	2020
Current accounts	1,113	224
Term deposits	2,024	1,798
Escrow accounts	59	67
Total financial liabilities to other customers at amortised cost	**3,196**	**2,089**
Remaining maturity:		
Total short-term payables to other customers	2,698	951
Total long-term payables to other customers	498	1,138

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

The Bank's financial liabilities decreased due to a reduced need for resources. Liabilities to credit institutions decreased by CZK 1,111 million in 2021 (2020 – increased by CZK 4,846 million).

Liabilities from issued bonds decreased by CZK 5,658 million (2020 – decreased by CZK 7,463 million). Liabilities to other customers increased by CZK 1,107 million in 2021 (2020 – decreased by CZK 440 million).

Financial liabilities at amortised cost arising from debt securities

(CZK'm)				2021
ISIN	**Currency**	**Issue date**	**Maturity date**	**Amortized 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**

(CZK'm)	2021
Remaining maturity:	
Current	2,710
Non-current	15,951

(CZK'm)				2020
ISIN	**Currency**	**Issue date**	**Maturity date**	**Amortized cost**
XS0598967502	EUR	3 March 2011	3 March 2021	1,900
XS0630593233	CZK	26 May 2011	26 May 2021	1,904
XS0828623073	EUR	3 October 2012	3 October 2022	2,623
XS0849907281	EUR	5 November 2012	5 November 2024	6,567
XS0850460634	EUR	15 November 2012	15 November 2022	3,679
XS0911304326	EUR	8 April 2013	8 March 2025	1,320
XS1082830255	EUR	2 July 2014	2 July 2021	3,936
XS1121094632	EUR	16 October 2014	16 October 2024	1,318
XS1210661572	EUR	1 April 2015	3 April 2023	1,072
Issued debt securities at amortised cost				**24,319**

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

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

(CZK'm)	2021	2020
Lease payables	53	69
Insurance prepayment received	0	0
Accruals and deferrals	10	6
Tax liabilities	2	2
Liabilities to different creditors	510	206
of which financial collateral	*445*	*152*
Total other liabilities	**575**	**283**

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. Annual lease of CZK 17 million is paid on a straight-line basis at the beginning of each quarter. At the beginning of the year, lease liabilities were measured at CZK 53 million. Liabilities from short-term leases and low-value leases were immaterial as at both 1 January 2021 and 31 December 2021.

21 / PROVISIONS

(CZK'm)	Note	2021	2020
Provisions for deferred compensation including insurance payments			
At 1 January		**35**	**39**
Charge for provision	9	6	6
Release of provision	9	(1)	0
Usage of provision	9	(11)	(10)
At 31 December		**29**	**35**
Provisions for employee benefits			
At 1 January		**5**	**8**
Charge for provision	9	12	5
Release of provision	9	(4)	(4)
Usage of provision		(1)	(4)
At 31 December		**12**	**5**
Provisions for financial guarantees			
At 1 January		**65**	**28**
Creation / (reversal) of provision		(14)	0
Exchange rate gains or losses		1	(1)
At 31 December		**50**	**65**
Provisions for loan commitments			
At 1 January		**20**	**4**
Creation / (reversal) of provision		10	0
Exchange rate gains or losses		0	(1)
At 31 December		**30**	**20**
Provision for penalty and default interest			
At 1 January		**118**	**0**
Creation of provision		0	118
At 31 December		**118**	**118**
Provisions for litigations			
At 1 January		**0**	**119**
Creation of provision		75	50
Release of provision		0	(176)
Exchange rate gains or losses		1	7
At 31 December		**76**	**0**
Total provisions		**315**	**243**

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.

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 TAX

Deferred tax for 2021 is calculated using a income tax rate for years of expected use of the deferred tax in the amount of 19% for 2021 and the following years.

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

(CZK'm)	Note	**2021**	**2020**
At 1 January		**9**	**31**
Change in property, plant and equipment and intangible assets		0	2
Change in provisions for employee benefits		1	(4)
Change in provisions for litigation		14	(23)
Total deferred tax asset presented in the income statement		15	(25)
Change in debt securities at FV recognized in the OCI	24	6	3
At 31 December		**30**	**9**

Deferred tax assets and liabilities originated from items shown below:

(CZK'm)	**2021**	**2020**
Deferred tax on debt securities at FV recognized in OCI	2	(4)
Deferred tax on property, plant and equipment and intangible assets	1	1
Deferred tax on employee benefits reserve	13	12
Deferred tax on the provision for litigation	14	0
Deferred tax assets	**28**	**13**
Net deferred income tax assets/(liabilities)	**30**	**9**

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

23 / SHARE CAPITAL

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

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

24 / REVALUATION RESERVE

(CZK'm)	Note	**2021**	**2020**
Debt securities at fair value recognized in OCI			
At 1 January		**16**	**29**
Changes in fair value		(30)	(16)
Deferred tax	22	6	3
Total change		**(24)**	**(13)**
At 31 December		**(8)**	**16**

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 2021, it increased by CZK 8 million by allocating the 2020 profit. The closing balance of the reserve was CZK 802 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 2021, the fund was increased by CZK 155 million, a share of the 2020 profit distribution. The balance of the fund amounts to CZK 1,503 million.

26 / CONTINGENT LIABILITIES AND COMMITMENTS

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

Provided loan commitments and guarantees

(CZK'm)		2021		2020
	Credit institutions	Other customers	Credit institutions	Other customers
Provided loan commitments	0	2,147	214	2,667
Provided financial guarantees	0	1,593	0	1,742
Total	**0**	**3,740**	**214**	**4,409**

27 / RELATED PARTY TRANSACTIONS

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

Related-party transactions are concluded within 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.

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

(CZK'm)		2021		2020
	Balance	Gains / (losses)*	Balance	Gains / (losses)*
Interbank deposits and provided loans				
Czech National Bank	9,320	(69)	6,890	82
Purchased bonds				
Ministry of Finance of the Czech Republic	2,411	16	2,897	75
Receivable arising from premium and other receivables				
EGAP, a.s.	586	(75)	866	142
Right-of-use – leases	53	(18)	68	(17)
Total EGAP, a.s.	**586**	**(75)**	**934**	**125**
Total	**12 317**	**(128)**	**10,721**	**282**

Liabilities

(CZK'm)		2021		2020
	Balance	Gains / (losses)*	Balance	Gains / (losses)*
Due to clients				
EGAP, a.s.	1,933	(11)	1,722	(22)
Lease liability				
EGAP, a.s.	53	(1)	70	(2)
Total	**1,986**	**(12)**	**1,792**	**(24)**

* The items include foreign exchange differences.

The Bank records insurance from EGAP a. s. of CZK 21,092 million (2020 – CZK 26,411 million) as part of guarantees received.

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.

28 / SUBSEQUENT EVENTS

Assignment of a loan receivables from the debtor Adularya Enerji Elektrik Üretimi ve Madencilik A. Ş.

On 23 February 2022, the Bank signed an agreement on the assignment of the loan receivable from the debtor Adularya Enerji Elektrik Üretimi ve Madencilik A. Ş. As at 31 December 2021, the receivable was measured at amortised cost, considering the expected insurance payment of EGAP a.s. of 99% (gross carrying amount of CZK 4,253 million; the present value of the expected insurance payment is CZK 3,868 million and the allowance CZK 385 million). There has been no significant change in the amortised cost of the receivable between 31 December 2021 and the date of assignment. The income from the assignee will be transferred to EGAP a.s. to the extent of its participation in the insurance risk. The Bank considers the overall impact of the transaction to be immaterial.

Armed conflict between the Russian Federation and Ukraine

On 24 February 2022, an armed conflict broke out between the Russian Federation and Ukraine. The Bank considers that as the event occurred after the year-end, it is a non-adjusting event to the financial statements. Therefore, no adjustments have been made to the estimates and forecasts of the associated risks as at 31 December 2021.

The Bank monitors the situation regarding the war conflict very closely and regularly performs various stress tests in relation to products provided in Russia and Ukraine, including an assessment of the sanctions against the Russian Federation and the resulting risks relating in particular to the depreciation of the rouble or the Ukrainian hryvnia, and restrictions on payments to/from the Russian Federation.

A quantification of all impacts is rather difficult due to the high uncertainty around the current situation and unpredictable developments.

As at the end of February 2022, the Bank's credit exposure (principal) to borrowers from Ukraine amounted to CZK 99.9 million (EUR 4 million) and CZK 3,516 million (EUR 140.7 million) to borrowers from the Russian Federation, of which receivables (principal) that were not in the insurance claim regime until the start of the conflict amounted to CZK 3,149 million (EUR 126 million). The Bank has no exposure towards Belarusian entities. All loan receivables are insured by EGAP, a.s. and the Bank's coverage ratio ranges from 1 to 10% for the exposure in Russia and 30% for the exposure in Ukraine.

Change in Board of Directors

On 1 March 2022, Ing. Daniel Krumpolc was elected the Chairman of the Board of Directors and CEO.

Date of preparation:

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

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

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

5 | Report on Relations

5 | Report on Relations

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

Business 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 Commercial Register:	Municipal Court in Prague, Section B, Insert 3042

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

For information on other related parties, refer to Appendix 1

b/ Role of the Controlled Entity

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

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

c/ Method and Means of Control

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

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 by the majority of present shareholders on the issues that are entrusted into its competence by Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Act on Business Corporations), as amended, and the Bank's Articles of Association; and

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

d/ Overview of actions taken in the Reporting Period

The Bank took no actions at the initiative or in the interest of the Controlling Entity or entities controlled by it concerning assets that exceed 10% of the Controlled Entity's equity as determined from the latest financial statements.

e/ Overview of mutual contracts between the Controlled Entity and the Controlling Entity or between Controlled Entities (Exportní garanční a pojišťovací společnost, a.s.)

Contract on insurance o Export Credit Risks

1. Insurance Contract No. 107011564 dated 18 February 2021
2. Insurance Contract No. 107011575 dated 18 February 2021
3. Insurance Contract No. 107011619 dated 7 July 2021

Amendment to individual insurance contracts

1. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011204
2. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011248
3. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011237
4. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011182
5. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011193
6. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011226
7. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011171
8. Amendment No. 2 dated 24 February 2021 to insurance contract No. 107011259
9. Amendment No. 7 dated 24 February 2021 to insurance contract No. 107010203
10. Amendment No. 9 dated 24 February 2021 to insurance contract No. 107007863
11. Amendment No. 8 dated 24 February 2021 to insurance contract No 107010078
12. Amendment No. 1 dated 24 May 2021 to insurance contract No. 202002334
13. Amendment No. 1 dated 2 September 2021 to insurance contract No. 202002391
14. Amendment No. 2 dated 19 April 2021 to insurance contract No. 135006637
15. Amendment No. 3 dated 31 August 2021 to insurance contract No. 135006637
16. Amendment No. 4 dated 22 December 2021 to insurance contract No. 135006637
17. Amendment No. 2 dated 14 June 2021 to insurance contract No. 107011272
18. Amendment No. 7 dated 6 December 2021 to insurance contract No. 137001926
19. Amendment No. 11 dated 6 December 2021 to insurance contract No. 137001915
20. Amendment No. 8 dated 6 December 2021 to insurance contract No. 135005164
21. Amendment No. 7 dated 6 December 2021 to insurance contract No. 133004824
22. Amendment No. 11 dated 6 December 2021 to insurance contract No. 133004813

Insurance Rulings

1. Insurance Ruling No. 002 dated 3 December 2021 to insurance contract No. 202002334
2. Insurance Ruling No. 003 dated 3 December 2021 to insurance contract No. 202002334
3. Insurance Ruling No. 004 dated 3 December 2021 to insurance contract No. 202002334
4. Insurance Ruling No. 005 dated 13 December 2021 to insurance contract No. 202002334
5. Insurance Ruling No. 006 dated 13 December 2021 to insurance contract No. 202002334
6. Insurance Ruling No. 001 dated 26 August 2021 to insurance contract No. 107011619
7. Insurance Ruling No. 002 dated 26 August 2021 to insurance contract No. 107011619
8. Insurance Ruling No. 005 dated 20. December 2021 to insurance contract No. 107011619
9. Insurance Ruling No. 003 dated 11 November 2021 to insurance contract No. 107011619
10. Insurance Ruling No. 004 dated 30 November 2021 to insurance contract No. 107011619
11. Insurance Ruling No. 003 dated 11 May 2021 to insurance contract No. 202002391

Amendments to Insurance Rulings

1. Amendment No. 3 dated 7 June 2021 to insurance ruling No. 202002391

Insurance contracts with EGAP in effect as at 31 December 2021 (including contacts entered into in 2021)

Contract characteristics	Number
One-time insurance contract, type Bf	1
One-time insurance contract, type If	1
One-time insurance contract, type Z	7
One-time insurance contract, type D	25
Total one-time insurance contracts in effect as of 31 December 2021	**34**
Limit insurance contracts, type Bf, including insurance rulings on those contracts	10
Limit insurance contracts, type D, including insurance rulings on those contracts	14
Total limit insurance contracts and insurance rulings issued on the limit insurance contracts (including rulings on limit insurance contacts of prior years) in effect as of 31 December 2021	**24**
Total insurance contracts (including insurance rulings on limit insurance contracts) in effect as at 31 December 2021	**58**

Insurance contracts and amendments to insurance contracts with EGAP concluded between 1 January and 31 December 2021

Contract / amendment characteristics	Number
Amendments to limit insurance contracts, type Bf	2
Amendments to limit insurance contracts, type Z	8
New one-time insurance contract, type D	2
New insurance contract, type D	1
Amendments to insurance contract, type D	12
Agreements to terminate insurance contract	1
Total new one-time and limit insurance contracts and amendments	**26**
Insurance rulings on the limit insurance agreements, type Bf, issued in 2021	6
Amendments to insurance rulings on the limit insurance agreements, type Bf, issued in 2021	1
Insurance rulings on the limit insurance agreements, type D, issued in 2021	5
Total new insurance rulings and amendment thereto issued on limit insurance agreements (including rulings on limit agreements of prior years)	**12**
Total new insurance agreements, amendments to insurance agreements concluded in 2021 and insurance rulings on insurance agreements concluded in 2021 (including rulings on limit agreements of prior years)	**38**

Other contracts concluded in 2021

- Agreement on termination of insurance contract No. 202002042 dated 23 September 2021
- Letter of intent No. 15953843 dated 2 July 2021
- Agreement No. 2 on the receivable assignment contract No. 16279299 dated 10 August 2021
- Settlement agreement dated 31 December 2021 on Loan agreement No. 21493
- Agreement on the 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 2021, to cover the temporary assignment of one employee for the entire year 2021.

Other agreements with EGAP in effect between 1 January 2021 and 31 December 2021

- Agreement on the lease of non-residential premises dated 1 April 1998
- Amendment No. 11 to the agreement on the lease of non-residential premises dated 29 October 2019
- Agreement on establishing deposit accounts and on rules and conditions for making term deposits with an individual interest rate on deposit accounts 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
- Agreement on commercial current accounts No. 21684 dated 23 April 2014
- Framework agreement on trading on the financial market dated 4 April 2014
- Cooperation agreement in insuring business cases (pre-export loans) against the risk of being subject to default and on bank guarantees against the risk of their utilisation, provided to SMEs 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
- Amendment No. 1 to agreement on commercial current accounts No. 21684 dated 10 August. 2020
- Amendment No. 2 to agreement on commercial current accounts No. 21684 dated 7 October 2020
- Amendment No. 3 to agreement on opening deposit accounts and on the rules and conditions for making term deposits at an individual interest rates in deposit accounts dated 30 September 2020
- Audit contract dated 30 June 2021 (concluded with KPMG Česká republika Audit, s.r.o.)
- Agreement on central procurement of a public contract 'Mobile telecommunication services' dated 30 September 2021

Other agreements with the Ministry of Finance of the Czech Republic in effect and concluded between 1 January 2021 and 31 December 2021

- 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.

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

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

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

- More effective approach to the process of amending the legislation that defines the terms of supported financing in order to meet the current needs of Czech exporters and export suppliers in export transactions;
- More efficient cooperation with key ministries (such as the Ministry of Industry and Trade 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 to export and business in combining the support for innovations and new technologies with the support for enterprise, export and internationalisation.

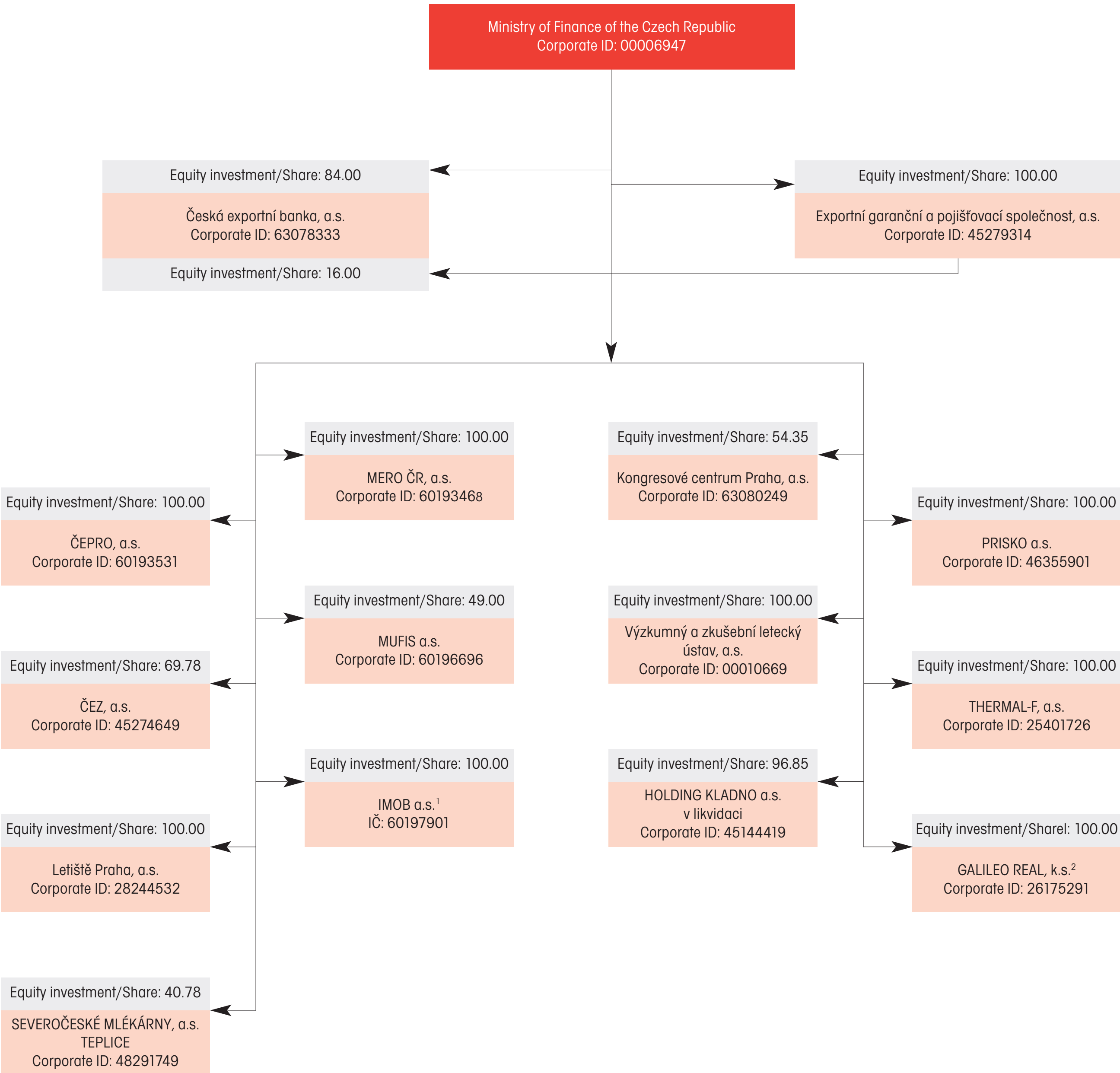
In Prague on 28 March 2022

Ing. Daniel Krumpolc
Chairman of the Board of Directors

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

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

Ministry of Finance of the Czech Republic



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

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

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