



ANNUAL REPORT 2015

MEMBER OF THE CREDENDO
GROUP

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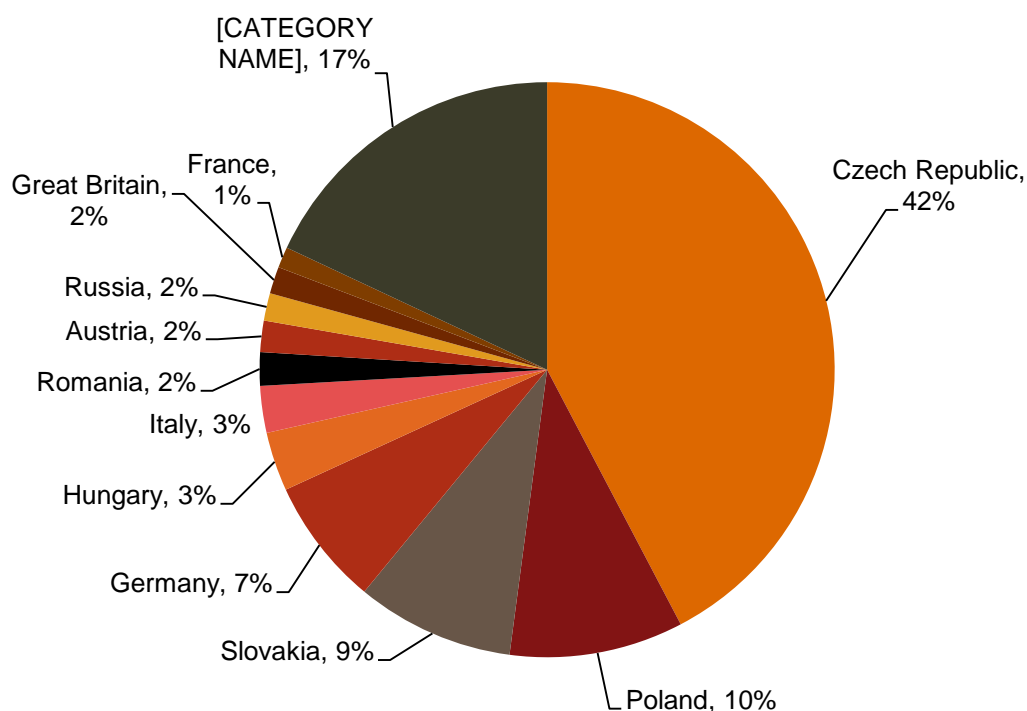
KEY FIGURES

Key figures over the past five years

In millions of CZK	2011	2012	2013	2014	2015
Volume of insured transactions	186,751	196,361	198,968	196,686	178,320
Turnover (net written premiums)*	397	367	361	373	359
Risk exposure (gross)	80,032	83,185	86,741	76,399	89,841
Indemnification paid	246	406	268	289	239
Technical account balance	65	(13)	3	12	3
Profit/loss	48	(11)	(2)	8	(2)
Equity	389	377	375	383	381

*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 transactions in 2015



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 2015

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 2015

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



Jan HOFMAN

Vice-chairman of the Supervisory Board



Stefaan VAN BOXSTAEL

Member of the Supervisory Board



Frank VANWINGH

Member of the Supervisory Board



Michal PRAVDA

Member of the Supervisory Board



Ronny MATTON

Member of the Supervisory Board

COMPANY PROFILE

Mission Statement

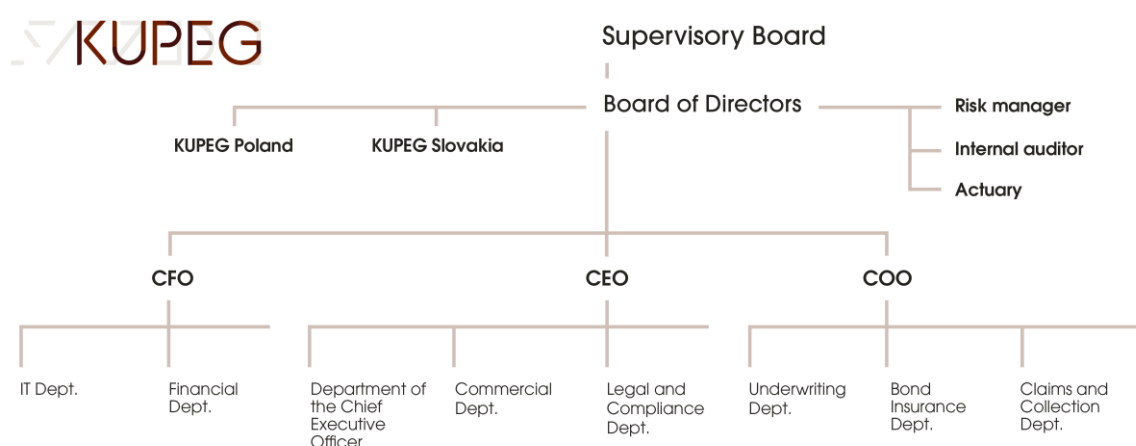
We help our clients to free capital for development of their own business. We grant stability to the economy by collecting and utilizing the best information on debtors and by taking over the risk of business transactions.

- 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 Ducroire received a Standard & Poor's rating of "AA"
- KUPEG insured transactions worth CZK 178 billion in 2015

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.

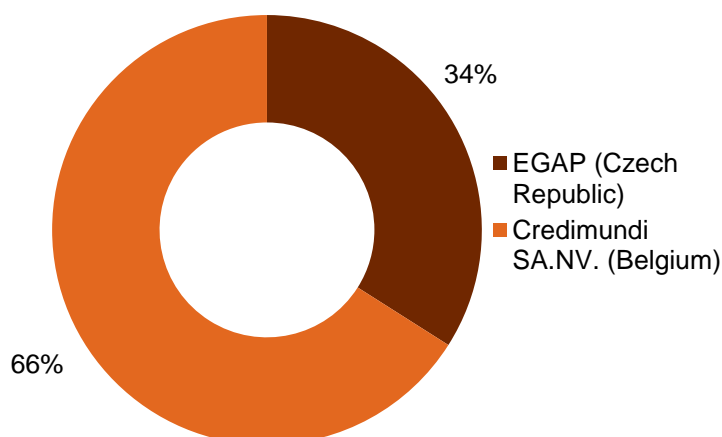
The company was founded on 31 January 2005 by a decision of the sole shareholder, Exportní garanční a pojišťovací společnost, a.s. (EGAP), and came into existence on the date of registration in the Commercial Register, i.e. 24 June 2005, and started its actual activities on 1 October 2005. On this day, 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 2015:

Credimundi SA.NV.

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

EGAP (Czech Republic) 34% of shares



GROUP STRUCTURE



COMMENTS ON BUSINESS DEVELOPMENT

Comments of business development

> **Macroeconomic environment**

During 2015, companies in the Czech market benefited from a favourable macroeconomic environment. At the same time, however, the first signs began to appear, mainly from developing countries, that the global economic climate is getting worse and political risks are more prevalent than ever. This is confirmed by changes in the assessment of risk for individual countries. In just the first nine months of 2015, Credendo Group downgraded more developing countries than in all of 2014 combined.

> **Expanding into Poland**

There was a significant increase in expansion of the company in 2015. After entering the Slovak market in December 2012, KUPEG opened a branch in Warsaw, Poland in January 2015. It now offers top quality credit insurance services to clients all across Poland. The Polish branch also improves services delivered to Czech clients that export to Poland, since it is one of the most important markets in the surrounding area for domestic exporters.

> **Communication technologies**

In addition to activities that ensured a smooth launch of the Polish branch, 2015 saw KUPEG focused on improving communication technology required for administration of insurance. With the goal of simplifying their clients' daily administration, KUPEG worked in close cooperation with experienced professionals to develop the SmartBridge system, which complements the existing online system for managing insurance - KUPEG ONLINE. SmartBridge allows the client's accounting system to communicate directly with KUPEG systems. The combination of both systems is the most effective way of managing insurance policies.

> **Comments on economic results**

2015 was burdened with planned investments connected with the opening of the Polish branch and the dissolution of deferred tax assets that had arisen during the economic crisis in 2010. Due to these planned factors, KUPEG experienced a slight loss.

COMMENTS ON BUSINESS DEVELOPMENT

Credit insurance

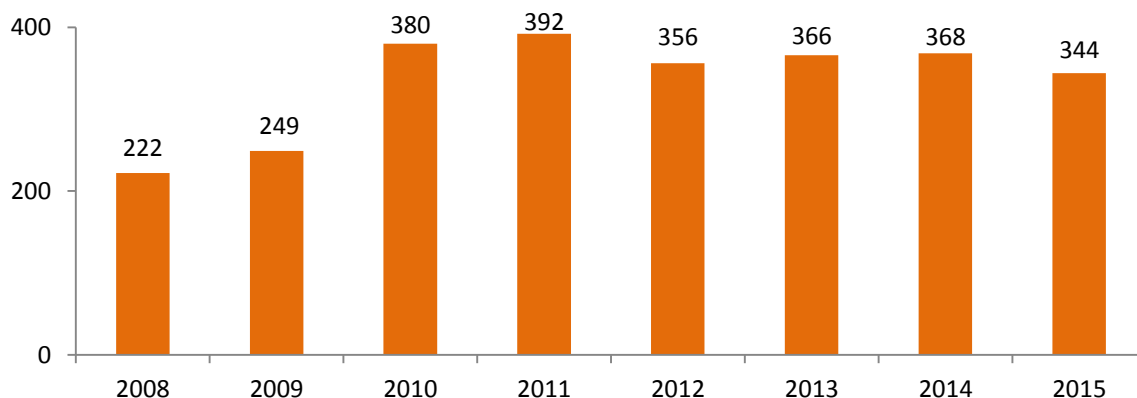
„We are credit insurance specialists. Whether you do business at home or abroad, we always find a tailor-made solution to your needs.“

Comprehensive CREDIRECT credit insurance offered by KUPEG addresses almost all needs of both large and small companies and includes coverage of commercial as well as political risks.

Gross written premium

Due to a decrease in the volume of insured transactions, the total volume of gross written premiums in 2015 fell by more than 6% to CZK 344 million. This is primarily related to depreciation of currencies and optimization of the client portfolio, which is reflected in the low loss ratio.

**Gross written premium between 2008 - 2015
(in millions of CZK)**



COMMENTS ON BUSINESS DEVELOPMENT

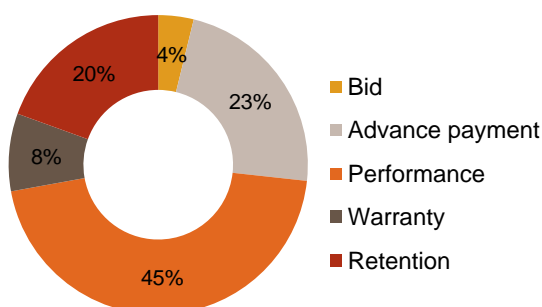
Surety business

„You need to convince business partners to trust you, but your word is not always enough? We find the best solution for you and provide assistance wherever the submission of guarantees is an essential part of the business process.“

KUPEG offers surety insurance as a full fledged 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 who need insurance for participation in tenders or as required by their customers.

KUPEG issued 139 bonds in 2015. The gross written premium increased from CZK 8,3 millions in 2014 to CZK 10 millions in 2015, which represents more than 20% increase.

The structure of the issued bonds as at 31 December 2015 is as follows:

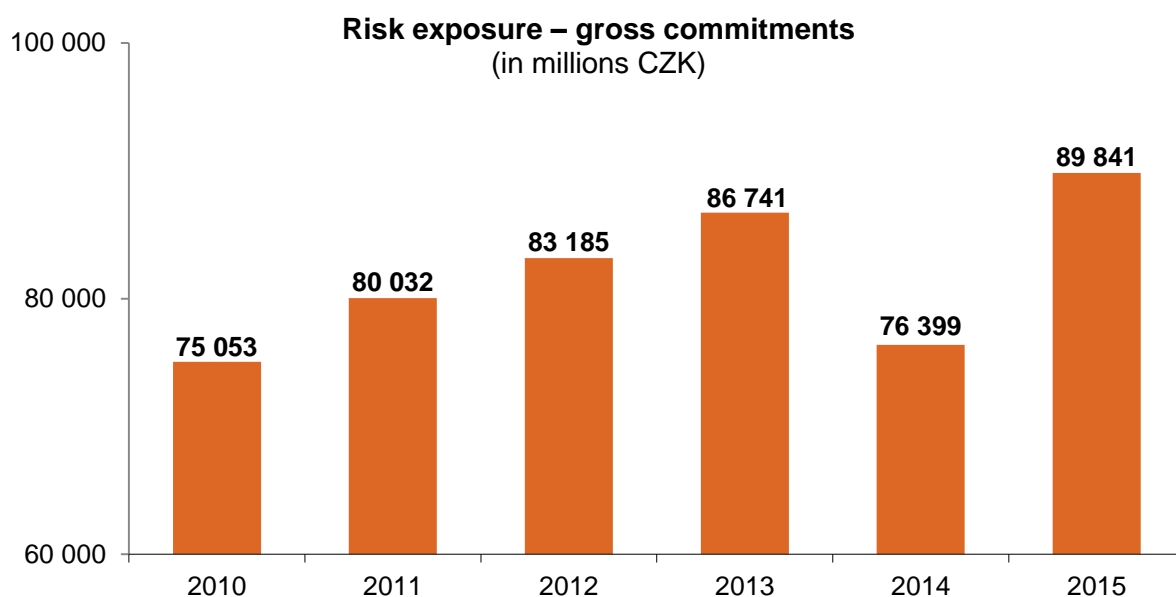


COMMENTS ON BUSINESS DEVELOPMENT

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.“

Risk exposure significantly increased by 18% in 2015 compared to the previous year. The increase was linked with rapidly growing business activities of the Polish branch. At the end of 2015 the amount of risk exposure, which means the sum of the applicable credit limits, reached CZK 89,8 billion.

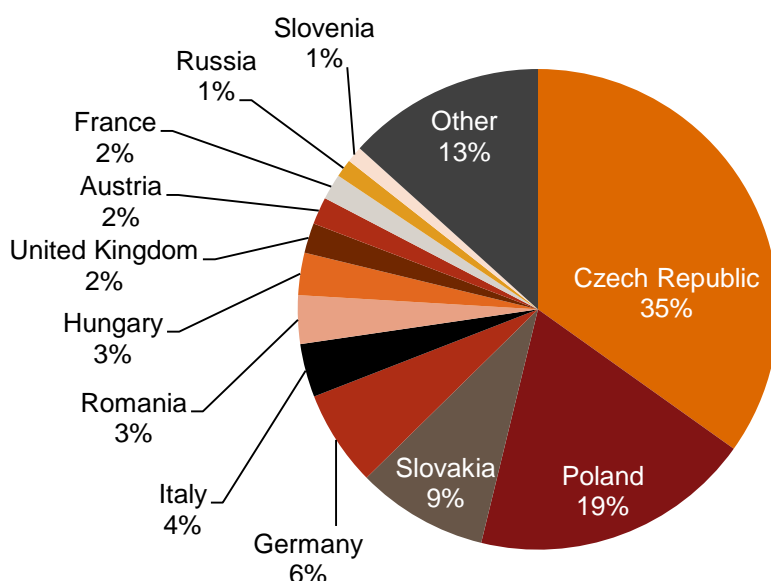


COMMENTS ON BUSINESS DEVELOPMENT

Territorial structure of risk exposure

In terms of geographic distribution of risk exposure we can see continuing decrease of share of the Czech Republic. Compared with the previous year the share of Czech Republic decreased from 38% in 2014 to 35% in 2015 mostly in favour of exposure in Poland which increased its share from 12% in 2014 to 19% in 2015. As a result we can see more diversified risk portfolio within top five countries – Czech Republic, Slovak Republic, Poland, Germany and Italy which follows the strategy of increased risk diversification.

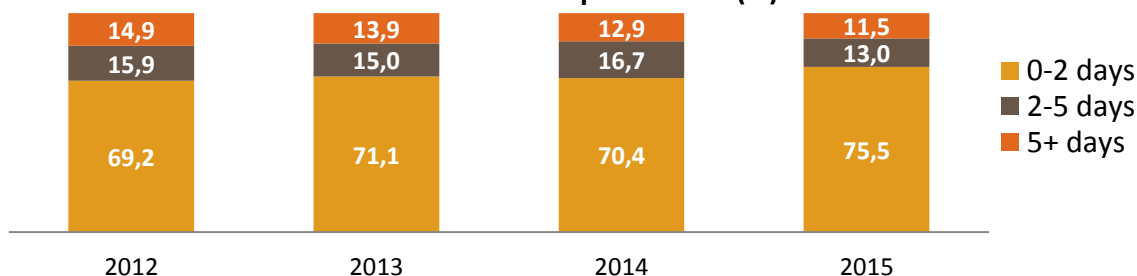
Territorial structure of exposure 2015



Response time

A very positive development is the response time from when a request is received to when a credit limit is determined. In 2015, more than 75 % of requests were handled within 2 days. More than 75% of requests for Czech buyer credit limits and 85,5% of requests for Slovak buyer credit limits were handled within 2 days.

Structure of response time (%)



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. We have experience with debt collection in more than 100 countries all over the world.“

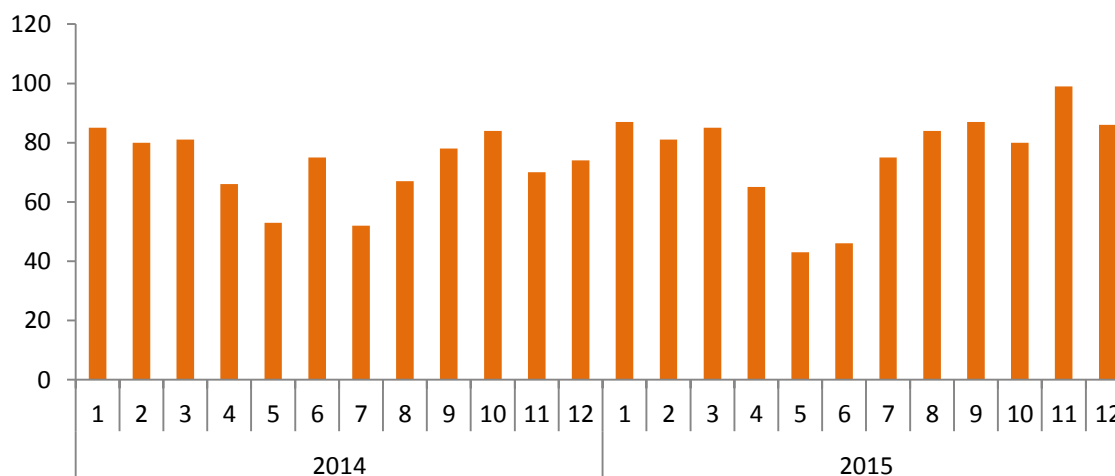
In 2015, KUPEG further accelerated their procedures regarding debtors and continued in loss prevention that was in line with sustainable strategic risks. Yet, there were two major insurance events in the second half of the year that resulted in a year-on-year increase in the volume of insurance claim notifications by 9 %.

Comparing claims declaration between 2014 and 2015, we can observe a moderate increase in notification frequency as well as in notified amounts. Notification frequency recorded 6% increase and notified amounts recorded more than 9% increased in 2015. As a logical result of the higher focus on the

Polish market we can see that Polish debtors represent higher part in declared files. The positive fact is that there is no any significant difference in total amount of declared claim files.

Monthly threatening claims declaration

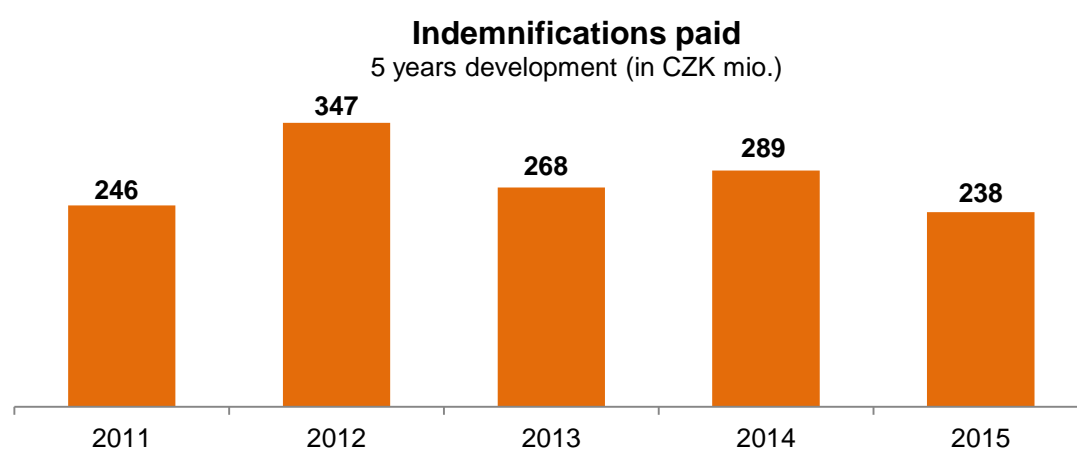
2014 - 2015 (number of files)



COMMENTS ON BUSINESS DEVELOPMENT

Indemnifications paid

Similar to previous year, 61% of the indemnified amounts was against debtors ended in insolvency procedure (bankruptcies, reorganizations, moratoriums).



Collection procedure

Since 2013 we focused on a speeding up our collection procedure towards the debtors, so we can provide clients with better services and minimize potential losses. We help our clients with debt recovery around the world.

In 2015, KUPEG handled more than 900 insurance cases in 33 countries.

EXPECTED DEVELOPMENT OF ACTIVITIES

Expected development of activities in 2016

KUPEG will continue its dynamic development in countries where it is present and focus on improving the level of its services so clients receive faster service, complete convenience and flexibility.

One of its priorities is simplification and digitization of all processes with an extraordinary focus on client communication.

KUPEG constantly monitors the current economic situation in order to provide maximum insurance protection for all of its clients, wherever they do business in the world. With a backdrop of falling commodity prices and deteriorating conditions in the global economic climate, KUPEG offers its clients a stable partnership at a time when it is needed most.

OTHER ACTIVITIES OF THE COMPANY

Research, development and protection of the environment

In 2015, 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 2015 was 65, including 9 members of management. This data includes the employees of the Slovak branch and Polish. 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 2015. 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

Slovak Branch

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 CZK 28 millions in 2015.

Polish Branch

The Warsaw branch was opened on January 5, 2015 to a successful reception on the market, which was confirmed by it closing nearly one third of all new contracts by the end of 2015. Gross written premiums amounted to CZK 33 millions.

Compliance

A compliance officer continued his activities in 2015. He contributes to the quality of work coming from the company and is responsible for monitoring compliance in all areas of the company with relevant legislation and the company's ethical principles. He also ensures the company's operations are conducted in accordance with the principles of Credendo Group. There were no major complaints or problems related to the company's operations in 2015.

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 persons")

for the period from 1st January 2015 to 31st December 2015

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

REPORT ON RELATIONS

Line of business:

- insurance business within the scope of Branches No. 13, 14 and 15 Non-Life Insurance, as set forth in Annexe No. 1, Part B, of Act No. 277/2009 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.

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 2015 to 31 December 2015 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 Exportní garanční a pojišťovací společnost, a.s. (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 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 2015.

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 2015.

REPORT ON RELATIONS

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

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

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

The Management Board 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 Management Board states, that it is not aware of any disadvantage arising from the relationship with the connected parties.

Declaration of the Management Board:

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

Prague, February 26, 2016



Michal Veselý

Chairman of the Board of Directors

EVENTS SUBSEQUENT TO THE BALANCE SHEET DAY

Since issue of financial statements (as at 26 February 2016), 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 2015, 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 2015 and its financial performance for the year then ended in accordance with Czech accounting legislation.

Other information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 in the annual report is not materially inconsistent with the financial statements or our knowledge about the Company obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

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

INDEPENDENT AUDITOR'S REPORT



Shareholders of KUPEG úvěrová pojišťovna, a.s.
Independent auditor's report

If, based on the work we have performed, we conclude that the aforementioned requirements of the other information are not met, we are obliged to report that fact herein.

We have nothing to report in this regard.

8 March 2016

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

Marek Richter

Marek Richter

Statutory Auditor, Evidence No 1800

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.

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

KUPEG úvěrová 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 2015

Date of preparation of the financial statements: 26 February 2016

Balance sheet

As at 31 December 2015

		31 December 2015			31 December 2014	
(CZK thousand)		Note	Gross amount	Adjustment	Net amount	Net amount
ASSETS						
B.	Intangible fixed assets, of which:	5	19,637	(14,343)	5,294	5,334
	a) Software		19,637	(14,343)	5,294	5,334
C.	Financial investments	4	470,107	-	470,107	567,110
	1. Bonds and other debt securities available-for-sale		335,718	-	335,718	352,252
	2. Deposits with financial institutions		134,389	-	134,389	214,858
E.	Debtors	6	121,871	(8,982)	112,889	98,077
E.I.	Receivables from direct insurance - policy holders		33,008	(7,582)	25,426	23,178
E.II.	Reinsurance receivables	14	81,268	-	81,268	65,871
E.III.	Other receivables, of which:		7,595	(1,400)	6,195	9,028
	- deferred tax receivable	12	1,415	-	1,415	4,751
F.	Other assets		82,103	(20,321)	61,782	11,838
F.I.	Tangible fixed assets	5	28,288	(20,321)	7,967	5,912
F.II.	Cash on accounts with financial institutions and cash in hand		53,815	-	53,815	5,926
F.IV.	Other assets		-	-	-	-
G.	Prepayments and accrued income	7	79,600	-	79,600	88,757
G.III.	Other prepayments and accrued income, of which:		79,600	-	79,600	88,757
	a) estimated receivables		71,639	-	71,639	73,398
TOTAL ASSETS			773,318	(43,646)	729,672	771,116

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

(CZK thousand)		Note	31 December 2015	31 December 2014
LIABILITIES				
A.	Equity	8	381,310	383,477
A.I.	Share capital		200,000	200,000
A.II.	Share premium		303,143	303,143
A.IV.	Other capital funds		1,207	1,199
A.V.	Reserve fund and revenue reserves		40,000	40,000
A.VI.	Accumulated losses from previous periods		(160,865)	(169,194)
A.VII.	Loss for the current period		(2,175)	8,329
C.	Technical reserves	9	98,020	114,984
C.1.	Unearned premium reserve:		16,306	12,937
	a) gross		45,615	38,048
	b) share of reinsurers (-)		(29,309)	(25,111)
C.3.	Reserve for claims:		66,449	83,406
	a) gross		766,571	788,421
	b) share of reinsurers (-)		(700,122)	(705,015)
C.4.	Reserve for bonuses and discounts:		1,989	-
	a) gross		4,973	-
	b) share of reinsurers (-)		(2,984)	-
C.5.	Equalisation reserve - gross		13,276	18,641
E.	Provisions	10	978	1,018
E.3.	Other provisions		978	1,018
F.	Deposits from outwards reinsurance	14	87,787	88,924
F.1.	Liabilities from deposits		87,787	88,924
G.	Creditors	11	79,501	103,113
G.I.	Payables from direct insurance		1,594	1,405
G.II.	Payables from reinsurance	11, 14	67,781	92,287
G.V.	Other payables, of which:		10,126	9,421
	- tax liabilities and liabilities from social and health insurance		2,800	6,741
H.	Accruals and deferred income	13	82,076	79,600
H.I.	Accruals and deferred income		14,311	6,241
H.II.	Others - estimated liabilities		67,765	73,359
TOTAL LIABILITIES			729,672	771,116

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

Income statement for the year ended 31 December 2015

(CZK thousand)		Note	2015		2014			
			Base	Subtotal	Total	Base	Subtotal	Total
I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE								
1. Earned premiums, net of reinsurance:								
a) gross written premium	15	353,728			375,891			
b) outwards reinsurance premium (-)	14	(232,267)			(248,034)			
Subtotal			121,461			127,857		
c) change in the gross amount of unearned premium reserve (+/-)		(7,565)			(2,786)			
d) change in the reinsurer's share of the unearned premium reserve (+/-)		4,197			2,257			
Subtotal			(3,369)			(529)		
Total				118,092			127,328	
2. Allocated investment return transferred from the Non-technical account				792			528	
3. Other technical income, net of reinsurance				50,078			56,143	
4. Claims expenses, net of reinsurance:								
a) paid claims:								
aa) gross	15	196,865			245,633			
ab) share of reinsurers (-)	14	(120,204)			(152,305)			
Subtotal			76,661			93,328		
b) change in reserve for claims (+/-):								
ba) gross	9	(21,850)			(58,619)			
bb) share of reinsurers (-)		4,893			35,444			
Subtotal			(16,957)			(23,175)		
Total				59,704			70,153	
5. Change in other technical reserves, net of reinsurance (+/-)				(4,729)			(4,028)	
6. Bonuses and discounts, net of reinsurance				(1,926)			1,274	
7. Net operating expenses:								
a) acquisition costs	15		63,559			60,858		
c) administrative expenses	15		103,233			91,540		
d) commissions from reinsurers and profit participations (-)	14		(59,162)			(65,318)		
Total				107,630			87,080	
8. Other technical expenses, net of reinsurance				788			2,353	
9. Change in the equalisation reserve (+/-)				(5,365)			15,280	
10. Result for the Technical account – non-life insurance				3,402			11,887	
				2015			2014	
(CZK thousand)		Note	Base	Subtotal	Total	Base	Subtotal	Total
III. NON-TECHNICAL ACCOUNT								
1. Result for the Technical account – non-life insurance					3,402			11,887
2. Income from financial investments:								
a) income from subsidiaries and associates:			916			998		
Subtotal				916			998	
b) revaluation gains on financial investments			784			75		
Subtotal				784			75	
Total					1,700			1,073
3. Expenses from financial investments:								
a) management fees and similar charges				71			87	
b) revaluation losses on financial investments				837			458	
Total					908			545
4. Allocated investment return transferred to the Technical account - non-life insurance					(792)			(528)
5. Other income					5,310			18,156
6. Other expenses					7,375			18,875
7. Income tax on profit (loss) from ordinary activities		12			3,493			2,818
8. Profit (loss) from ordinary activities after tax					(2,156)			8,350
9. Other taxes					19			21
10. Profit (loss) for the current period					(2,175)			8,329

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

Statement of changes in equity

for the year ended 31 December 2015

(CZK thousand)	Share capital	Share premium	Reserve fund	Social fund	Accumulated losses	Total
As at 1 January 2014	200,000	303,143	40,000	1,196	(169,194)	375,145
Net profit for the period	-	-	-	3	8,329	8,332
As at 31 December 2014	200,000	303,143	40,000	1,199	(160,865)	383,477
Net loss for the period	-	-	-	8	(2,175)	(2,167)
As at 31 December 2015	200,000	303,143	40,000	1,207	(163,040)	381,310

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

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 2015

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 pojišťovna, 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. Since 1 April 2015 seat of the branch is Mostová 2, 811 02, Bratislava. In December 2014 Board of directors took decision to establish a branch in Poland. The branch KUPEG úverová pojišťovna, a.s. Spółka Akcyjna Oddział w Polsce, ul. Pulawska 182, 02- 670, Warsaw, was registered at Regional 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 2015

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

Tangible and intangible fixed assets other than land and buildings are initially recorded at cost, which includes costs incurred in bringing the assets to their present location and condition, less depreciation and amortisation in case of depreciable tangible and intangible fixed assets, respectively.

Tangible assets with a unit cost of less than CZK 6,250 are treated as low-value assets and are expensed upon consumption.

The depreciation and amortisation periods used are as follows:

Fixed assets	Method	Depreciation and amortisation period 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.

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

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.

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

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 2015

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 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.

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

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 2015

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 2015

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 2015

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 2015

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 2015

4. Financial investments

4.1. Other financial investments

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

(CZK thousand)	31 December 2015	31 December 2014
Government T-bills traded on the short-term bond market	281,981	329,933
Government bonds (Czech Republic) with fixed coupon	53,737	22,319
Total fair value	335,718	352,252

Purchase price of debt securities available-for-sale as at 31 December 2015 was CZK 334,773 ths. (2014: CZK 350,815 ths.).

4.1.2. Deposits with financial institutions

(CZK thousand)	31 December 2015	31 December 2014
Deposits with financial institutions		
Domestic banks	134,389	214,858
Total fair value	134,389	214,858

5. Intangible and tangible fixed assets

5.1. Intangible fixed assets

(CZK thousand)	1 January 2014	Additions	Disposals	31 December 2014	Additions	Disposals	31 December 2015
Cost							
Software	16,631	562	-	17,193	2,444	-	19,637
Acquisition of intangible fixed assets	194	376	(358)	212	-	(212)	-
Total	16,825	938	(358)	17,405	2,444	(212)	19,637
Accumulated amortisation							
Software	9,683	2,388	-	12,071	2,271	-	14,343
Total	9,683	2,388	-	12,071	2,271	-	14,343
Net book amount	7,142			5,334			5,294

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

5.2. Tangible fixed assets

(CZK thousand)	1 January 2014	Additions	Disposals	31 December 2014	Additions	Disposals	31 December 2015
Cost							
Machines and equipment	12,592	693	-	13,285	1,717	-	15,002
Vehicles	6,460	-	-	6,460	3,015	(517)	8,958
Acquisition of fixed tangible assets	-	942	-	942	-	(942)	-
Furniture and equipment	3,371	28	-	3,399	929	-	4,328
Total	22,423	1,663	-	24,086	5,661	(1,459)	28,288
Accumulated depreciation							
Machines and equipment	11,530	858	-	12,388	836	-	13,224
Vehicles	2,679	962	-	3,641	1,349	(517)	4,473
Furniture and equipment	1,726	419	-	2,145	479	-	2,624
Total	15,935	2,239	-	18,174	2,664	(517)	20,321
Net book amount	6,488			5,912			7,967

6. Debtors

31 December 2015 (CZK thousand)	Receivables from policy holders	Reinsurance receivables	Other receivables	Total
Due	15,495	81,268	6,195	102,958
Overdue	17,513	-	1,400	18,913
Total	33,008	81,268	7,595	121,871
Provision for overdue receivables	(7,582)	-	(1,400)	(8,982)
Total receivables, net	25,426	81,268	6,195	112,889

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
Total	31,376	65,871	10,428	107,675
Provision for overdue receivables	(8,198)	-	(1,400)	(9,598)
Total receivables, net	23,178	65,871	9,028	98,077

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 2015, the nominal amount of receivables ceded from policyholders resulting from indemnified claims totalled CZK 11,919 ths. (2014: CZK 26,754 ths.). Only the replacement cost of ceded receivables is recognised in the Company's assets and, as at 31 December 2015, amounted to CZK nil (31 December 2014: CZK nil). Amounts recovered from ceded and sold receivables in 2015 amounted to CZK 2,423 (2014: CZK 6,939 ths.).

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

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

(CZK thousand)	2015	2014
Opening balance at 1 January	9,598	7,868
Charge for the year	1,791	3,905
Release	(232)	(1,715)
Usage	(2,175)	(460)
Closing balance as at 31 December	8,982	9,598

7. Prepayments and accrued income

(CZK thousand)	31 December 2015	31 December 2014
Gross estimated recoveries from recourses	28,297	20,870
Estimated written premium	19,760	19,602
Accrued income from insurance contracts	7,595	27,488
Estimated commission from reinsurers	1,461	4,416
Commission from reinsurers on estimated premium	3,201	2,940
Prepayments paid for business information, communication, other services and membership fee	7,960	8,512
Reinsurers' share on additional costs	1,293	904
Other	10,033	4,025
Total	79,600	88,757

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

8. Equity

8.1. Authorised and issued share capital

	Number of pieces	31 December 2015 (CZK'000)	Number of pieces	31 December 2014 (CZK'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 2015 and 2014.

8.4. Reserve fund

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

8.5. Other capital funds

Other capital funds consist of only the social fund. A social fund is created solely from profit distribution. In 2015 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 1,207 ths. as at 31 December 2015 (31 December 2014: CZK 1,199 ths.).

FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2015

9. Technical reserves

As at 31 December 2015:

(CZK thousand)	Gross reserve	Share of reinsurer	Net reserve
Unearned premium reserve	45,615	(29,309)	16,306
Reserve for claims	766,671	(700,122)	66,449
Reserve for bonuses and discounts	4,973	(2,984)	1,989
Equalisation reserve	13,276	-	13,276
Total	830,435	(732,415)	98,020

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
Total	845,110	(730,126)	114,984

9.1. Reserve for claims

(CZK thousand)	31 December 2015	31 December 2014
Gross RBNS reserve	738,752	767,496
Gross IBNR reserve	27,819	20,925
Total reserve for claims	766,571	788,421

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.

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9.2. Run-off analysis

Estimate of ultimate claims costs as at 31 December 2015:

(CZK thousand)	Claims arising in the year							Total
	2009	2010	2011	2012	2013	2014	2015	
At the end of accounting period	496,980	263,835	288,169	935,506	286,242	221,311	238,449	
One year later	654,733	221,895	261,134	929,568	259,948	213,354		
Two years later	613,382	199,228	233,700	923,012	247,789			
Three years later	594,510	191,483	229,526	885,567				
Four years later	589,111	184,246	228,350					
Five years later	587,559	180,046						
Six years later	586,111							
Current estimate of cumulative claims	586,111	180,046	228,350	885,567	247,789	213,354	239,688	2,579,666
Cumulative payments as at 31 December 2015	(583,396)	(180,046)	(227,482)	(240,248)	(244,700)	(208,994)	(133,274)	(1,818,140)
Reserve as at 31 December 2015 from prior years								2,055
Reserve for class 15 insurance								-
Reserves for additional costs relating to the claims								
Total reserve for claims	2,715	-	868	645,319	3,089	4,360	105,175	766,571

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
Total reserve for claims	871	2,775	712	981	679,956	5,325	92,847	788,421

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9.3. Movements on technical reserves

Movements on gross technical reserves can be analysed as follows:

(CZK thousand)	1 January 2015	Additions	Usage	31 December 2015
Unearned premium reserve	38,048	45,615	(38,048)	45,615
Reserve for claims	788,421	133,562	(135,412)	766,571
Reserve for bonuses and discounts	-	4,973	-	4,973
Equalisation reserve	18,641	368	(5,733)	13,276
Total	845,110	164,518	(179,193)	830,435

(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
Total	888,886	226,164	(269,940)	845,110

10. Provisions

(CZK thousand)	31 December 2015	31 December 2014
Provision for untaken holidays	978	1,018
Total	978	1,018

Movements on other provisions can be analysed as follows:

(CZK thousand)	Provision for untaken holidays
As at 1 January 2014	609
Charge	1,018
Usage	(609)
As at 31 December 2014	1,018
Charge	978
Usage	(1,018)
As at 31 December 2015	978

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11. Creditors

(CZK thousand)	31 December 2015	31 December 2014
Short-term liabilities		
Payables from direct insurance	1,594	1,405
Payables from reinsurance (Note 14)	67,781	92,287
Other payables	10,126	9,421
Total	79,501	103,113

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 2015	31 December 2014
Tax payables	1,032	889
Social and health insurance payables	1,768	1,317
Payables to employees from dependent activity	3,616	2,680
Other creditors	3,710	4,535
Total	10,126	9,421

Payables to related parties are disclosed in Note 16.

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12. Taxation

Income tax charge in Income Statement comprises:

(CZK thousand)	2015	2014
Current tax expense	157	-
Deferred tax expense	3,336	2,818
Total income tax charge	3,493	2,818

The current tax expense is calculated as follows:

(CZK thousand)	2015	2014
Profit before taxation	1,318	11,147
Non-taxable income	(3,418)	(3,475)
Non-deductible expenses	5,289	6,562
Settlement of tax losses from 2009 and 2010	(3,189)	(14,234)
Net taxable profit	-	-
Current tax charge at 19%	-	-
Withholding income tax	-	-
Current tax expense	-	-

The deferred tax asset as at 31 December 2015 is calculated at 19% (the rate applicable for 2016 and subsequent years).

Deferred tax asset can be analysed as follows:

(CZK thousand)	31 December 2015	31 December 2014
Deferred tax liability		
Accelerated tax depreciation	(715)	(669)
Total deferred tax liability	(715)	(669)
Deferred tax asset		
Provision for untaken holidays	186	193
Statutory social and health insurance attributable to bonuses	378	532
Provisions created (established) against tax non-deductible costs	411	509
Accumulated tax losses from prior years	1,155	4,186
Total deferred tax asset	2,130	5,420
Net deferred tax asset	1,415	4,751

The deferred tax asset related to tax losses of previous years was decreased in 2015. Based on the Company's performance in 2015 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 can be analysed as follows:

(CZK thousand)	2015	2014
Net deferred tax asset as at 1 January	4,751	7,569
Deferred tax expense	(3,336)	(2,818)
Net deferred tax asset as at 31 December	1,415	4,751

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13. Accruals and deferred income

(CZK thousand)	31 December 2015	31 December 2014
Accrued expense / Deferred income		
Supplier invoices	10,202	2,409
Liability from obligatory reinsurance	-	-
Other	4,109	3,832
Total	14,311	6,241
Estimated liabilities		
Reinsurers' share on estimated recoveries from recourses	16,552	12,035
Reinsurers' share on estimated premium	11,856	11,761
Expected additional costs	2,210	1,567
Bonuses	7,838	11,042
Expected intermediary commission from unpaid premium	1,603	1,301
Other	27,706	35,653
Total	67,765	73,359

14. Reinsurance

During 2015, 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 2015	31 December 2014
Receivables from reinsurance	81,268	65,871
Portion of unearned premium reserve covered by reinsurance	29,309	25,111
Portion of reserve for insurance claims covered by reinsurance	700,122	705,015
Portion of reserve for bonuses and discounts covered by reinsurance	2,984	-
Portion of estimated premium covered by reinsurance	(11,856)	(11,761)
Portion of reserve for additional costs covered by reinsurance	1,293	904
Portion of estimated recoveries from recourses covered by reinsurance	(16,552)	(12,035)
Liabilities from reinsurance	(67,781)	(92,287)
Outward reinsurance deposits	(87,787)	(88,924)
Estimated commission from reinsurer	3,201	2,940
Conjecture commissions from reinsurer	1,461	4,416
Net reinsurance	635,662	599,250
Outward reinsurance premium	(232,267)	(248,034)
Portion of claims paid covered by reinsurance	(120,204)	152,305
Portion of change in the reserves covered by reinsurance	6,397	(39,230)
Portion of bonuses and discounts covered by reinsurance	2,889	1,911
Commissions from reinsurers	59,162	65,318
Outwards reinsurance result	(43,615)	(67,730)

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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
2015				
Credit insurance	343,486	336,199	(196,865)	(164,941)
Guarantee insurance	10,242	9,963	-	(1,851)
Total	353,728	346,162	(196,865)	(166,792)
2014				
Credit insurance	367,588	364,461	(245,633)	(150,348)
Guarantee insurance	8,303	8,644	-	(2,050)
Total	375,891	373,105	(245,633)	(152,398)

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)	2015	2014
Indemnifications	238,458	289,692
Additional costs	12,500	12,079
Recoveries	(46,660)	(60,332)
Change of expected recoveries	(7,433)	4,182
Gross claims costs	196,865	245,633

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

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15.4. Acquisition costs for insurance contracts

Acquisition costs for insurance contracts can be analysed as follows:

(CZK thousand)	2015	2014
Business information	22,821	27,044
Direct commissions	15,532	13,479
Promotion and advertising	3,198	2,738
Internal acquisition costs	22,008	17,597
Total	63,559	60,858

15.5. Administration expenses

The administration expenses consist of:

(CZK thousand)	2015	2014
Personnel costs	80,230	69,545
Depreciation and amortisation of fixed assets	4,936	4,215
Office space rent	9,392	8,798
Information and communication services	7,706	7,482
Consulting	3,049	4,012
Audit and other services	1,746	1,661
Training and development	2,004	1,365
Postage and telecommunication	2,382	2,563
Material and fuel consumption	1,777	752
Travel expenses	2,084	367
Travel expenses of shareholders	101	319
Other administrative overheads	9,834	8,058
Part of administration expenses included in Acquisition costs	(22,008)	(17,597)
Total administration expenses	103,233	91,540

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15.6. Personnel costs

Staff costs can be analysed as follows:

(CZK thousand)	2015	2014
Emoluments of Board of Directors	6,733	4,979
Emoluments of other members of senior management	13,008	10,713
Other wages, personal costs and emoluments of employees	43,260	37,559
Social costs and health insurance	17,229	16,294
Total personnel costs	80,230	69,545

Staff statistics	2015	2014
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	6	6
Number of other members of senior management except board members	7	6
Average number of other employees	58	47

An estimated liability for yearly bonuses was recognised in 2015. This estimated liability of CZK 7,838 ths. (31 December 2014: CZK 8,240 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 7 senior managers and 58 other employees. The total number of staff is 65.

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 2015 and 2014.

Company cars are made available for use to three members of the senior management, three board members and six referents. As at 31 December 2015, the total net book value of the five cars owned by the Company is CZK 4,033 ths. (31 December 2014: CZK 2,485 ths.).

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16. Related party transactions

The Company was involved in the following related party transactions:

(CZK thousand)	2015	2014
Income		
Exportní garanční a pojišťovací společnost, a.s.		
Commission from ceded premium	45	-
Delcredere Ducroire (formerly Office national du ducroire)		
Commission from ceded premium	5,470	-
Portion of claims paid covered by reinsurance	5,756	-
Portion of additional costs covered by reinsurance	103	-
Other income	271	-
Credimundi (formerly Ducroire Delcredere)		
Other income	-	7,020
Commission from ceded premium	326	2,293
Portion of claims paid covered by reinsurance	890	51
Portion of additional costs covered by reinsurance	379	57
Credit Advisory Fees	10,864	9,525
Total	24,104	18,946
Expenses		
Exportní garanční a pojišťovací společnost, a.s.		
Portion of written premium covered by reinsurance	182	-
Refund of travel costs of Supervisory Board members	31	29
Delcredere Ducroire (formerly Office national du ducroire)		
Portion of written premium covered by reinsurance	20,463	-
Portion of recoveries covered by reinsurance	283	-
Portion of collected maluses covered by reinsurance	203	-
Refund of personnel costs and other costs	70	219
Accounting system support SAP	686	83
Commission for arranging reinsurance	1,804	2,872
Credimundi (formerly Ducroire Delcredere)		
Portion of written premium covered by reinsurance	3,044	2,917
Portion of recoveries covered by reinsurance	5,801	4,297
Travel expenses	4	60
Purchase of business information	4,072	6,406
Total	36,643	16,883

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 2015 in amount of CZK 92 ths. (in 2014 – in the amount of CZK 92 ths.).

Delcredere Ducroire became one of quota-share reinsurers in the year 2015. Thus share of this related party on written premium, commission from ceded premium, paid claims additional costs and recoveries appear newly in this year.

Other revenues from Delcredere Ducroire represent invoiced costs connected with the Company's share on creation new business software module in amount of CZK 271 ths.

These transactions were realised based on common commercial terms.

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The following related party balances were outstanding as at:

(CZK thousand)	31 December 2015	31 December 2014
<i>Exportní garanční a pojišťovací společnost, a.s.</i>		
Receivables from reinsurance	18	-
Liabilities from reinsurance	(71)	-
Travel costs of Supervisory board members refund	-	(29)
<i>Delcredere Ducroire (formerly Office national du ducroire)</i>		
Receivables from reinsurance	7,125	-
Liabilities from reinsurance	(5,823)	-
Liabilities from deposits	(5,304)	-
Portion of estimates covered by reinsurance	(1,109)	-
Portion of unearned premium reserve covered by reinsurance	2,716	-
Portion of reserve on claims covered by reinsurance	7,148	-
Portion of reserve on bonuses and discounts covered by reinsurance	298	-
Other receivables	165	-
Other liabilities	(14)	(112)
<i>Credimundi (formerly Ducroire Delcredere)</i>		
Receivables from reinsurance	350	266
Liabilities from reinsurance	(3,239)	(3,478)
Portion of estimates covered by reinsurance	(2,099)	68
Portion of unearned premium reserve covered by reinsurance	1,435	2,077
Portion of reserve on claims covered by reinsurance	1,812	2,526
Other payables	-	(19)
Other receivables	7,297	9,420
Total	10,705	10,719

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

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17. Commitments

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

(CZK thousand)	31 December 2015	31 December 2014
Due within one year	9,836	7,466
Due after one year but within five years	11,920	21,739
Total	21,756	29,205

Decrease of commitments due after one year but within five years is caused by shortening of remaining rental period.

18. Contingent liabilities

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

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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 2015.

Statutory approvals

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

26 February 2016



Michal Veselý

Chairman of the Board of Directors
and Managing Director