2011

ANNUAL REPORT

Česká exportní banka
CZECH EXPORT BANK

Opening Statement

Dear partners of the Czech Export Bank,

In 2011, we took a number of very significant steps towards a common goal – global competitiveness of the Czech Republic. A significant role in this process was also played by preparation of a new export-led strategy which started to present new challenges and new tasks before state institutions participating in export promotion, including our bank. The most important ones undoubtedly include an emphasis on a close cooperation of all entities that may help our exporters to find still new opportunities in the rapidly developing countries with growing economy and thus reduce the unhealthy dependence on exports to the European Union countries, which currently comprises more than eighty-three percent of the entire volume of our exports. Last year, the foundations of a broad partnership and synergies within state administration and, most importantly, of effective methods of cooperation of state institutions and private businesses were laid. This means the only way to be able to take part in large international projects in the role of direct suppliers.

The Czech Export Bank is definitely not on the lookout for its competitors in the private banking sector, but rather for its natural partners. Our cooperation with them can take various forms ranging from setting up of clubs for financing of large transactions or projects to bank guarantees for loans to small and medium businesses. The significant changes to be implemented in the banking sector in connection with the upcoming higher degree of regulation and certainly also with the Eurozone debt crisis will most definitely also be an important factor in looking for new forms of cooperation. We can expect that the importance of the Czech Export Bank for its partners, both from among exporters and private banking entities, will grow. As it was the case during the years of the global financial crisis of 2007-2009.

However, it is not only the changes brought about – directly or indirectly – by the condition of the European economic area that is concerned here. Even without the debt crisis and the expected long-term recession of European economies we would still be facing brand new challenges. The world is changing and business is changing with it. In case of exports, it is often no longer only export of goods or services as such that we are talking about. In several countries, for instance, there has been a conspicuous increase in the interest in formation of joint ventures – foreign partners no longer want to be only buyers of Czech produce, but they want to take part in its production as well. This trend does place higher demands on our exporters, but at the same time offers a whole range of new opportunities which quite logically also call for new forms of financing. And this, in turn, will place high demands on us. Especially if we want to meet the expectations of the Export Strategy of the Czech Republic for the Years 2012-2020. And in particular as far as diversification of our exports is concerned in a situation when we can assume with certainty that export activities in any form will continue to play the role of the main accelerator of our economic growth and thus also of the main factor of the development of employment.

The year 2012 therefore becomes for us the year of transformation. We need to bring our approaches to financing of exports up to date, become an action-oriented and flexible financial institution able to quickly and transparently respond to any opportunity anywhere in the world.

In order to achieve this, it is necessary to extend our presence abroad with maximum utilization of institutional presence of other governmental organizations of export promotion. It will be in particular the physical presence of our representatives and their active acquisition activities in priority and interest countries defined in the aforementioned new export strategy that will decide to what extent our effort to get to the rapidly developing markets will be successful. At the same time, we need to strengthen our commercial divisions, transaction administration and risk management in terms of staff numbers and pay attention to high professional skills of our employees. This is necessary not only in connection with our increased activities on non-European markets, but also with regard to the necessity to extend support of the segment of small and medium-sized businesses whose export potential is by far not fully utilized. And yet it is small and medium-sized businesses that employ the overwhelming majority of people in our country.

It is no doubt clear to all of us that our effort to realize the goals of the export strategy as effectively as possible will not bear fruit immediately. The first relatively conspicuous positive changes can be expected in 2013 at the earliest. Despite all the urgency of the tasks mentioned above, we need to take account of the fact that we are creating brand new foundations of our export. Thus let us not build them only in pursuit of immediate effects. We will be using them as a foundation not only in a few years to come, but also in the following decades.

Ing.Tomáš Uvíra
Chairman of the Board of Directors and CEO

Deloitte.

Deloitte Audit s.r.o.
Nile House
Karolinská 654/2
186 00 Prague 8 - Karlín
Czech Republic

Tel.: +420 246 042 500
Fax: +420 246 042 555
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Registered at the Municipal Court in
Prague, Section C, File 24349
Id. Nr.: 49620592
Tax Id. Nr.: CZ49620592

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

Having its registered office at: Praha 1, Vodičkova 34 č.p. 701, 111 21
Identification number: 630 78 333

Report on the Financial Statements

Based upon our audit, we issued the following audit report dated 20 March 2012 on the financial statements which are included in this annual report on pages 47 to 89:

"We have audited the accompanying financial statements of Česká exportní banka, a.s., which comprise the statement of financial position as of 31 December 2011, the income statement, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management 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 and International Standards on Auditing and the related application guidelines issued by 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 the 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 entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of 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 Česká exportní banka, a.s. as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU."

Report on the Related Party Transactions Report

We have also reviewed the factual accuracy of the information included in the related party transactions report of Česká exportní banka, a.s. for the year ended 31 December 2011 which is included in this annual report on pages 91 to 93. This related party transactions report is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the related party transactions report based on our review.

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

Nothing has come to our attention based on our review that indicates that the information contained in the related party transactions report of Česká exportní banka, a.s. for the year ended 31 December 2011 contains material factual misstatements.

Report on the Annual Report

We have also audited the annual report of the Company as of 31 December 2011 for consistency with the financial statements referred to above. This annual report is the responsibility of the Company's Statutory Body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the Company is consistent, in all material respects, with the financial statements referred to above.

In Prague on 18 April 2012

Audit firm:

Deloitte Audit s.r.o.
certificate no. 79

Statutory auditor:

Diana Rádl Rogerová
certificate no. 2045

Contents

Table of Contents

	Unit	2011	2010
Financial results			
Net interest income	CZK mil.	577	132
Net fee and commission income	CZK mil.	29	38
Net trading income including state subsidies	CZK mil.	582	558
Asset impairment	CZK mil.	(527)	(170)
Total operating costs	CZK mil.	(327)	(341)
Income tax	CZK mil.	(173)	(146)
Net profit	CZK mil.	161	71
Balance sheet			
Total assets	CZK mil.	78 063	64 795
Amounts due from customers	CZK mil.	65 454	55 647
Amounts due from banks	CZK mil.	4 298	4 139
Client deposits	CZK mil.	6 860	5 664
Bank deposits	CZK mil.	5 400	6 049
Issued bonds	CZK mil.	58 569	46 852
Total equity	CZK mil.	3 945	3 919
Ratios			
ROAE	%	3.22	1.64
ROAA	%	0.24	0.12
Capital adequacy (per ČNB)	%	49.58	54.24
Assets per one employee	CZK mil.	446.08	434.87
Administrative expenses per one employee	CZK mil.	(1.57)	(1.87)
Net profit per one employee	CZK mil.	0.92	0.48
Other information			
Average headcount	employees	158	144
Headcount (as of 31 December)	employees	175	149
Guarantees issued	CZK mil.	3 153	3 299
Loan commitments	CZK mil.	17 212	13 594
Rating – long-term, foreign currency			
Moody´s	-	A1	A1
Standard & Poor´s	-	AA-	A

Profile of the Bank

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

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

Česká exportní banka, a.s. (hereinafter also referred to as "ČEB" or the "Bank") is registered in the Commercial Register maintained by the Municipal Court in Prague, Section: B, File No. 3042.

The Bank is an issuer of securities under the Agreement on the Maintenance of Records Regarding the Issue of Securities in the Central Securities Record within the Central Securities Depository Prague, a.s. with its registered office in Prague 1, Rybná 14, Zip Code 110 05; Issuer's Registration No. 2033836.

Based on the banking licence[1] issued by the Czech National Bank under Ref. No. 2003/3966/520, dated 19 September 2003, which became effective on the same date, a change in the banking licence issued by the Czech National Bank under Ref. No. 2003/4067/520, dated 30 September 2003, which became effective on 2 October 2003, a change in the banking licence issued by the Czech National Bank under Ref. No. 2005/3982/530, dated 16 December 2005, which became effective on 10 January 2006, and a change in the banking licence issued by the Czech National Bank under Ref. No. 2011/141/570, dated 6 January 2011, which became effective on 25 January 2011, the principal business activities of Česká exportní banka, a.s. are defined as follows:

- pursuant to Section 1 (1) of Act 21/1992 Coll., on Banks, as amended:
  - a) Acceptance of deposits made by the general public;
  - b) Provision of loans
- Pursuant to Section 1 (3) of Act 21/1992 Coll., as amended:
  - a) Investing in securities on the Bank's own account to the extent of negotiable securities issued by the Czech Republic, the Czech National Bank, and foreign governments, investing in foreign bonds and mortgage bonds, and investing in securities issued by legal entities with registered offices in the territory of the Czech Republic.
  - c) Payment systems and clearing
  - e) Provision of guarantees
  - f) Opening of letters of credit
  - g) Collection services
  - h) Provision of investment services, including:
- Additional investment services pursuant to Section 4 (3) (c) of Act 256/2004 Coll. on Conducting Business on Capital Markets, as amended, specifically: advisory activities related to capital structures, industrial strategies and related issues, as well as the provision of advisory services and services related to company transformations and acquisitions.
  - l) Provision of bank information
  - m) Trading on the Bank's own account or on the client's account in foreign currencies and in gold to the extent of:
  - – Trading on its own account in foreign bonds
  - – Trading on its own account in funds denominated in foreign currencies
  - – Trading on its own account or on clients' account in monetary rights and obligations derived from the above-mentioned foreign currencies
  - – Trading on the client's account in funds denominated in foreign currencies
  - o) Activities directly related to the activities mentioned in Česká exportní banka's banking licence.

Summary of Activities Performed:

a) Acceptance of deposits made by the general public;
b) Provision of loans
c) Investing in securities on the Bank's own account to the extent of negotiable securities issued by the Czech Republic, the Czech National Bank, and foreign governments, investing in foreign bonds and mortgage bonds, and investing in securities issued by legal entities with registered offices in the territory of the Czech Republic.
d) Payment systems and clearing
e) Provision of guarantees
f) Opening of letters of credit
g) Collection services
h) Advisory activities related to capital structures, industrial strategies and related issues, as well as the provision of advisory services and services related to company transformations and transfers.
i) Provision of bank information

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

j) Trading on the Bank's own account or on the client's account in foreign currencies and in gold to the extent of:
   - Trading on its own account in foreign bonds
   - Trading on its own account in funds denominated in foreign currencies
   - Trading on its own account or on the client's account in negotiable securities issued by foreign governments
   - Trading on its own account or on clients' account in monetary rights and obligations derived from the above-mentioned foreign currencies
   - Trading on clients' account in funds denominated in foreign currencies

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

Summary of Activities, the Performance or Provision of which was Limited or Eliminated by the Czech National Bank During 2011:
No activities have been limited or eliminated.

1.2. Registered Office and Legal Form of the Issuer and Legal Regulations Governing the Issuer's Activities

Registered office:	Prague 1, Vodičkova 34/701, Zip Code: 111 21
Legal form:	Joint-Stock Company
Corporate ID:	63078333
Telephone:	+420 222 841 100
Fax:	+420 224 226 162
E-mail:	ceb@ceb.cz
Website:	www.ceb.cz

Main legal regulations governing the issuer's activities:

Act 101/2000 Coll.	On personal data protection
Act 284/2002 Coll.	On payments
Act 200/1990 Coll.	On offences
Act 21/1995 Coll.	On banks
Act 280/2009 Coll.	Tax Code
Act 190/2004 Coll.	On bonds
Act 235/2004 Coll.	On value-added tax
Act 253/2008 Coll.	On anti-money laundering and terrorism financing
Act 254/2008 Coll.	Through which certain acts are amended in respect of the adoption of the anti-money laundering and terrorism financing act
Act 256/2004 Coll.	On conducting business on capital markets
Act 337/1992 Coll.	On administration of taxes and fees
Act 499/2004 Coll.	On archiving and records management
Act 563/1991 Coll.	On accounting
Act 513/1991 Coll.	The Commercial Code
Act 58/1995 Coll.	On insuring and financing of exports with state support
Act 229/2002 Coll.	On the financial arbiter
Act 586/1992 Coll.	On income taxation
Act 589/1992 Coll.	On social security contributions and contributions to the state employment policy
Act 592/1992 Coll.	On health insurance
Act 93/2009 Coll.	On auditors
Act 40/1964 Coll.	The Civil Code
Regulation 307/2004 Coll.	On the presentation of information by financial institutions to the Czech National Bank
Regulation 123/2007 Coll.	On prudence rules in the business of banks, savings banks and credit associations and securities brokers
Regulation 234/2009 Coll.	On anti-market abuse protection and transparency
Regulation 281/2008 Coll.	On certain requirements for the system of internal principles, procedures and review measures for anti-money laundering and terrorism financing
Regulation 303/2010 Coll.	On more-detailed provisions for certain rules related to the provision of investment services

1.3. Disclosed Documents

ČEB's Articles of Association in Czech are publicly available and the hard-copy version thereof can be inspected in the Bank's registered office.

The electronic version of the Bank's Articles of Association in Czech is publicly available on the website of the Commercial Court – Collection of Deeds at the following address:
https://or.justice.cz/ias/ui/vypis-sl.pdf?subjektId=isor%3a22367&slCis=101356786&klic=RmevUmjeZfEx8EiHpjYllw%3d%3d

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

1.4. Other Data on Česká exportní banka, a.s.

The Bank is not a member of any group.

Act 58/1995 Coll., on Insuring and Financing Exports with State Support, authorised the Bank to finance exports with official support in line with international rules (predominantly the "OECD Consensus").

Under Section 8 (1) (b) of Act 58/1995 Coll., on Insuring and Financing Exports with State Support, the state is held liable for the obligations of ČEB arising from payments of funds received by the export bank and for obligations arising from other ČEB's operations on the financial markets.

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

When providing export credits with a maturity period of at least two years, ČEB complies with the rules for assessing the impacts the financed export projects may have on the environment of the export destination. ČEB also complies with the procedures set out in OECD Council Recommendation dated 12 June 2007 on Common Approaches on the Environment and Officially Supported Export Credits. ČEB does not perform any environmental activities on its own.

Representative Office of Česká exportní banka, a.s. abroad:

Česká exportní banka, a.s. has a representative office established in the Russian Federation. The agency is an independent office of the Bank and has no legal personality.

The representative office's activities are delineated by the statutes of the representative office as amended by the Central Bank of Russian Federation's Order No. RF 02-437 dated 7 October 1997.

Address:	Mashi Poryvaevoj 7 107 078 Moscow Russian Federation
Telephone, fax:	+ 7 (495) 604 90 30

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

General Meeting – the supreme bank body, decides by means of decrees. General assemblies are attended by the shareholders or by their representatives based on a power of attorney.

Supervisory Board – supervisory bank body which supervises the performance of the Board of Directors' activities and the performance of the Bank's business activities; grants permissions in line with the Articles of Association of Česká exportní banka, a.s.

Chairman	**Mgr. Zdeněk Zajíček** – Member since 5 August 2010 Chairman since 6 September 2010 Deputy Minister of Finance Letenská 15, 118 10 Prague 1 – Malá Strana
Vice-Chairman	**Ing. Milan Hovorka** – Member since 6 November 2010, Vice-Chairman since 29 January 2011 Deputy Minister of Industry and Trade Politických vězňů 20, 11249 – Prague 1
	Mgr. Luboš Vaněk – Member from 28 April 2009 to 28 January 2011, Vice-Chairman from 28 April 2010 to 28 January 2011 Deputy Minister of Industry and Trade, since 1 September 2010 – Deputy Senior Director for Intersectional Matters and of the State Enterprises Section Na Františku 32, 110 15 – Prague 1 – Staré Město
Members	**Ing. Oldřich Černoch, CSc.** – since 3 September 2009 Until 1 July 2011 – Deputy Minister of Agriculture, commissioned with the management of the State Agricultural Intervention Fund (SZIF) Since 1 July 2011 – CEO of the State Agricultural Intervention Fund (SZIF) Ve smečkách 33, 110 00 Prague 1
	Ing. Tomáš Dub – since 6 September 2010 Deputy Minister of Foreign Affairs Loretánské náměstí 5, 125 10 Prague 1
	Ing. Tomáš Zídek – since 28 April 2011 Deputy Minister of Finance Letenská 15, 118 10 Prague 1
	Zdeněk Vališ, M.A. – since 28 April 2011 Director of the Exports Support Section at the Ministry of Industry and Trade Politických vězňů 20, 112 49 Prague 1
	Ing. Milena Horčicová, CSc. – from 3 September 2009 to 31 March 2011 Director of the Financial Policies Section at the Ministry of Finance Letenská 15, 118 10 Prague 1
	Elected Employees
	Ing. Jaroslava Křížová – since 25 November 2010 Team Manager – Export and Project Financing Division Česká exportní banka, a.s. Vodičkova 34, 111 21 Prague 1
	Ing. Vladimír Šon – since 2 September 2010 Stand-Alone Section – Reporting, Compliance Officer Česká exportní banka, a.s. Vodičkova 34, 111 21 Prague 1
	Petr Sklenář – since 26 February 2008 Dealer – Treasury Division Česká exportní banka, a.s. Vodičkova 34, 111 21 Prague 1

Information about the members of the Supervisory Board

Mgr. Zdeněk Zajíček

After graduating from the Faculty of Law, Charles University in Prague, Zdeněk Zajíček worked in the state administration and as an attorney. From 1996 to 1998, he was a member of the Chamber of Deputies of the Parliament of the Czech Republic and member of the Constitution Committee, member of the Committee for Public Administration and Environment and member of the Mandate and Immunity Committee. Afterwards, he worked in a law firm. Between 1999 and 2002 Mr. Zajíček was Director of the Magistrate of the Capital of Prague. In the following three years, he worked as a lawyer. As of September 2006, he became the Deputy Minister of the Interior responsible for public administration, informatics, legislation and archiving. As of December 2009, Mr. Zajíček worked in the position of Deputy Minister of Justice responsible for projects. Since 22 July 2010 he has been the Deputy Minister of Finance and has managed the Section for State Asset Management and Informatics. He is a member of the Management Board of the Health Insurance Company of the Czech Ministry of the Interior, member of the Management Board of the ČEZ Foundation and President of the civic association eGON ACADEMY, and a founding member of the association eStat.cz – EFFECTIVE STATE. He is the Chairman of the Supervisory Board of CEVRO Institut, o.p.s. and a Vice-Chairman of the Supervisory Board of Český Aeroholding, a.s. Since September 2010 he has been the Chairman of the Supervisory Board of EGAP, a.s.

Ing. Milan Hovorka

After graduating from the University of Economics in Prague, Department of International Trade, Milan Hovorka worked at the Federal Ministry of Foreign Trade. From 1990 to 1996 he was a member of the Permanent Mission of the Czech Republic to UN and other international organisations in Geneva. After his return, he worked as a Senior Manager of the Department of Multilateral Business Policy, Relations with the EU and ESVO at the Ministry of Industry and Trade of the Czech Republic. From 1998 to 2004, he worked for the Ministry of Foreign Affairs, participating in the Permanent Mission of the Czech Republic to the World Trade Organisation (WTO), and eventually as a Permanent Representative, Mission Leader and member of various elected bodies of the WTO, including the position of the Chairman of the Council for Trade in Goods. As of 2004 Mr. Hovorka worked as the Head of the Department of European Countries and UN member states at the Ministry of Industry and Trade. Since 1 September 2007, he has been the Deputy Minister of Industry and Trade and is the Head of the Trade Section. He has been a member of the Supervisory Board of EGAP since December 2010. Currently, he is not a member of any bodies of any other companies.

Mgr. Luboš Vaněk /until 28 January 2011/

Luboš Vaněk graduated from the Faculty of Physical Education and Sports of Charles University in Prague. After 1997, he was a member of the Supervisory Body of the Office for Securities and later in the Commission for Securities, in the position of Head of the Department of Security Dealers and Brokers. He has a brokerage licence. From 1999 to 2002 he worked at the Czech National Property Fund as the Director of the Chairman's Office. Since 2003, he worked as the Executive Director of the Czech Social Security Administration, where he was responsible for implementing process management in the organisation including economic processes. On 1 February 2006, he was appointed Deputy Central Director and starting 1 August 2006, he was entrusted with the management of the Czech Social Security Administration. Since 1 March 2007 he was the Deputy Minister of Industry and Trade; he managed the section for the transformation of subordinate organisations and state-owned enterprises. Since 1 September 2010 he has been Deputy Director of the Interdepartmental Administration and State-Owned Enterprises Section. Until 28 January 2011 he was a Vice-Chairman of the Supervisory Board of EGAP. Since 14 February 2011 he has been a Member of the Board of Directors of ČEB and since 15 February 2011 the Vice-Chairman of ČEB. Currently, he is not a member of any bodies of any other companies.

Ing. Oldřich Černoch, CSc.

Oldřich Černoch graduated from the University of Economics in Prague, the Faculty of Transport and Telecommunications and was awarded the advanced degree of the Candidate of Economic Sciences in 1993. In 1995 he participated in a specialised management course – MANAGEMENT I and II – at Gustav Käser Training International. After completing his studies he started to work as an officer in the Accounting Department of the West-Bohemian Telecommunications Headquarters in Plzeň. Starting in 1974 he worked as a senior expert and in 1977 became the Head of Labour Economics Dept. of the Main Telecommunications Headquarters in Prague. From 1992 to 2003 he was responsible for economics as the Deputy General Manager of the Czech Post, s.p. From December 2003 to May 2008 he was the CEO of the State Intervention Fund for Agriculture (SZIF). In July 2008 he became the Deputy General Manager of the Institute of Economics and Information in Agriculture. Until 1 July 2011 he was a Deputy Minister of Agriculture and was authorised with the management of SZIF. Since 1 July 2011 he has been the CEO of SZIF. Since 2002, he has been a member of the Executive Board of UNICEF. In 2007 he was nominated, by the Minister of the Interior, a member of the governmental committee for transforming the Czech Post into a joint-stock company. Since December 2009 he has been a member of the Supervisory Board of EGAP, a.s. Currently, he is not a member of any bodies of any other companies.

Ing. Tomáš Dub

After graduating in 1992 from the University of Economics in Prague, the Department of International Trade, Tomáš Dub worked for the government as an advisor to the First Deputy Minister of Economy. From 1994 to 2002 he was mayor of the 7th Prague Municipal District. From 2002 to 2006 he was a member of the Council of the Municipality of Prague, where he was the Chairman of the Foreign Committee and a member of the Legislative, Legal and Security Committee. From 2002 to 2010 he was a deputy of the Chamber of Deputies of the Parliament of the Czech Republic where he was a member of the Foreign Committee, Chairman of the Subcommittee for Representation of the Czech Republic Abroad, a member of the Subcommittee for Aeronautics and Astronautics and a member of the Standing Commission for Banking between 2002 and 2006. Between 2006 and 2010 he was a Vice-Chairman of the Foreign Committee and a member of the Defence Committee. As a Deputy of the Parliament of the Czech Republic, from 2006 to 2010, he was also Head of the Permanent Delegation for the Parliament Assembly of NATO, where he worked in the Standing Commission, in the Political Committee and the Subcommittee for Transatlantic Economic Collaboration. Since August 2010 he has been Deputy Minister of Foreign Affairs. Since December 2010 he has been a member of the Supervisory Board of EGAP, a.s. Currently, he is not a member of any bodies of any other companies.

Ing. Tomáš Zídek

Tomáš Zídek graduated from the University of Economics in Prague. From the beginning of the 1990s he worked as a Director of the Environmental Section and later as the Deputy Minister of Agriculture of the Czech Republic where he was responsible for dealings with the EU. Between 2002 and 2006 he worked for the Institute of Agricultural Economics and Information. Since 2006 he has been the Deputy Minister of Finance responsible for relationships with the EU, international co-operation and macro-economic analyses. He is the Chairman of the Management Board of the Czech Agricultural University in Prague and a member of the Economic and Financial Committee of the EU (EFC). He is an Alternate Governor of the World Bank and the European Bank for Reconstruction and Development and is the leader of the Czech delegation to International Investment Bank and International Bank for Economic Co-operation in Moscow. He is a member of the Supervisory Board of EGAP, a.s. Currently, he is not a member of any bodies of any other companies.

Zdeněk Vališ, M.A.

Zdeněk Vališ graduated from the International School of Economics Rotterdam and Rotterdam Business School, with a specialisation in international trade, finance and accounting. During his studies he worked for ING Investment Management in The Hague. After graduating from University, he was offered a position under ING's management trainee programme for projects focusing on the third phase of pension reform and the development of the trade network in Slovakia. After the completion of the project, he worked as a business analyst for ING Czech Republic. Between 2007 and 2009 he held various positions, among other things the Secretary of the Deputy Minister of Foreign Affairs responsible for external economic relationships. Since February 2010 he has been the Director of the Exports Support Section at the Ministry of Industry and Trade. Since May 2011 he has been a member of the Supervisory Board of EGAP, a.s. Currently, he is not a member of any bodies of any other companies.

Ing. Jaroslava Křížová

After graduating from high school, Jaroslava Křížová joined PZO Polytechna, where she worked as a technical support officer in the department for trading with countries of the Council for Mutual Economic Assistance (CMEA) for three years. After two years, she commenced her distance studies at the University of Economics, Prague, Faculty of Trade, at the Department of Foreign Trade (completed in 1984). In 1978 she began working in the state-owned enterprise IMEX a.s., where she worked for 15 years; the purpose of the enterprise was to minimise disproportions of the local market by exporting surplus goods and importing commodities in short supply. Here she first worked as a trader, later she became head of the department focusing on the countries of the CMEA and Yugoslavia. She was a member of the Supervisory Board for four years as the employee representative. Between 1996 and 1997 she worked as the Head of Logistics of SSI Schäfer. In August 1997 she joined ČEB as a loan manager and currently she is the head of one of the export finance teams of ČEB. In November 2010 she was elected a member of the Supervisory Board by the employees. Currently, she is not a member of any bodies of any other companies.

Ing. Vladimír Šon

Vladimír Šon graduated in 1976 from the Czech Technical University in Prague, Department of Constructions and Transport Structures, specialisation in railway structures. After completing his studies, he joined Czech Railways and worked gradually as a track maintenance supervisor, controller and railway transport engineer in the Kralupy-nad-Vltavou track section. In 1979 he made an intra-company transfer to the Railway Project Centre, where he worked as a leading planning engineer for 13 years. During this time, he expanded his knowledge thanks to postgraduate studies at the University of Transport and Communications in Žilina. In 1992 he started working in state administration and was appointed the Director of the Office of the Minister of Industry and Trade. In 1999 he started working in ČEB, specialising in reporting. He also has been a compliance officer since 2006. In September 2010 he was elected a member of the Supervisory Board by the employees. Currently, he is not a member of any bodies of any other companies.

Petr Sklenář

Petr Sklenář finished his studies at secondary school in 1991. He took a three-month language course in the USA. From 1993 to 2001 he worked in the MSsKB Hospital as an economist for pharmacies. Since 2001 he has been active in the banking sector, first in Citibank, a.s. Prague as an administrator of syndicated loans, and then since 2003 in ČEB as a treasury dealer. In February 2008 he was elected a member of the Supervisory Board by the employees. Currently, he is not a member of any bodies of any other companies.

Ing. Milena Horčicová, CSc. /until 31 March 2011/

Milena Horčicová graduated from the University of Economics in Prague, specialising in Finance and Credit. She obtained an advanced degree of the Candidate of Economic Sciences in 1985. After completing her studies, from 1976 to 1981 she started to work as a lecturer and later as a senior lecturer at the Department of Finance of the University of Economics in Prague. From 1982 to 1986 she was Chief Economist of the commercial section of INPRO Prague. Since 1987 she has been working at the Federal Ministry of Finance which became the Ministry of Finance in 1992. Here Ms Horčicová advanced through the positions of senior officer, Head of Dept., Deputy Section Head to her present position of the Head of the Financial Policy Section (since 1999). Since 1999 she has been a member and later became the Chairwoman of the Control Commission of the Czech Society for Economics. She is also a member of the Scientific Council of the Faculty of Finance and Accounting at the University of Economics in Prague and a member of the editorial board of the Finance and Credit monthly. Until 31 March 2011 she was a member of the Supervisory Board of EGAP.

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

Chairman	Ing. Tomáš Uvíra Member of the Board of Directors since 14 February 2011, Chairman since 14 February 2011, From the perspective of the Executive Management, Director General and Chief Executive Officer of ČEB since 14 February 2011
Vice-Chairman	Ing. Michal Bakajsa Member since 1 February 2009, Vice-Chairman from 2 September 2010 to 14 February 2011, Member again since 15 February 2011 From the perspective of the Executive Management, Deputy Director General and Chief Credit Officer
	Mgr. Luboš Vaněk Member since 14 February 2011, Vice-Chairman since 15 February 2011 From the perspective of the Executive Management, Deputy Director General and Chief Operation Officer

Members

Ing. Miloslav Kubišta
Member since 26 April 2006, re-elected on 26 April 2011,
Vice-Chairman from 26 April 2006 to 2 June 2008
and from 1 January 2009 to 14 February 2011
From the perspective of the Executive Management,
Deputy Director General and Chief Financial Officer

Ing. Karel Tlustý, MBA
Member since 26 April 2006, re-elected on 26 April 2011
From the perspective of the Executive Management,
Deputy Director General and Chief Risk Management Officer

Ing. Petr Goldmann
Member from 1 June 2008 to 31 January 2011
From the perspective of the Executive Management,
Deputy Director General and Chief Operation Officer – until 31 January 2011

Information on the Members of the Board of Directors

Ing. Tomáš Uvíra
Tomáš Uvíra graduated from the University of Agriculture in Brno, the Faculty of Business and Economics. Between 1993 and 1996 he worked for První slezská banka a.s. as a bank products manager. In the following four years, he worked for the Czech National Bank. In 1996 he was appointed administrator in bankruptcy of Velkomoravská banka by the Governing Board of the Czech National Bank. Between 2000 and 2007 he was a member of the Board of Directors and CFO of Středočeská plynárenská, a.s. and Aero Vodochody, a.s. where he was responsible for accounting, taxes, finance management and treasury. Then he worked as a Senior Director for Assets Management at the Ministry of Finance of the Czech Republic until January 2011. Currently, he is not a member of any bodies of any other companies.

Ing. Michal Bakajsa
Michal Bakajsa graduated from the University of Economics in Prague, in the field of system engineering in 1989. Following graduation, he worked as administrator of Sparta Praha basketball team. From 1992 to 1993 he was the Vice-President for Economics of the Sparta Praha Sports Association. Between 1994 and 2001 he held various positions at Česká spořitelna, a.s. From October 2001 to July 2006 he worked at Dresdner Bank CZ/BAWAG Bank as the Head of a team responsible for structured finance and syndicated loans. After his engagement with CSOB a.s. where he held the position of the Director of the Exports and Structured Trade Financing department since 2006, he joined ČEB. During his professional career he has been a member of the supervisory boards of ECKG, a.s., Pegas DS, a.s. and Pegas, a.s. (1999-2001), Dresdner Bank CZ, a.s. (2003-2005) and BAWAG Bank CZ, a.s. (2005-2006). Currently, he is not a member of any bodies of any other companies.

Mgr. Luboš Vaněk – refer to the information on the Supervisory Board Members

Ing. Miloslav Kubišta
Miloslav Kubišta graduated from the University of Economics in Prague. From 1974 to 1978 he was employed in the Financial Department of ČKD DUKLA Praha, and from 1978 to 1991 he worked in state administration in the field of finance. Later, he pursued his career in private banking. From 1994 to 1995 he was employed with EGAP, a.s. He has worked in ČEB since 1995, and was appointed Deputy Director General responsible for the Finance Section in 1996. Currently, he is not a member of any bodies in any other companies.

Ing. Karel Tlustý, MBA
Graduated from the Czech Technical University in Prague, Sheffield Hallam University and Nottingham Trent University. After completing his studies he worked shortly as a marketing manager. He has been in banking since 1992 – first with Poštovní banka, a.s. and later with Investiční a Poštovní banka, a.s. in financial market trading, managing currency positions and bank liquidity. From 1994 to 1995 he was employed with EGAP, a.s. He has worked for ČEB since 1995 and became Senior Director of the Liquidity Department in 1997. In May 2006 he was appointed Deputy Director General in charge of the Risk Management Section. He is a member of the Administrative Board of the Family Endowment Fund. Currently, he is not a member of any bodies in any other companies.

Ing. Petr Goldmann /until 31 January 2011/
Graduated from VSB University of Mining, Ostrava. After his studies he joined Králodvorské železárny (Králův Dvůr Ironwroks) as an economist. In 1991 he started to work in Komerční banka, a.s. in the position of a credit officer, risk management specialist and head of risk management department. In 2000 he pursued his career in Konsolidační banka. In 2004, he became a member of Konsolidační banka's Board of Directors and as the Senior Director at Česká konsolidační agentura (the successor of Konsolidační banka). From 1 June 2008 to 31 January 2011 he was a member of the Board of Directors of ČEB and Deputy General Director responsible for the IT and Trade Administration Section.

Audit Committee – set up by a decision of the General Meeting of ČEB, held on 10 December 2009 and effective as of 4 January 2010. The Audit Committee focuses mostly on the process of preparing the Bank's financial statements, evaluates the effectiveness of the internal controls of the Bank, the internal audit and/or risk management systems, monitors the procedure of obligatory audits of the financial statements, recommends the auditor, and sets up the remuneration regulations for the Head of the Internal Audit Department.

The composition of the Audit Committee in 2011 was as follows:

Ing. Zdeněk Grygar	– Chairman, independent member of the Audit Committee since 23 November 2010
Zdeněk Vališ, M.A.	– Member of the Audit Committee since 28 April 2011
Ing. Tomáš Zídek	– Member of the Audit Committee since 28 April 2011
Ing. Milena Horčicová, CSc.	– Member of the Audit Committee from 10 December 2009 to 31 March 2011 (member of the Supervisory Board of ČEB)
Mgr. Luboš Vaněk	– Member of the Audit Committee from 23 November 2010 to 14 February 2011 (member of the Supervisory Board of ČEB)

Information on the Members of the Audit Committee

Ing. Zdeněk Grygar
Zdeněk Grygar graduated from the University of Economics in Prague, the Faculty of Management, specialisation in Economic Mathematics (1980). He has worked as an auditor since 1992, and holds a certificate of the Chamber of Auditors of the Czech Republic (No. 1029). From 1980 to 1992 he worked as an expert for plan and budget control in economic and financial institutions at the Czech Ministry of Control; he became an advisor to the Minister in 1990. Between 1992 and 2002 he worked as an economic analyst and director of the Banking and Economic Concepts and Analyses Dept. in Banka Bohemia a.s. Upon the bank's entry into liquidation in 1994, he was Senior Director of the Economic Division. From 2002 to 2005 he worked as Deputy Liquidator of Agrobanka a.s. in liquidation. In 2007 he was elected to the Executive Committee of the Chamber of Auditors of the Czech Republic; he is the Chairman of the Audit Examination Committee and Examiner of Accounting within the insolvency administrator exams managed by the Ministry of Justice. In the past, Mr. Grygar worked as a member of the Supervisory Board of Ekoagrobanka a.s. Ústí nad Labem, in liquidation, and COOP banka a.s. Brno, in liquidation, until the termination of liquidation – both memberships arose following the authorisation by the Czech National Bank. Currently, he works as a statutory auditor and focuses on the audits of regional governments, institutions under the Academy of Sciences of the Czech Republic, and research and development subsidies from the EU.

Zdeněk Vališ, M.A.	refer to the information on the members of the Supervisory Board
Ing. Tomáš Zídek	refer to the information on the members of the Supervisory Board
Ing. Milena Horčicová, CSc.	refer to the information on the members of the Supervisory Board
Mgr. Luboš Vaněk	refer to the information on the members of the Supervisory Board

Other Decision-Making Bodies of ČEB

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

Credit Committee – a permanent decision-making and advisory body of the Board of Directors for deciding on and evaluating all issues related to selected transactions and credit risk management, and the advisory body of the leading employees of ČEB. The Credit Committee is a part of the management and control system of the Bank.

Composition of the Credit Committee:

Ing. Karel Tlustý, MBA	– Chairman of the Credit Committee, member of the Board of Directors and Deputy Director General of ČEB, Chief Risk Management Officer
Mgr. Luboš Vaněk	– Vice-Chairman of the Credit Committee since 23 February 2011, Vice-Chairman of the Board of Directors and Deputy Director General of ČEB, Chief Operation Officer
Ing. Michal Bakajsa	– Member of the Credit Committee, Vice-Chairman and Deputy Director General of ČEB, Chief Credit Officer
Ing. Petr Krupa	– Member of the Credit Committee, Head of the Credit Risk Management Department
Ing. Ivana Fukalová	– Member of the Credit Committee until 10 November 2011, Head of the Export and Project Financing Department
Ing. Martin Frelich	– Member of the Credit Committee until 9 November 2011, Head of the Export and Project Financing Department
Ing. Petr Goldmann	– Vice-Chairman of the Credit Committee until 22 February 2011, member of the Board of Directors and Deputy Director General of ČEB, Chief Operation Officer

Assets and Liabilities Management Commission (ALCO) – permanent decision-making and advisory body of the Board of Directors for deciding on and evaluating all issues related to assets and liabilities management and elimination of market risks related to bank transactions and operations of ČEB on financial markets; and the advisory body of the other leading departments. ALCO is a part of the management and control system of the Bank.

Composition of ALCO:

Ing. Miloslav Kubišta	– Chairman of ALCO, Vice-Chairman of the Board of Directors until 14 February 2011, and Deputy Director General of ČEB, Chief Financial Officer
Ing. Karel Tlustý, MBA	– Vice-Chairman of ALCO, Member of the Board of Directors and Deputy Director General of ČEB, Chief Risk Management Officer
Ing. Michal Bakajsa	– Member of ALCO, Member of the Board of Directors and Deputy Director General of ČEB, Chief Credit Officer
Ing. David Franta	– Member of ALCO, Head of the Treasury Department
Mgr. René Hanyk	– Member of ALCO, Head of the Banking Risk Management Department
Ing. Miloš Welser	– Member of ALCO until 10 November 2011, Corporate Sales Co-ordinator in the Commercial Section
Ing. Martin Frelich	– Member of ALCO from 15 June 2011 to 9 November 2011, Head of the Export and Project Financing Department
Ing. Miloslav Dudek	– Member of ALCO until 14 June 2011, Director of the International Relations and Fund-Raising Department
Ing. Milan Čižinský	– Member of ALCO until 14 June 2011, Senior Manager, International Relations and Fund-Raising Department

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

Composition of the Commission:

Ing. Petr Goldmann	– Chairman of ITDC until 22 February 2011, member of the Board of Directors and Deputy Director General of ČEB, Chief Operation Officer
Mgr. Luboš Vaněk	– Chairman of ITDC since 23 February 2011, member of the Board of Directors and Deputy Director General of ČEB, Chief Operation Officer
Ing. Igor Táborský	– Vice-Chairman of ITDC until 9 May 2011, ITDC member until 10 July 2011, Head of the Banking IS Development Department
Ing. Pavel Kašpar	– Member of ITDC, Head of the Department of Banking IS Operations and Internal Administration
Ing. Petr Jindrák	– Member of ITDC, ITDC Vice-Chairman until 10 May 2011, working for the Bank Information System Development Department

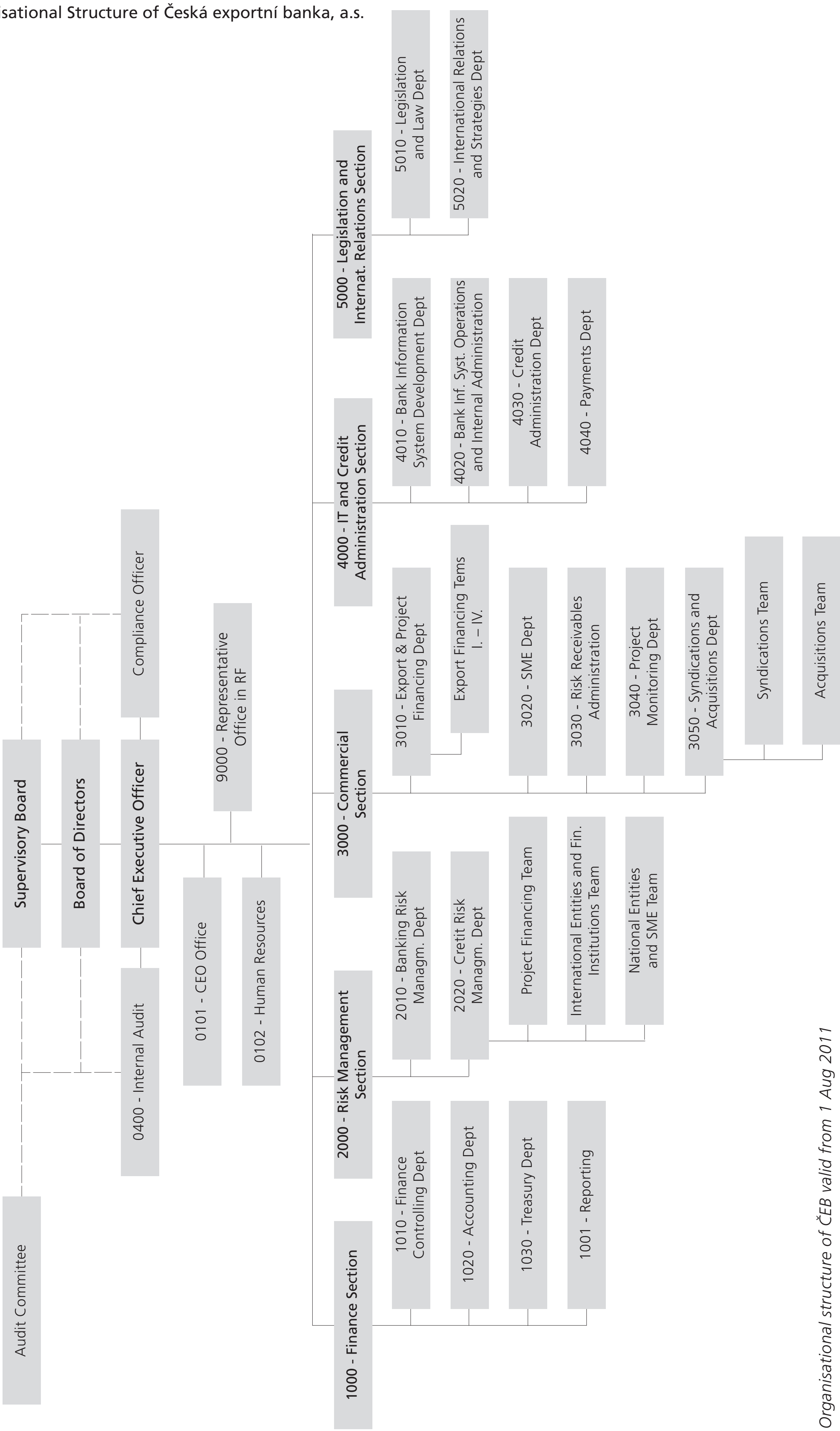
Mgr. René Hanyk	– Member of ITDC, Head of the Banking Risk Management Department
Ing. Jan Bukovský	– Member of ITDC, ICT Security Inspector in the IT Operations and Internal Administration Department
Ing. Marcela Šrůtková	– Member of ITDC, working for the Accounting Department
Ing. Martin Frelich	– Member of ITDC from 14 January 2011 to 9 November 2011, Director of the Export and Project Financing Department
Ing. Petr Křižan	– Member of ITDC from 11 July 2011, Deputy Director General of ČEB, Head of the Legislation and International Relations Section
Ing. Jiří Brudňák	– Member of ITDC since 10 November 2011, working for the Export and Project Financing Department

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

Composition of the Commission:

Ing. Karel Tlustý, MBA	– Chairman of ORCO, Member of the Board of Directors and Deputy Director General of ČEB, Chief Risk Management Officer
Ing. Petr Goldmann	– Vice-Chairman of ORCO until 22 February 2011, Member of the Board of Directors and Deputy Director General of ČEB, Chief Operation Officer
Mgr. Luboš Vaněk	– Vice-Chairman of ORCO since 23 February 2011, Vice-Chairman and DeputyDirector General of ČEB, Chief Operation Officer
Mgr. René Hanyk	– Member of ORCO, Head of the Banking Risk Management Department
Ing. Igor Táborský	– Member of ORCO until 9 May 2011, Head of the Banking IS Development Department
Ing Petr Jindrák	– Member of ORCO since 10 May 2011, working for the Bank Information System Development Department
Ing. Pavel Kašpar	– Member of ORCO, Head of the Banking IS Operations and Internal Administration Department
Ing. Jan Bukovský	– Member of ORCO, ICT Security Inspector in the IT Operations and Internal Administration Department
Ing. Marcela Šrůtková	– Member of ORCO, Member of the Accounting Department

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



Organisational structure of ČEB valid from 1 Aug 2011

1.7. Declaration of No Conflicts of Interest

The persons who are members of the Bank's bodies, committees and councils declare that in 2011:

a) They have not abused their position in the Bank or the information that they had in place to gain profit that could not otherwise have been gained, either for themselves or for other persons;
b) They have not concluded any transactions using the investment instruments of the Bank's clients on their own account or on the account of a person closely related to them;
c) They have not provided instructions or recommendations to other persons related to the transactions with investment instruments of the Bank's clients that could be used by the persons in trading with the investment instruments on their own account; and
d) They have avoided all activities that may potentially expose them to a conflict of interests.

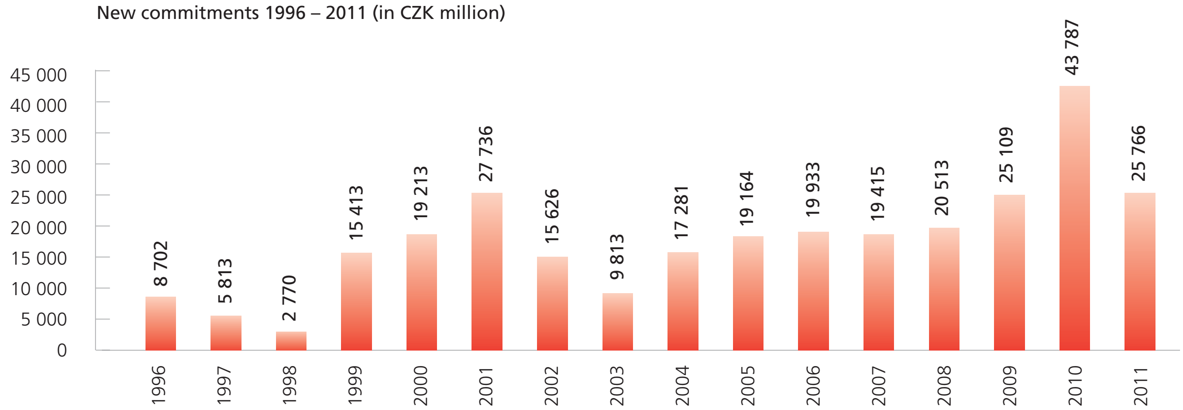
Report of the Board

2.1. Overview of the Bank's Business Activities in 2011

2.1.1. Business Activities

In 2011, ČEB reported very good business results, following its growth potential formed in 2010. The Bank provides the financing of exports through offering its products principally to countries where there is significant demand for Czech goods or to countries where financing of exports by Czech commercial banks is not preferred for various reasons. The aggregate volume of new commitments for financing loans with official support and the issue of guarantees totalled CZK 25,766 million, which is the third-highest result of this indicator in ČEB's history and the second-best result since 2000.

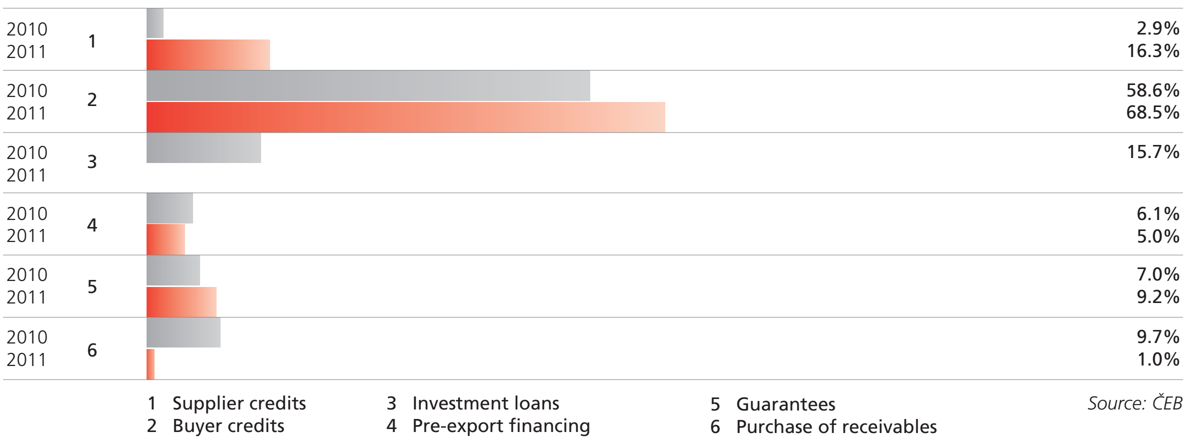
New commitments 1996 – 2011 (in CZK million)



Source: ČEB

From the point of view of the structure of new commitments, it is apparent that contracts securing the financing of exports through direct buyer credits prevail. The second-most applied financing method in 2011 was the financing of exports through direct supplier credits, which principally include loans provided to factoring companies for purchases of other clients' export receivables.

Development in the share of individual product types on the structure of new commitments



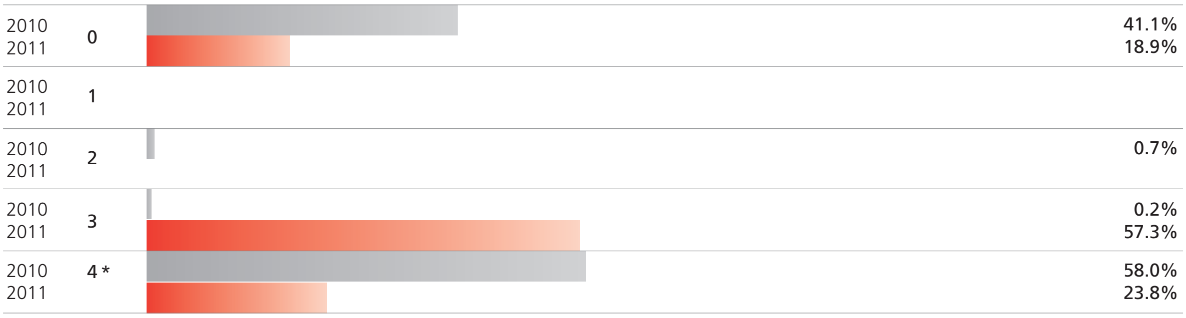
Source: ČEB

ČEB's mission principally includes activities related to the financing of exports to countries with higher and high territorial risk and providing principally export loans with maturities of over two years.

The level of territorial risk is reflected by the classification of risks per individual country, which is determined and updated on a quarterly basis by OECD. Czech exports are typically featured by the fact that the destination markets for products of Czech exporters are principally in the countries immediately neighbouring the Czech Republic and other EU countries. Exports to these countries amount to 83% of total Czech exports. According to OECD these countries are deemed as low risk-bearing.

In contrast to the overall Czech Republic's exports structure, ČEB principally provides funding for exports to countries with a higher and a high degree of territorial risk, which is apparent from the structure of new commitments in this respect.

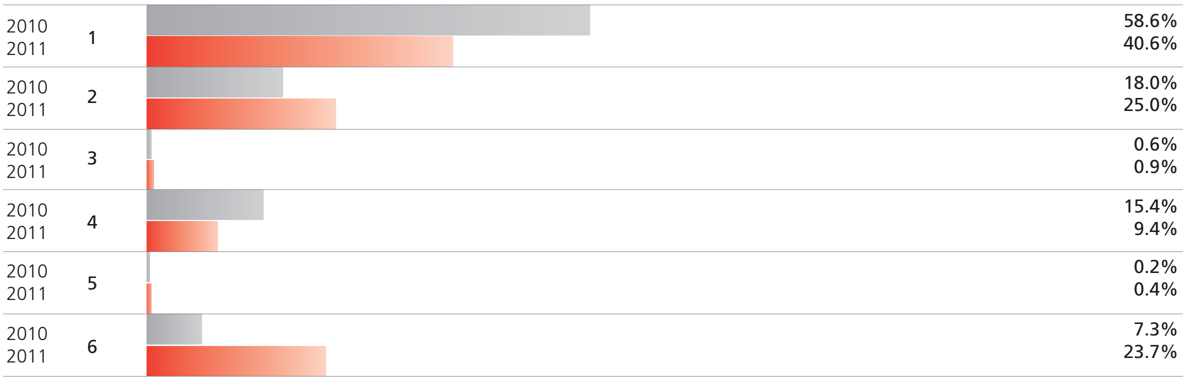
Development in the structure of new commitments by country risk classification according to OECD



Notice: country risk classification according to OECD * and more *Source: ČEB*

Development of the structure of new commitments by commodity, on a year-on-year basis, shows that the dominant portion of the financing of exports of energy engineering products was maintained, including the funding for investments in the energy sector, turn-key projects for various industries including construction and engineering activities and the financing of the export of transportation vehicles.

Development in the structure of new commitments by commodities (according to the SITC terminology)



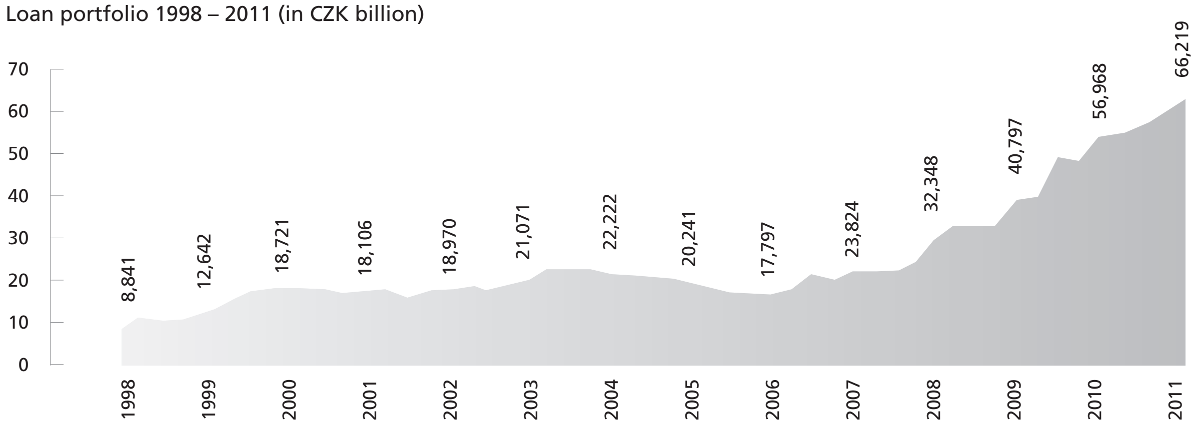
1 71 – Machinery and eguipment for energy production
2 72 – Machinery and eguipment for various industries
3 73 – Metal working machinery
4 78 and 79 – Transport and shipping vehicles
5 Other engineering products
6 Other goods

Source: ČEB

2.1.2. Development of the Volume and Structure of the Loan Portfolio

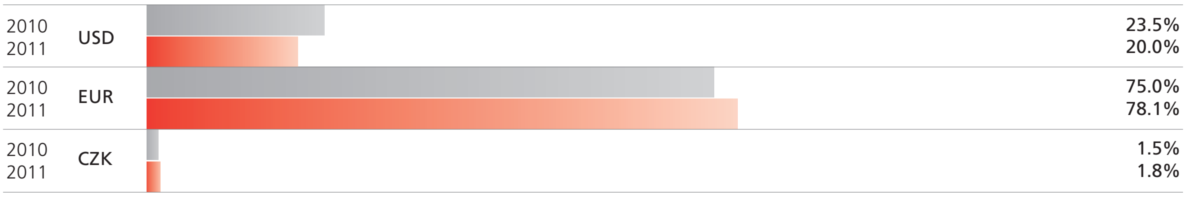
The total principal of loans provided and receivables purchased by the Bank as of 31 December 2011 denominated in CZK totalled CZK 66,219 million, which is a year-on-year increase of CZK 9,251 million, ie 16.2%, as compared to 31 December 2010. The share of the loans provided including receivables purchased represents 84.8% of the total assets as of 31 December 2011, which is almost the same ratio as that achieved in the previous year.

Loan portfolio 1998 – 2011 (in CZK billion)



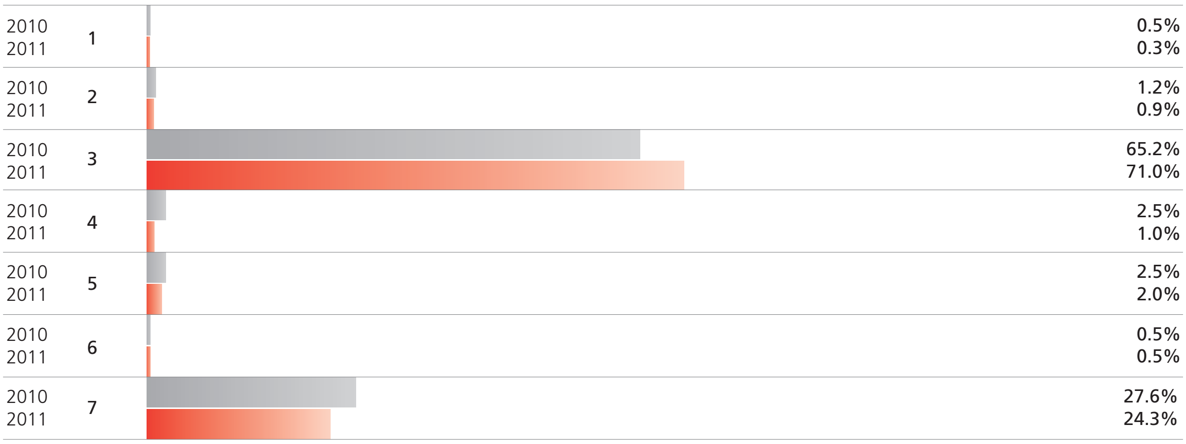
Source: ČEB

Development in the Loan Portfolio by Currency



Source: ČEB

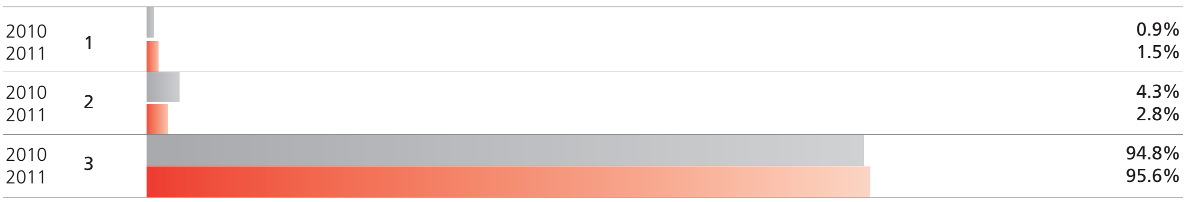
Development in the share of individual loan types on the structure of the loan portfolio and purchased receivables



1 Refinancing
2 Direct supplier credits
3 Direct buyer credits
4 Indirect buyer credits
5 Pre-export credits
6 Purchased receivables
7 Investment loans

Source: ČEB

Development in the loan portfolio by contracted loan maturity



1 Up to 1 year 2 From 1 year to 5 year 3 Over 5 years

Source: ČEB

2.1.3. Key Markets on Which the Bank Operates

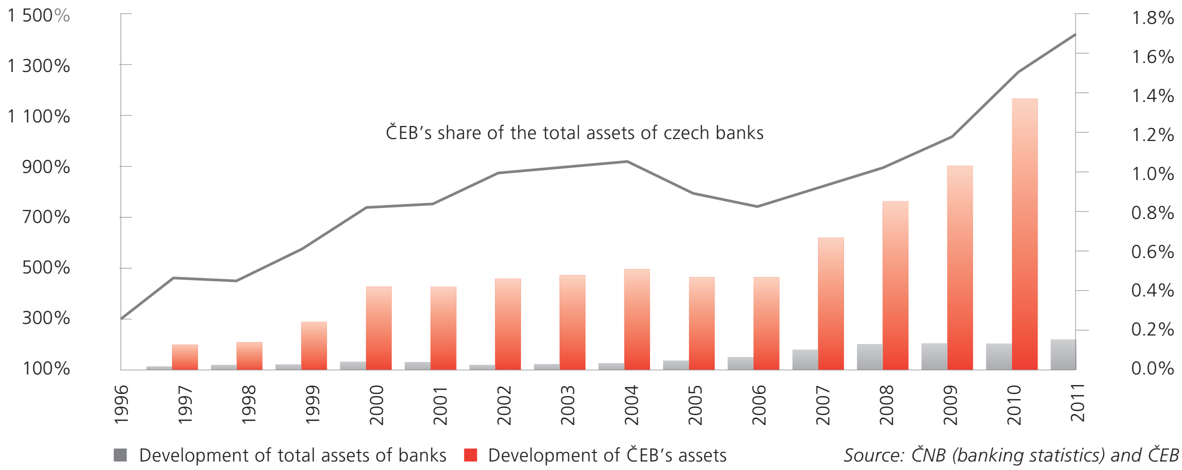
a) The Bank's Position in the Local Banking Sector

Compared to other banks operating in the Czech Republic, ČEB is considered a medium-sized bank. ČEB is characterised by an on-going enhancement of its position in respect of its share of the total assets of all banks in the Czech banking sector. ČEB's share of the total assets of banks in the Czech Republic has been increasing continuously. During 2011, the share increased from 1.50% to 1.69%.

	2010			2011		
	Banks total	ČEB	ČEB's share	Banks total	ČEB	ČEB's share
Total Assets in CZK million	4 329 766	64 795	1.50%	4 611 176	78 063	1.69 %

Source: ČEB and ČNB (banking statistics)

Development in ČEB's share on the Czech banking sector (Assets in 1996 = 100 %)



Source: ČNB (banking statistics) and ČEB

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

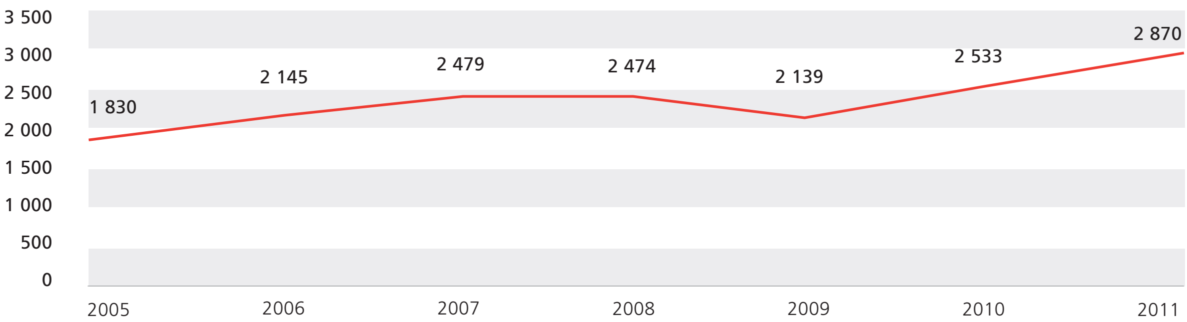
- ČEB's position in the area of the financial support of exports is stipulated by Act 58/1995 Coll., on the Insuring and Financing of Exports with State Support. The Act determines the financing methods offered by ČEB that are strictly intended for the financing of exports and services immediately related to exports. As such, conversely to commercial banks, the area of the Bank's business activity is very limited;
- Export financing can be used by a limited number of entities applying for supported funding. Specifically, this applies to exporters with their registered office in the Czech Republic or, in the event of re-financing loans, their local banks. In comparison to commercial banks, the portfolio of entities that use the officially supported financing of exports is limited; and
- The Czech Republic's commitment is to provide the supported financing of exports to Czech exporters in line with international regulations. The Czech Republic has pledged to adhere to such regulations. In addition, the regulations specified in the "OECD Consensus" are adhered to by developed countries in providing mid- and long-term export loans. Therefore, the position of ČEB in respect of export financing as such is significantly more important than its share of the total assets of all banks in the Czech Republic shows.

Client loans – by maturity (in CZK million)	2010 Banks in total	ČEB	ČEB's share	2011 Banks in total	ČEB	ČEB's share
Balance of client loans and receivables	2 174 428	55 152	2.5%	2 304 477	65 286	2.8%
of which in CZK	1 875 198	840	0.0%	1 961 497	1 213	0.1%
of which short-term loans (up to 1 year)	309 320	225	0.1%	312 165	527	0.2%
medium-term loans (1 - 5 lyears)	223 750	615	0.3%	218 688	556	0.3%
long-term loans (over 5 years)	1 342 128	0	0.0%	1 430 645	129	0.0%
of which in credit maturity	299 230	54 312	18.2%	342 980	64 073	18.7%
of which short-term loans (up to 1 year)	68 042	286	0.4%	66 457	317	0.5%
medium-term loans (1 - 5 lyears)	66 592	1 756	2.6%	88 504	1 431	1.6%
long-term loans (over 5 years)	164 596	52 270	31.8%	188 019	62 324	33.1%

b) Factors that Influenced the Bank's Business Activities and Financial Results in 2011

In 2011 there was a significant recovery in exports from the Czech Republic; the increase in exports was in excess of 13%. Similarly, ČEB, supported by its products, expanded its business activities.

Exports of goods from the Czech Republic in CZK billion



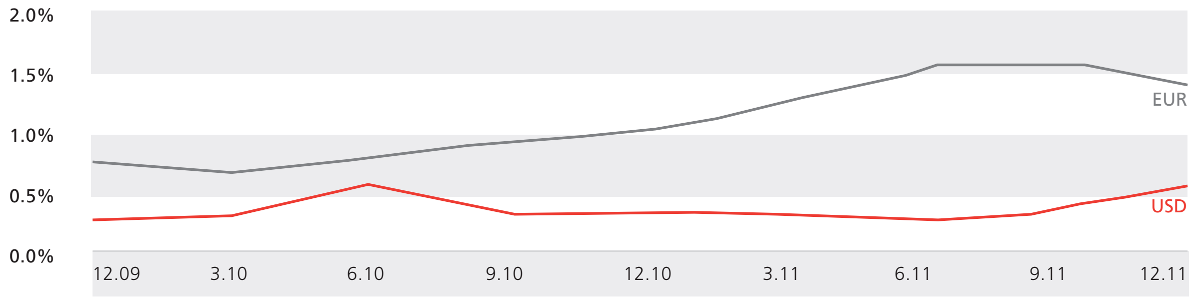
Source: The Czech Statistical Office

	Czech exports in CZK billion 2010	2011	Share in Czech exports 2010	2011
Countries neighbouring with the Czech Republic	1 297	1 490	51.5 %	52.1 %
EU 15 countries	1 610	1 800	63.9 %	62.8 %
EU 27 countries	2 112	2 377	83.9 %	82.9 %
CIS countries	99	134	3.9 %	4.7 %
European transition economies	20	25	0.8 %	0.9 %
Developing countries	101	107	4.0 %	3.7 %
Other (centrally managed economies)	25	32	1.0 %	1.1 %
Other developed market-driven economies	103	123	4.1 %	4.3 %

Source: The Czech Statistical Office

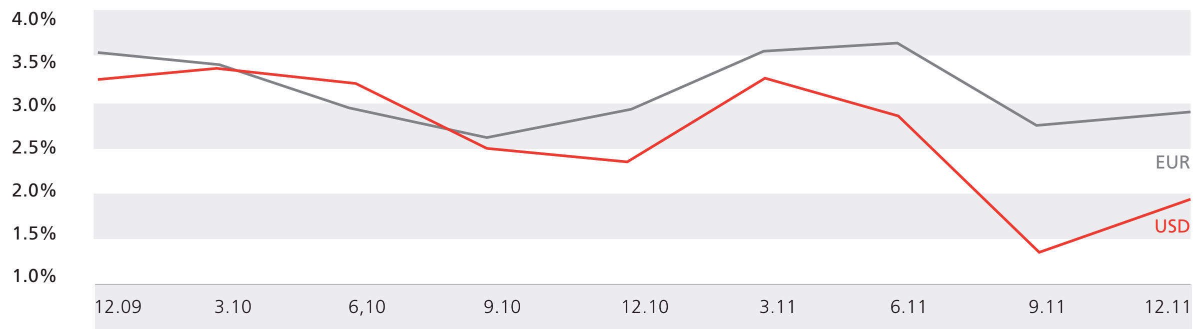
In performing its business activities, ČEB adheres to interest rates determined by the OECD Consensus in respect of loans provided in line with these regulations; with regard to other loans, the interest rates are set up on the market basis. The development in interest rates is outlined in the graphics below:

Development in the three-month float reference interest rate in 2010 and 2011



Source: Reuters

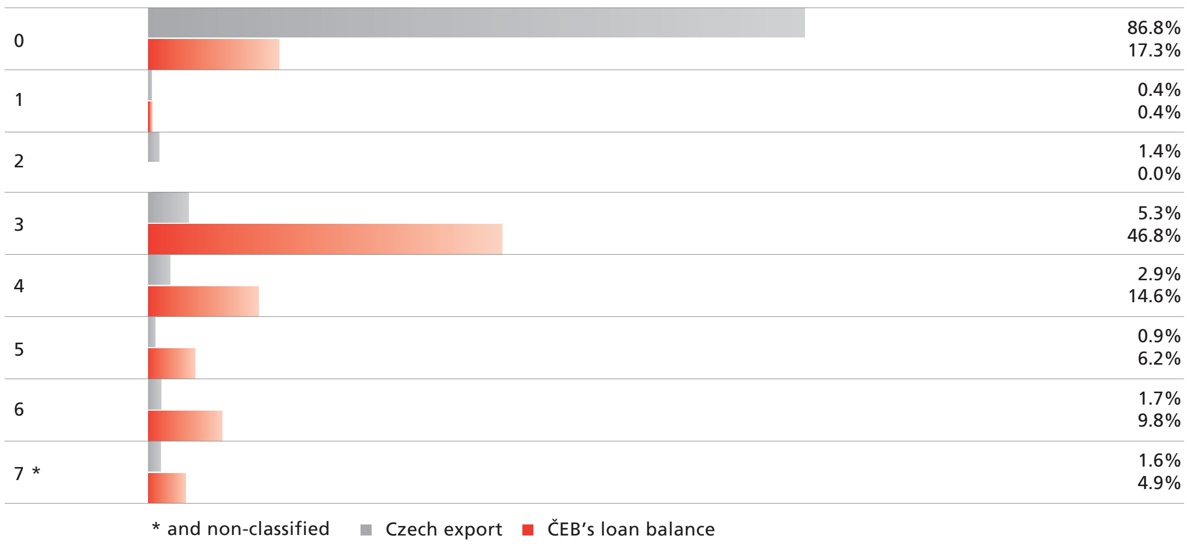
Development in the fixed CIRR interest rate in 2010 and 2011 (credit maturities from 5 to 8.5 years)



Source: OECD

For ČEB's activities, the risk classification in respect of individual countries promulgated by OECD continues to be material. During the year, OECD regularly adjusted the risk classification of individually monitored countries. ČEB's loan portfolio structure shows that the Bank principally fulfils its financing mission in respect of exports to countries with medium and high territorial risk, which are not the prime target group for commercial banks.

Comparison of Czech exports structure and ČEB's loans structure in 2011 by the degree of risk related to individual export destination countries (risk classification of individual countries according to OECD)



2.1.4. Newly Implemented Products and Activities

In 2011, ČEB focused on the adaptation of products intended for the segment of small and medium-sized businesses. These activities resulted in the conclusion of the key agreement on the conditions of cooperation while supporting small and medium-sized businesses between ČEB and certain commercial banks. The content of the agreements is in line with ČEB's programme for the support of sub-suppliers of exporters, within the framework of which the proexport guarantee is provided.

This Bank's payment guarantee is issued in favour of commercial banks and serves as an efficient and simple hedging instrument, the main purpose of which is to provide guarantee for the repayment of the principal of loans provided by commercial banks to sub-suppliers, who participate with their sub-supplies on the exports of the Czech exporter, whose export is financed by ČEB.

The objective of this agreement is that the sub-supplier gains easier and faster access to the funding of sub-supplies provided to the exporter, whose export is financed by ČEB.

2.1.5. Financial Results, Business Results, Assets and Liabilities

a) Assets and Liabilities

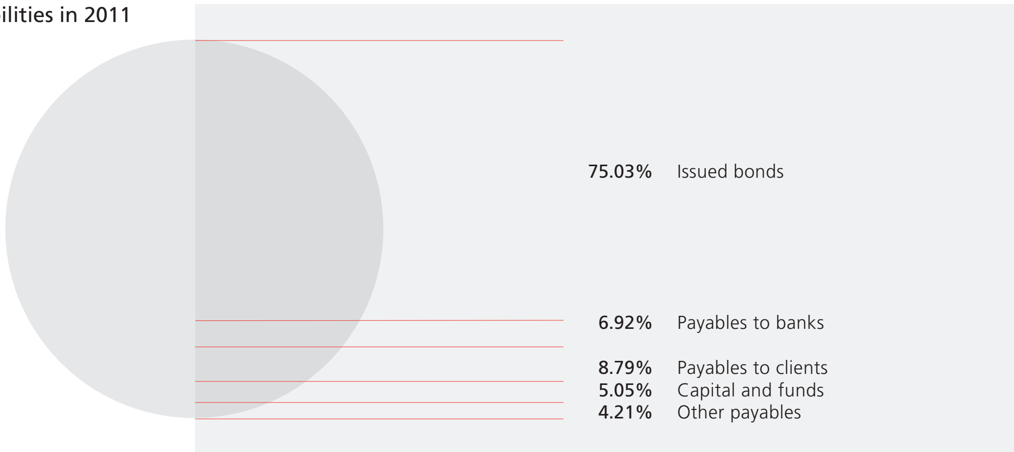
ČEB's total assets amounted to CZK 78,063 million in 2011, ie funds made available grew year-on-year by 20.5%. The balance sheet structure is stable in the long term. Its items are derived from the development of transactions recognised in assets to which liabilities are adjusted.

Funding

ČEB predominantly finances its business activities through liabilities in form of payables to financial institutions and non-banking entities, which represent over 95% of the total volume of funds. The key source of funding is the issue of bonds denominated in foreign currencies and Czech crowns, whose volume was CZK 58,569 million at the end of 2011 and covered approximately 84% of the loan portfolio. In 2011, the Bank continued to use its Euro Medium Term Note (EMTN) Program for issuing of bonds, which, in combination with the newly-implemented Euro Commercial Paper (ECP) Program for the issue of securities that mature within one year, increased the borrowing efficiency and flexibility even in the period of financial instability. The Bank increases its funding base by deposit transactions, repurchase transactions as well as long-term borrowings from credit institutions. At the end of 2011, the funds raised from those sources amounted to CZK 5,400 million. Deposits received from clients amounted to approximately CZK 6,860 million and played a secondary role in the Bank's funding process.

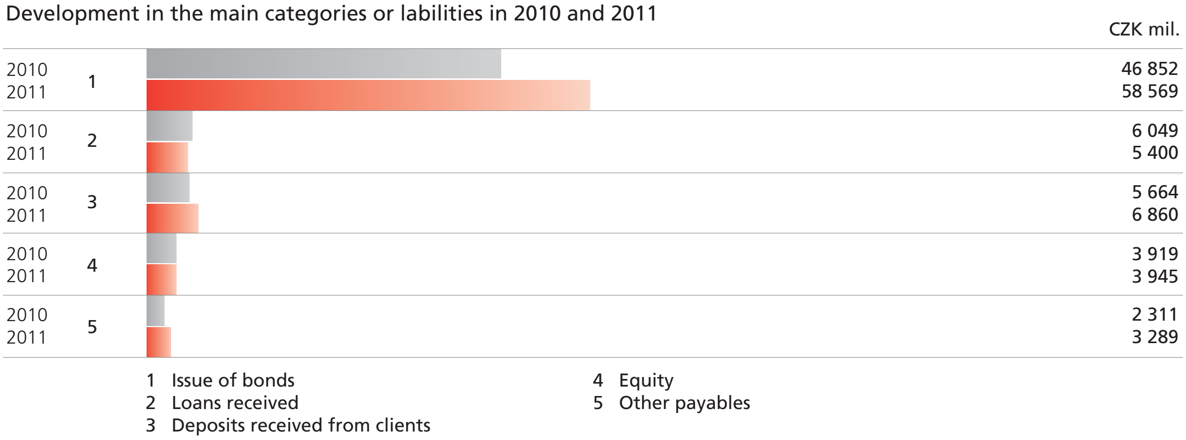
The Bank reported total equity of CZK 3,945 million. Any gains and losses from the revaluation of liabilities arising from interest rate swaps used by ČEB to manage its interest rate and currency risk are recognised as part of equity under IFRS.

Structure of liabilities in 2011



Liabilities in CZK million	As at 31 December 2010	As at 31 December 2011	Year-on-Year Index
	col. 1	col. 2	col. 2/ col. 1*100
Financial payables from trading	61	755	1 237.70
Financial liabilities at amortised cost	58 690	70 879	120.77
Of which: Bank loans	*6 049*	*5 400*	*89.27*
Payables to clients	*5 664*	*6 860*	*121.12*
Payables not classified by sector	*125*	*50*	*40.00*
Payables arising from debt securities issued	*46 852*	*57 484*	*122.69*
Payables arising from short-term debt securities issued (ECP)	*0*	*1 085*	*x*
Hedging derivatives with negative fair value	2 008	2 364	117.73
Other payables	50	62	124.00
Reserves for liabilities	3	13	433.33
Current tax payable	64	45	70.31
Total liabilities	**60 876**	**74 118**	**121.75**
Share capital	4 000	4 000	100.00
Valuation gains or losses	(1 187)	(1 322)	111.37
Reserve funds	494	565	114.37
Other special purpose funds from profit	541	541	100.00
Retained earnings	71	161	226.76
Total equity	**3 919**	**3 945**	**100.66**
Total equity and liabilities	**64 795**	**78 063**	**120.48**

Development in the main categories or labilities in 2010 and 2011

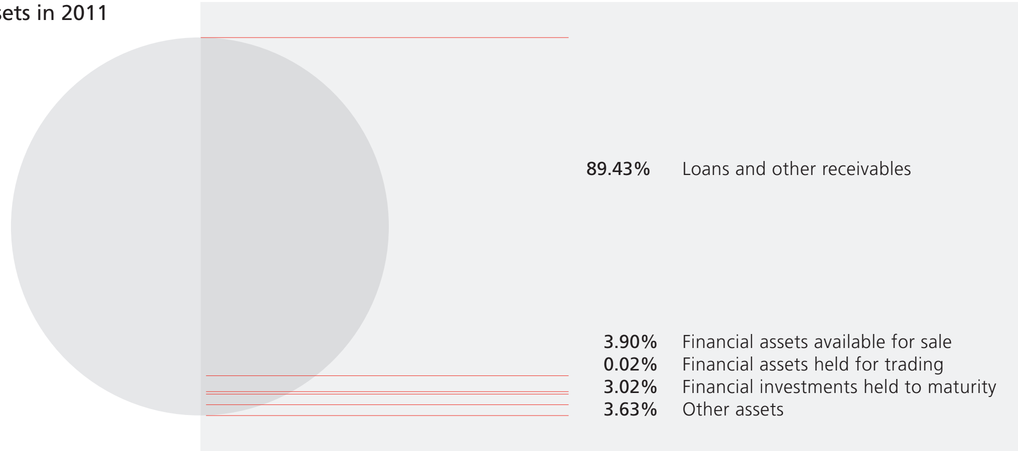


Use of Funds

The decisive part of the assets is receivables due under loans. Their share in the total volume of assets is 89.4%. As a result of the successful realisation of the Bank's business strategy, the value of all receivables in the loan portfolio as reported in the balance sheet increased year-on-year by 16.6% to CZK 69,812 million. Long-term receivables from loans provided to non-bank clients saw the most significant increase. Receivables arising from loans provided to financial institutions slightly decreased; almost all significant loans in terms of volume are at the stage of their repayment.

Temporarily free funds that were not used for loans and funds from the equity are invested on the financial market in interbank transactions including reverse repurchase transactions with the central bank. During 2011, in line with its strategy, ČEB continued to invest its available funds in high-value and liquid Czech and foreign securities. At the end of the reporting period, such investments amounted to CZK 4,114 million. In order to obtain flexible funds to cover part of its financing needs, ČEB effected repurchase transactions with selected Czech banks in 2011, from which it obtained funds in exchange for the pledge of securities.

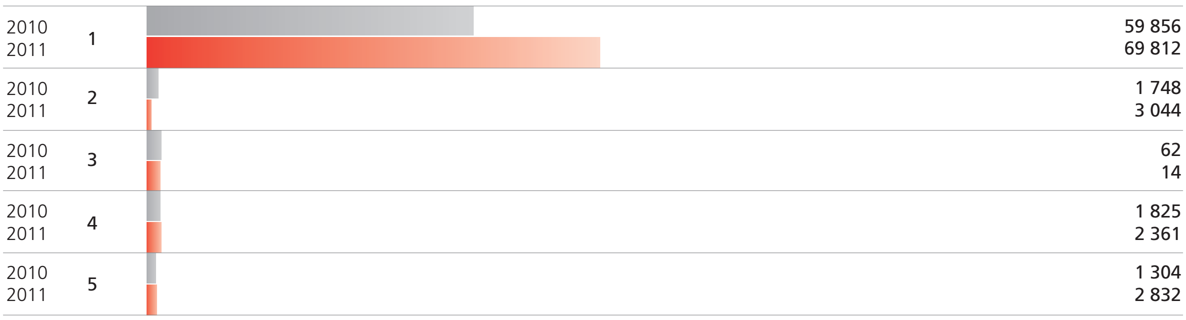
Structure of Assets in 2011



Assets v mil. Kč	As at 31 December 2010	As at 31 December 2011	Year-on-Year index
	sl. 1	sl. 2	sl. 2/ sl. 1*100
Cash and deposits with central banks	642	1 962	305.61
Financial assets held for trading	62	14	22.58
Financial assets available for sale	1 748	3 044	174.14
Loans and other receivables	59 856	69 812	116.63
Of which: receivables from loans	*57 960*	*66 472*	*114.69*
Other receivables	*1 896*	*3 340*	*176.16*
Financial investments held to maturity	1 825	2 361	129.37
Of which: pledged assets	*1 254*	*1 291*	*102.95*
Positive fair value hedging derivatives	81	102	125.93
Tangible fixed assets	39	41	105.13
Intangible fixed assets	78	77	98.72
Other assets	133	286	215.04
Due tax receivable	331	364	109.97
Total assets	**64 795**	**78 063**	**120.48**

Development in the main categories of assets in 2010 and 2011

CZK mil.



1 Loans and other receivables
2 Real. financial assets
3 Financial assets held for trading
4 Financial investments held to maturity
5 Other assets

b) Generation of Profit

In 2011, ČEB generated a gross profit of CZK 334 million. After deducting the preliminary due income tax of CZK 173 million, the net profit amounted to CZK 161 million.

In its business activities in 2011, the Bank reported interest income of CZK 3,427 million, ie a year-on-year increase of 18.7%. The predominant part of the interest income (92.5%) represents the interest on loans and other receivables, specifically on loans provided to non-bank clients, which amounted to CZK 3,171 million. The Bank obtains the funds necessary for its business activities from financial and capital markets. In 2011, interest expenses associated with such funds amounted to CZK 2,850 million after a year-on-year increase of 3.4%. The minimum year-on-year increase in the costs of resources despite the increase in their aggregate volume is the result of a successful realisation of the fund-obtaining strategy, including the implementation of new forms thereof (ECProgram), and the currently relatively low market rates.

Interest expenses pertaining to issued bonds in the amount of CZK 1,482 million represent the greatest part of the costs of funds. The risk of fluctuation of the interest rate with regard to resources gained on capital markets is covered by interest hedging derivatives. The net interest income in 2011 was positive and amounted to CZK 577 million.

Another significant component of the profit is the net operating income in the aggregate amount of CZK 582 million. In addition to the claim for a subsidy for the officially supported financing of exports from the state budget in the amount of CZK 474 million, this predominantly includes the net profit from financial transactions in the amount of CZK 51 million and other operating income in the amount of CZK 57 million.

For its operations, the Bank incurred costs in the aggregate amount of CZK 327 million, including administrative costs of CZK 274 million, depreciation of tangible and intangible assets in the amount of CZK 26 million and the costs of administration of problematic assets in the amount of CZK 17 million. The charge for reserves related to the operating activities amounts to CZK 10 million.

A significant component of the profit in 2011 is the costs of provisioning in the amount of CZK 527 million. Their increase is derived from the increased volume of risky receivables relating to the current crisis in selected industries and markets, to which client exports were directed in prior periods.

In line with Act 58/1995 Coll., the loss reported from providing officially supported export credits is compensated from the state budget. Pursuant to this Act, state support predominantly consists of the differences between the interest income gained from the loans provided under the conditions that are common on international markets for officially supported export credits and the costs incurred for raising funds on the financial markets, plus the costs of provisioning for selected loan receivables. In 2011, ČEB claimed subsidies in the amount of CZK 474 million.

Profit in CZK million	As at 31 December 2010	As at 31 December 2011	Year-on-Year Index
	sl.1	sl.2	sl.2/sl.1
Net interest income	132	577	437.12
Net fee and commission income	38	29	76.31
Operating income	558	582	71.26
Of which: state subsidies	*492*	*474*	*104.30*
Operating expenses	-341	-327	95.89
Loan impairment losses	-170	-527	310.00
Profit before tax	217	334	153.92
Income tax	-146	-173	118.49
Net profit for the period	**71**	**161**	**226.76**

2.2. Factors Influencing ČEB's Economic and Financial Position in 2012

ČEB bases its outlook in the business and financial areas on the anticipated development of the decisive factors influencing its activities, ie internal as well as external factors. From the perspective of external conditions that will influence ČEB's activities in 2012, it is necessary to take the following factors into account when realising ČEB's business policy.

- The tension in financial markets will continue in 2012. ČEB anticipates that fluctuations in liquidity and the foreign exchange rate and interest rate movements will be sustainable.
- All published predictions of the economic development in 2012 anticipate that the export will remain the decisive (and practically the only) factor that positively influences the development of GDP. ČEB anticipates that even in 2012, the proportion of Czech export to countries outside the EU 27, ie to countries, where ČEB should and wants to provide export financing, will increase.

ČEB's objectives for 2012 in the economic and financial areas:

ČEB enters in 2012 with a vision of further fastening and expanding of the client portfolio in line with its aggregate mid-term strategy. Its aim is:

- To continue with the efficient support of export and to increase the number of supported exporters in 2012;
- To create suitable personnel and organisational presuppositions for the expansion of the support of export into non-traditional markets;
- To increase significantly the number of financed Czech exporters from among small and medium-sized businesses;
- To expand cooperation with the commercial banks, namely in the form of joint financing of large-volume transactions;
- To increase the framework for the issuance of debt securities to CZK 4,000 million from the current CZK 3,500 million in 2012, to create conditions for the issuance of debt securities in currencies other than EUR and USD and to expand the investor base;
- To verify the possibility of including the sources of international financial institutions in the financing of suitable export projects;
- To strive for efficient use of funds reserved from the Czech state budget for 2012 for the support of exports by applying rational pricing policy; and
- To expand the functionality of the banking IT system with the aim of fastening internal processes and supporting newly-introduced services.

Narrative Part

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

Risk Factors

The risk management in the Bank in all risk management segments is based on the rules of prudential operations determined by the regulator. In its risk management, the Bank maintains the principle of a limited risk profile, which is based on the system of internal limits for individual types of risks, products, and debtors.

The risk management process in the Bank is independent from its business units. The executive unit for risk management is the Risk Management Division. The Credit Risk Management Department has been charged with managing credit risk relating to individual transactions. The Bank's Risk Management Division manages credit risk on the portfolio level, market risks, operational risks, liquidity risks, concentration risks, and risks relating to information systems operations. The risk management process is supervised by the Board of Directors of the Bank, which is regularly informed about risk exposures. The Board of Directors determines and regularly assesses the accepted level of risk, including credit risks, market risks, operational risks and the concentration risk.

In order to comply with the statutory obligation in the planning and on-going maintenance of the internally determined capital in the amount, structure, and distribution that is sufficient to cover all risks to which the Bank is or may be exposed, the Bank maintains the Internal Capital Adequacy Assessment Process (ICAAP). Methods used to assess and measure individual risks included in the ICAAP that are used in relation to its risk profile are approved by the Board of Directors. Quantifiable risks are assessed in the form of internally determined capital needs. Other risks in ICAAP are covered by qualitative measures in risk management, organisation of processes, and control mechanisms (Code of Ethics, communication policy etc.). The internal capital adequacy in 2011 was sufficient to cover the risks to which the Bank is exposed.

During 2011, the Bank did not exceed any limits determined by the regulator, ie the Czech National Bank.

Individual types of risk are managed in compliance with the legislation in force, regulations of the Bank and best practice principles.

3.1.1. Credit Risk

Credit risk, ie the risk of suffering losses owing to a counter-party's default in meeting its obligations arising from a credit agreement, based on which ČEB has become the contractual party's creditor, is managed by the following credit risk evaluation system:

- Debtor's risk management
  - Assessing and monitoring the debtor's credit scoring, and determining the debtor's internal rating;
  - Monitoring the relations of entities and the structure of financially related entities;
  - Determining the limit applicable to the debtor or financially related group of entities;
  - Monitoring credit exposure with respect to entities or financially- or otherwise-related groups of entities; and
  - Classifying receivables, provisioning and charge for reserves.
- Transaction risk management
  - Assessing and monitoring of specific risk of transactions in terms of the quality of collateral and determining the acceptable level of collateral; and
  - Regular on-site visits.
- Portfolio risk management
  - Monitoring the portfolio credit risk;
  - Regular stress testing of the portfolio credit risk; and
  - Determining the limits to mitigate the portfolio credit risk.
- Credit risk concentration management
  - Concentration risk in ČEB principally arises from credit risk concentration;

- Monitoring the credit risk concentration in terms of the debtor's country of domicile, country of export and industry; and
- Determining limits to mitigate the credit risk concentration.

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

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

3.1.2. Market Risk

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

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

- Interest rate risk management
  - Gap analysis;
  - Duration analysis; and
  - Sensitivity factor analysis, limits for individual currencies.
- Foreign currency risk management
  - Sensitivity factors analysis, limits for individual currencies.
- Aggregate market risk management
  - Value at Risk (VaR) – ČEB uses a historical method and the covariance-variance method with the confidence level of 99%, with a 10-day outlook based on a 260-day history.

To minimise foreign currency risk and interest rate risk, ČEB currently uses currency forwards and swaps.

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

3.1.3. Refinancing Risk

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

The Bank manages the refinancing risk by appropriately structuring received funds (primarily their maturities and volumes).

3.1.4. Liquidity Risk

To manage liquidity risk, ČEB maintains an established management system that monitors liquidity status and outlook on a daily basis, comparing them against determined limits.

- Liquidity risk is managed by:
  - Measuring and comparing the inflow and outflow of cash, ie monitoring net cash flows for the period of at least five working days ahead;

– Gap analyses that measure the maximum cumulated outflow of cash and limits in individual currencies and time gaps; and
– Quarterly measurements using worst case scenarios (stress testing).

ČEB has a set of liquidity indicators in place to manage the structure of assets and liabilities, ie the required structure of funds aligned with the structure of granted loans, loan commitments and issued guarantees, the minimal volumes of quickly liquid assets and liquid reserves.

To deal with liquidity problems under extraordinary circumstances, ČEB has emergency plans in place. In 2011, ČEB had no problems ensuring sufficient liquidity.

3.1.5. Operational Risk

ČEB manages the risk of losses arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events including the risk of losses owing to the breach of or non-compliance with legal regulations.

The key tool ČEB uses to manage its operational risk is the early warning system, which is based on the system of risk indicators and warning limits that signal greater probability of the occurrence of certain operational risks. The monitoring system includes standard rules to monitor the operational risk events

To manage specific types of operational risk such as ICT security risk, legal risk, compliance risk, goods and services procurement risk, outsourcing risk, etc., ČEB uses stand-alone methods in compliance with valid legislation and ČEB's regulations.

In 2011, no operational risk events and security incidents were reported that would, based on the known facts, materially compromise the operations of ČEB's key processes.

3.1.6. Capital Adequacy and Capital Requirements

31 December 2011	CZK million
Capital	**5 028**
Original capital (Tier1)	5 028
Paid-in share capital registered in the Register of Companies	4 000
Reserves and retained earnings	1 105
Mandatory reserves	565
Other funds arising from distribution of earnings	540
Other deductible items from the original capital	(77)
Intangible assets other than goodwill	(77)

31 December 2011	CZK million
Total capital requirements	**811**
Total capital requirements in respect of credit risk	696
Total capital requirements in respect of credit risk under STA in respect of exposures	696
Total capital requirements in respect of credit risk under STA in respect of exposures	696
Capital requirements under STA in respect of exposures to central governments and banks	22
Capital requirements under STA in respect of exposures to institutions	328
Capital requirements under STA in respect of corporate exposures	245
Capital requirements under STA in respect of overdue exposures	34
Capital requirements under STA in respect of exposures in covered bonds	4
Capital requirements under STA in respect of current exposures to institutions and corporate exposures	53
Capital requirements under STA in respect of other exposures	10
Total capital requirements in respect of operational risk	25
Capital requirements in respect of operational risk under BIA	90

31 December 2011		CZK million
Type of exposure	Total exposure value	Annual average
Exposure in respect of central governments and banks	9 613	7 808
Exposure in respect of institutions	49 254	44 943
Corporate exposure	75 033	73 610
Overdue exposure	6 675	3 813
Short-term exposure in respect of institutions and current corporate exposures	3 331	2 915
Other exposures	654	614

3.2. Risk Factors Potentially Impacting the Capacity of Issuers to Meet their Liabilities under Securities Issued

The capacity of ČEB to meet its liabilities under securities to investors is unconditionally and irrevocably guaranteed by the state pursuant to Act No. 58/1995 Coll., on Insuring and Financing Exports with State Support.

3.3. Remuneration of Persons with Managing Powers

The remuneration of ČEB's employees is generally based on the Remuneration Principles for ČEB's Employees (hereinafter the "Remuneration Policy"), adopted by the Supervisory Board on 13 October 2011. The Remuneration Policy is governed by:

a) The Remuneration Principles for ČEB's Employees and Members of ČEB's Bodies adopted by the General Meeting on 23 November 2010 (hereinafter the "Principles"): the General Meeting appointed the Supervisory Board to determine the positions for which the Principles apply. On 24 February 2011, the Supervisory Board determined the positions for which the Principles apply. These positions include members of the Board of Directors in the positions of Director General and Deputy Director General, who are also members of the Board of Directors.
b) The remuneration principles in banks as amended by the Official Notice of the Czech National Bank No. 20/2010 of 22 December 2010 regarding the operations of a bank, cooperative union and securities trader on the financial market – remuneration:

In 2011, ČEB regarded the following persons as having managing powers: members of the Board of Directors, members of the Supervisory Board and the Deputy Director General, who is in charge of the Legislation and International Relations Section and is not a member of the Board of Directors. His portion of the annual variable component of remuneration is determined at 100% of the maximum aggregate annual costs of the position held.

The Supervisory Board consists of nine members. Six members of the Supervisory Board are elected by the General Meeting and include persons proposed by the shareholders. These persons are employees of those ministries that exercise the State's shareholder rights; they are not employees of ČEB and do not receive any remuneration from ČEB for their membership in the Supervisory Board pursuant to Section 303 (3) of Act 262/2006 coll., Commercial Code.

The other three Supervisory Board members are elected from amongst the employees by employees themselves. The rules for the remuneration of the Bank's employees, which were adopted by the Supervisory Board within the Remuneration Policy, fully applied to these Supervisory Board members. These three Supervisory Board members did not receive any remuneration from ČEB for their membership in the Supervisory Board in 2011.

With regard to the application of the proportionality principle, ČEB has no Remuneration Committee. The proportionality principle was applied with regard to the following:

c) The Bank's market position is not significant. The share of the Bank's assets on the total assets of all banks in the Czech Republic is much lower than 5% (its share is 1.7%), therefore the bank's position in the market cannot be regarded as significant;
d) The Bank does not issue subscriber securities;
e) The Bank is the export bank pursuant to Act 58/1995 Coll. that has been authorised to operate supported financing of exports ;
f) The unconditional and irrevocable state guarantee for the repayment of funds raised for the provision of supported export financing pursuant to Act 58/1995 Coll. predominantly on financial markets, under which the State provides guarantee for the export bank's obligations arising from the repayment of financial resources received by the bank and for obligations from other export bank's transactions on financial markets;

g) The fact that subsidies from the state budget are provided to the Bank for the compensation of its losses arising from the operation of supported export financing pursuant to Act 58/1995 Coll.;
h) The Bank's obligation, pursuant to Act 58/1995 Coll., to ensure the repayment of the provided supported export credits, with the exception of refinancing loans, by arranging a collateral[2];
i) The condition, pursuant to Act 58/1995 Coll., for the provision of supported export financing being the arrangement of collateral, unless insurance of export credit risks that can be insured by Exportní garanční a pojišťovací společnost, a. s. has been agreed upon.

The Supervisory Board has a key role in the supervision of the functioning of remuneration principles in the Bank, namely the review of fulfilment of the approved remuneration principles, the adequacy of remuneration with regard to the risk profile and the long-term objectives of the Bank and in the provision of concord with the selected acknowledged remuneration standards. The Supervisory Board approves the indicators for the acknowledgement of the variable component of remuneration for members of the Board of Directors. In line with the Principles, the Supervisory Board determined the following with regard to its members:
j) It determined the maximum annual cost of the position in the Board of Directors, ie in the division into the basic component and the variable component of their remuneration, separately for the Chairman, Vice Chairman and member of the Board of Directors;
k) With regard to the variable component of remuneration, it determined the minimum proportion of the annual variable component of remuneration in the amount of 20% of the aggregate annual cost of the position in the Bank's Board of Directors;
l) It determined the proportion of the medium-term variable component of remuneration in the amount of 30% of the aggregate annual cost of the position in the Bank's Board of Directors, the claim for which is postponed by three years;
m) It determined other rights related to the execution of the position of a Board of Directors' member to only those rights, which in total will not exceed 10% of the aggregate annual cost of the position in the Board of Directors;
n) With regard to members of the Board of Directors, it adopted the criteria for the acknowledgement of the annual and the medium-term portion of the variable component of remuneration and assesses their fulfilment.

In line with the Remuneration Policy, the Supervisory Board specified that the Deputy General Director, who is in charge of the Legislation and International Relations Section is an employee, whose activities significantly influence the aggregate risk profile of ČEB, and therefore supervises its individual remuneration by giving the Board of Directors recommendations regarding its amount and structure, and checking the principles of his remuneration.

In 2011, the contractual salaries of employees elected by the employees as Supervisory Board members were not salaries for the execution of the position of Supervisory Board members. The salaries consisted of a fixed component, ie the basic salary, and a variable component, ie motivation remunerations and remunerations for the profit.

The variable component of the remuneration of Supervisory Board members, who are employees of ČEB, was approved by the Director General. The principles for the determination and acknowledgement of the variable component of the basic salary of employees, who were members of ČEB's Supervisory Board in 2011, were determined by the Salary Code.

All persons with managing power declared that:
- They did not misuse their positions in the Bank or the information available to them to gain benefits that they could not have otherwise gained for themselves or for other persons;
- They did not realise any transactions with investment instruments of the Bank's client on their own account or on the account of a related person;
- They did not give instructions or recommendations to other persons regarding transactions with investment instruments of the Bank's clients, which other persons could use for investment instrument business on their own account; and
- They avoided all activities that could place them in a possible conflict of interests.

[2] § 8 Art. (5) of the Act No. 58/1995 Coll., On insuring and financing of exports with state support.

3.4. Received Income of Directors with Managing Powers in Cash and in Kind for 2011

Received income of person with managing powers from the issuer (ČEB) in CZK thousand	Menbers of the Board of Directors	Members of the Supervisory Board	Other persons with managing powers
In cash	26 583	3 162	1 502
In kind	562	47	63
Total	**27 145**	**3 209**	**1 565**

As of 31 January 2011, Petr Goldmann terminated his membership in the Board of Directors. Until 14 February 2011, the Board of Directors consisted of three members. Since 14 February 2011, the Board of Directors operated in full count, this being five members; the new members being Tomáš Uvíra and Luboš Vaněk. There was no change in the Supervisory Board members, who were elected by employees in 2011.

In 2011, ČEB's employees with managing powers received income from ČEB, in cash and in kind, exclusively arising from their employment. Given that ČEB does not control any other entities, these employees did not receive income in cash or in kind from controlled entities.

3.5. Information on codexes

In 2011, ČEB updated the Corporate Governance Code of Česká exportní banka, a.s. (hereinafter the "Code"). The Board of Directors approved the Code on 10 May 2011 with effect from the next day. The Code is publicly available in Czech on the ČEB's website:
http://www.ceb.cz/images/stories/soubory_PDF/O_Nas/kodex_spravy_a_rizeni_ceb2011.pdf.

The update of the Code was predominantly provoked by the Amendment to Decree No. 123/2007 Coll., stipulating the prudential rules for banks, credit unions and investment firms in respect of transparency of determining the business strategy, operations and responsibilities of the Board of Directors and the Supervisory Board in the area of management and control system and the use of determined principles of remuneration in banks.

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

a) General Meeting

The General Meeting is opened and, until the Chairman of the General Meeting is elected, also chaired by the member of the Board of Directors authorised by the Board to chair the General Meeting. A similar procedure is adopted when a General Meeting is called by the Supervisory Board.

The General Meeting has a quorum if shareholders holding shares in the total nominal value of greater than 50% of the share capital of the Bank are present. If the General Meeting does not have a quorum, the Board shall call a substitute General Meeting.

The General Meeting votes by acclamation unless the General Meeting decides otherwise. The General Meeting adopts the decisions by a simple majority of the votes by the shareholders present, unless the previous paragraph implies otherwise. The draft resolution is submitted to the General Meeting by the Chairman. If a shareholder submits a proposal or counterproposal (for more details, refer to the Articles), the counterproposal is voted on first. The results of the vote are communicated to the General Meeting by the Chairman.

If the state votes as a shareholder, the vote is valid if the ministries executing shareholder rights vote by majority of all individual votes of the voting ministries executing the state's shareholder rights, which are not votes per share. To stipulate the majority of votes, the votes are divided as follows:

Ministry of Finance	52 votes
Ministry of Industry and Trade	30 votes
Ministry of Foreign Affairs	12 votes
Ministry of Agriculture	6 votes.

b) Audit Committee

The Audit Committee consists of three members who are voted on by the General Meeting. Two members of the Audit Committee are members of the Supervisory Board. The Chairman of the Audit Committee is elected from amongst its members by the members themselves.

The meetings of the Audit Committee are called by the Chairman of the Audit Committee, or, in the case of his absence, by the Vice Chairman. The Audit Committee has a quorum if its members were duly invited to the meeting and if at least half of its members are present at the meeting. The Audit Committee adopts its decisions by acclamation. A secret vote is acceptable based on a proposal of one of the Committee's members. .

c) Supervisory Board

The Supervisory Board consists of nine members who are natural persons. Two-thirds of the members of the Supervisory Board are elected by the General Meeting on the basis of a written proposal by a shareholder; the remaining third are elected by the employees of the Bank.

Meetings of the Supervisory Board are called and chaired by the Chairman or Vice Chairman of the Supervisory Board. In writing, the Chairman may authorise another member of the Board to call the Supervisory Board.

The Supervisory Board decides by resolutions. The Supervisory Board has a quorum if at least six of its members are present. Resolutions of the Supervisory Board are adopted by a majority of the present members.

d) Credit Committee

Credit Committee meetings take place once a week and are chaired by the Chairman. When absent, the Chairman is replaced by the Vice Chairman with respect to all matters. If both the Chairman and Vice Chairman are absent, provided the Credit Committee was duly called and has a quorum, the meeting is chaired by the member of the Credit Committee representing the Risk Management Department.

The Credit Committee has a quorum if all of its members were duly and timely invited to the meeting and if at least three members are present.

The Credit Committee adopts conclusions on individual issues on the agenda by a vote of its members. Each member has one vote. Resolutions are adopted if approved by the votes of at least three members.

e) Assets and Liabilities Management Commission (ALCO)

ALCO meetings take place at least once a month and are chaired by its Chairman. When absent, the Chairman is replaced by the Vice Chairman. If both the Chairman and the Vice Chairman are absent, the ALCO meeting cannot take place.

The ALCO has a quorum if all members were duly and timely invited to the meeting and if at least four ALCO members are present, at least one of whom must be from the Risk Management Division and one of whom must be from the Finance Division. Each ALCO member has one vote.

Conclusions on each issue are voted on individually. Firstly, a conclusion is voted in respect of the proposal presented by the ALCO Chairman, or by the Vice Chairman, if the Chairman is not present, and then on the counterproposals as they were submitted. ALCO votes by acclamation, unless another way has been agreed upon. The ALCO's resolutions are adopted by a majority of all ALCO members, ie by at least four votes.

f) IT Development Commission (ITDC)

ITDC meetings usually take place once a month and are chaired by the Chairman. When absent, the Chairman is replaced by the Vice Chairman. If both the Chairman and Vice Chairman are absent, the ITDC meeting cannot take place.

The ITDC has a quorum if all members were duly and timely invited to the meeting and a majority of ITDC members attend the meeting, ie at least six members. Each ITDC member has one vote.

ITDC resolutions are adopted by a simple majority of all ITDC members, ie by at least six votes.

g) Operational Risks Management Commission (ORCO)

The ORCO structure is, in line with the Bank's Articles of Association, approved by the Board of Directors. The ORCO consists of seven members; the Board appoints the ORCO Chairman and Vice Chairman. The ORCO decided regular guests and the ORCO secretary appointed by the Chairman can participate in ORCO meetings. Each ORCO member is entitled to appoint a representative, who shall attend the ORCO meeting if the member himself cannot attend. ORCO member representatives do not have voting rights.

ORCO meetings take place at least once every three months. The ORCO is capable of adopting conclusions if all members have been duly and timely invited to the meeting and a majority of all ORCO members, ie at least five members, one of whom must be from the Risk Management Department, attends the meeting. Each ORCO member has one vote. Conclusions on each issue are voted on separately. First, a proposal of the ORCO chairman is voted on; then the counterproposals are voted on in the order they were submitted. The ORCO votes by acclamation, unless another way has been agreed upon. ORCO resolutions are adopted by a simple majority of all ORCO members' votes, ie by at least five votes.

3.7. Authorised Auditors

In a 2009 tender, the Bank selected Deloitte Audit, s.r.o. to be its auditor. Deloitte Audit, s.r.o.'s registered office is located at the following address:
Nile House
Karolinská 654/2
186 00 Prague 8 – Karlín
Czech Republic

In 2011, Deloitte Audit, s.r.o. charged fees in the amount of CZK 4,284 thousand. This amount also includes the final invoices for the audit performed in 2010.

At the end of 2011, ČEB published a tender for the performance of the statutory audit in 2012 – 2016. The tender has not yet been concluded.

3.8. Persons Responsible for the Annual Report

Using all reasonable effort to ensure the information stated herein, the below signed persons declare that according to the best of their knowledge, the data stated in the part of the document below for which the persons are responsible are true and the document does not withhold any facts that could change the meaning of this part of the document.

The persons signed under the financial statements also declare that, to the best of their knowledge, the whole annual report gives a true and fair view of the financial position and the business activities and the profit or loss of Česká exportní banka, a.s. for the year ended 31 December 2011 and of the outlook of the future development of the financial position, business activities and the profit and loss.

Person responsible for preparation	Chapter
Ing. Roman Šikl Head of the CEO Office	1. Profile of Česká exportní banka, a.s., except chapter 1.7 3. Narrative Part, chapter 3.6 5. Report on Relations
Ing. Věra Adamcová Head of Controlling Department	2. Report of the Board of Directors on the Bank's Business Activities and its Assets and Liabilities in 2011, chapters 2.1.4, 2.1.5 and 2.2.
Mgr. René Hanyk Head of Bank Risk Management Department	3. Narrative part, chapters 3.1, except 3.1.5, and 3.2.
Ing. Vladimír Šon Reporting Department	Key indicators 1. Profile of Česká exportní banka, a.s., chapter 1.7. 2. Report of the Board of Directors on the Bank's Business Activities and its Assets and Liabilities in 2011, chapters 2.1.5 and 2.2. 3. Narrative Part, chapters 3.2, 3.5 and 3.8.
Ing. Karel Petrák In charge of the management of SME Department	2. Report of the Board of Directors on the Bank's Business Activities and its Assets and Liabilities in 2011, chapter 2.1.4
PhDr. Ľubica Belásová Head of the Human Resources Department	3. Narrative part, chapters 3.3 and 3.4.
Mgr. Petr Smejkal Head of Legal Department	3. Narrative part, chapters 3.9 and 3.11.
Ing. Marcela Šrůtková Accounting Department	3. Narrative part, chapter 3.1.6.
Věra Malá Head of Accounting Department	3. Narrative part, chapters 3.7 and 3.10. 4. Financial part

3.9. Court Proceedings and Arbitration

Named as a Defendant

As of 31 December 2011, ČEB is not involved in any legal dispute as a defendant.

Named as a Plaintiff

1) Defendants: I.H.C. s. r.o., Ernest W. Látal, Otomar Hrbotický
   - VHeld at: Regional Court in Prague, file no. 49Cm 708/2009
   - Disputed amount: EUR 57,243.55
   - Statement of claim: issuance of compulsory payment order in the form of a bill
   - Status: the compulsory payment order in the form of a bill was issued (17 December 2009), objections were raised, ČEB commented on the objections (6 April 2010), execution was ordered, the parties liable made an appeal.

2) Defendants: Ing. Dostalík, M. Sadil and J. Šťovíček
   - Held at: Municipal Court in Prague, file no. 23Cm 228/2010
   - Disputed amount: CZK 2,319,304.44 excl. related costs
   - Statement of claim: issuance of compulsory payment order in the form of a bill
   - Status: the compulsory payment order in the form of a bill was issued (9 August 2010), objections were raised, no court proceedings or completion of the action have been ordered so far, the proceedings are in progress.

3.10. Events that Occurred After the Balance Sheet Date

No significant events occurred between the balance sheet date and the date of preparation of the annual report that would have impact on the published financial information.

3.11. Contracts of Significance

In 2011, the Bank did not conclude any significant contract, except the contracts concluded as part of the Bank's regular business, that could establish any liability or claim that would be significant with regard to the ability of the issuer to meet its obligations towards the holders of the securities based on issued securities.

Financial Part

ČESKÁ EXPORTNÍ BANKA, A.S.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2011 AUDITOR´S REPORT

Contents of the Financial Statements

Financial Statements

year ended of 31 December 2010

INCOME STATEMENT

Under International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	2011	2010
Interest income		3 427	2 887
Interest expense		(2 850)	(2 755)
Net interest income	6	**577**	**132**
Net fee and commission income	7	**29**	**38**
Net profit from financial operations, including state subsidy	8	525	552
Other operating earnings		57	6
Net operating income		**582**	**558**
Other administrative expenses		(274)	(279)
Other operating expenses		(17)	(59)
Amortisation and depreciation		(26)	(17)
Creation of reserves	22	(10)	14
Operating costs	9	**(327)**	**(341)**
Impairment losses on loans	10	(527)	(170)
Profit before income tax		**334**	**217**
Income tax expense	11	(173)	(146)
Net profit for the year		**161**	**71**

STATEMENT OF COMPREHENSIVE INCOME

Under International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	2011	2010
Net profit for the year		**161**	**71**
Unrealized net gains (losses) on the revaluation of assets and liabilities	25	(34)	(1)
Unrealised losses on cash flow hedging instruments, net of tax	25	(101)	(154)
Other comprehensive income for the period, net of tax		**(135)**	**(155)**
Total comprehensive income		**26**	**(84)**

The notes are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

Under International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	2011	2010
ASSETS			
Cash and balances with central bank	13	1 962	642
Financial instruments held for trading	15	14	62
Financial instruments available-for-sale	16	3 044	1 748
Loans and receivables	14	69 812	59 856
Financial instruments held-to-maturity	16	2 361	1 825
Hedging derivatives with positive fair value	15	102	81
Equipment	17	41	39
Intangible assets	18	77	78
Other assets	19	286	133
Current income tax assets		-	-
Deferred income tax assets	23	364	331
Total assets		**78 063**	**64 795**
LIABILITIES			
Financial liabilities held for trading	15	755	61
Financial liabilities at amortized cost and guaranteed liabilities	20	70 879	58 690
Hedging derivatives with negative fair value	15	2 364	2 008
Other liabilities	21	62	50
Provisions	22	13	3
Current income tax liabilities		45	64
Deferred income tax liabilities	23	-	-
Total liabilities		**74 118**	**60 876**
Share capital	24	4 000	4 000
Revaluation reserve	25	(1 322)	(1 187)
Statutory reserve	26	565	494
Other special fund	26	541	541
Retained earnings		161	71
Total equity		**3 945**	**3 919**
Total liabilities and equity		**78 063**	**64 795**

The notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Under International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	Share capital	Retained earnings	Statutory reserve	Export risk reserve	Revaluation reserve	Total
At 1 January 2010		2 950	94	400	541	(1 032)	2 953
Change in Available for sale securities, net of tax	25	-	-	-	-	(1)	(1)
Change in cash flow hedges, net of tax	25	-	-	-	-	(154)	(154)
Net profit for the year		-	71	-	-	-	71
Total recognised profit/(loss)		-	71	-	-	(155)	(84)
Increase of share capital	24	1 050	-	-	-	-	1 050
Transfer to statutory reserve	26	-	(94)	94	-	-	-
At 31 December 2010		4 000	71	494	541	(1 187)	3 919
Change in Available for sale securities, net of tax	25	-	-	-	-	(34)	(34)
Change in cash flow hedges, net of tax	25	-	-	-	-	(101)	(101)
Net profit for the year		-	161	-	-	-	161
Total recognised profit/(loss)		-	161	-	-	(135)	26
Transfer to statutory reserve	26	-	(71)	71	-	-	-
At 31 December 2011		4 000	161	565	541	(1 322)	3 945

The notes are an integral part of the financial statements.

CASH FLOW STATEMENT

Under International Financial Reporting Standards as adopted by the European Union

(CZK'm)	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		2 498	1 877
Interest paid		(2 233)	(2 044)
Net fee and commission received		40	8
Net trading and other income		40	1 862
Recoveries on loans previously written off		256	502
Cash payments to employees and suppliers		(284)	(317)
Income tax paid		(192)	(148)
Other taxes paid		(27)	(26)
Net cash used in operating activities before changes in operating assets and liabilities		**98**	**1 714**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Net decrease in loans to banks		842	1 164
Net increase in loans to customers		(6 670)	(19 792)
Net increase in other liabilities		133	764
Net decrease in due to banks		(496)	(1 438)
Net increase in due to customers		758	1 010
Net cash used in operating activities		**(5 335)**	**(16 578)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(32)	(98)
Purchase of securities		(3 151)	(665)
Proceeds from matured securities		1 040	1 145
Proceeds from sale of securities		98	53
Net cash used in investing activities		**(2 045)**	**435**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of bonds		13 977	19 920
Redemption of issued bonds		(4 264)	(5 500)
Receipts from issue of ordinary shares	26	-	1 050
Receipts of state subsidy	8	491	742
Net cash from financing activities		10 204	16 212
Effect of exchange rate changes on cash and cash equivalents		1	(4)
Net increase in cash and cash equivalents		2 825	65
Cash and cash equivalents at beginning of year	12	2 468	2 403
Cash and cash equivalents at end of year	12	5 293	2 468

The notes are an integral part of the financial statements.

General Information

1 / GENERAL INFORMATION

Česká exportní banka, a.s. ("the Bank") was established on 1 March 1995 and its registered address is Vodičkova 34/701, Prague 1. The Bank does not have any branches in the Czech Republic or abroad In 2008, the Bank received a licence from the Central Bank of the Russian Federation to open the Bank's representative office in Moscow.

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

The activities of the Bank are primarily governed by Act No. 21/1992 Coll., on Banks, as amended, Act No. 58/1995 Coll., on Insurance and Financing Exports with State Subsidies ("Act No. 58/1995 Coll."), and Act No. 513/1991 Coll., Commercial Code, as amended. Concurrently, the Bank is subject to the CNB's regulatory requirements.

The principal objective of the Bank is to provide financing of Czech exports and investments abroad supported by the Czech state in accordance with international rules - mainly through the provision of credit facilities and guarantees.

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

Pursuant to Act No. 58/1995 Coll., the Czech state guarantees the obligations of the Bank specified in this act. The condition for providing officially supported financing is the fact that at least two thirds of the Bank's share capital is owned by the Czech state. The remaining part is owned by EGAP.

Standard & Poor's issued the "AA-" credit rating to the Bank and Moody's Investor Service issued the "A1" credit rating. The Bank's issued bonds are listed on the Luxembourg Stock Exchange.

2 / ACCOUNTING POLICIES

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

(a) Basis of presentation

The Bank's financial statements have been prepared as stand-alone financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial statements have been prepared under the historical cost convention. Securities available for sale, all derivative contracts and hedged instruments at fair value are re-measured at fair value as of the balance sheet date.

Standards and interpretations that have an impact on the financial statements in the reporting period

The use of standards, amendments and interpretations set out below and effective for the preparationof the financial statements as of 31 December 2011 does not significantly impact the accounting policies of the Bank.

- IAS 24, Related Party Disclosures and IFRS 8, Operating Segments (Commission Regulation (EU) no. 632/2010 dated 19 July 2010 effective as of 31 December 2010, specifying the definition of a related party and its presentation in segment reporting); and
- Annual Improvements to IFRS, published in May 2010 (Commission Regulation (EU) no. 149/2011 and effective from 1 January 2011).

Standards and interpretations that do not have any impact on the recognition or measurement in the reporting and comparative periods because no events regulated by the standards occurredin the Bank.

- IFRS 7 Financial Instruments: Disclosures (effective from 1 July 2011);
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments and IFRS 1 First-Time Adoption of IFRS and IFRS 1, First-Time Adoption of IFRS – refer to offsetting of financial assets and financial liabilities (Commission Regulation (EU) no. 662/2010 dated 23 July 2010, effective from 1 July 2010);

- IFRIC 14, Minimum Funding Requirements (Commission Regulation (EU) no. 633/2010 dated 19 July 2010, effective from 31 December 2010 reflecting the advance payment of the contribution);
- IFRS 1, Limited Exemption of First-time Users from Disclosure of Comparative Information under IFRS 7 and IFRS 7, Financial Instruments: Disclosures (Commission Regulation (EU) no. 574/2010 dated 30 June 2010, effective from 30 June 2010) ;
- IAS 32, Financial Instruments Presentation – Classification of Rights Issues (Commission Regulation (EU) no. 1293/2009 dated 23 December 2009) – The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issue (change effective from 31 January 2010) – The Bank issued no capital instruments in foreign currencies; and
- IFRS 1 First-Time Adoption of IFRS – Severe Hyperinflation, (effective from 1 July 2011).

Unapplied standards

The Bank's management is currently considering the impacts of the application of other standardsand interpretations or their changes on the financial statements in the following period:

- IFRS 9, Financial Instruments – replaces IAS 39 (effective from 1 January 2013);
- IFRS 7 Financial Instruments: Disclosures – transfer of financial assets (effective from 1 July 2011);
- IAS 12, Income Taxes – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012).
- IFRS 10 Consolidated Financial Statements (effective from 1 January 2013);
- IFRS 11 Joint Arrangements (effective from 1 January 2013)
- IFRS 12 Disclosure of Interest in Other Entities (effective from 1 January 2013);
- IFRS 13 Fair Value Measurement (effective from 1 January 2013);
- IAS 27 Separate Financial Statements (revision effective from 1 January 2013);
- IAS 28 Investments in Associates (revision effective from 1 January 2013);
- IAS 19 Employee Benefits (amendment effective from 1 January 2013);
- IAS 1 Presentation of Financial Statements (amendment effective from 1 July 2013);
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine (effective from 1 January 2013);
- IFRS 7 and IFRS 9 Mandatory effective date and transition disclosures (effective from 1 January 2015);
- IFRS 7 Disclosures – offsetting of financial assets and financial liabilities (effective from 1 January 2013); and
- IAS 32 Offsetting of Financial Assets and Financial Liabilities (effective from 1 January 2015).

(b) Segment reporting

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

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

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

(c) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

	USD	EUR
31 December 2011	19.940	25.800
31 December 2010	18.751	25.060

(d) Derivative financial instruments

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

Financial derivatives are initially recognized at fair value in the balance sheet on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Fair values of derivative and financial instruments that are subject to fair value hedging are obtained from discounted cash flow models, ie at level 2 of the fair value hierarchy. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Using these financial instruments the Bank minimizes the impact of the interest rate and foreign exchange rate risks so that the acceptable level of market risk is not exceeded.

The Bank does not trade derivatives with a view to generating profit; however, in respect of certain contracts contracted as hedges the Bank does not apply the hedge accounting rules. The gains or losses from these derivatives are reported in the income statement as the 'Net profit from financial operations including state subsidy'.

Derivatives accounted under hedge accounting are those derivatives which are in compliance with the interest rate risk and currency risk management strategy, the hedging terms are documented at the initial phase of the hedging relationship and the hedging is effective. Changes in the fair value of derivatives that have been designated and qualify as fair value hedges are recorded in the income statement, together with the relating changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement under 'Net profit from financial operations including state subsidy'.

(e) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those designated at fair value through profit or loss, are recognized within 'Interest income' and 'Interest expense' in the income statement using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. In determining the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and payments paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, commitment commissions and all other premiums or discounts.

(f) Fee and commission income

Fees and commissions, which are not part of the effective interest rate, are generally recognized on an accrual basis when the service has been provided. Commitment commissions for loans that are not likely to be drawn are recognized as revenue on the date of the maturity of the liability. Advisory and service fees are recognized based on the appropriate service contracts, usually on an accrual basis.

(g) Financial assets

The Bank classifies its financial assets in the following categories: Financial assets held for trading, Loans and other receivables, Available-for-sale assets and Held-to-maturity financial investments. Financial assets are classified upon initial recognition.

Financial assets held for trading

Any changes in fair value of assets classified in this category are reported under 'Net profit from financial operations including state subsidy'.

Available-for-sale financial assets

Available-for-sale financial assets are those assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Loans and other receivables

Loans provided by the Bank through the direct assignment of funds to a client are considered granted loans and measured at amortized cost. The amortized cost is the cost net of principal payments, increased by the accrued interest and increased/decreased by amortisation of discount/premium. The Bank uses the effective interest rate method to calculate the amortized cost. Premiums, discounts, fees and related transaction costs are integral parts of the effective interest rate. All loans and borrowings are accounted for when funds are provided to clients (or banks).

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or anticipated payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank sold other than an insignificant amount of the held-to-maturity assets, the entire category would be reclassified as available-for-sale.

Initial recognition of financial assets or liabilities

All purchases and sales of financial assets or liabilities, except for derivatives, are recognized at the settlement date. The Bank recognizes the acquisition of the financial asset or liability at fair value which equals the transaction price, i.e. the fair value of the counter-performance provided or received. Upon acquisition of the financial asset or liability, the Bank does not record the difference between the recognized fair value of financial assets and liabilities and the measurement value as of the specific date using the measurement technique.

Valuation of financial assets as of the balance sheet date

Financial investments held to maturity and Loans and other receivables are reported at amortized cost using the effective interest rate method.

Financial assets available for sale and financial assets held for trading are subsequently measured at fair value. Profits and losses arising from changes in fair value of financial assets available for sale are reported directly in equity until the financial asset is derecognized or impaired. The interest calculated using the effective interest rate method and foreign exchange rate gains or losses from debt securities are reported in the income statement.

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

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

De-recognition of financial assets and liabilities

Financial assets are derecognized immediately when rights for collection of cash flows cease to exist or when the Bank transfers all risks and benefits arising from their ownership. Financial liabilities are derecognizedas soon as they cease to exist – i.e. when they are cancelled, settled or cease to be effective.

(h) Impairment of assets

Assets carried at amortized cost

On a quarterly basis, the Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event had an impact on the estimated future payments arising from the financial asset or group of financial assets.

The Bank first assesses whether objective evidence of impairment exists for individual financial assets. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics, in case it is possible to create such a group, and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial investments has been incurred, the amount of the loss arising from the impairment of assets carried at amortized cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognized in the income statement.

The loans are written off following the application of all legal remedies available to collect receivables, implementation of all necessary procedures and after determining the amount of an impairment loss.

Financial assets available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Renegotiated loans

Renegotiated loans are financial assets the repayment conditions of which were changed. Enforced renegotiation of the receivable occurs if the debtor is granted relief because the Bank estimates that the loss would probably happen if the relief were not granted. The Bank provides the relief that would not be otherwise granted, for economic or legal reasons related to the financial situation of the debtor. This particularly concerns the revision of the repayment plan, decreasing the interest rate, remission of the default interest, deferring repayments of the principal or payments of interest. In the case of enforced renegotiation, the receivable from the debtor is classified into the category of default loans and is monitored as risky in a special regime for a specified period.

(i) Sale and repurchase agreements

Financial assets sold on the basis of repurchase agreements ("repo") are disclosed separately as pledged assets. The settlement received for sale is treated as a received loan.

Financial assets purchased under reverse repurchase agreements ("reverse repos") are treated as loans and advances to other banks or customers as appropriate.

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

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

(j) Tangible and intangible assets

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

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to usethe specific software.

Depreciation of tangible and intangible fixed assets is calculated using the straight-line method over their estimated useful lives, as follows:

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

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

Tangible fixed assets under construction are not depreciated until relevant assets are completed and put into use. Gains and losses on disposals are derived from their carrying amounts and proceeds from the sale and are included in the 'Other operating earnings' or 'Other operating expenses'.

The net book value of assets and useful lives is monitored, and adjusted if appropriate at each balance sheet date.

If the asset's carrying amount is greater than its estimated recoverable amount, the asset is provided for. The estimated recoverable amount is the higher of the asset's fair value including costs to sell and value in use.

(k) Leases

All leases entered into by the Bank are operating leases. Payments made under operating leases are charged to expenses on a straight-line basis over the period of the lease.

(l) Cash and cash equivalents

For the purposes of cash flow statement reporting, cash and cash equivalents comprise balances with less than three months' maturity and include current accounts, deposits in the bank of issue, zero-coupon government bonds, loans of other banks (except for export loans) and short-term securities.

(m) Employee benefits

The Bank governs the provision of employee benefits through internal guidelines (e.g. catering, additional pension insurance, interest-free loan for housing purposes or jubilee bonus).

The Bank provides additional pension insurance to its employees based on a defined contribution scheme which is structured according to the length of the employee's service. Contributions are charged to the income statement when paid.

The Bank creates provisions for other long-term employment benefits, such as life jubilees and retirement bonuses. This provision is created by a simple total of liabilities under these benefits at the balance sheet date. The plan of other long-term employment benefits does not use any proceeds from the assets. The present value of the provision is calculated on the basis of an incremental approach which takes into account employee fluctuation assumptions.

(n) Taxation and deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and relate to the period in which the realisation of the deferred tax asset or settlement of the deferred tax liability are expected.

Principal temporary differences arise from cash flow hedges, allowances and the different tax treatments of fee income. Deferred tax related to the revaluation of items which are charged directly to equity is also charged directly to equity and subsequently recognized in the income statement together with the deferred gain or loss.

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

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

(o) Financial liabilities at amortized cost - borrowings

The category of financial liabilities at amortized cost includes loans from banks, clients, debt securities in issue and other financial liabilities. Borrowings are initially recognized at the fair value of consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any differences between the anticipated value of future financial flows and fair value upon acquisition are reported using the effective interest rate method over the borrowing period.

(p) Share capital

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

(q) State subsidy

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

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

- The recorded interest income from operating long-term supported financing (reduced by a fixed interest mark-up);
- Plus interest income from the current investment of available financial resources intended for supported financing;
- Minus actual interest expense from received financial resources;
- Minus relating fees paid by the Bank to acquire these resources;
- Minus allowances and provisions; and
- Minus the difference between income from financial derivative operations and costs related to these operations, foreign exchange rate differences and other costs that were recorded by the Bank to acquire the financial resources.

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

(r) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is likely that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(s) Guarantees and credit commitments

The Bank also acts as an issuer of guarantees. Bank guarantee contracts are contractual relationships determining that the issuer will provide a payment to the beneficiary, subject to events listed in the letter of guarantee. Such guarantees are granted by the Bank based on the requirement of the exporter. Bank guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequently, the Bank's liabilities under such guarantees are measured at the total fee, less straight-line amortisation in the income statement over the life of the guarantee and the best estimateof the expenditure required to settle any financial obligation arising from the guarantee at the balance sheet date, if the expenditure is higher.

These estimates are determined based on experience from similar transactions and history of past losses. Any increase in the liability relating to guarantees is recognized in the income statement.

The Bank enters into contingent financial relationships by granting credit commitments. Credit commitments are included in the accounting records at the moment when all conditions precedent set in the credit contract have been met. Pursuant to the credit contract, the Bank is bound to provide a loan or drawing of the loan for the benefit of the debtor when conditions precedent have been met. The conditions precedent usually include the effective insurance policy concluded with EGAP. Before the conditions precedent have been met, signed credit contracts are recorded only in the information system of the Bank.

(t) Collateral and guarantees received

The Bank also receives guarantees issued by other banks and other collateral from other subjects as a means of security. An important component of contingent assets is the insurance of export credit risks arranged by the Bank or in favour of the Bank. The collateral is not recognized as assets; however, it is positively reflected in the measurement of loans.

3 / RISK MANAGEMENT

(a) Strategy in using financial instruments

The Bank funds export loans through the use of bond issues and long-term borrowings; short-term borrowings from the inter-bank market and client deposits are used as additional sources of funding. Free funds are invested by the Bank in state bonds or bank deposits. The Bank uses financial instruments to cover interest rate and foreign exchange differences.

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

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

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

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

In 2011 and in 2010 the Bank made no reclassifications of securities.

(b) Credit risk

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

The Bank has established a system of approval authorities, depending on the total limit for the client and risk categorisation.

Credit risk management and its control are organisationally incorporated into the Risk Management section for which one Board member is responsible.

Credit risk measurement

The Bank assesses the probability of default by individual counterparties by using rating models which assess the default risk on an individual basis. The Bank has established rating models for corporate clients and for banking risk assessment.

The rating models have been developed based on internally-produced methodologies. They combine statistical analysis with expert assessment by the risk manager. The Bank uses a seven-grade rating scale.

The Bank validated its rating models through comparison with the market best practice. The scale of rating grades reflects the individual levels of the probability of default. Internal rating tools are regularly revised and updated as needed. These documents are approved by the Credit Committee. Besides rating models, the Bank has also developed an assessment system for project financing needs.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, to geographical segments, concentration of industry or any other significant concentration with a common risk factor.

Exposure to a borrower or to an economically related group of borrowers is restricted by exposure limits set by the regulator (CNB regulation). For prudent reasons and in order to respect the regulation limits, the Bank reduces exposure to one borrower or to one economically related group of borrowers by signal exposure limits, which are expressed as a defined percentage from exposure limits set by the CNB. The exposure to banks and brokers is further restricted by trading sub-limits for balance sheet and off-balance sheet items and sub-limits for the settlement risk. The significant concentration of credit risk to one borrower or group of borrowers, where the probability of the failure is influenced by the common risk factor (country of registered office, country of export or industry), is restricted by concentration limits. Actual exposures against limits are monitored daily. All limits are regularly reviewed at least once a year.

Maximum credit risk exposure before hedge instruments are applied

(CZK'm)							2011
	Gross exposure total			Used to ensure that exposures			
	Statement of financial position	Off-Balance Sheet	Exposure total	Statement of financial position	Off-Balance Sheet	Ensuring total	Credit exposure
Exposures to central banks and governments	9 666	-	**9 666**	3 157	-	**3 157**	**6 509**
Exposures to institutions	3 452	84	**3 536**	744	69	**813**	**2 723**
Corporate exposure	55 140	20 281	**75 421**	52 885	18 667	**71 552**	**3 869**
Past due exposure	6 699	-	**6 699**	6 549	-	**6 549**	**150**
Short-term exposure to institutions, corporates	3 331	-	**3 331**	-	-	-	**3 331**
Other exposure	654	-	**654**	-	-	-	**654**
Total exposure	**78 942**	**20 365**	**99 307**	**63 335**	**18 736**	**82 071**	**17 236**

(CZK'm)							2010
	Gross exposure total			Used to ensure that exposures			
	Statement of financial position	Off-Balance Sheet	Exposure total	Statement of financial position	Off-Balance Sheet	Ensuring total	Credit exposure
Exposures to central banks and governments	4 468	-	**4 468**	1 585	-	**1 585**	**2 883**
Exposures to institutions	3 617	479	**4 096**	1 345	84	**1 429**	**2 667**
Corporate exposure	51 175	16 801	**67 976**	48 675	15 721	**64 396**	**3 580**
Past due exposure	3 201	-	**3 201**	2 483	-	**2 483**	**718**
Short-term exposure to institutions, corporates	1 278	20	**1 298**	-	-	-	**1 298**
Other exposure	638	-	**638**	-	-	-	**638**
Total exposure	64 377	17 300	81 677	54 088	15 805	69 893	11 784

Exposure to credit risk is managed through regular analyses of the ability of borrowers and potential borrowers to meet principal and interest payment obligations.

The basic method for reducing the Bank's credit risk is export credit risk insurance by EGAP concluded for the benefit of the Bank according to Act No. 58/1995 Coll. To hedge the credit risk, the Bank uses other types of hedging by type of financing. In corporate financing, the hedging involves primarily the pledge of the export asset, a pledge of all receivables of the importer (debtor) in respect of the exporter in favour of the Bank is also frequent. In business cases based on project funding, the Bank uses specifically a pledge of 100% of the shares of the debtor, a pledge of movable and immovable assets and a pledge of revenues and assignment of insurance benefits. The Bank also uses financial collateral deposited in the Bank or other banks to hedge against credit risk and bank guarantees issued by entities incorporated in OECD countries or by credible domestic banks. The Bank also accepts other types of collateral.

Financial derivatives

The credit risk resulting from open derivative positions is managed within the overall trading limits for individual borrowers, by both amount and term. Collateral or other security is not usually obtained for credit risk exposures on these instruments. Under exceptional circumstances the financial collateral is received as a deposit bearing a base rate for the respective currency.

The credit risk from derivative positions is also managed mainly by choosing credible counterparties and regularly monitoring their financial situation. The derivatives are concluded with counterparties based in OECD countries (or with domestic credible counterparties) with long-term ratings of A and better from international rating agencies.

Other financial assets

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

Loans

(CZK'm)	2011				2010			
	Loans and other receivables				Loans and other receivables			
	Banks	Customers	Undiffe-rentiated	Total	Banks	Klienti	Undiffe-rentiated	Total
Neither past due nor impaired	1 018	57 696	-	**58 714**	2 102	50 253	-	**52 355**
Past due but not impaired	-	122	-	**122**	-	2 751	-	**2 751**
Impaired	-	8 632	-	**8 632**	270	3 006	-	**3 276**
	1 018	66 450	-	**67 468**	2 372	56 010	-	**58 382**
Less: allowance for impairment-	-	(996)	-	**(996)**	(59)	(363)	-	**(422)**
Total loans	**1 018**	**65 454**	-	**66 472**	**2 313**	**55 647**	-	**57 960**
Other receivables neither past due nor impaired	3 331	-	9	**3 340**	1 826	-	70	**1 896**
Total loans and others receivables	**4 349**	**65 454**	**9**	**69 812**	**4 139**	**55 647**	**70**	**59 856**
Total undamaged to maturity	4 349	57 696	9	**62 054**	3 928	50 253	70	**54 251**
Total overdue undamaged	-	122	-	**122**	-	2 751	-	**2 751**
Total net impaired	-	7 636	-	**7 636**	211	2 643	-	**2 854**
	4 349	**65 454**	**9**	**69 812**	**4 139**	**55 647**	**70**	**59 856**

Loans neither past due nor impaired

In order to recognize the credit risk of loans and receivables neither past due nor impaired, the internal rating system of the Bank based on entity rating is applied.

A rating grade decrease may not mean that the loan was impaired. If a loan is collateralized in full using high-quality collateral it may not be impaired at all.

(CZK'm)		2011				2010			
		Loans and other receivables				Loans and other receivables			
	internal rating	Banks	Customers	Undiffe-entiated	Total	Banks	Customers	Undiffe-entiated	Total
High credit quality	2	245	-	-	**245**	788	44	-	**832**
Very good credit quality	3	404	70	-	**474**	457	2 182	-	**2 639**
Good credit quality	4	-	16 751	-	**16 751**	356	9 118	-	**9 474**
Quality requires attention	5	194	11 898	-	**12 092**	12	12 432	-	**12 444**
Vulnerable	6	175	5 637	-	**5 812**	489	6 845	-	**7 334**
Unsatisfactory	7	-	721	-	**721**	-	1 605	-	**1 605**
Project Financing	A-D	-	22 619	-	**22 619**	-	18 027	-	**18 027**
Total credits		**1 018**	**57 696**	-	**58 714**	**2 102**	**50 253**	-	**52 355**
Highest credit quality	1	113	-	-	**113**	179	-	-	**179**
High credit quality	2	2 594	-	-	**2 594**	1 056	-	-	**1 056**
Very good credit quality	3	624	-	-	**624**	590	-	-	**590**
Good credit quality	4	-	-	4	**4**	-	-	9	**9**
Quality requires attention	5	-	-	1	**1**	-	-	14	**14**
Vulnerable	6	-	-	-	-	1	-	-	**1**
Unsatisfactory	7	-	-	-	-	-	-	1	**1**
Project Financing	A-D	-	-	2	**2**	-	-	44	**44**
Non-rated	-	-	-	2	**2**	-	-	2	**2**
Other receivables total		**3 331**	-	**9**	**3 340**	**1 826**	-	**70**	**1 896**
Loans total		**4 349**	**57 696**	**9**	**62 054**	**3 928**	**50 253**	**70**	**54 251**

During 2011, the Bank continued in the increasing trend of financing "green field" projects, where a creditor is a newly established entity, which was set up as a special purpose vehicle ("SPV"). Due to their non-existent business history, these entities are automatically allocated the A – D rating, according to the quality of the project.

Loans past due but not impaired

(CZK'm)			2011			2010
		Loans			Loans	
	Banks	Customers	Total	Banks	Customers	Tota
Past due by 30 days	-	-	-	-	406	406
Past due 30 - 90 days	-	101	101	-	1 408	1 408
Past due 90 - 180 days	-	3	3	-	937	937
Past due more than 180 days	-	18	18	-	-	-
Total	**-**	**122**	**122**	**-**	**2 751**	**2 751**
Fair value of collateral	-	116	116	-	2 509	2 509

Impaired loans

(CZK'm)			2011			2010
		Loans			Loans	
	Banks	Customers	Total	Banks	Customers	Tota
Individually impaired loans	-	8 632	8 632	270	3 006	3 276
Less: allowance for impairment	-	(996)	(996)	(59)	(363)	(422)
Total net impaired	**-**	**7 636**	**7 636**	**211**	**2 643**	**2 854**
Fair value of collateral	-	7 437	7 437	208	2 354	2 562

Renegotiated loans

(CZK'm)			2011			2010
		Loans			Loans	
	Banks	Customers	Total	Banks	Customers	Total
Restructured loans	-	674	**674**	-	1 269	**1 269**
Unexpended credit commitments to customers	-	647	647	-	60	60

Loans and other receivables which were renegotiated and which would otherwise be past due or impaired

Credit commitments and similar instruments

The primary purpose of these instruments is to ensure that funds are available to a customer, as required.

Credit commitments

Commitments to grant a credit represent unused portions of authorized credit lines in the form of loans. With respect to the credit risk on credit commitments, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to grant credit are contingent upon customers maintaining specific credit standards.

Similar instruments

Guarantees and standby letters of credit – which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties – carry the same credit risk as loans. Documentary letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts from the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Geographic structure of loans

	2011		2010	
	(CZK'm)	(%)	(CZK'm)	(%)
Russia	28 100	40.25	25 858	43.20
Other EU member states	13 402	19.20	9 852	16.46
Turkey	9 259	13.26	8 734	14.59
Czech Republic	5 739	8.22	3 761	6.28
Georgia	5 571	7.98	5 632	9.41
Azerbaijan	3 417	4.90	1 663	2.78
Ukraine	2 424	3.47	2 272	3.80
Montenegro	787	1.13	892	1.49
Belarus	532	0.76	511	0.85
Tunis	350	0.50	346	0.58
United States of America	124	0.18	100	0.17
Kosovo	57	0.08	-	-
Mongolia	34	0.05	8	0.01
Uganda	16	0.02	16	0.03
Cuba	-	-	211	0.35
Total	69 812	100.00	59 856	100.00

Industry structure of loans

	2011		2010	
	(CZK'm)	(%)	(CZK'm)	(%)
Agriculture, forestry and fishing	174	0.25	0	0.00
Mineral wealth mining	7 460	10.69	6 615	11.05
Processing industry	16 776	24.03	14 063	23.50
Production and distribution electricity, gas, heat and air	28 657	41.05	23 855	39.85
Building industry	2 764	3.96	1 629	2.72
Wholesale and retail trade; repairs vehicle	132	0.19	645	1.08
Transport and warehousing	901	1.29	1 206	2.01
Accommodation, catering and hospitality	350	0.50	346	0.58
Banking and insurance industry	4 848	6.94	4 643	7.76
Administrative and supporting activity	4 333	6.21	5 192	8.67
Public administration, defence	3 417	4.89	1 662	2,.78
Total	69 812	100.00	59 856	100.00

(c) Market risk

The Bank is exposed to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Bank applies sensitivity analyses to observe the breakdown of interest risk in individual currencies, in different periods and "Value at Risk" ("VAR") methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted, from which all market risks limits are derived. Actual utilisation of the limits is monitored on a daily basis by risk management. The Bank calculates VAR using a historic simulation model which calculates possible maximum loss based on a time series of risk factor vectors. The Bank has not been exposed to risks stemming from nonlinear instruments. The VAR is computed on the 99% level of confidence for the 10-day holding period. All VAR values are summarized in the table below.

VAR summary

(mil. Kč)	12 month to 31 December 2011			12 month to 31 December 2010		
VAR Hist. Simulation	Average	High	Low	Average	High	Low
Interest rate risk	62,09	115,63	42,73	56,11	117,53	24,70
Foreign exchange risk	0,37	4,62	0,02	0,81	4,06	0,01
Total VAR	62,12	115,52	42,65	56,21	117,50	24,92

The back-testing of the VAR model is performed regularly. The following table shows the back-testing results as of 31 December 2011 and 2010:

Year	Number of observation	Reached reliability for interest risk	Reached reliability for currency risk	Number of cases with higher loss for interest risk	Number of cases with higher loss for currency risk
		(%)	(%)		
2010	250	99.60	99.60	1	1
2011	253	98.02	97.63	5	6

The Bank conducts quarterly stress testing of the impact of material changes in financial markets on the level of market exposure. Within the sensitivity analyses, the material fluctuation scenarios and changes in interest curves and monetary exchange rates are tested; for the VAR, historic scenarios are tested using the data from the financial crisis in autumn 2008. Given that the Bank's portfolio of instruments remeasured at fair value through the income statement is not significant, the impact on the Bank's income statement is not assessed as part of the stress tests.

(d) Currency risk

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates in its financial position and cash flows. The foreign currency exchange rate risk is managed using an analysis of currency sensitivity and VAR, for which a set of limits has been established. If a foreign currency exchange rate risk is greater than 2% of capital, the size of the open currency position is reflected in the capital adequacy requirement which is allocated to this risk by the Bank.

The table below summarizes the Bank's exposure to exchange rate risk as of 31 December 2011 and 2010. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency. The net off-balance sheet position represents exposure to the currency risk stemming from foreign currency derivative financial instruments, which are principally used to reduce the Bank's on-balance sheet currency risk.

Concentrations of assets, liabilities and off-balance sheet items

(CZK'm)	CZK	USD	EUR	Other	Total
At 31 December 2011					
ASSETS					
Cash and balances with central bank	1 962	-	-	-	**1 962**
Financial instruments held for trading	14	-	-	-	**14**
Financial instruments available-for-sale	3 044	-	-	-	**3 044**
Loans and receivables	2 048	14 245	53 518	1	**69 812**
of which: from banks	*1 058*	*931*	*2 359*	*1*	***4 349***
of which: from other clients	*986*	*13 313*	*51 155*	-	***65 454***
of which: undifferentiated	*4*	*1*	*4*	-	***9***
Financial instruments held-to-maturity	1 070	-	1 291	-	2 361
Hedging derivatives	102	-	-	-	102
Equipment	41	-	-	-	41
Intangible assets	77	-	-	-	77
Other assets, including tax	431	1	216	2	650
Total assets	**8 789**	**14 246**	**55 025**	**3**	**78 063**
LIABILITIES					
Financial liabilities held for trading	755	-	-	-	**755**
Financial liabilities in amortized costs	13 307	9 976	47 596	-	**70 879**
of which: to banks	*1 014*	-	*4 386*	-	***5 400***
of which: to other clients	*4 867*	*28*	*1 965*	-	***6 860***
of which: undifferentiated	*49*	-	*1*	-	***50***
of which: issued bonds	*7 377*	*9 948*	*41 244*	-	***58 569***
Hedging derivatives	-	375	1 989	-	**2 364**
Other liabilities, including tax	57	10	52	1	**120**
Total liabilities	**14 119**	**10 361**	**49 637**	**1**	**74 118**
Net on-balance sheet items	(5 330)	3 885	5 388	2	**3 945**
Currency forward	10 401	(4 113)	(7 043)	-	**(755)**
Net currency position	**5 071**	**(228)**	**(1 655)**	**2**	**3 190**
At 31 December 2010					
Total assets	5 522	13 555	45 715	3	**64 795**
Total liabilities	4 066	10 230	46 580	-	**60 876**
Net on-balance sheet position	1 456	3 325	-865	3	**3 919**
Currency forward	3 932	(3 555)	(379)	-	**(2)**
Net currency position	**5 388**	**(230)**	**(1 244)**	**3**	**3 917**

(e) Interest rate risk

The Bank is exposed to interest rate risk as its interest bearing assets and liabilities have different re-fixing or maturity dates. For floating rate instruments, the Bank is exposed to basic risks, which arise from the differences in methods of adjusting individual types of interest rates, primarily LIBOR, EURIBOR and possibly PRIBOR. Interest rate is managed using the interest rate sensitivity analysis and VAR for which a set of limits is defined to mitigate potential exposure. Interest rate risk management aims at minimising the sensitivity of the Bank to changes in interest rates.

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

Interest rate derivatives are used for mitigating the difference between the interest rate sensitivity of assets and liabilities. These transactions are used in accordance with the interest risk management strategy approved by the ALCO to reduce the interest rate risk of the Bank.

(f) Liquidity risk

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

The Bank uses its own methods of measuring and monitoring net cash flows and liquidity position for liquidity risk management. The differences between the inflow and outflow of funds are measured by gap analysis of the liquidity, which sets liquidity positions for different time periods and the cumulative volume of gaps. Development of liquidity in the CZK, EUR, and USD currency structures and for the Bank in total is monitored on several levels of market performance, i.e. on the level of a standard scenario and 3 stress scenarios, one of which is also a scenario simulating a liquidity crisis. Sufficient liquidity level is regulated by a set of limits and is managed through on-balance (e.g. bond issue, borrowed loans) and off-balance trades (FX swaps, cross currency swaps). The Bank has furthermore established a set of liquidity indicators, through which it manages asset structure, liabilities and off-balance items, i.e. particularly required structure of funds in relation to the structure of loans provided, credit commitments and guarantees issued, minimal volumes of the most liquid assets and liquid reserves. On a regular basis, the Bank assesses its plans for raising funds based on the current development of liquidity risk, financial markets and other factors.

The Bank has access to diversified sources of finance. These sources comprise issued bonds, bilateral or club loans from domestic as well as international financial markets and other deposits received from other banks and customers. This diversification gives flexibility to the Bank and limits its dependence on one source of finance. On a regular basis, the Bank assesses the liquidity risk, predominantly by monitoring changes in the financing structure. Furthermore, the Bank holds some of its assets in highly liquid instruments such as T-bills and similar debt securities as part of its liquidity management strategy.

Stated values are based on non-discounted cash flows.

Maturity of non-derivative liabilities

(CZK'm)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
31 December 2011						
Due to other banks	1 794	-	732	2 608	593	**5 727**
Due to customers	2 721	1 089	1 119	2 037	31	**6 997**
Debt securities in issue	102	4 080	6 473	35 571	19 975	**66 201**
Total liabilities	**4 617**	**5 169**	**8 324**	**40 216**	**20 599**	**78 925**
Loan commitments	1 663	3 876	8 234	2 877	562	**17 212**
31 December 2010						
Due to other banks	367	377	3 504	2 027	-	**6 275**
Due to customers	2 752	933	117	2 072	30	**5 904**
Debt securities in issue	2 671	73	2 834	30 444	17 010	**53 032**
Total liabilities	**5 790**	**1 383**	**6 455**	**34 543**	**17 040**	**65 211**
Loan commitments	1 650	2 021	6 877	3 046	-	**13 594**

Maturity of derivative financial liabilities

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

(CZK'm)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
31 December 2011						
Derivatives held for trading	1	(1)	(3)	(7)	-	(10)
Hedging derivatives	(36)	(128)	(479)	(1 659)	(112)	**(2 414)**
31 December 2010						
Derivatives held for trading	-	(1)	(1)	(4)	-	**(6)**
Hedging derivatives	(28)	(176)	(620)	(1 208)	3	**(2 029)**

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

All currency and cross currency derivatives in the Bank's portfolio are designated as trading.

(CZK'm)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
31 December 2011						
Foreign exchange derivatives						
outflow	(1 137)	(258)	-	-	-	(1 395)
inflow	1 012	259	-	-	-	1 271
Cross currency swaps						
outflow	(6)	(66)	(114)	(4 168)	(7 998)	(12 352)
inflow	9	58	94	3 863	7 563	**11 587**
Total outflow	**(1 143)**	**(324)**	**(114)**	**(4 168)**	**(7 998)**	**(13 747)**
Total inflow	**1 021**	**317**	**94**	**3 863**	**7 563**	**12 858**
31 December 2010						
Foreign exchange derivatives						
outflow	(2 412)	(206)	-	-	-	**(2 618)**
inflow	2 393	208	-	-	-	**2 601**
Cross currency swaps						
outflow	-	(10)	(7)	(1 822)	-	**(1 839)**
inflow	-	16	8	1 842	-	**1 866**
Total outflow	**(2 412)**	**(216)**	**(7)**	**(1 822)**	-	**(4 457)**
Total inflow	**2 393**	**224**	**8**	**1 842**	-	**4 467**

(g) Fair values of financial assets and liabilities

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

(CZK'm)	2011	2010	2011	2010
	Carrying value		Fair value	
FINANCIAL ASSETS				
Loans to other banks	4 349	4 139	4 235	4 449
Loans to customers	65 454	55 647	65 329	52 545
Securities held-to-maturity	2 361	1 825	2 355	1 709
FINANCIAL LIABILITIES				
Due to other banks	5 400	6 049	5 517	6 164
Due to customers	6 860	5 664	6 731	5 583
Debt securities in issue	58 569	46 852	60 216	48 063
Loan commitments given	17 212	13 594	27	28

Loans to banks

Due from other banks includes inter-bank deposits and other receivables. The fair value of floating rate deposits and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows based on the prevailing yield curve for respective remaining maturity.

Loans to customers and held-to-maturity securities

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

Due to banks and due to clients

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

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

Debt securities in issue

For debt securities in issue, a discounted cash flow model is used based on a current yield curve for the respective remaining maturity.

Fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments which are measured at fair value after initial recognition and which are divided into levels 1 and 2 depending on the extent to which fair value can be identified or verified:
- Fair value measurements at level 1 are valuations that are based on (unadjusted) quoted prices for the same assets or liabilities in active markets; and
- Fair value measurements at level 2 are valuations that are based on inputs other than quoted prices used at level 1; this information can be obtained for an asset or liability directly (i.e. prices) or indirectly (i.e. data derived from the prices).

(CZK'm)	2011		2010	
	Level 1	Level 2	Level 1	Level 2
Financial instruments held for trading	-	14	-	62
Financial instruments available-for-sale	2 992	52	1 646	102
Hedging derivatives with positive fair value	-	102	-	81
Total	**2 992**	**168**	**1 646**	**245**
Financial liabilities held for trading	-	755	-	61
Hedging derivatives with negative fair value	-	2 364	-	2 008
Total	-	**3 119**	-	**2 069**

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

(h) Capital management

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

The Bank uses the standard approach based on an external rating to calculate the capital requirement for the credit risk of the investment portfolio, i.e. calculate risk-weighted exposures. The risk weighting is based on the exposures category and credit quality. Credit quality is determined based on the external rating, which was set by the rating agency registered in the list of agencies for credit assessment maintained for this purposes by the CNB or by the export credit agency. CNB regulations define exposure categories and risk weighting used in the standard approach.

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

As of 1 January 2008, the Bank created a system of internally set capital (SVSK) in order to fulfil its legal obligations in the area of planning and continuously maintaining internally set capital in the amount, structure and distribution, so that the risks, which could threaten the Bank, are sufficiently covered.

SVSK is established to reflect the Bank's nature of a specialized bank institution directly and indirectly owned by the state intended to provide officially supported financing and related services pursuant to Act 58/1995 Coll. and with respect to the scope and complexity of activities resulting from operating officially supported financing and related services and corresponding risks.

The Board of Directors approved the SVSK concept in the form of a capital management strategy which defines the key goals, principles, parameters and limits of SVSK, including the methods used to evaluate and measure each risk undertaken by the Bank.

Quantified risks within SVSK are assessed in the form of internally set capital needs. Other risks within SVSK are covered by qualitative measures in risk management and organisation of processes and controls (code of ethics, communication policy, etc.).

In 2011 and 2010 the Bank met all regulatory requirements for capital adequacy.

4 / CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(a) Impairment losses on loans

Besides individual loans, the Bank also reviews its loan portfolios at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans and estimates the expected cash flows and their timing for impaired loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on loans. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment when scheduling its future cash flows.

(b) Impairment of available-for-sale financial assets

When available-for-sale assets are impaired, the accumulated profit or loss recognized in equity is reported through the profit or loss.

(c) State subsidy

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

(d) Income taxes

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

5 / OPERATING SEGMENTS

Separate set (circle) 001 includes operating activities, financing without the right to a grant and other related activities in accordance with banking licenses and the resulting income and expenses. All these activities are carried out under market conditions, without any direct links to the state budget.

Separate set (circle) 002 includes all activities relating to supported financing which are eligible to a subsidy from the state budget, and the resulting income and expenses.

(CZK'm)			2011			2010
	circle 001	circle 002	**Total**	circle 001	circle 002	**Total**
Interest and similar income	839	2 588	**3 427**	696	2 191	2 887
Interest expense and similar charges	(28)	(2 822)	**(2 850)**	(29)	(2 726)	(2 755)
Impairment losses on loans	(266)	(261)	**(527)**	(173)	3	(170)
Profit before income tax	334	-	**334**	217	-	217
Income tax expense	(173)	-	**(173)**	(146)	-	(146)
Profit for the year	161	-	**161**	71	-	71
Loans and receivables	2 959	66 853	**69 812**	4 383	55 473	59 856
Total assets	7 638	70 425	**78 063**	7 548	57 247	64 795
Financial liabilities at amortized cost and guaranteed liabilities	2 321	68 558	**70 879**	4 074	54 616	58 690
Total liabilities and equity	7 715	70 348	**78 063**	9 325	55 470	64 795

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

6 / NET INTEREST INCOME

(CZK'm)	2011	2010
Interest income from loans to banks	26	88
Interest income from loans to clients	3 171	2 592
Interest income from interbank deposits	12	14
Interest income from current accounts with other banks	-	1
Interest income from non-tradeable securities	1	5
Interest income from loans and receivables	3 210	2 700
Interest income from CNB loans - repos	13	4
Interest income from financial assets held for trading	-	-
Interest income from available-for-sale securities	53	56
Interest income from financial investments held-to-maturity - securities	46	32
Interest on other assets - collateral	2	-
Gains on hedging interest derivative instruments	103	95
Other interest earnings	217	187
Interest and similar income	**3 427**	**2 887**
Interest expense from received bank credits	(167)	(90)
Interest expense from government	(58)	(82)
Interest expense from term deposits	(30)	(22)
Interest expense from checking accounts	(4)	(2)
Interest expense from interbanking operations	(19)	(4)
Interest expense from repos with banks	(20)	(16)
Interest expense from issued bonds	(1 482)	(1 404)
Interest expense from financial liabilities in amortized costs	(1 780)	(1 620)
Gains (loss) on hedging interest derivative instruments	(1 069)	(1 134)
Other interest expense - collateral	(1)	(1)
Interest expense and similar charges	**(2 850)**	**(2 755)**
Net interest income	**577**	**132**

Interest income for 2011 includes outstanding accrued interest on impaired loans in the amount of CZK 205 million (2010: CZK 74 million) as of 31 December 2011.

7 / FEE AND COMMISSION INCOME

(CZK'm)	2011	2010
Fees and commisions from clearing and settlement	1	1
Fees and commisions from credit activities	7	9
Fees and commisions from payments	5	16
Fees from mandatory and other contracts	1	-
Fees and commisions from guarantees	32	25
Fee and commisions income	**46**	**51**
Fees and commisions from clearing and settlement	(1)	-
Fees for received loans from banks	(13)	(8)
Fee for security operations	-	(1)
Fees and commisions for consulting and advisory services	-	(1)
Fees and commisions for rating	(3)	(3)
Fee and commisions expense	**(17)**	**(13)**
Net fee and commission income	**29**	**38**

8 / NET PROFIT FROM FINANCIAL OPERATIONS

Amounts due from the state budget and income from financial operations

(CZK'm)	2011	2010
STATE SUBSIDY TO STATE EXPORT PROMOTION under international rules (OECD Consensus)		
At 1 January	75	325
Receipt of state subsidy	(491)	(742)
Increase in receivables from state budget	474	492
At 31 December	58	75

(CZK'm)	2011	2010
Subsidy income	474	492
Gains from operations with securities	6	3
Realized gains from financial assets and liabilities not carried at fair value through profit	480	495
Costs of derivative transactions with interest rate instruments	(12)	(6)
Income from derivative transactions with interest rate instruments	3	6
Costs of derivative transactions with currency instruments	(1 243)	(316)
Income from derivative transactions with currency instruments	605	686
Net trading income/(expense)	(647)	370
Foreign exchange gains/(losses)	692	(313)
Net profit from financial operations, including state subsidy	**525**	**552**

9 / OPERATING COSTS

(#)	2011	2010
Number of employees	175	149
Average recorded number of employees	158	144
of which: Board and Supervisory Board	*8*	*8*

(CZK'm)	Note	2011	2010
Salaries and emoluments		(134)	(148)
Social and health security costs		(41)	(41)
Other staff costs		(11)	(14)
Staff costs		(186)	(203)
Administrative expenses		(69)	(57)
Operating lease rentals		(19)	(19)
Total administrative expenses		(274)	(279)
Software amortisation	18	(9)	(4)
Depreciation of long term tangible assets		(17)	(13)
Depreciation and amortization		(26)	(17)
Contribution of the Deposit Insurance Fund		(2)	(2)
Legal costs and control activities		(2)	(14)
Advice		-	(6)
Cost of recovery		(12)	(36)
Contractual fines and penalties		-	-
Value added tax		-	-
Other		(1)	(1)
Other operating expenses		(17)	(59)
Dissolution (creation) of reserves	22	(10)	14
Total operating costs		**(327)**	**(341)**

In 2011, the salaries and bonuses paid to the members of the Board of Directors and the Supervisory Board amounted to CZK 30 million (2010: CZK 33 million).

10 / IMPAIRMENT LOSSES ON LOANS

(CZK'm)	2011	2010
Creation of allowances for receivables to banks	(58)	(113)
Creation of allowances for receivables to clients	(890)	(937)
Allowances for losses on loans to banks	114	64
Utilisation and release of allowances on loans to customers	277	1 186
Receivables from banks written off	(267)	-
Receivables from clients written off	(88)	(878)
Claims from credit insurance on bad debts to banks	204	56
Claims from credit insurance on bad debts to customers - received indemnity	180	452
Claims from credit insurance on bad debts to banks	-	-
Claims from credit insurance on bad debts to customers - the other to ensure	1	-
Impairment losses on loans	(527)	(170)

The year-on-year increase in the costs of creating allowances is due to the increased amount of risky receivables. The principal reason relates to the adverse impact of the global and economic developmentson certain territories which are significant in terms of the distribution of the Bank's loan portfolio as well as Czech companies focused on export.

11 / INCOME TAX

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

(CZK'm)	Note	2011	2010
Income tax payable		(174)	(145)
Deferred tax	23	1	(1)
Income tax expense		(173)	(146)
Profit before taxation		334	217
Expected tax 19% (2010: 19%)		(63)	(41)
Effects of non-taxable expenses		(183)	(309)
Effects of non-taxable income		74	203
Other		(1)	1
Income tax expense		(173)	(146)

Tax non-deductible expenses and income predominantly include the creation and release of tax non-deductible allowances for receivables from clients amounting to CZK -376 million in 2011 (2010: CZK -144 million).

12 / CASH AND CASH EQUIVALENTSY

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

(CZK'm)	Note	2011	2010
Cash and balances with central banks	13	1 962	642
Placements with other banks	14	3 331	1 826
Total cash and cash equivalents		5 293	2 468

13 / CASH AND BALANCES WITH THE CENTRAL BANK

(CZK'm)	Note	2011	2010
Reverse repo transactions included in cash equivalents		1 800	600
Mandatory reserve deposits with central bank		162	42
Cash and balances with central bank	12	**1 962**	**642**

Minimum obligatory reserves are set up as 2% of deposits from non-banking clients which have a maturity shorter than 2 years, recorded at the end of the month preceding the month in which the relevant period begins. As these balances are available on a daily basis, these are included in cash and cash equivalents.

14 / LOANS AND RECEIVABLES

(CZK'm)	2011	2010
Bonds not quoted in an active market issued by banks	51	-
Total bonds not quoted in an active market	51	-
Loans to banks	4 298	4 139
Loans to other entities	65 454	55 647
Other undifferentiated receivables	9	70
oans and receivables	69 761	59 856
Total loans and receivables	**69 812**	**59 856**
Remaining maturity:		
Current loans to customers	4 773	3 906
Non-current loans to customers	65 039	55 950

Loans to banks

(CZK'm)	Note	2011	2010
Current accounts with other banks		15	28
Placements with other banks due within 3 months		3 316	1 798
Included in cash equivalents	12	3 331	1 826
Bonds not quoted in an active market		51	-
Loans to other banks		967	2 372
Loans and advances to credit institutions without compromising total		4 349	4 198
Allowance for loan impairment		-	(59)
Total loans to banks		4 349	4 139
Remaining maturity:			
Current loans to banks		3 533	2 697
Non-current loans to banks		816	1 442

Allowances for impairment on loans to banks

(CZK'm)	2011	2010
Balance at 1 January	**(59)**	**(12)**
Additions to allowance	(58)	(112)
Utilisation for write offs	114	-
Release of allowance	-	65
Net movement in allowances	56	(47)
Foreign exchange differences	3	-
Balance at 31 December	**-**	**(59)**

Loans to other than credit institutions

(CZK'm)	2011	2010
LOANS TO CORPORATE ENTITIES		
Pre-export funding	1 279	1 402
Export funding	51 018	39 809
Investment	13 421	14 103
Operating	518	528
For bank guarantee	1	1
For factoring	211	167
Sale of receivables	2	-
Loans and advances to customers without compromising total	66 450	56 010
Allowance for loan impairment	(996)	(363)
Total loans to corporate entities	**65 454**	**55 647**

Remaining maturity:		
Current loans to customers	1 231	1 138
Non-current loans to customers	64 223	54 509

Allowances for impairment on loans to other than credit institutions

(CZK'm)	2011	2010
At 1 January	(363)	(544)
Additions to allowance	(890)	(937)
Utilisation for write offs	26	896
Release of allowance	251	290
Net movement in allowances	(613)	249
Foreign exchange differences	(20)	(68)
At 31 December	(996)	(363)

Other undifferentiated receivables

(CZK'm)	2011	2010
Receivables from reinvoicing of incurred expenses	8	29
Receivable from insurance with EGAP	-	39
Personnel loans from social fund	1	1
Operating prepayments	-	1
Rent-related services (EGAP)	-	-
Total other undifferentiated receivables	9	70

Remaining maturity:		
Current debts	9	70
Non-current debts	-	-

The original cost reimbursement is based on the contractual documentation of business cases. This is the cost incurred by the Bank in connection with the business case, especially on legal costs, insurance, control, etc. These costs are charged to the client for payment in line with the contract.

The Bank has created no allowances for undifferentiated receivables.

15 / DERIVATIVE FINANCIAL INSTRUMENTS

The Bank uses the derivative instruments exclusively for hedging. For each derivative, it is decided whether hedging accounting should be applied to it in terms of IAS 39.

The Bank uses these derivative financial instruments:

Derivatives total

(CZK'm)	Notional amount		Fair values	
	Assets	Liabilities	Assets	Liabilities
31 December 2011				
Derivatives held for trading	12 527	13 282	14	755
Hedging derivatives	34 210	34 210	102	2 364
Total derivatives	**46 737**	**47 492**	**116**	**3 119**
Remaining maturity:				
Short-term derivatives held for trading	1 372	1 495	3	126
Long-term derivatives held for trading	11 155	11 787	11	629
Short-term hedging derivatives	3 053	3 053	-	87
Long-term hedging derivatives	31 157	31 157	102	2 277
31 December 2010				
Derivatives held for trading	4 671	4 672	62	61
Hedging derivatives	35 679	35 679	81	2 008
Total derivatives	**40 350**	**40 351**	**143**	**2 069**
Remaining maturity:				
Short-term derivatives held for trading	2 651	2 668	28	45
Long-term derivatives held for trading	2 020	2 004	34	16
Short-term hedging derivatives	3 817	3 817	-	82
Long-term hedging derivatives	31 862	31 862	81	1 926

Derivatives held for trading

(CZK'm)	Notional amount		Fair values	
	Assets	Liabilities	Assets	Liabilities
31 December 2011				
FOREIGN EXCHANGE DERIVATIVES				
Currency swaps	1 271	1 394	1	125
INTEREST RATE DERIVATIVES				
Interest rate swaps	320	320	2	10
Cross-currency interest rate swap	10 936	11 568	11	620
Total derivatives held for trading	**12 527**	**13 282**	**14**	**755**
31 December 2010				
FOREIGN EXCHANGE DERIVATIVES				
Currency swaps	2 601	2 618	28	45
INTEREST RATE DERIVATIVES				
Interest rate swaps	240	240	4	6
Cross-currency interest rate swap	1 780	1 764	30	10
Forward rate agreement	50	50	-	-
Total derivatives held for trading	**4 671**	**4 672**	**62**	**61**

The Bank undertakes transactions in foreign exchange and interest rate derivatives mainly with other financial institutions.

Hedging fair value derivatives

In accordance with the strategy in the area of managing the interest structure of assets and liabilities, the Bank executed interest rate swaps, thus hedging the fair value of part of the interest payments from received loans in CZK and part of the interest payments of the EUR or USD loan provided (it transfers the fixed interest payments to the variable ones). In 2011, the Bank concluded interest rate swaps hedging the fair value with the notional amount of EUR 20 million.

Testing hedging effectiveness indicated that hedging is highly effective and complies with the requirements of IAS 39.

(CZK'm)	Notional amount		Fair values	
	Assets	Liabilities	Assets	Liabilities
31 December 2011				
INTEREST RATE DERIVATIVES				
Interest rate swaps	13 360	13 360	102	620
Total hedging derivatives	13 360	13 360	102	620
31 December 2010				
INTEREST RATE DERIVATIVES				
Interest rate swaps	11 722	11 722	81	355
Total hedging derivatives	11 722	11 722	81	355

Hedging cash flow derivatives

The Bank arranged interest rate swaps in order to hedge cash flows from future liabilities of the Bank (loans subject to variable interest and bond issues with variable coupons). Through interest swaps it transfers the variable interest payments of the Bank's funds to fixed ones, thus hedging the cash flows of the financial liabilities of the Bank. In 2011, no new swap hedging cash flows was concluded.

Testing the hedging effectiveness showed that hedging is highly effective and it complies with the requirements of IAS 39. The effective part of the change of fair value of hedging interest rate swaps is recognized in equity. The Bank recorded a loss related to the ineffective portion of the amount of CZK 336 and 373 thousand CZK in 2011 and 2010, respectively.

(CZK'm)	Notional amount		Fair values	
	Assets	Liabilities	Assets	Liabilities
31 December 2011				
INTEREST RATE DERIVATIVES				
Interest rate swaps	20 850	20 850	-	1 744
Total hedging derivatives	20 850	20 850	-	1 744
31 December 2010				
INTEREST RATE DERIVATIVES				
Interest rate swaps	23 957	23 957	-	1 653
Total hedging derivatives	23 957	23 957	-	1 653

16 / FINANCIAL INSTRUMENTS AVAILABLE-FOR-SALE AND HELD-TO-MATURITY

Available-for-sale and held-to-maturity financial assets are represented in the Bank only by the portfolio of investment securities.

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

Sorting by listing status

(CZK'm)	2011	2010	2011	2010	2011	2010
		Total		AA+ to AA-		A+ to A-
SECURITIES AVAILABLE-FOR-SALE						
– listed	2 992	1 646	2 992	-	-	1 646
– unlisted	52	102	-	-	52	102
Total	3 044	1 748	2 992	-	52	1 748
SECURITIES HELD-TO-MATURITY						
– listed	1 070	472	1 017	-	53	472
– unlisted	-	99	-	-	-	99
	1 070	571	1 017	-	53	571
REPURCHASE AGREEMENT - SECURITIES HELD-TO-MATURITY						
– listed	1 291	1 254	-	-	1 291	1 254
– unlisted	-	-	-	-	-	-
	1 291	1 254	-	-	1 291	1 254
Total	2 361	1 825	1 017	-	1 344	1 825

Pledged assets represent securities used in standard repurchase agreements.

Sorted by residual maturity

(CZK'm)	2011	2010	2011	2010	2011	2010
		Total		AA+ to AA-		A+ to A-
SECURITIES AVAILABLE-FOR-SALE						
– short term	530	295	530	-	-	295
– long term	2 514	1 453	2 462	-	52	1 453
Total	3 044	1 748	2 992	-	52	1 748
SECURITIES HELD-TO-MATURITY						
– short term	151	145	151	-	-	145
– long term	919	426	866	-	53	426
	1 070	571	1 017	-	53	517
REPURCHASE AGREEMENT - SECURITIES HELD-TO-MATURITY						
– short term	1 291	-	-	-	1 291	-
– long term	-	1 254	-	-	-	1 254
	1 291	1 254	-	-	1 291	1 254
Total	2 361	1 825	1 017	-	1 344	1 825

In 2011 and 2010, no impairment of investment securities was noted.

17 / TANGIBLE FIXED ASSETS

(CZK'm)	Office equipment	Motor vehicles	Unfinished investment	Total
COST				
At 1 January 2010	57	8	8	73
Additions	36	-	32	68
Disposals	(1)	(3)	(36)	(40)
At 31 December 2010	92	5	4	101
Additions	10	5	19	34
Disposals	(8)	(1)	(15)	(24)
At 31 December 2011	94	9	8	111
ACCUMULATED DEPRECIATION				
At 1 January 2010	(49)	(4)	-	(53)
Additions	(12)	(1)	-	(13)
Disposals	2	2	-	4
At 31 December 2010	**(59)**	**(3)**	-	**(62)**
Additions	(16)	(1)	-	(17)
Disposals	8	1	-	9
At 31 December 2011	**(67)**	**(3)**	-	**(70)**
CLOSING NET BOOK AMOUNT				
At 31 December 2010	**33**	**2**	**4**	**39**
At 31 December 2011	27	6	8	41

18 / INTANGIBLE FIXED ASSETS

(CZK'm)	2011	2010
SOFTWARE		
At 1 January		
Costs	178	121
Accumulated amortisation	(100)	(96)
Opening net book amount	**78**	**25**
Additions	36	70
Disposals	(30)	(13)
Accumulated amortisation	(7)	(4)
At 31 December		
Cost	184	178
Accumulated amortisation	(107)	(100)
Closing net book amount	**77**	**78**

19 / OTHER ASSETS

(CZK'm)	2011	2010
Insurance benefit claim from EGAP	207	-
Receivable from services provided to clients relating to business	-	8
Receivables - state subsidy	58	76
Prepayments and accrued income	21	43
Other receivables	-	6
Total other assets	**286**	**133**

Remaining maturity:		
Current other assets	74	92
Non-current other assets	212	41

20 / FINANCIAL LIABILITIES HELD AT AMORTIZED COST

Total financial liabilities held at amortized cost

(CZK'm)	2011	2010
Deposits and other financial liabilities at amortized cost due to banks	5 400	6 049
Deposits and other financial liabilities at amortized cost due to clients	6 860	5 664
Other undifferentiated financial liabilities at amortized cost	50	125
Deposits, loans and other financial liabilities at amortized cost	12 310	11 838
Issued bonds at amortized cost	58 569	46 852
Subordinated liabilities at amortized cost	-	-
Total financial liabilities at amortized cost	70 879	58 690
Remaining maturity:		
Current	17 481	12 723
Non-current	53 398	45 967

Due to banks

(CZK'm)	2011	2010
Short term deposits received	1 775	868
Borrowings	3 625	5 181
Total financial liabilities at amortized cost due to banks	5 400	6 049
Type of rate:		
Fixed interest rates	5 400	6 049
Variable interest rates	-	-
Remaining maturity:		
Current	2 408	4 161
Non-current	2 992	1 888

Due to clients

(CZK'm)	2011	2010
Current accounts	1 018	1 650
Term deposits	3 815	2 016
Escrow accounts	152	153
Loans received from clients	1 862	1 830
Other short term liabilities	13	15
Total financial liabilities at amortized cost due to clients	6 860	5 664
Type of rate:		
Fixed interest rates	6 322	5 314
Variable interest rates	95	110
Interest free deposits	443	240
Remaining maturity:		
Current	4 855	3 714
Non-current	2 005	1 950

Escrow deposits are deposits from clients held as a form of cash security for credit lines given.

Debt securities in issue

(CZK'm)						31 December 2011		31 December 2010	
ISIN	Nominal	Currency	Issued	Maturity	Rate		(%)		(%)
LISTED BONDS									
XS0302244933	120	EUR	23 May 2007	23 May 2016	FLOAT	3 191	1.543	3 085	1.050
XS0302244420	50	EUR	23 May 2007	23 May 2014	FLOAT	1 313	1.533	1 273	1.040
XS0332366383	50	EUR	23 November 2007	23 November 2012	FIX	1 295	4.354	1 258	4.354
XS0332367274	50	EUR	23 November 2007	23 November 2017	FIX	1 295	4.555	1 258	4.555
XS0343076526	100	EUR	31 January 2008	31 January 2011	FIX	-	-	2 595	3.860
XS0370210675	50	EUR	13 June 2008	13 June 2013	FLOAT	1 301	1.891	1 266	1.409
XS0386569882	70	EUR	15 September 2008	15 September 2011	FLOAT	-	-	1 767	1.318
XS0388131533	50	EUR	15 September 2008	15 September 2012	FLOAT	1 305	1.689	1 364	5.385
XS0417496790	150	EUR	17 March 2009	17 March 2012	FLOAT	3 883	1.474	3 712	1.139
XS0425436911	150	USD	24 April 2009	29 April 2014	FLOAT	3 070	2.753	2 886	2.788
XS0446116518	50	EUR	17 August 2009	17 August 2014	FLOAT	1 324	2.853	1 279	2.653
XS0458720330	70	USD	22 October 2009	22 October 2014	FIX	1 404	4.015	1 320	4.015
XS0458720769	70	USD	22 October 2009	22 October 2015	FIX	1 405	4.375	1 320	4.375
XS0458720926	70	USD	22 October 2009	22 October 2016	FIX	1 405	4.687	1 321	4.687
XS0499380128	150	EUR	15 April 2010	15 April 2015	FLOAT	3 941	2.256	3 800	1.839
XS0501185929	150	EUR	15 April 2010	15 April 2020	FIX	3 981	4.195	3 869	4.195
XS0520250365	50	USD	25 June 2010	25 June 2014	FLOAT	1 005	1.558	939	1.502
XS0523144961	200	EUR	8 July 2010	8 July 2013	FLOAT	5 233	2.023	5 050	1.835
XS0524914362	150	EUR	12 July 2010	12 July 2017	FIX	3 924	3.850	3 809	3.850
XS0565318150	100	EUR	8 December 2010	8 December 2016	FLOAT	2 585	2.169	2 502	1.706
XS0583192108	50	USD	24 January 2011	25 January 2016	FLOAT	962	0.253	-	-
XS0598967502	70	EUR	24 January 2011	25 January 2016	FIX	1 867	4.407	-	-
XS0616463294	70	EUR	3 March 2011	3 March 2021	FLOAT	1 816	2.009	-	-
XS0630593233	3 675	CZK	21 April 2011	23 April 2013	FLOAT	3 681	2.270	-	-
XS0680917647	3 675	CZK	26 May 2011	26 May 2021	FLOAT	3 696	2.260	-	-
XS0716679955	50	EUR	22 September 2011	24 September 2018	FIX	1 289	2.130	-	-
UNLISTED BONDS									
XS0315538651	50	EUR	13 August 2007	13 August 2012	FIX	1 313	4.682	1 275	4.682
XS0703296383	20	USD	3 November 2011	3 February 2012	FIX	399	0.670	-	-
XS0708678262	15	EUR	18 November 2011	18 January 2012	FIX	387	1.320	-	-
XS0697817723	15	USD	24 October 2011	24 January 2012	FIX	299	0.550	-	-
						58 569		**46 852**	
Remaining maturity:									
Current						10 168		4 723	
Non-current						48 401		42 129	

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

21 / OTHER LIABILITIES

(CZK'm)	2011	2010
Accruals and deferrals	61	49
Miscellaneous payables	1	1
Total other liabilities	**62**	**50**
Remaining maturity:		
Current other liabilities	2	41
Non-current other liabilities	60	9

22 / PROVISIONS

(CZK'm)	Note	2011	2010
PROVISION FOR EMPLOYMENT BENEFITS			
At 1 January		3	2
Additions to provision		10	1
Usage of provision		-	-
At 31 December		13	3
PROVISION FOR GUARANTEES GIVEN			
At 1 January		-	15
Release of reserves		-	(15)
At 31 December		0	0
Total provisions		13	3

23 / DEFERRED INCOME TAXES

Deferred income tax for 2011 is calculated using a tax rate for years of expected use of the deferred tax in the amount of 19% for 2012 and the following years.

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

(CZK'm)	Note	2011	2010
At 1 January		331	296
Deferred tax on tangible and intangible assets		-	(2)
Tax non-deductible creation of allowances for losses on loans		1	1
Total income statement charge	11	1	(1)
AVAILABLE-FOR-SALE SECURITIES			
– fair value remeasurement reported in revaluation reserve	25	9	-
– changes at fair value of available-for-sale securities	25	(1)	(1)
CASH FLOW HEDGES			
– fair value remeasurement	25	142	(96)
– fair value changes realised to income statement	25	(118)	133
At 31 December		364	331

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

(CZK'm)	2011	2010
DEFERRED INCOME TAX LIABILITIES		
Accelerated tax depreciation	(2)	(2)
Available-for-sale securities	-	(5)
	(2)	(7)
DEFERRED INCOME TAX ASSETS		
Deferred fee and interest income	2	2
Tax non-deductible creation of allowances for losses on loans	54	52
Available-for-sale securities	3	-
Cash flow hedges	307	284
	366	338
Net deferred income tax assets/(liabilities)	364	331

Deferred income tax assets and liabilities are offset since there is a legally enforceable right to offset tax assets against tax liabilities.

24 / SHARE CAPITAL

Under Act No. 58/1995 Coll., at least two thirds of the Bank's shares must be owned by the Czech state. The state's share rights are executed by four ministries (Note 1). The remaining shares must be owned by EGAP.

(CZK'm)	Number of shares	Nominal value per share	Total nominal value	Share
	(#)			%
31 December 2011				
Czech state	2 200	1	2 200	
Czech state	100	10	1 000	
Czech state total[1]	2 300		3 200	80.0
EGAP	300	1	300	
EGAP	50	10	500	
EGAP total	350		800	20.0
Total	**2 650**		**4 000**	**100.0**
31 December 2010				
Czech state	2 200	1	2 200	
Czech state	100	10	1 000	
Czech state total[1]	2 300		3 200	80.0
EGAP	300	1	300	
EGAP	50	10	500	
EGAP	350		800	20.0
Total	**2 650**		**4 000**	**100.0**

[1] Ministry of Finance, Letenská 525/15, Prague 1
Ministry of Industry and Trade, Na Františku 1039/32, Prague 1
Ministry of Foreign Affairs, Loretánské nám. 101/5, Prague 1
Ministry of Agriculture, Těšnov 65/17, Prague 1

25 / VALUATION DIFFERENCES

(CZK'm)	Note	2011	2010
AVAILABLE-FOR-SALE SECURITIES			
At 1 January		**19**	**20**
Net gains / (losses) from changes in fair value		(48)	(3)
Deferred income taxes	23	9	-
Reclassification cumulative profit/(-) loss on proceeds from sale of securities available-for-sale to profit and loss		6	3
Deferred income taxes transfer from equity to profit and loss	23	(1)	(1)
Total change		**(34)**	**(1)**
At 31 December		**(15)**	**19**
CASH FLOW HEDGES			
At 1 January		**(1 206)**	**(1 052)**
Net gains / (losses) from changes in fair value		(744)	510
Deferred income taxes	23	142	(96)
Amount charged to income statement from equity		619	(701)
Deferred income taxes transfer from equity to profit and loss	23	(118)	133
Total change		**(101)**	**(154)**
At 31 December		**(1 307)**	**(1 206)**
Revaluation Total		**(1 322)**	**(1 187)**

26 / RESERVES

Statutory reserve

In accordance with the Commercial Code, the Bank is required to set aside a statutory reserve in equity from profit or from shareholders' contributions.

Five percent of net profit shall be allocated to the statutory reserve until the level of 20% of share capital is achieved. This reserve can be used exclusively to cover losses.

The share capital of the Bank was increased by CZK 1,050 million to CZK 4,000 million. In 2011, the Bank continued in gradually replenishing the statutory reserve fund from profit distribution to arrive at 20% of the share capital.

Export risk reserve

The export risk reserve is set aside from retained earnings to cover increased non-hedged credit risk associated with the operation of supported financing.

27 / CONTINGENT LIABILITIES AND COMMITMENTS

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

Provided credit commitments are guarantees

(CZK'm)	2011	2010
CREDIT COMMITMENTS		
Payment guarantees	84	-
Non-payment guarantees[2)]	3 066	3 296
Irrevocable commitments	17 212	13 594
Guarantees from confirmed letter of credit	3	3
Total	**20 365**	**16 893**

Received collateral and pledges

(CZK'm)	2011	2010
Payment guarantees	5 756	5 002
Non-payment guarantees[2)]	7	6
Total accepted guarantees	**5 763**	**5 008**
Insurance with state subsidy	76 927	65 483
Insurance without state subsidy	251	75
Total accepted insurance	**77 178**	**65 558**
Cash	133	192
Securities	105	162
Pledged receivables	15	33
Total other collateral accepted	**253**	**387**
Securities accepted in reverse repo transactions	**1 766**	**1 079**

[2)] Non-payment guarantees are guarantees under which the Bank is liable for non-monetary obligations of the customer.

Contingent assets (guarantees, collateral and insurance accepted) are stated at value which represents the expected fulfilment from contingent assets by the Bank in the case of a debtor's failure and subsequent foreclosure.

Operating leasing

The Bank is committed to future minimum lease payments under the operating lease of buildings of indefinite duration and 12-month notice period, as follows:

(mil. Kč)	2011	2010
Do 1 roku	19	18

28 / RELATED-PARTY TRANSACTIONS

The Bank provides specialized services supporting export activities in accordance with Act No. 58/1995 Coll. This Act also determines the structure of the shareholders; the Bank is fully controlled by the Czech state which owns 80% of the Bank's share capital directly and 20% of the share capital indirectly via EGAP, which is fully owned by the Czech state.

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

Transactions with related parties are conducted in the normal course of business. All fees related to collateral and guarantees received, including credit insurance premiums, are borne by the debtors.

The types and outstanding balances of related-party transactions at the balance sheet date and related expense and income for the year are as follows:

Balances with entities controlled by the same controlling entity (Czech state)

(CZK'm)	2011		2010	
FINANCIAL ASSETS	Balance at 31 December	Income	Balance at 31 December	Income
MEZIBANKOVNÍ DEPOZITA				
Česká národní banka (central bank)	**1 962**	**13**	**642**	**4**
BONDS HELD-TO-MATURITY				
ČEZ, a. s.	-	-	-	3
Ministerstvo financí ČR	4 009	82	2 164	66
	4 009	**82**	**2 164**	**69**
INSURANCE CLAIMS RECEIVABLE				
EGAP, a.s.	**207**	**14**	**-**	**-**
Total financial assets	**6 178**	**109**	**2 806**	**73**

(CZK'm)	2011		2010	
FINANCIAL LIABILITIES	Balance at 31 December	Expense	Balance at 31 December	Expense
DUE TO CLIENTS				
EGAP, a.s.	2 726	23	1 933	16
Českomoravská záruční a rozvojová banka	1 014	14	-	-
Ministerstvo financí ČR	-	-	-	4
	3 740	**37**	**1 933**	**20**
LOANS RECEIVED FROM CLIENTS				
Ministerstvo financí ČR	1 862	117	1 830	82
Total financial liabilities	**5 602**	**154**	**3 763**	**102**

Movements on the Czech state subsidy account for the losses arising from and covered by the Czech state are disclosed in Note 8.

29 / SUBSEQUENT EVENTS

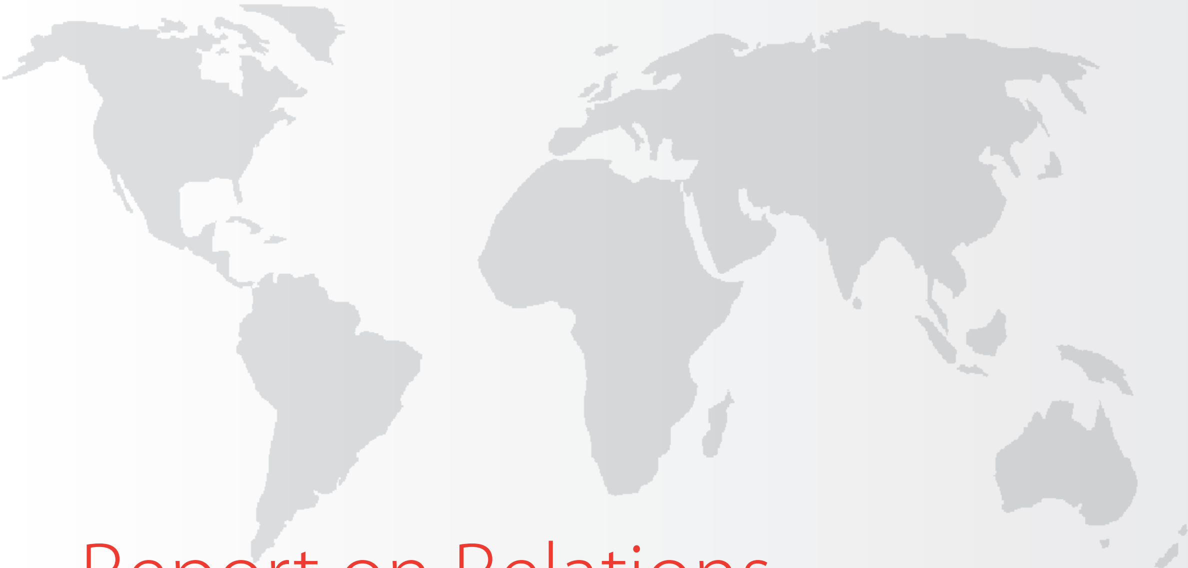
There were no events subsequent to the year-end through the date of the preparation of the financial statements, which would have a material impact on the financial statements of the Bank for the year ended 31 December 2011.

Date of preparation:
20 March 2012

Signed on behalf of the Bank's Board Directors:

Ing. Tomáš Uvíra
Chairman of the Board of Directors
And CEO

Ing. Miloslav Kubišta
Member of the Board of Directors
and Deputy CEO



Report on Relations

with Related Parties

5. Report on Relations between the Controlling and the Controlled Entity and between the Controlled Entity and Other Entities Controlled by the Same Controlling Entity (hereinafter the "Related Parties")

Pursuant to Section 66a (9-11) of Act 513/1991 Coll., the Commercial Code, as amended

5.1. Controlled Entity

Name of the Entity:	Česká exportní banka, a.s. (hereinafter also the "Bank")
Registered Office:	Prague 1, Vodičkova 34/701, 111 21
Corporate ID:	63078333
Tax ID:	CZ63078333

Recorded in the Register of Companies held at the Municipal Court in Prague, File B, Insert 3042.

5.2. Controlling Entity

Česká exportní banka, a.s. is controlled by the State. The State executes its shareholder rights directly through the ministries referred to below and indirectly through Exportní garanční a pojišťovací společnost, a.s.

Composition of Shareholders as of 31 December 2011

1. State	80% of shares
In order to determine the majority of votes of the ministries, the votes are divided as follows:	
Ministry of Finance of the Czech Republic	52 votes
based at Letenská 15, Prague 1, 118 10, corporate ID: 6947	
Ministry of Industry and Trade of the Czech Republic	30 votes
based at Na Františku 32, Prague 1, 110 15, corporate ID:47609109	
Ministry of Foreign Affairs of the Czech Republic	12 votes
based at Loretánské náměstí 5, Prague 1, 180 00, corporate ID: 45769851	
Ministry of Agriculture of the Czech Republic	6 votes
based at Těšnov 17, Prague 1, 117 05, Corporate ID: 00020478	
2. Exportní garanční a pojišťovací společnost, a.s.	20% of shares
based at Vodičkova 34, Prague 1, 111 21, corporate ID: 45279314	

Share Capital	CZK 4,000,000,000	International Securitie Identification Number (ISIN)
1. State	100 shares with a nominal value of CZK 10 million	CZ0008040987
	2,200 shares with a nominal value of CZK 1 million	CZ0008040995
2. Exportní garanční a pojišťovací společnost, a.s	50 shares with a nominal value of CZK 10 million	CZ0008040987
	300 shares with a nominal value of CZK 1 million	CZ0008040995

Česká exportní banka, a.s. does not have controlling influence in any company.

5.3. Reporting Period

This report describes the relations between the related parties for the most recent reporting period, ie for the year ended 31 December 2011.

5.4. Related Party Transactions

Pursuant to the information available to Česká exportní banka, a.s., the State currently acts as a controlling entity in the following entities with which the Bank was in a contractual relation in 2011:

- Česká agentura na podporu obchodu/CzechTrade, corporate ID: 00001171
- Česká národní banka, corporate ID: 48136450
- Česká pošta, s.p., corporate ID: 47114983
- ČESKÁ TELEVIZE, corporate ID: 00027383
- ČESKÝ ROZHLAS, corporate ID: 45245053
- Českomoravská záruční a rozvojová banka, a.s., corporate ID: 44848943
- Exportní garanční a pojišťovací společnost, a.s., corporate ID: 45279314.
- Ministry of Finance of the Czech Republic, corporate ID: 00006947

5.4.1. In the reporting period, the Bank had the following securities in its portfolio:

- Ministry of Finance of the Czech Republic, corporate ID: 00006947 – bonds

5.4.2. In the reporting period, the Bank concluded related party transactions as follows:

Banking transactions on the assets side of the balance sheet of ČEB, a.s.

Related party	Name of contract	Number of contracts
Česká národní banka (Czech National Bank)	Contract for participation in the CERTIS payment system	1

b) Banking transactions on the liabilities side of the balance sheet of ČEB, a.s.

Related party	Name of contract	Number of contractst
Českomoravská záruční a rozvojová banka, a.s.	Interbank transaction – treasury	1

5.4.3. Non-Banking Related Party Contractual Transactions

Related party	Name of contract	Number of contractst
Exportní garanční a pojišťovací společnost, a.s.	Contract for the insurance of export-related credit risks	28
	Amendments to the contracts for the insurance of export-related credit risks	25
	Contracts on the arrangement of the rights and obligations concluded in relation to insurance compensation in line with insurance contracts	3
	Contracts for the assignment of receivables (assignment of receivables after the payment of insurance compensations in line with insurance contracts)	2

The contracts were concluded under arm's length conditions and the Bank suffered no detriment arising from these contracts.

5.5. Other Legal Acts Effected in the Interest or on the Initiative of the Related Parties

No other legal acts were effected in the interest of the related parties in 2011.

5.6. Other Measures Adopted

Pursuant to Act No. 58/1995 Coll., as amended, Česká exportní banka, a.s. provides state supported financing of export. In line with the relevant act, the State is obligated to pay for the determined losses which the Bank incurs in operating the supported financing. The State also provides guarantee for the Bank's liabilities in the scope defined by Act No. 58/1995 Coll.

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

5.7. Performance Received and Provided

In 2011, EGAP, a.s. paid insurance compensations in the amount of CZK 424.8 million to the Bank. In addition to this performance, no other performance arising from the concluded contracts was provided or received in 2011. The only exception are the usual fees related to the provision of bank products, insurance premium payment and its rebilling and the fees related to the maintenance of current and deposit accounts. In addition, in the reporting period the Bank received and paid interest as a result of related party transactions, as reported in the assets and liabilities of the balance sheet. The performance received and provided was realised at market terms and conditions.

In accordance with Act No. 58/1995 Coll., the State provided subsidies arising from the officially supported export financing under international rules (specifically the OECD Consensus) in the aggregate amount of CZK 491.4 million, ie an additional payment of the subsidy for 2010 in the amount of CZK 75.6 million and the payment of subsidy advances for 2011 in the amount of CZK 415.8 million. The aggregate amount of the subsidy for 2011 is CZK 474.3 million.

5.8. Legal Disputes

Česká exportní banka, a.s. is not involved in any legal dispute with the State or an entity controlled by the State.

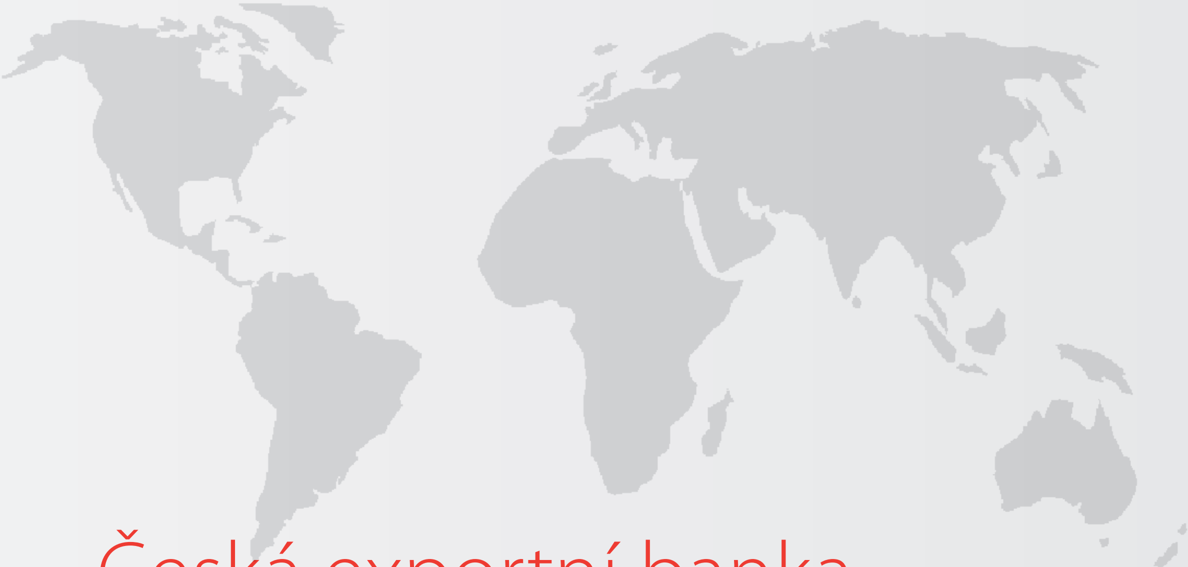
5.9. Statement of the Board of Directors

The Board of Directors states that the Bank suffered no detriment based on the legal arrangements between the Bank and the related parties during the reporting period ended 31 December 2011.

In Prague on 15 March 2012

Ing. Tomáš Uvíra
Chairman of the Board of Directors
and CEO

Mgr. Luboš Vaněk
Vice-Chairman of the Board of Directors
and Deputy CEO



Česká exportní banka

Vodičkova 34, P.O. BOX 870, 111 21 Praha 1, tel.: +420 222 843 111, fax: +420 224 226 162, e-mail: ceb@ceb.cz, www.ceb.cz


WWW.CEB.CZ