



# ANNUAL REPORT 2014

MEMBER OF THE CREDENDO  
GROUP



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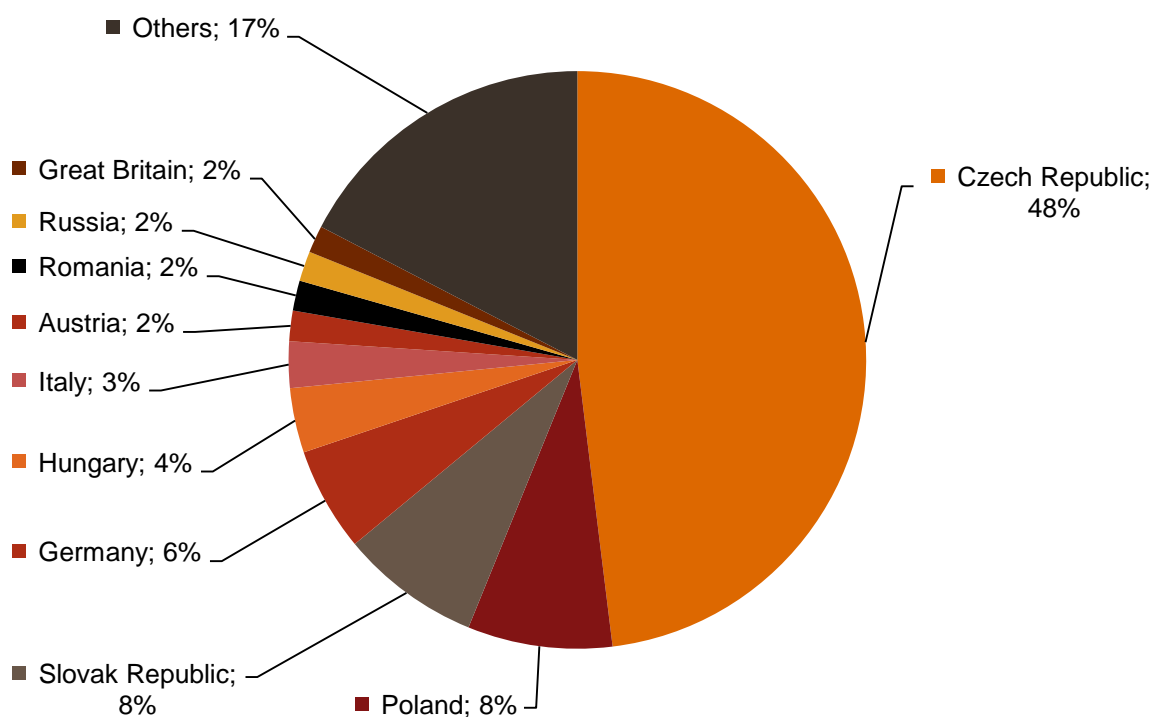
## KEY FIGURES

### Key figures over the past five years

In millions of CZK	2010	2011	2012	2013	2014
Volume of insured transactions	168,587	186,751	196,361	198,968	196,686
Turnover (net written premiums)*	389	397	367	361	373
Risk exposure (gross)	75,053	80,032	83,185	87,624	76,399
Indemnification paid	616	246	406	268	289
Technical account balance	(116)	65	(13)	3	1
Profit/loss	(89)	48	(11)	(2)	8
Profit/loss after goodwill amortisation	(30)	48	(11)	(2)	8
Equity	340	389	377	375	383

\*Item Net written premiums describes gross written premium adjusted for the issued discounts related to the loss ratio development of the policies

### Territorial structure of insured transaction 2014



## CORPORATE GOVERNANCE

### Board of Directors



**Michal VESELÝ**

Chairman of the Board of Directors



**Petr HERMAN**

Member of the Board of Directors



**Martin HRNČIŘÍK**

Member of the Board of Directors

#### Board of Directors – as at 31 December 2014

The authorised representative that acts and makes commitments on behalf of the company is the Board of Directors. Each member of the Board of Directors acts independently on behalf of the Board of Directors in the name of the company. Documents of legal acts on behalf of the company must be signed by either the Chairman of the Board of Directors or at least two members of the Board of Directors.

#### Supervisory Board – as at 31 December 2014

Pursuant to the Articles of Association, the Supervisory Board supervises the activities of the Board of Directors, as well as appoints and recalls members of the Board of Directors.

### Supervisory board



**Dirk TERWEDUWE**

Chairman of the Supervisory Board



**Stefaan VAN BOXSTAEL**

Member of the Supervisory Board



**Jan HOFMAN**

Member of the Supervisory Board



**Michal PRAVDA**

Vice-chairman of the Supervisory Board



**Frank VANWINGH**

Member of the Supervisory Board



**Ronny MATTON**

Member of the Supervisory Board



## COMPANY PROFILE

### Mission Statement

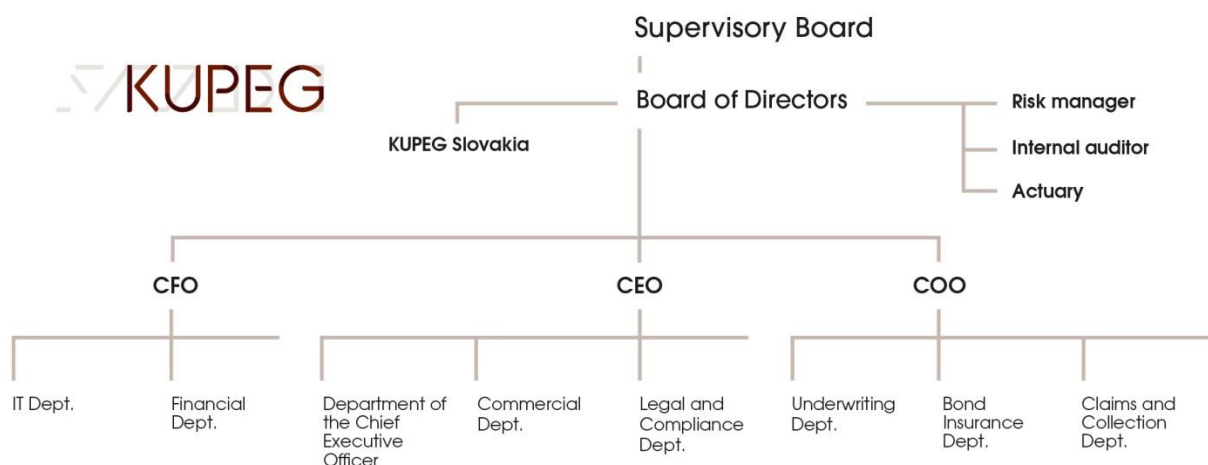
We help our clients to free capital for development of their own business. We grant stability to the economy by collecting and utilizing the best information on debtors and by taking over the risk of business transactions.

- KUPEG is the market leader for credit insurance in the Czech Republic
- KUPEG is a company with 3 times more capital than required by the Czech National Bank for solvency
- KUPEG is part of the strong multinational group Credendo Group. Leading company of the group, the Belgian insurer Delcredere Ducreire received a Standard & Poor's rating of "AA"
- KUPEG insured transactions worth CZK 197 billion in 2014

### Scope of activities

Insuring companies throughout Europe against commercial and political risks associated with trading on open credit. The daily support that we give our clients is based on our knowledge of trade conditions and customs for markets all over the world.

### Organisational structure



## COMPANY PROFILE

### Scope of business

- a) Insurance activities within classes 13, 14 and 15 of non-life insurance as defined in Annex 1, Part B, to Act No. 277/2009 Coll., on insurance, as amended ("Insurance Act")
- b) Activities related to the insurance business pursuant to the Insurance Act, within the scope of relevant authorisation:
  - Intermediary activities undertaken in connection with insurance activities,
  - Consulting associated with insurance activities,
  - Claim investigations conducted by independent loss adjusters under a contract with the insurance company.

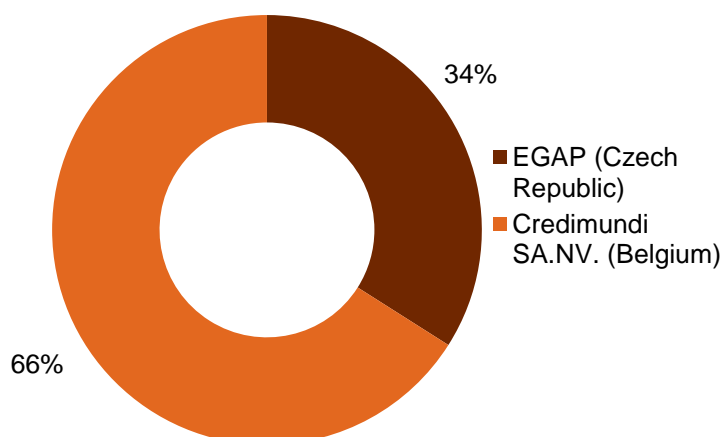
The company was founded on 31 January 2005 by a decision of the sole shareholder, Exportní garanční a pojišťovací společnost, a.s. (EGAP), and came into existence on the date of registration in the Commercial Register, i.e. 24 June 2005, and started its actual activities on 1 October 2005. On this day, the Ministry of Finance's approval of the insurance portfolio transfer came into effect and the Company's registered capital was raised by the investment of EGAP commercial insurance.

### Shareholder structure as at 31 December 2014:

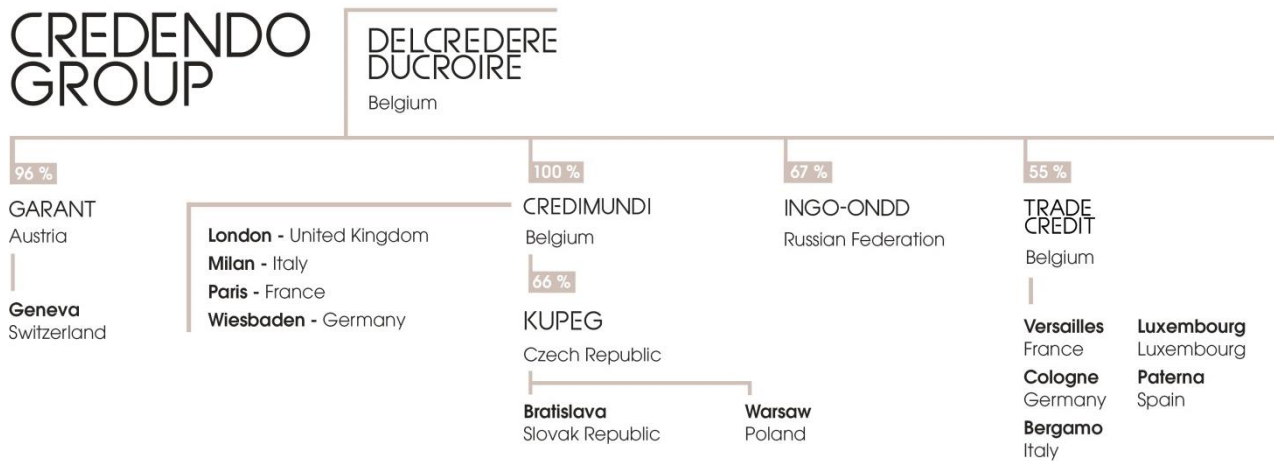
Credimundi SA.NV.

(formerly Ducroire | Delcredere SA.NV.) (Belgium) 66% of shares

EGAP (Czech Republic) 34% of shares



## GROUP STRUCTURE



## COMMENTS ON BUSINESS DEVELOPMENT

In 2014 KUPEG retained its position as commercial credit insurance leader on the Czech market. The total amount of insured receivables reached volume CZK 196.7 billion in 2014, which means slight decrease compared to the year 2013, when it was CZK 198 billion. Positive evolution in premium rates and stable insured volumes were the key drivers for net written premiums growth by 3.3% compared to the year 2013.

Claim notification level was influenced by our sustainable risk strategy. The current year notifications were down by 27% YoY on the level of CZK 724 mio. During the 2014 KUPEG continued in development of its state of the art tools supporting fast risk analysis and debtor fraud prevention.

### Credit insurance

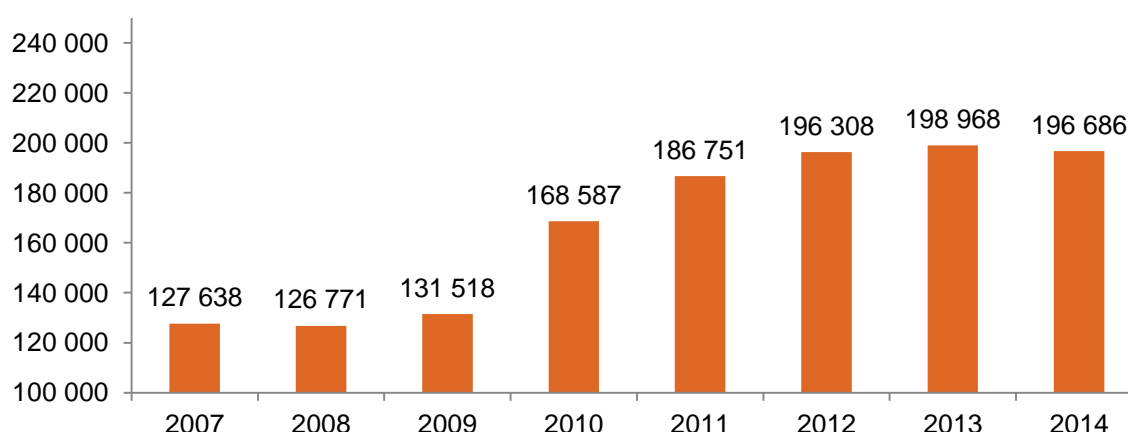
#### KUPEG – tailor made credit insurance

We offer a structure of customisable products that fully accommodate the individual needs of our clients. Our goal is to provide every company, regardless of its size or line of business, with coverage against the risk of buyer default.

### Volume of insured transactions

In 2014 KUPEG saw slight decrease in volume of insured transactions. The total amount of insured transactions decreased by 1.1% compared to 2013.

#### Insured turnover during 2007-2014 in millions CZK



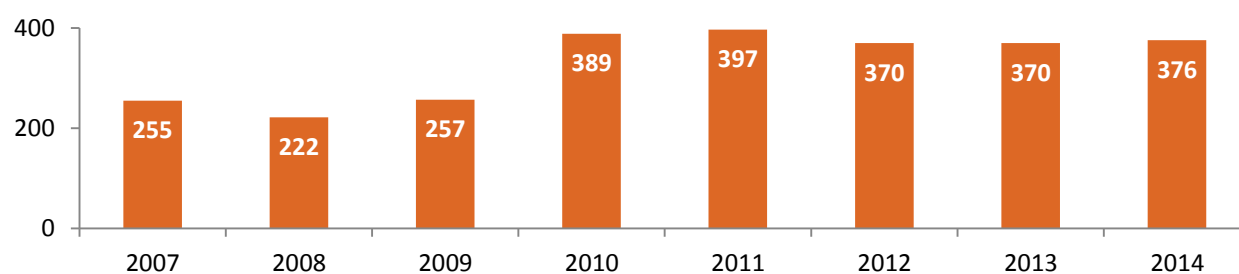


## COMMENTS ON BUSINESS DEVELOPMENT

### Gross written premium

Despite slight decrease of insured turnover, KUPEG realized CZK 5.9 million premium increase compared to 2013.

**Gross written premium between  
2007 -2014**  
(in millions of CZK)



## COMMENTS ON BUSINESS DEVELOPMENT

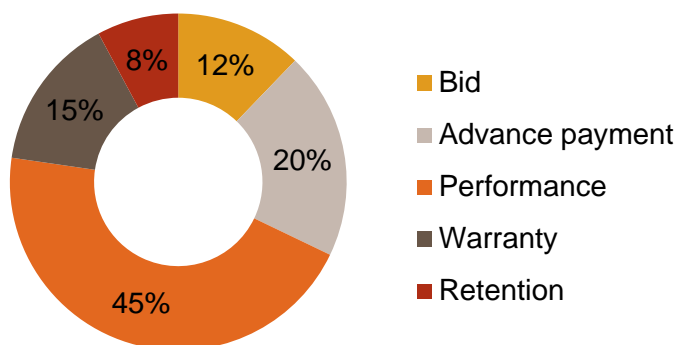
### Surety business

**Surety insurance** is a full fledge alternative to non-payment bank guarantees and is basically insurance against the risk of the non-performance of obligations. It is designed for a wide range of suppliers. Serving the fields of construction, engineering, and other suppliers of goods and services, this product is for those who need insurance for participation in tenders or as required by their customers. It gives customers access to contracts that are conditional on the provision of a guarantee. At the same time, it does not commit the financial resources of the company, which contributes to increased liquidity of the insured. Its noticeable advantage is the fact that when our clients make use of this product, they do not have to obtain bank financing and simultaneously get a highly flexible and financially attractive solution.

Diversification of surety portfolio continued in 2014. KUPEG issued 249 bonds, which represents a doubling compared to previous year, when 125 bonds were issued. Volume of granted limits stabilized at CZK 1.3 billion and the drawing as of 31 December 2014 amounted to CZK 500 million (i.e. 40 %).

The structure of the issued bonds as at 31 December 2014 is as follows:

Structure of surety portfolio (%)



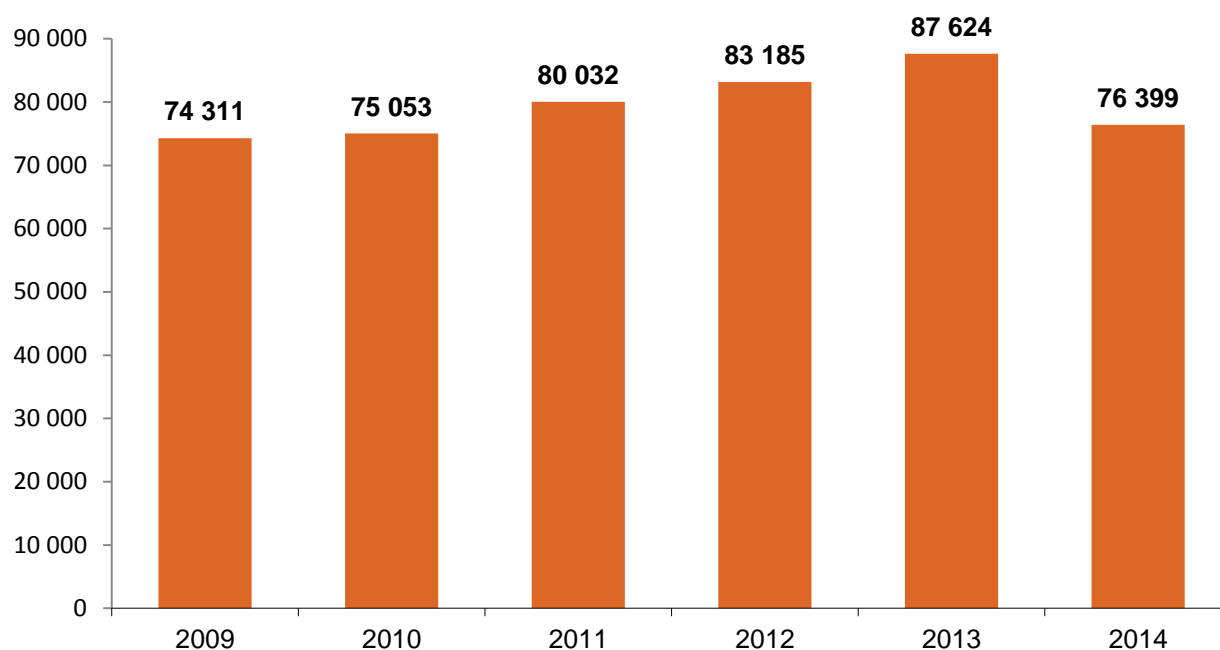
## COMMENTS ON BUSINESS DEVELOPMENT

### Underwriting

The purpose of **underwriting** is to rate a client's creditworthiness in order to make a decision on their credit limit. Currently, when economic problems in many sectors or countries continue to exist, it is the assessment of the client's level of risk that is the most important activity of the company. The main criterion for the client's assessment is a sufficient amount of trustworthy information – obtained by KUPEG from internal and external sources. It includes not only the quantitative data included in the client's financial statements, but also qualitative data provided by the client's payment ethics, the industry development and last but not least, the risk of the business transaction itself.

Risk exposure decreased by 12% in 2014 compared to the previous year. It was among others a result of proactive risk strategy linked with developments in Ukraine. At the end of 2014 the amount of risk exposure (the sum of the applicable credit limits) reached CZK 76.4 billion.

**Risk exposure – gross commitments**  
(in CZK mio.)

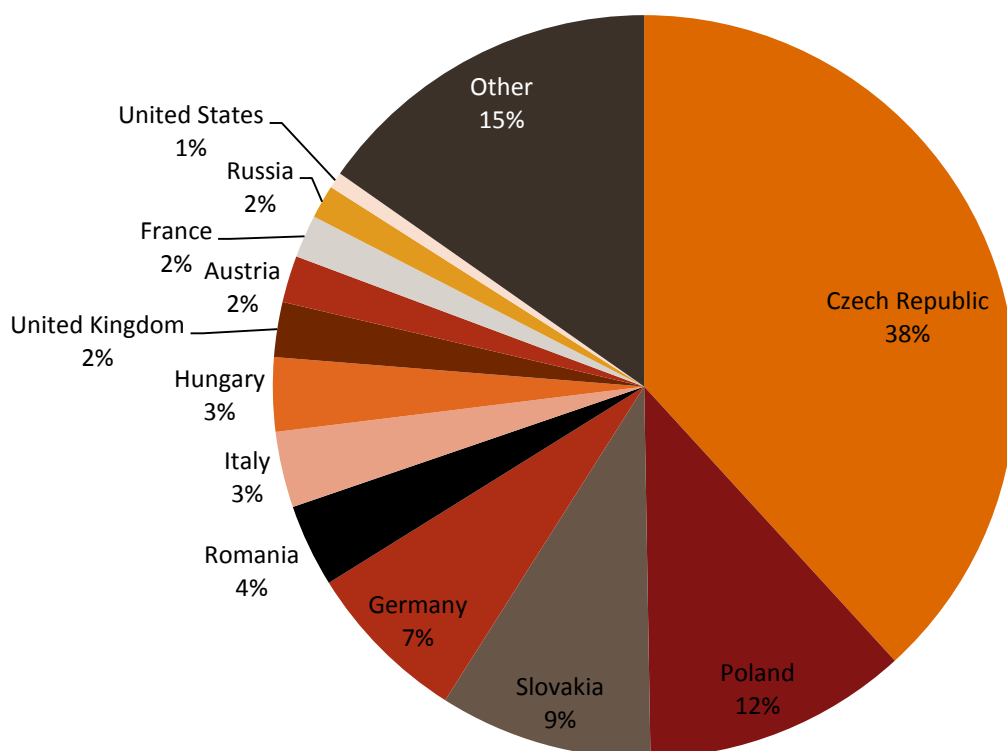


## COMMENTS ON BUSINESS DEVELOPMENT

### Territorial structure of risk exposure

In terms of geographic distribution of risk exposure, we saw decreased share of the Czech Republic from 44 % in 2013 to 38 % in 2014, mostly in favor of Poland, where we saw increase from 8 % in 2013 to 12 % in 2014. KUPEG recorded slight decrease in the share of top five countries (CZ, SK, PL, DE, IT) following the strategy of increased risk diversification.

### Territorial structure of exposure



## COMMENTS ON BUSINESS DEVELOPMENT

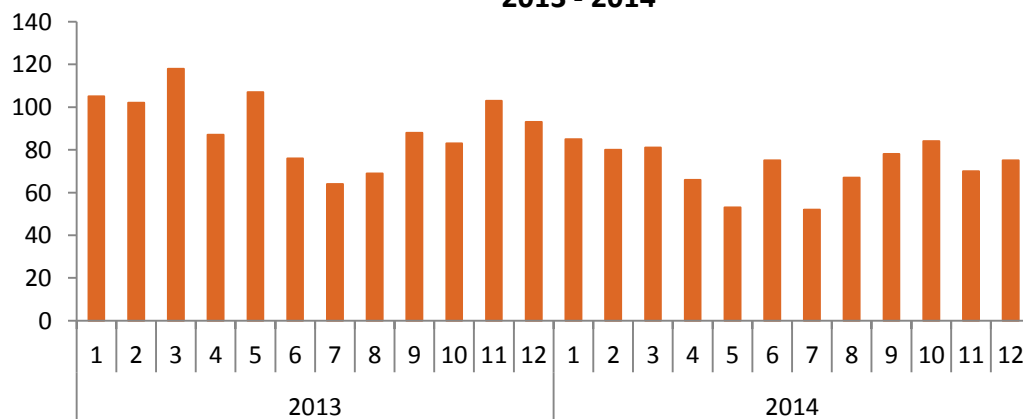
### Claims handling and collection

We are able to effectively collect the insured receivables of our clients throughout the world using our own team of experienced specialists or through a network of trusted collectors and law offices located in many countries around the globe. The receivables collection service is automatically available to all KUPEG customers. This coverage does not require any additional paperwork.

We observed a notable decrease in claim files frequency which is attributable to improved economic environment on our key markets. Notification frequency decreased by 21 % in 2014 compared with year 2013.

Except above mentioned trend of decreasing claims declarations, we can also observe, that average amount of the claim declared decreased from CZK 901 ths. in 2013 to CZK 835 ths. in 2014.

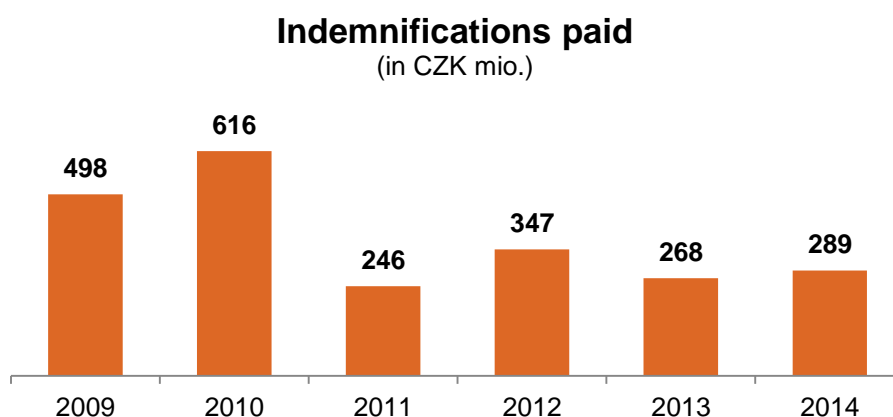
**Monthly threatening claims declaration  
2013 - 2014**



## COMMENTS ON BUSINESS DEVELOPMENT

### Indemnifications paid

In 2014 we can see changes in the structure of indemnified claims files according to country of the debtor. 55% of all indemnified claims files against Czech debtors made 23% of all indemnified amounts. Similar to previous year, 60% of the indemnified amounts came from files against debtors who ended in insolvency procedure (bankruptcies, reorganizations, moratoriums etc.)



### Collection procedure

During 2013 and further in 2014, we focused on a speeding up our collection procedure towards the debtors, so we can provide clients with better services and minimize potential losses. As a result of this initiative we can observe full recovery of the case 25% faster than in the past, while maintaining the same success rate.

In 2014, KUPEG handled more than 900 insurance cases in 38 countries.



## EXPECTED DEVELOPMENT OF ACTIVITIES

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### Expected development of activities in 2015

KUPEG will continue and support dynamic development on all territories of its presence.

We are continuously focusing on improvement of our service level with the aim to deliver faster service while providing our clients with full comfort and flexibility. We guarantee full access and availability of our team and its expertise to every customer, regardless of its size or sector.

## OTHER ACTIVITIES OF THE COMPANY

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### Research, development and protection of the environment

In 2014, KUPEG did not pursue any activities in research & development or protection of the environment.

### Labour relations – Human resources

The number of people employed by KUPEG as at 31 December 2014 was 62, including 9 members of management. This data includes the employees of the Slovak branch. The company maintains a lean, linear organisational structure. Its main operational departments are Sales, Underwriting, Claims and Collection, Legal, Finance and IT.

KUPEG continued to devote attention to labour relations and the development of human resources in 2014. Special emphasis was placed on the further education and qualification of employees, whether by one-off training courses or by supporting employees' improvement through university education and intensive language courses. A significant part of labour relations is played by collective bargaining with the trade union, especially in regard to working conditions and employee rights. The bargaining resulted in a collective agreement with the trade union that guarantees employee rights and entitlements arising from employment with KUPEG.

### Organisational unit of the company abroad

From 6 December 2012, KUPEG has a registered branch in the Slovak Republic. According to Slovak law, it is a "foreign-owned company (an organizational unit of a foreign-owned company)."

Gross written premium of Slovak branch reached EUR 1.1 mio. in 2014, which means 23% increase compared to 2013.

In the middle of 2014 KUPEG initiated major project focused on establishing a branch in Poland. The Warsaw based branch has been successfully opened on 5 January 2015.

### Compliance

In 2014, the company preserved the position of Compliance Officer. The person in this position contributes to the quality of the company's work and supervises compliance of all company activities with good morals and in accordance with Czech law. In 2014, the Compliance Officer did not address any major complaints or problems concerning operation of the company.

## SHARE CAPITAL DEVELOPMENT

**Amount of subscribed registered capital: CZK 200 mio.**  
**- the registered capital has been paid in full.**

### Changes in registered capital:

The first subscription of registered capital in the amount of CZK 160 million had the form of monetary investment and was paid on 4 February 2005. On 1 October 2005, a part of EGAP, a company based at Prague 1, Vodičkova 34/701, reg. No. 45279314, within which EGAP provided commercial credit insurance under class 14 of non-life insurance as defined in Annex 1, Part B, to Act No. 363/1999 Coll., on insurance, as amended, and pursued activities related thereto, identified as the “Commercial Insurance Section (120)” in EGAP, was transferred in the form of investment increasing the registered capital of KUPEG. A portion of the portfolio was transferred together with part of the enterprise, as approved by a decision of the Ministry of Finance of the Czech Republic.

The company has not issued any securities that would give the right to exchange for other participating securities or preferential subscription for other participating securities.

Within the meaning of section 66a of the Commercial Code, the company is a company with a majority owner and a controlled entity. Detailed information about relations between the controlling and controlled entities is provided in the Report on relations section of this Annual Report.

The company's majority shareholder is Credimundi SA.NV. (formerly Ducroire | Delcredere SA.NV.) with a 66% share, whose leading position is reflected in the composition of the Supervisory Board.

## REPORT ON RELATIONS

### Report on relations

between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity (hereinafter "inter-related parties")

for the period from 1<sup>st</sup> January 2014 to 31<sup>st</sup> December 2014

pursuant to the provisions of Section 82 of Act No. 90/2012, the Business Corporations Act

#### A. Identification details regarding the Company:

**Business name:** KUPEG úvěrová pojišťovna a.s. (hereinafter "KUPEG")

**Seat of the company:** Prague 4, Na Pankráci 1683/127, postal code 140 00

**Company ID No.:** 272 45 322

**Tax ID No.:** CZ 272 45 322

**Registration in the Commercial Register:** registered in the Commercial Register kept at the Municipal Court in Prague, Section B, File 9958

**Registered capital:** CZK 200,000,000 Paid up: 100 %

**Type of shares:** ordinary shares

**Form of shares:** registered shares in dematerialised form

#### International Securities

**Identification Number (ISIN):** CZ 0008039641

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

#### Number of votes associated

**with one share:** one vote

#### Line of business:

- insurance business within the scope of Branches No. 13, 14 and 15 Non-Life Insurance, as set forth in Annex No. 1, Section B, of Act No. 277/2009 Coll. on insurance, as amended (hereinafter referred to as the 'Insurance Act'),
- activities connected with insurance business according to the Insurance Act and to the extent defined by a relevant licence:
  - intermediation carried out in connection with insurance business,
  - consulting associated with insurance business,
  - investigations of insurance claims conducted by independent loss adjusters under a contract with an insurance company.

## REPORT ON RELATIONS

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### **B. Description of relations between connected entities:**

#### **1. Structure of relations between a controlling entity and a controlled entity and between a controlled entity and entities controlled by the same controlling entity**

From 1 January 2014 to 31 December 2014 the company Credimundi SA.NV (previously known as Ducroire Delcredere SA.NV), Belgium, was the controlling entity owning 66% of the shares. The remaining 34% are held by the Export Guarantee and Insurance Corporation (EGAP), Czech Republic.

#### **2. The role of the controlled entity in the relationship structure**

The role of the controlled entity is to provide credit insurance in the Central European market and to allow to the controlling entity to establish its business in this market through the controlled entity.

#### **3. Method and means of the controlling**

The controlling entity performs control of the controlled entity through ownership of a 66% stake in the controlled entity. The controlling entity exercises its influence through voting rights at the General Meeting.

#### **4. List of activities carried out by the Controlled entity upon request or in the interest of to the Controlling entity which related to assets in a value exceeding 10% of KUPEG's own capital**

No such activities were carried out in fiscal year 2014.

#### **5. List of contracts entered into between connected entities**

An outsourcing agreement was entered into between KUPEG and the controlling entity in 2013.

No agreements were entered into in 2014.

#### **6. Assessment of whether any detriment has been caused to the controlled entity and assessment of its settlement**

No detriment has been caused to the controlled entity due to its role in the structure of connected entities.

## REPORT ON RELATIONS

### 7. Assessment of the advantages and disadvantages of the relationship with connected entities

The Board of Directors evaluates the role KUPEG in the structure of connected parties as advantageous. Mutual exchange of experience in credit insurance and exchange of information on the credit insurance market is beneficial. Another advantage is the cooperation in the area of risk underwriting on the basis of the above-mentioned Outsourcing agreement. Cooperation under this contract is clearly advantageous for both the controlled and controlling entities, as their own experience in local markets is applied. Cooperation in business area, particularly in developing new products is also beneficial. The Board of Directors states, that it is not aware of any disadvantage arising from the relationship with the connected parties.

#### Declaration of the Board of Directors:

The Board of Directors of KUPEG hereby declares that KUPEG has not entered into any other contracts than those mentioned in this Report with any of the controlling or connected entities in the last accounting period and that all relations were executed in compliance with valid legal regulations. The Board of Directors of KUPEG declares further that none of the controlling entities has used its influence to enforce taking any measures or entering into any contract from which material detriment might have arisen for KUPEG in the last accounting period.

The Board of Directors of KUPEG declares that details stated in the report are truthful and they contain all ascertainable information regarding connected entities.

Prague, 3<sup>th</sup> March 2015



**Michal Veselý**

Chairman of the Board of Directors



## REPORT OF THE SUPERVISORY BOARD

### Report of the Supervisory Board

of KUPEG úvěrová pojišťovna a.s. (hereinafter “KUPEG”) on its controlling activities

for the period from 1<sup>st</sup> January 2014 to 31<sup>st</sup> December 2014

In the last period, the Supervisory Board was engaged in all activities required by relevant provisions arising from the applicable legislation and the Articles of Association of the Company. In particular, the Supervisory Board supervised activities of the Board of Directors of the Company, checked financial management of the Company and checked fulfilment of the approved business plan.

In 2014, 5 meetings of the Supervisory Board were held.

In 2014 The Supervisory Board was comprised of:

4 representatives of Credimundi SA. NV,

2 representatives of the Export Guarantee and Insurance Corporation

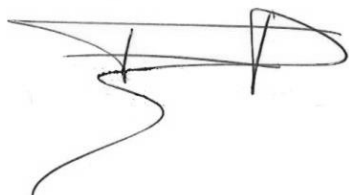
2 new members of the Supervisory Board were elected in December 2014, and the membership of one member has been terminated.

The Supervisory Board examined the Report of the BoD about the business activities of the company, including the proposal for distribution of the profit, the annual financial statements and the report on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity. The Supervisory Board has no additional feedback regarding those documents.

The Supervisory Board has examined and recommends to the General Meeting:

- approve the Report of the Board of Directors on business activities of KUPEG for the period from 1 January 2014 to 31 December 2014,
- approve the annual financial statements for the period from 1 January 2014 to 31 December 2014 and the submitted proposal for distribution of the profits for the year 2014, which is a part of the Report of the Board of Directors on business activities,
- accept information from the Supervisory Board on the examination of the Report on relations between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity.

Prague 20 March 2015



**Dirk Terweduwe**

Chairman of the Supervisory Board

## **EVENTS SUBSEQUENT TO THE BALANCE SHEET DAY**

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Since issue of financial statements (as at 2 March 2015), no events have occurred which would have had a significant impact on the financial statements and should be included in this Annual Report.

## INDEPENDENT AUDITOR'S REPORT



### Independent auditor's report

#### to the shareholders of KUPEG úvěrová pojišťovna, a.s.

We have audited the accompanying financial statements of KUPEG úvěrová pojišťovna, a.s., identification number 272 45 322, with registered office at Na Pankráci 1683/127, Prague ("the Company"), which comprise the balance sheet as at 31 December 2014, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

#### Statutory Body's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

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

2 March 2015



represented by



Marek Richter  
Partner



Martin Hrdý  
Statutory Auditor, Licence No. 2197

#### Note

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

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## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### KUPEG úvĕrová pojišťovna, a.s.

Seat: Praha 4, Na Pankráci 1683/127, Postal code 140 00

Identification number: 272 45 322

Primary business: Insurance

Balance sheet date: 31 December 2014

Date of preparation of the financial statements: 2 March 2015

### Balance sheet

As at 31 December 2014

(CZK thousand)			31 December 2014		31 December 2013	
			Gross amount	Adjustment	Net amount	Net amount
		Note				
ASSETS						
B.	Intangible fixed assets, of which:	5	17,405	(12,071)	5,334	7,142
	a) Software		17,405	(12,071)	5,334	7,142
C.	Financial investments	4	567,110	-	567,110	505,600
	1. Bonds and other debt securities available-for-sale		352,252	-	352,252	312,676
	2. Deposits with financial institutions		214,858	-	214,858	192,924
E.	Debtors	6	107,675	(9,598)	98,077	117,859
E.I.	Receivables from direct insurance - policy holders		31,376	(8,198)	23,178	25,487
E.II.	Reinsurance receivables	14	65,871	-	65,871	80,884
E.III.	Other receivables, of which:		10,428	(1,400)	9,028	11,488
	- deferred tax receivable	12	4,751	-	4,751	7,569
F.	Other assets		30,012	(18,174)	11,838	31,740
F.I.	Tangible fixed assets	5	24,086	(18,174)	5,912	6,488
F.II.	Cash on accounts with financial institutions and cash in hand		5,926	-	5,926	25,227
F.IV.	Other assets		-	-	-	25
G.	Prepayments and accrued income	7	88,757	-	88,757	85,715
G.III.	Other prepayments and accrued income, of which:		88,757	-	88,757	85,715
	a) estimated receivables		73,398	-	73,398	54,346
TOTAL ASSETS			810,959	(39,843)	771,116	748,056

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

(CZK thousand)		Note	31 December 2014	31 December 2013
<b>LIABILITIES</b>				
A.	Equity	8	383,477	375,145
A.I.	Share capital		200,000	200,000
A.II.	Share premium		303,143	303,143
A.IV.	Other capital funds		1,199	1,196
A.V.	Reserve fund and revenue reserves		40,000	40,000
A.VI.	Retained earnings /accumulated losses from previous periods		(169,194)	(166,867)
A.VII.	Profit (loss) for the current period		8,329	(2,327)
C.	Technical reserves	9	114,984	123,640
C.1.	Unearned premium reserve:		12,937	12,408
	a) gross		38,048	35,262
	b) share of reinsurers (-)		(25,111)	(22,854)
C.3.	Reserve for claims:		83,406	106,581
	a) gross		788,421	847,040
	b) share of reinsurers (-)		(705,015)	(740,459)
C.4.	Reserve for bonuses and discounts:		-	1,290
	a) gross		-	3,223
	b) share of reinsurers (-)		-	(1,933)
C.5.	Equalisation reserve - gross		18,641	3,361
E.	Provisions	10	1,018	609
E.3.	Other provisions		1,018	609
F.	Deposits from outwards reinsurance	14	88,924	83,866
F.1.	Liabilities from deposits		88,924	83,866
G.	Creditors	11	103,113	84,112
G.I.	Payables from direct insurance		1,405	1,209
G.II.	Payables from reinsurance	11, 14	92,287	73,115
G.V.	Other payables, of which:		9,421	9,788
	- tax liabilities and liabilities from social and health insurance		2,206	2,150
H.	Accruals and deferred income	13	79,600	80,684
H.I.	Accruals and deferred income		6,241	11,482
H.II.	Others - estimated liabilities		73,359	69,202
<b>TOTAL LIABILITIES</b>			<b>771,116</b>	<b>748,056</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### Income statement for the year ended 31 December 2014

(CZK thousand)		2014			2013		
	Note	Base	Subtotal	Total	Base	Subtotal	Total
<b>I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE</b>							
1. Earned premiums, net of reinsurance:							
a) gross written premium	15	375,891			370,039		
b) outwards reinsurance premium (-)	14	(248,034)			(230,358)		
Subtotal			127,857			139,681	
c) change in the gross amount of unearned premium reserve (+/-)		(2,786)			3,064		
d) change in the reinsurer's share of the unearned premium reserve (+/-)		2,257			(2,976)		
Subtotal			(529)			88	
Total				127,328			139,769
2. Allocated investment return transferred from the Non-technical account				528			1,915
3. Other technical income, net of reinsurance				56,143			61,591
4. Claims expenses, net of reinsurance:							
a) paid claims:							
aa) gross	15	245,633			230,584		
ab) share of reinsurers (-)	14	(152,305)			(139,555)		
Subtotal			93,328			91,029	
b) change in reserve for claims (+/-):							
ba) gross		(58,619)			30,863		
bb) share of reinsurers (-)	17	35,444			(21,005)		
Subtotal			(23,175)			9,858	
Total				70,153			100,887
5. Change in other technical reserves, net of reinsurance (+/-)				(4,028)			1,150
6. Bonuses and discounts, net of reinsurance				1,274			3,729
7. Net operating expenses:							
a) acquisition costs	15		60,858			61,949	
c) administrative expenses	15		91,540			86,660	
d) commissions from reinsurers and profit participations (-)	14		(65,318)			(64,757)	
Total				87,080			83,852
8. Other technical expenses, net of reinsurance				2,353			7,647
9. Change in the equalisation reserve (+/-)				15,280			3,104
10. Result for the Technical account – non-life insurance				11,887			2,906
<b>III. NON-TECHNICAL ACCOUNT</b>							
1. Result for the Technical account – non-life insurance				11,887			2,906
2. Income from financial investments:							
a) income from subsidiaries and associates:		998			2,236		
Subtotal			998			2,236	
b) revaluation gains on financial investments		75			656		
Subtotal			75			656	
Total				1,073			2,892
3. Expenses from financial investments:							
a) management fees and similar charges			87			64	
b) revaluation losses on financial investments			458			913	
Total				545			977
4. Allocated investment return transferred to the Technical account - non-life insurance				(528)			(1,915)
5. Other income				18,156			10,301
6. Other expenses	12			18,875			5,095
7. Income tax on profit (loss) from ordinary activities				2,818			10,326
8. Profit (loss) from ordinary activities after tax				8,350			(2,214)
9. Other taxes				21			113
10. Profit (loss) for the current period				8,329			(2,327)



## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### Statement of changes in equity

for the year ended 31 December 2014

(CZK thousand)	Share capital	Share premium	Reserve fund	Social fund	Retained earnings/ Accumulated losses	Total
<b>As at 1 January 2013</b>	<b>200,000</b>	<b>303,143</b>	<b>40,000</b>	<b>1,194</b>	<b>(166,867)</b>	<b>377,470</b>
Net loss for the period	-	-	-	2	(2,327)	(2,325)
<b>As at 31 December 2013</b>	<b>200,000</b>	<b>303,143</b>	<b>40,000</b>	<b>1,196</b>	<b>(169,194)</b>	<b>375,145</b>
Net profit for the period	-	-	-	3	8,329	8,332
<b>As at 31 December 2014</b>	<b>200,000</b>	<b>303,143</b>	<b>40,000</b>	<b>1,199</b>	<b>(160,865)</b>	<b>383,477</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 1. General information

KUPEG úvěrová pojišťovna, a.s. ("the Company") was registered in the Commercial Register on 24 June 2005. The Company has its residence in Prague 4, Na Pankráci 1683/127, Postal Code 140 00. The Company is registered in the Commercial Register operated by the Municipal Court in Prague, section B, insert 9958 under identification number 272 45 322.

The majority shareholder with a 66% share is Credimundi (formerly Ducroire – Delcredere SA. N.V.) with residence in Belgium. The minority share of 34% is held by Exportní garanční a pojišťovací společnost, a.s. ("EGAP") which is owned by the Czech Republic.

The ultimate parent company of the Company is Delcredere Ducroire (formerly Office National du Ducroire) which has its seat in Belgium and is owned by the Kingdom of Belgium.

The Company provides insurance in compliance with § 7, article 3 of Act No. 363/1999 Coll., on Insurance, which came into effect from 1 January 2010 and was replaced by Act No. 277/2009 Coll., in the range of insurance classes 13, 14 and 15 of non-life insurance mentioned in part B of amendment No. 1 of the above-stated Act.

Respective Act defines these insurance classes as follows:

- Insurance class 13 – general liability insurance other than stated in classes 10 to 12.
- Insurance class 14 – credit insurance.
- Insurance class 15 – guarantee insurance (surety).

On 18 April 2005, the Company was licensed by the Ministry of Finance to deal in class 14 insurance. The permission to extend insurance activities to include classes 13 and 15 was granted by the Czech National Bank on 10 December 2008. The business of the Company also includes activities associated with insurance:

- intermediary activity associated with insurance;
- advisory activity associated with insurance; and
- claim administration conducted by independent claim administrators based on contract with the insurance company.

The Board of Directors as the statutory body acts in the name of the Company and assumes obligations on behalf of the Company. The chairman of the Board of Directors independently, or two members

of the Board of Directors jointly, sign legal documents in the name of the Company. Signing on behalf of the Company takes place in such a manner that a member or members of the Board of Directors attach their signature to the commercial name of the Company in accordance with the provisions stated above. The chairman of the Board of Directors may empower selected members of the staff of the Company to act and represent the Company in specific cases. The empowerment shall be in writing and officially certified.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

The Company is, based on its organisation code, divided into nine sections: general director, marketing, legal and compliance, information technologies, insurance policy sales, surety sales, economics and finance, risk underwriting, claims administration and debt recovery.

On 6 December 2012, the Company has established the branch in Slovakia KUPEG, úverová poisťovňa, a.s., pobočka poisťovne z iného členského štátu, Pribinova 4, 811 09, Bratislava, registered in Commercial register operated by the County Court in Bratislava I, section Po, insert 2160/B under identification number 47 243 953. The branch started its business activities on 1 January 2013. In December 2014 Board of directors took decision to establish a branch in Poland. The branch KUPEG úverová poisťovňa, a.s. Spółka Akcyjna Oddział w Polsce, ul. Pulawska 182, 02- 670, Warsaw, was registered at District court in Warsaw on 5 January 2015 with number KRS 0000535614.

## 2. Accounting policies

### 2.1. Basis of preparation

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

The amounts disclosed in the financial statements and notes are rounded to thousands of Czech Crowns (CZK'000) unless otherwise stated.

### 2.2. Financial investments

The Company classifies the following items as financial investments:

- Investments in securities.
- Deposits with financial institutions.

#### 2.2.1. Investments in securities

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

All securities are stated at fair value as at the balance sheet date.

The fair value of a security is determined as the market bid prices quoted by a relevant stock exchange or other active public market.

The Company classifies bonds and other debt securities into a portfolio of available-for-sale debt securities.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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

### 2.2.2. Deposits with financial institutions

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

### 2.3. Tangible and intangible fixed assets

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

**The annual depreciation and amortisation rates are used as follows:**

Fixed assets	Method	Depreciation and amortisation rate in years
Software	(straight-line)	4-5
Computers	(straight-line, accelerated)	3-5
Machines and instruments	(straight-line, accelerated)	3-6
Vehicles	(straight-line, accelerated)	4-5
Equipment	(straight-line)	5

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

Repairs and maintenance expenditures are charged to expense as incurred. Improvement expenditures exceeding CZK 40,000 (CZK 60,000 for intangible assets) per item incurred within a one-year period are capitalised.

### 2.4. Receivables

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

Income arising from receivables which have been ceded to the Company in relation to insurance claims are recognised at market value and are recorded to Other income in Non-technical account against Other receivables.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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The recovered amounts from the entitlement for loss compensation are recognised as a decrease in Claims paid in the Technical account – non-life.

The creation/ release of provisions for overdue receivables relating to the insurance business is recorded within Other technical expenses/ income. Gross written premium is not affected by the creation/ release of such provisions, nor in the event that receivables are written off.

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

### 2.5. Foreign currencies

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

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

All realised and unrealised foreign exchange gains and losses are recognised in the income statement.

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

### 2.6. Technical reserves

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

**The Company has established the following insurance technical reserves:**

#### 2.6.1. Unearned premium reserve

The reserve for unearned premium is created with respect to individual contracts for non-life insurance business from the part of premium written that relates to subsequent accounting periods.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 2.6.2. Reserve for bonuses and discounts

The reserve for bonuses and discounts is established in accordance with the individual insurance contracts and the individual contract loss ratio during the period.

### 2.6.3. Reserve for claims

The reserve for claims is short-term and therefore not discounted to reflect the time value and covers the following:

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

The amount of RBNS reserve aggregates the claims paid. The reserve for claims is reduced by recourses, which were or will be raised against the debtors. The amount of these recourses is estimated based on an up-to-date ratio of recoveries on claims paid in the past. The reserve for claims is increased by expected expenses related to the settlement of claims. These expenses are estimated as a share of this reserve based on the long-term experience of the Company.

The value of IBNR reserve is an estimate using insurance-mathematical and statistical methods. The IBNR reserve is decreased by expected related recourses.

### 2.6.4. Equalisation reserve

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

## 2.7. Gross written premium

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

Starting the year 2013 the Company recognises bonuses and discounts granted to customers for their positive loss ratio separately on the line Bonuses and discounts, net of reinsurance. In previous years bonuses and discounts granted to customers for their positive loss ratio were recognised within gross written premium.



## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 2.8. Claims expenses

Gross claims expenses are recognised when an insured loss occurs and after the amount of claims settlement is assessed. These costs also include the Company's costs related to handling claims arising from insured events. Gross claims expenses are reduced by recourse claims and other claims of the Company. These recourses are recognised in the amount of expected debtors' fulfilment. These recourse claims are recognised against Estimated receivables. The reinsurers' share of expected fulfilment is accounted in Estimated liabilities. Expected expenses related to realisation of these recourse claims arising from already indemnified claims are recognised against Estimated liabilities. The reinsurers' share on these expenses is also recognised against Estimated receivables.

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

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

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

### 2.10. Staff costs, pensions and social fund

Staff costs are included in Administrative expense.

The Company makes contributions on behalf of its employees to a defined contribution pension plan, capital life insurance scheme or construction savings contracts. These contributions are expensed.

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

The Company creates a social fund to finance the social needs of its employees. In compliance with Czech accounting requirements, the allocation to the social fund is not recognised in the income statement but as a profit distribution. Similarly, the usage of the social fund is not recognised in the income statement but as a decrease of the fund. The social fund forms a component of equity and is not shown as a liability.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 2.11. Outwards reinsurance

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

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

Changes in reinsurance assets, reinsurers' share in claims, reinsurance commissions and premiums ceded to reinsurers are presented separately on the face of the income statement along with the corresponding gross amounts. Commissions from reinsurers are not deferred.

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

### 2.12. Deferred taxation

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

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

### 2.13. Related party transactions

The Company's related parties are considered to be the following:

- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of these shareholders; and/or
- members of the Company's or parent company's statutory and supervisory bodies and management and parties close to such members, including entities in which they have a controlling or significant influence.

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

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 2.14. Subsequent events

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

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

### 3. Risk management and procedures

The financial condition and operating results of the Company are affected by a number of key risks, namely, insurance risk, financial risk, compliance risk and operational risk. The Company's policies and procedures in respect of managing these risks are set out below.

Operational risks are inherent in the business, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, people and system failures or from external events. Any of these risks can adversely affect the financial results of the Company. The nature of the insurance business means that a large number of transactions are required to be processed and assigned to individual insurance products. Controls are in place within systems and processes and are designed to ensure that the operational risks associated with the Company's activities are appropriately controlled. However, the risk control procedures and systems the Company has established can only provide reasonable and not absolute assurance against material misstatement or loss.

#### 3.1. Strategy in using financial instruments

The nature of the operations of the Company involves the managed acceptance of risk arising from the underwriting of policies, which incorporate financial guarantees and commitments. To mitigate the risk that these guarantees and commitments are not met, the Company purchases financial instruments, which approximately match the expected policy benefits payable, by their nature and term.

The composition of the portfolio of investments is governed by the nature of the insurance liabilities, the expected rate of return applicable to each class of asset and the capital available to meet the price fluctuations of each asset class.

In addition to insurance risk arising from the underwriting of policies, the Company is exposed to a number of risk factors including market risk, credit risk, foreign currency risk, interest rate risk and liquidity risk. These are discussed in more detail below.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 3.2. Market risk

The Company takes on exposure to market price risks. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Directors sets the strategy for the portfolio composition and limits on the level of risk that may be accepted, which is monitored on a daily basis. Limits are set for individual types of financial investments.

### 3.3. Credit risk

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

Commercial insurance is written also through intermediaries who are subject to rigorous annual checks of financial and other information, to mitigate the associated credit risk of dealing with these intermediaries.

The Company uses reinsurance in managing insurance risk. However, this does not discharge the Company's liability as primary insurer, and should a reinsurer fail to pay a claim for whatever reason, the Company would remain liable for the payment to the policyholder. The Company annually monitors the creditworthiness of reinsurers and their financial situation. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to any contract being signed.

### 3.4. Currency risk

The Company is also subject to currency risk resulting from policies covering risks denominated in foreign currencies. A reserve for such insurance cases is created in Czech Crowns. Indemnification is realised in a foreign currency in the actual amount of reported loss. The Company's assets and liabilities are denominated primarily in the domestic currency.

### 3.5. Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. A cash-flow-based analysis is used to create a portfolio of securities whose value changes in line with the value of technical reserves when interest rates change.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 3.6. Liquidity risk

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

### 3.7. Insurance risk

Insurance risk represents the probability of an insurance danger appearing where the danger is defined as the possible cause of an insured event. Insurance risk includes the following risks:

- occurrence risk – the possibility that the number of insured events will be higher than expected;
- severity risk – the possibility that the costs of the events will be higher than expected;
- development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of a contract period.

The Company manages insurance risk through the following:

- limiting it through the use of reinsurance;
  - closely monitoring the management of assets and liabilities to attempt to match the expected pattern of claim payments with the maturity dates of assets;
- the maintenance and use of sophisticated management information systems that provide up to date, reliable data on the risks to which the business is exposed at any point in time.

### 3.8. Compliance and fiscal risk, regulation and solvency

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

Compliance risk includes the possibility that transactions may not be enforceable under applicable law or regulation. In addition, it includes the cost of the rectification and fines, and the possibility that changes in law or regulation could adversely affect the Company's position. The Company seeks to minimise compliance risk by seeking to ensure that transactions are properly authorised and by submitting new or unusual transactions to legal advisers for review.

Solvency margin requirements established by the regulator are in force for insurers. These are set to reinforce safeguards for the interests of policyholders, which are primarily the ability to meet Company's future insurance technical liabilities.

The available solvency margin measures the excess value of the insurers' assets over the value of its liabilities, each element being determined in accordance with applicable valuation rules. This actual solvency margin must be maintained on the required level throughout the whole year.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 4. Financial investments

#### 4.1. Other financial investments

##### 4.1.1. Debt securities available-for-sale at fair value

(CZK thousand)	31 December 2014	31 December 2013
Government T-bills traded on the short-term bond market	329,933	289,782
Government bonds (Czech Republic) with fixed coupon	22,319	22,894
<b>Total fair value</b>	<b>352,252</b>	<b>312,676</b>

Purchase price of debt securities available-for-sale as at 31 December 2014 was CZK 350,815 ths. (2013: CZK 310,591 ths.).

##### 4.1.2. Deposits with financial institutions

(CZK thousand)	31 December 2014	31 December 2013
<b>Deposits with financial institutions</b>		
Domestic banks	214,858	192,924
<b>Total fair value</b>	<b>214,858</b>	<b>192,924</b>

### 5. Intangible and tangible fixed assets

#### 5.1. Intangible fixed assets

(CZK thousand)	1 January 2013	Additions	Disposals	31 December 2013	Additions	Disposals	31 December 2014
<b>Cost</b>							
Software	15,726	905	-	16,631	562	-	17,193
Acquisition of intangible fixed assets	-	1,099	(905)	194	376	(358)	212
<b>Total</b>	<b>15,726</b>	<b>2,004</b>	<b>(905)</b>	<b>16,825</b>	<b>938</b>	<b>(358)</b>	<b>17,405</b>
<b>Accumulated amortisation</b>							
Software	7,481	2,202	-	9,683	2,388	-	12,071
<b>Total</b>	<b>7,481</b>	<b>2,202</b>	<b>-</b>	<b>9,683</b>	<b>2,388</b>	<b>-</b>	<b>12,071</b>
<b>Net book amount</b>	<b>8,245</b>			<b>7,142</b>			<b>5,334</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 5.2. Tangible fixed assets

(CZK thousand)	1 January			31 December			31 December
	2013	Additions	Disposals	2013	Additions	Disposals	2014
<b>Cost</b>							
Machines and equipment	12,229	363	-	12,592	693	-	13,285
Vehicles	5,054	3,742	(2,336)	6,460	-	-	6,460
Acquisition of fixed tangible assets	794	4,664	(5,458)	-	942	-	942
Furniture and equipment	2,018	1,353	-	3,371	28	-	3,399
<b>Total</b>	<b>20,095</b>	<b>10,122</b>	<b>(7,794)</b>	<b>22,423</b>	<b>1,663</b>	<b>-</b>	<b>24,086</b>
<b>Accumulated depreciation</b>							
Machines and equipment	10,579	951	-	11,530	858	-	12,388
Vehicles	4,057	958	(2,336)	2,679	962	-	3,641
Furniture and equipment	1,291	435	-	1,726	419	-	2,145
<b>Total</b>	<b>15,927</b>	<b>2,344</b>	<b>(2,336)</b>	<b>15,935</b>	<b>2,239</b>	<b>-</b>	<b>18,174</b>
<b>Net book amount</b>	<b>4,168</b>			<b>6,488</b>			<b>5,912</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 6. Debtors

31 December 2014 (CZK thousand)	Receivables from policy holders	Reinsurance receivables	Other receivables	Total
Due	20,290	65,871	9,066	95,227
Overdue	11,086	-	1,362	12,448
<b>Total</b>	<b>31,376</b>	<b>65,871</b>	<b>10,428</b>	<b>107,675</b>
Provision for overdue receivables	(8,198)	-	(1,400)	(9,598)
<b>Total receivables, net</b>	<b>23,178</b>	<b>65,871</b>	<b>9,028</b>	<b>98,077</b>

31 December 2013 (CZK thousand)	Receivables from policy holders	Reinsurance receivables	Other receivables	Total
Due	14,798	80,884	11,526	107,208
Overdue	17,157	-	1,362	18,519
<b>Total</b>	<b>31,955</b>	<b>80,884</b>	<b>12,888</b>	<b>125,727</b>
Provision for overdue receivables	(6,468)	-	(1,400)	(7,868)
<b>Total receivables, net</b>	<b>25,487</b>	<b>80,884</b>	<b>11,488</b>	<b>117,859</b>

Unpaid receivables are not secured. Receivables from related parties are presented in Note 16.

Insured receivables resulting from insurance products might be transferred to the Company. In 2014, the nominal amount of receivables ceded from policyholders resulting from indemnified claims totalled CZK 26,754 ths. (2013: CZK 2,196 ths.). Only the replacement cost of ceded receivables is recognised in the Company's assets and, as at 31 December 2014, amounted to CZK nil (31 December 2013: CZK nil). Amounts recovered from ceded and sold receivables in 2014 amounted to CZK 6,939 (2013: CZK nil).

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

(CZK thousand)	2014	2013
<b>Opening balance at 1 January</b>	<b>7,868</b>	<b>9,895</b>
Charge for the year	3,905	4,326
Release	(1,715)	(2,200)
Usage	(460)	(4,153)
<b>Closing balance as at 31 December</b>	<b>9,598</b>	<b>7,868</b>



## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 7. Prepayments and accrued income

(CZK thousand)	31 December 2014	31 December 2013
Gross estimated recoveries from recourses	20,870	25,052
Estimated written premium	19,602	21,814
Accrued income from insurance contracts	27,488	23,634
Estimated commission from reinsurers	4,416	2,633
Commission from reinsurers on estimated premium	2,940	3,926
Prepayments paid for business information, communication, other services and membership fee	8,512	5,103
Reinsurers' share on additional costs	904	1,124
Other	4,025	2,429
<b>Total</b>	<b>88,757</b>	<b>85,715</b>

### 8. Equity

#### 8.1. Authorised and issued share capital

	Number of pieces	1 December 2014 :ZK'000)	Number of pieces	1 December 2013 :ZK'000)
Ordinary shares of CZK 1,000,000, fully paid	200	200,000	200	200,000

The Company is fully governed by the new Corporations Act; however, it did not use the option not to create a reserve fund.

The Company continues to create a reserve fund in the amount of 5% of net annual profit until it reaches 20% of the share capital. It is the General meeting of shareholders who is authorised to decide the usage of the fund as well as the additional yearly contribution exceeding the mentioned 5% of yearly net profit.

#### 8.2. Share capital

The share capital consists of a cash contribution of CZK 160,000 ths. and a contribution-in-kind of CZK 40,000 ths. The shares of the Company are registered, in booked form and not publicly tradable.

#### 8.3. Share premium

Share premium of CZK 418,706 ths. resulted from a contribution-in-kind in the form of a part of business from EGAP as at 1 October 2005. Based on the decision of the General meeting of shareholders held on 26 June 2009, part of the share premium in the amount of CZK 115,563 ths. was utilised to settle the losses from 2006 – 2008 and therefore its amount as at 31 December 2009 decreased to CZK 303,143 ths. This is also the value of the share premium as at 31 December 2014 and 2013.

#### 8.4. Reserve fund

The reserve fund reached 20% of the share capital and represents CZK 40,000 ths.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 8.5. Other capital funds

Other capital funds consist of only the social fund. A social fund is created solely from profit distribution. In 2014 it wasn't used and served only to cover zero-interest loans for employees up to the maximum amount of CZK 100 ths. Total amount of these loans cannot exceed the amount of the social fund. Part of the Company's social fund is social fund created for the Slovak branch. Because the Slovak part of the social fund is created in accordance with Act No. 152/1994 Coll, on social funds and its creation is obligatory; the social fund was recognised within social costs for the Slovak branch. In consequence of that, total value of the social fund reached CZK 1,199 ths. as at 31 December 2014 (31 December 2013: CZK 1,196 ths.).

### 9. Technical reserves

As at 31 December 2014:

(CZK thousand)	Gross reserve	Share of reinsurer	Net reserve
Unearned premium reserve	38,048	(25,111)	12,937
Reserve for claims	788,421	(705,015)	83,406
Reserve for bonuses and discounts	-	-	-
Equalisation reserve	18,641	-	18,641
<b>Total</b>	<b>845,110</b>	<b>(730,126)</b>	<b>114,984</b>

As at 31 December 2013:

(CZK thousand)	Gross reserve	Share of reinsurer	Net reserve
Unearned premium reserve	35,262	(22,854)	12,408
Reserve for claims	847,040	(740,459)	106,581
Reserve for bonuses and discounts	3,223	(1,933)	1,290
Equalisation reserve	3,361	-	3,361
<b>Total</b>	<b>888,886</b>	<b>(765,246)</b>	<b>123,640</b>

#### 9.1. Reserve for claims

(CZK thousand)	31 December 2014	31 December 2013
Gross RBNS reserve	767,496	815,294
Gross IBNR reserve	20,925	31,746
<b>Total reserve for claims</b>	<b>788,421</b>	<b>847,040</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

RBNS and IBNR reserves contain separate reserves for expected expenses related to the settlement of claims and estimated recoveries from recourses. Within the RBNS reserve there is one-off but extraordinary claim in the amount of CZK 644,406 ths. which the Company considered as adequately secured.

### 9.2. Run-off analysis

Estimate of ultimate claims costs as at 31 December 2014:

(CZK thousand)	Claims arising in the year							Total
	2008	2009	2010	2011	2012	2013	2014	
At the end of accounting period	229,879	496,980	263,835	288,169	935,506	286,242	221,311	
One year later	363,900	654,733	221,895	261,134	929,568	259,948		
Two years later	441,331	613,382	199,228	233,700	923,012			
Three years later	343,000	594,510	191,483	229,526				
Four years later	342,452	589,111	184,246					
Five years later	342,691	587,559						
Six years later	342,318							
Current estimate of cumulative claims	342,318	587,559	184,246	229,526	923,012	259,948	221,311	2,747,920
Cumulative payments as at 31 December 2014	(341,447)	(584,784)	(183,534)	(228,545)	(243,056)	(254,623)	(128,464)	(1,964,452)
Reserve as at 31 December 2014 from prior years								1,859
Reserve for class 15 insurance								-
Reserves for additional costs relating to the claims								3,094
<b>Total reserve for claims</b>	<b>871</b>	<b>2,775</b>	<b>712</b>	<b>981</b>	<b>679,956</b>	<b>5,325</b>	<b>92,847</b>	<b>788,421</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### Estimate of ultimate claims costs as at 31 December 2013:

(CZK thousand)	Claims arising in the year							Total
	2007	2008	2009	2010	2011	2012	2013	
At the end of accounting period	143,145	229,879	496,980	263,835	288,169	935,506	286,275	
One year later	123,511	363,900	654,733	221,895	261,134	929,568		
Two years later	124,098	441,331	613,382	199,228	233,700			
Three years later	133,228	343,000	594,510	191,483				
Four years later	131,353	342,452	589,111					
Five years later	118,571	342,691						
Six years later	118,456							
Current estimate of cumulative claims	118,456	342,691	589,111	191,483	233,700	929,568	286,275	2,691,284
Cumulative payments as at 31 December 2013	(118,418)	(338,982)	(585,376)	(190,318)	(232,527)	(249,193)	(135,251)	(1,850,065)
Reserves from previous years								1,992
Reserve for class 15 insurance								-
Reserves for additional costs relating to the claims								3,829
<b>Total reserve for claims</b>	<b>37</b>	<b>3,709</b>	<b>3,735</b>	<b>1,165</b>	<b>1,173</b>	<b>680,375</b>	<b>151,024</b>	<b>847,040</b>

The historical development of claims costs is only analysed for class 14 of non-life insurance. The Company has increased the Equalisation reserve by CZK 14,955 ths. for class 14 of non-life insurance and increased Equalisation reserve for class 15 non-life insurance by CZK 325 ths.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 9.3. Movements on technical reserves

Movements on gross technical reserves can be analysed as follows:

(CZK thousand)	1 January 2014	Additions	Usage	31 December 2014
Unearned premium reserve	35,262	17,644	14,858	38,048
Reserve for claims	847,040	193,240	251,859	788,421
Reserve for bonuses and discounts	3,223	-	3,223	-
Equalisation reserve	3,361	15,280	-	18,641
<b>Total</b>	<b>888,886</b>	<b>226,164</b>	<b>269,940</b>	<b>845,110</b>

(CZK thousand)	1 January 2013	Additions	Usage	31 December 2013
Unearned premium reserve	38,326	16,873	(19,937)	35,262
Reserve for claims	816,178	939,611	(908,749)	847,040
Reserve for bonuses and discounts	348	2,875	-	3,223
Equalisation reserve	257	3,104	-	3,361
<b>Total</b>	<b>855,109</b>	<b>962,463</b>	<b>(928,686)</b>	<b>888,886</b>

## 10. Other provisions

(CZK thousand)	31 December 2014	31 December 2013
Provision for untaken holidays	1,018	609
<b>Total</b>	<b>1,018</b>	<b>609</b>

Movements on other provisions can be analysed as follows:

(CZK thousand)	Provision for untaken holidays
<b>As at 1 January 2013</b>	<b>887</b>
Charge	609
Usage	(887)
<b>As at 31 December 2013</b>	<b>609</b>
Charge	1,018
Usage	(609)
<b>As at 31 December 2014</b>	<b>1,018</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 11. Creditors

(CZK thousand)	31 December 2014	31 December 2013
<b>Short-term liabilities</b>		
Payables from direct insurance	1,405	1,209
Payables from reinsurance (Note 14)	92,287	73,115
Other payables	9,421	9,788
<b>Total</b>	<b>103,113</b>	<b>84,112</b>

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

Other payables can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
Tax payables	889	880
Social and health insurance payables	1,317	1,270
Payables to employees from dependent activity	2,680	2,451
Other creditors	4,535	5,187
<b>Total</b>	<b>9,421</b>	<b>9,788</b>

Payables to related parties are disclosed in Note 16.

### 12. Taxation

Income tax charge in Income Statement comprises:

(CZK thousand)	2014	2013
Current tax expense	-	-
Deferred tax income / expense	2,818	10,326
Adjustment of prior year tax expense	-	-
<b>Total income tax charge</b>	<b>2,818</b>	<b>10,326</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

The current tax expense is calculated as follows:

(CZK thousand)	2014	2013
Profit / (loss) before taxation	11,147	7,998
Non-taxable income	(3,475)	(2,262)
Non-deductible expenses	6,562	3,591
Settlement of tax losses from 2009 and 2010	(14,234)	(9,327)
Increase of tax loss	-	-
<b>Net taxable profit</b>	<b>-</b>	<b>-</b>
Current tax charge at 19%	-	-
Withholding income tax	-	-
<b>Current tax expense</b>	<b>-</b>	<b>-</b>

The deferred tax asset / (liability) as at 31 December 2014 is calculated at 19% (the rate applicable for 2014 and subsequent years).

Deferred tax asset/ (liability) can be analysed as follows:

(CZK thousand)	31 December 2014	31 December 2013
<b>Deferred tax liability</b>		
Accelerated tax depreciation	(669)	(434)
<b>Total deferred tax liability</b>	<b>(669)</b>	<b>(434)</b>
<b>Deferred tax asset</b>		
Provision for untaken holidays	193	116
Statutory social and health insurance attributable to bonuses	532	397
Provisions created (established) against tax non-deductible costs	509	89
Accumulated tax losses from prior years	4,186	7,401
<b>Total deferred tax asset</b>	<b>5,420</b>	<b>8,003</b>
<b>Net deferred tax asset / (liability)</b>	<b>4,751</b>	<b>7,569</b>

The deferred tax asset related to tax losses of previous years was decreased in 2014.

Based on the Company's performance in 2014 and expected development in forthcoming years, management of the Company considers the full realisation of the deferred tax asset to be probable.

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

(CZK thousand)	2014	2013
<b>Net deferred tax asset/liability as at 1 January</b>	<b>7,569</b>	<b>17,895</b>
Deferred tax income / expense	(2,818)	(10,326)
<b>Net deferred tax asset/liability as at 31 December</b>	<b>4,751</b>	<b>7,569</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 13. Accruals and deferred income

(CZK thousand)	31 December 2014	31 December 2013
<b>Accrued expense / Deferred income</b>		
Supplier invoices	2,409	406
Liability from obligatory reinsurance	-	8,779
Other	3,832	2,297
<b>Total</b>	<b>6,241</b>	<b>11,482</b>
<b>Estimated liabilities</b>		
Reinsurers' share on estimated recoveries from recourses	12,035	14,208
Reinsurers' share on estimated premium	11,761	13,088
Expected additional costs	1,567	1,982
Bonuses	11,042	6,198
Expected intermediary commission from unpaid premium	1,301	1,873
Other	35,653	31,853
<b>Total</b>	<b>73,359</b>	<b>69,202</b>

### 14. Reinsurance

During 2014, the Company's reinsurance programme for the class 14 line of business consisted mainly of the proportional quota reinsurance supplemented by the excess of loss reinsurance concluded with the pool of leading European reinsurers. Agreement on proportional quota share reinsurance for the class 15 line of business was concluded with the same pool of reinsurers.

#### Outwards reinsurance

(CZK thousand)	31 December 2014	31 December 2013
Receivables from reinsurance (Note 6)	65,871	80,884
Portion of unearned premium reserve covered by reinsurance	25,111	22,854
Portion of reserve for insurance claims covered by reinsurance	705,015	740,459
Portion of reserve for bonuses and discounts covered by reinsurance	-	1,933
Portion of estimated premium covered by reinsurance	(11,761)	(13,088)
Portion of reserve for additional costs covered by reinsurance	904	1,124
Portion of estimated recoveries from recourses covered by reinsurance	(12,035)	(14,208)
Liabilities from reinsurance (Note 11)	(92,287)	(73,115)
Outward reinsurance deposits	(88,924)	(83,866)
Estimated commission from reinsurer	2,940	3,926
Conjecture commissions from reinsurer	4,416	2,633
<b>Net reinsurance</b>	<b>599,250</b>	<b>666,536</b>
	(248,034)	(230,358)
Outward reinsurance premium		(230,358)
Portion of claims paid covered by reinsurance	152,305	139,555
Portion of change in the reserves covered by reinsurance	(39,230)	19,753
Portion of bonuses and discounts covered by reinsurance	1,911	5,463
Commissions from reinsurers	65,318	64,757
<b>Outwards reinsurance result</b>	<b>(67,730)</b>	<b>(830)</b>



## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 15. Technical account – non-life insurance

#### 15.1. Non-life insurance

(CZK thousand)	Gross written premium	Gross earned premium	Gross claim expenses	Gross operating expenses
<b>2014</b>				
Credit insurance	367,588	364,461	(245,633)	(150,348)
Guarantee insurance	8,303	8,644	-	(2,050)
<b>Total</b>	<b>375,891</b>	<b>373,105</b>	<b>(245,633)</b>	<b>(152,398)</b>
<b>2013</b>				
Credit insurance	361,872	362,845	(261,447)	(147,373)
Guarantee insurance	8,167	10,258	-	(1,612)
<b>Total</b>	<b>370,039</b>	<b>373,103</b>	<b>(261,447)</b>	<b>(148,985)</b>

Gross operating expenses contain acquisition costs and administration overheads.

#### 15.2. Geographical structure of gross written premium

Majority of non-life gross written premiums arise from insurance contracts concluded in the Czech Republic. The remaining contracts are concluded in countries within the European Union.

#### 15.3. Claims costs

(CZK thousand)	2014	2013
Indemnifications	289,692	267,782
Additional costs	12,079	13,954
Recoveries	(60,332)	(58,540)
Change of expected recoveries	4,182	7,388
<b>Gross claims costs</b>	<b>245,633</b>	<b>230,584</b>

Income from the recovered amount from the entitlement for loss compensation and from ceded receivables decrease total claims costs.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 15.4. Acquisition costs for insurance contracts

Acquisition costs for insurance contracts can be analysed as follows:

(CZK thousand)	2014	2013
Business information	27,044	30,142
Direct commissions	13,479	11,536
Promotion and advertising	2,737	4,296
Internal acquisition costs	17,597	15,975
<b>Total</b>	<b>60,858</b>	<b>61,949</b>

### 15.5. Administration expenses

The administration expenses consist of:

(CZK thousand)	2014	2013
Personnel costs	69,545	63,382
Depreciation and amortisation of fixed assets	4,215	4,546
Office space rent	8,798	7,972
Information and communication services	7,482	7,077
Consulting	4,012	1,315
Audit and other services	1,661	3,037
Training and development	1,365	1,414
Postage and telecommunication	2,563	2,611
Material and fuel consumption	752	650
Travel expenses	367	691
Travel expenses of shareholders	319	275
Other administrative overheads	8,058	9,665
Part of administration expenses included in Acquisition costs	(17,597)	(15,975)
<b>Total administration expenses</b>	<b>91,540</b>	<b>86,660</b>

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 15.6. Personnel costs

Staff costs can be analysed as follows:

(CZK thousand)	2014	2013
Emoluments of Board of Directors	4,979	4,481
Emoluments of other members of senior management	13,104	12,012
Other wages, personal costs and emoluments of employees	35,168	32,239
Social costs and health insurance	16,294	14,650
<b>Total personnel costs</b>	<b>69,545</b>	<b>63,382</b>
Number of employees	2014	2013
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	6	5
Number of other members of senior management except members of the Board of Directors	5	6
Average number of other employees	48	47

An estimated liability for yearly bonuses was recognised in 2014. This estimated liability of CZK 8,240 ths. (31 December 2013: CZK 6,198 ths.) was intended to be used for payment of annual bonuses based on criteria which were not yet evaluated.

The total number of staff includes 5 senior managers and 48 other employees. The total number of staff is 53.

No advances, loans and credits nor guarantees were provided to the shareholder or to the members of the Board of Directors or Supervisory Board during 2014 and 2013.

Company cars are made available for use to two members of the senior management, three board members and one referent. As at 31 December 2014, the total net book value of the five cars owned by the Company is CZK 2,485 ths. (31 December 2013: CZK 2,719 ths.).

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

### 16. Related party transactions

The Company was involved in the following related party transactions:

(CZK thousand)	2014	2013
<b>Income</b>		
<i><b>Credimundi (formerly Ducroire Delcredere)</b></i>		
Other income	7,020	-
Commission from ceded premium	2,293	147
Portion of claims paid covered by reinsurance	51	1,789
Portion of additional costs covered by reinsurance	57	648
Credit Advisory Fees	9,525	10,042
<b>Total</b>	<b>18,946</b>	<b>12,626</b>
<b>Expenses</b>		
<i><b>Exportní garanční a pojišťovací společnost, a.s.</b></i>		
Refund of travel costs of Supervisory Board members	29	24
<i><b>Delcredere Ducroire (formerly Office national du ducroire)</b></i>		
Refund of personnel costs and other costs	219	38
Accounting system support SAP	83	74
Commission for arranging reinsurance	2,872	2,114
<i><b>Credimundi (formerly Ducroire Delcredere)</b></i>		
Portion of written premium covered by reinsurance	2,917	1,779
Portion of recoveries covered by reinsurance	4,297	7,198
Travel expenses	60	208
Refund of personnel costs and other costs	-	15
Purchase of business information	6,406	3,526
<b>Total</b>	<b>16,883</b>	<b>14,976</b>

In 2012, a license for the SAP accounting system with the total value of CZK 460 ths. was purchased from Delcredere Ducroire (at that time Office national du ducroire). The license is recognised in the Company's cost as amortisation of intangible assets in 2014 in amount of CZK 92 ths. (in 2013 – in the amount of CZK 92 ths.).

Other revenues from Credimundi consist of share bonus from reinsurance intermediary in amount of CZK 5,396 ths. and from invoiced costs connected with the Company's share on creation new business software module in amount of CZK 1,624 ths. These amounts are also recognised in the line Other receivables in the table below - related party balances.

These transactions were realised based on common commercial terms.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

The following related party balances were outstanding as at:

(CZK thousand)	31 December 2014	31 December 2013
<b>Exportní garanční a pojišťovací společnost, a.s.</b>		
Travel costs of Supervisory board members refund	(29)	-
<b>Delcredere Ducreire (formerly Office national du ducreire)</b>		
Other liabilities	(112)	(1,942)
<b>Credimundi (formerly Ducreire Delcredere)</b>		
Receivables from reinsurance	266	-
Liabilities from reinsurance	(3,478)	(9,931)
Portion of estimates covered by reinsurance	68	(6)
Portion of unearned premium reserve covered by reinsurance	2,077	2,246
Portion of reserve on claims covered by reinsurance	2,526	3,201
Other payables	(19)	(467)
Other receivables	9,420	2,959
<b>Total</b>	<b>10,719</b>	<b>(3,940)</b>

Receivables and payables with related parties arose under the same conditions as with other parties.

### 17. Commitments

The Company has the following future liabilities to a lessor in respect of office rental:

(CZK thousand)	31 December 2014	31 December 2013
Due within one year	7,466	7,783
Due after one year but within five years	21,739	1,946
<b>Total</b>	<b>29,205</b>	<b>9,729</b>

Increase of commitments due after one year but within five years is caused by concluding new long-term rental agreements of Slovak and Polish branches as well as by extending current rental agreement of Czech headquarters.

### 18. Contingent liabilities

The Company does not have any other significant contingent liabilities, except for those specified in Note 17.

## FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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### 19. Subsequent events

There were no significant events, which have occurred subsequent to the year-end, which would have a material impact on the financial statements at 31 December 2014.

#### Statutory approvals

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

2 March 2015



**Michal Veselý**

Chairman of the Board of Directors  
and Managing Director

# INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT



## *Independent auditor's report*

### **to the shareholders of KUPEG úvěrová pojišťovna, a.s.**

We have audited the financial statements of KUPEG úvěrová pojišťovna, a.s., identification number 272 45 322, with registered office at Na Pankráci 1683/127, Praha ("the Company") for the year ended 31 December 2014 disclosed in the annual report on pages from 23 to 53 and issued the opinion dated 2 March 2015 and disclosed on page 22.

### **Report on the Annual Report**

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2014 is consistent with the financial statements which are included in this annual report. The Statutory Body is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

### *Auditor's Responsibility*

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

### *Opinion*

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2014 is consistent, in all material respects, with the financial statements.

The maintenance and integrity of the Company's website is the responsibility of its Statutory Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the annual report since it was initially presented on the website.

### **Report on review of the Report on Relations**

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2014 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Statutory Body of the Company. Our responsibility is to express our conclusion on the Report based on performed review.

### *Scope of Review*

We conducted our review in accordance with Audit standard 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the Report is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 82 of the Corporations Act.

21 May 2015

*PricewaterhouseCoopers Audit, s.r.o.*  
PricewaterhouseCoopers Audit, s.r.o.  
represented by

*Marek Richter*

Marek Richter  
Partner

Note

*Martin Hrdý*

Martin Hrdý  
Statutory Auditor, Licence No. 2197

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

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