



Annual Report

2022



Table of contents

Letter from the President of the Management Board	2
Summary of the Report	4
1 Introduction	5
2 The Company's environment	6
3 Organization	7
3.1 Shareholders and Share Capital	7
3.2 Supervisory Board.....	7
3.3 Management Board.....	8
3.4 Employment and Intra-Organizational Changes.....	8
3.5 Subsidiaries.....	10
4 Performance of KUKE in Specific Business Areas	11
4.1 Overall Performance	11
4.2 Activities of KUKE under the Act on Insurance and Reinsurance of 11 September 2015	11
4.2.1 Credit Insurance (Class 14 of chapter II)	11
4.3 Activities of KUKE under the Act on Export Insurance Backed by the State Treasury of 7 July 1994.....	12
5 Sales and promotional activities	14
5.1 Export support system (SWE from Polish term: System Wsparcia Eksportu).....	14
5.2 Changes to short-term insurance products	15
5.3 Marketing and promotion.....	16
5.4 Consequences of the war in Ukraine and reconstruction	16
5.5 Management of sustainable development issues	17
6 Investment activities	20
7 Risk management	22
8 KUKE's Financial Results	23
8.1 Analysis of the Balance Sheet.....	23
8.1.1 Assets.....	24
8.1.2 Liabilities	24
8.2 Analysis of the Technical Insurance Account and General Income Statemen	26
8.3 Analysis of the Structure of Costs by Type.....	28
8.4 Analysis of Performance Indicators.....	29

Letter from the President of the Management Board



Dear Readers,

Year 2022 was another year abundant in unexpected challenges and events that deepened the feeling of uncertainty that surfaced at the end of the previous decade and seemed to have culminated with the outbreak of the pandemic. However, it was the February Russian invasion of Ukraine that has directly and indirectly affected our country even more, and its consequences, still difficult to be fully predicted, will be felt much longer. The war waged east of Poland has considerably affected KUKI operations, both in terms of operating activity and the strategic perspective.

The geopolitical tensions have not subsided, de- and re-globalization processes have clashed, which may create a new

world order. Consequently, the mission and responsibility of institutions such as KUKI has been growing. Our goal has been to secure safe development of the Polish businesses and to support the Polish economy.

Last year, conditions for businesses were extremely demanding given the growing inflation and unstable markets, the increasingly more difficult access to and higher cost of financing, the persisting impact of the pandemic on the supply chains, the weaker financial standing of the domestic and international counterparties. Given such an unfavourable environment, our businesses achieved excellent results. Just look at the results achieved by the exporting companies whose sales in the international markets increased by one fifth, which KUKI also contributed to.

The commercial transactions and investments by Polish companies exceeded PLN 145 billion, which accounts for the equivalent of approx. 5% of GDP. This result was 50% higher than a year before. For exports, the increase reached 80%. Record achievements were recorded for commercial activities pursued in the capacity of an insurance company and activities pursued in the capacity of an export support agency. The highest profit after tax in history (PLN 54.5 million) is not only the result of a double increase in the premium written, but also low claims ratio and effective cost control. This was reflected by the positive technical profit despite the fact that a record high equalisation provision was set up given the growth in business.

Just like the previous year, 2022 was an extremely profitable year for the company in terms of growth rate of revenues and profit and the low claims ratio, which let us increase our market share. We have continuously worked on business diversification so that main profit categories could continue to grow despite a high impact of one-off transactions on the segment of insurance backed by the Treasury. We can create transactions and demand for goods and services from Poland on our own or in co-operation with our partners, also from abroad. In this context, it is worth pointing to the growing use of the instruments which are part of the export support system implemented in 2021, such as Shop in Poland or Polish Envelope. We also extended co-operation with the largest Polish banks, which were more eager to use our insurance bonds for investment and revolving loan repayment, with ex-

port credit agencies from around the world and with multiple international businesses.

One of the consequences of the war in Ukraine was the geographical reformat for the companies which had previously focused on the trade with the West. We reduced rates for the Policy without Borders insurance and encouraged the companies to look for new buyers on other continents. Based on our experience, as the only export credit agency in Europe we maintained insurance of exports to Ukraine, offering the companies from Ukraine financing of import necessary to supply the local market.

I am particularly proud of KUKÉ activities in our relations with Ukraine, and charitable aid provided by our employees. This fact was noticed by competition chapters during competitions organized by Gazeta Bankowa and the Banking and Insurance Leaders. The latter presented us with the award for the Best Insurance Company 2022. This is massive joy and satisfaction for all KUKÉ employees!

Our success is built on people who are brave, honest, have professional knowledge and who are committed to our customers. Last year we proved that we are well prepared for market turmoil and materialisation of extreme scenarios. Year 2023 will not be easier and the economic downturn will pose a new challenge. Yet, as usual, we will continue to support the Polish companies in their development in the domestic market and in the international competition.

Janusz Władyczak

President
of the Management Board

Summary of the Report

Volume of insured transactions

145.69 billion PLN more than the year before by
of receivables and guarantees protected **+49.4%**

Income from the sale of insurance policies and guarantees granted

535.78 million PLN twice as high as in 2021
Increase by **24.8%** - policies (181.09 million PLN of insurance premiums)
and **210.5%** - guarantees (354.69 million PLN of premiums)

Profit

54.49 million PLN KUKE tripled net profit from PLN 17.78 million in 2021
The Highest generated net financial result in Company's history **+206%**

1

Introduction

2022 was a record year in terms of volume of insured transactions. KUKE covered by their protection PLN 145.69 billion of receivables and guarantees (bonds), 49.4% more than a year before.

This increase related to both the Company's commercial activities (PLN 135.09 billion of insured turnover, a year-on-year increase by 47.6%) and those guaranteed by the State Treasury (PLN 10.60 billion of insurance value, a year-on-year increase by 76.7%).

In 2022, revenue generated from the sales of policies and guarantees/bonds granted within both the commercial insurance sector and the State Treasury-backed KUKE insurance line reached the historic level of PLN 535.78 billion; twice as much as in 2021. This increase for the said lines was 24.8% (181.09 million PLN of the premium) and 210.5% (354.69 million PLN of the premium) respectively. The highest contribution to the year-on-year increase in premiums came from medium and long-term insurance (376.4%) and guarantees guaranteed by the State Treasury (316.2%).

KUKE closed the year 2022 with a positive insurance technical result of PLN 28.44 million. In accordance with the insurers' accounting principles, KUKE set up a provision for equalisation of claims in Class 14 (PLN 23.03 million) as a hedge against claims increases in future years. The final balance on technical account of insurance in 2022 was PLN 5.41 million and was comparable to 2021 (PLN 5.49 million).

A significant contribution to the improvement of the Company's financial parameters in the past year was the threefold increase in the positive balance of income and expenses from insurance guaranteed by the State Treasury (to PLN 39.85 million in 2022) and the fourfold increase in revenue from net investment activities (to PLN 22.50 million in 2022).

KUKE tripled its net profit (from PLN 17.78 million in 2021 to PLN 54.49 million in 2022). This is the highest net financial result generated in the Company's history.



2

The Company's Environment

The consequences of Russia's attack on Ukraine affected the entire world economy, including Europe in particular. The war has caused, among other things:

- increased tensions on financial markets,
- unprecedented rise in raw material prices,
- uncertainty in the economy, which is reflected in a decrease in economic growth pace,
- rising inflation.

In this situation, the epidemiological threat receded into the background, although it too continued to leave its mark on supply chains. High economic uncertainty was also associated with government market intervention programmes (anti-inflationary shields, price regulation, etc.) or the lack of NIP (KPO in Polish) and EU funds. All of the above-mentioned factors had a negative impact on the profitability and financial liquidity of Polish companies in particular, which resulted in an increasing number of insolvencies and thus an increase in financial insurance claims. Rising energy commodity prices have translated into a record inflation, limiting competitiveness and production growth. In many European economies, inflation reached levels not seen for decades. The closely related rise in interest rates for heavily indebted companies, combined with lower consumption by individual customers, posed a threat to liquidity.

High energy-intensive industries such as steel foundries, metallurgy, chemicals, mining and transport were particularly affected. Consumer purchasing power and business investment activities were falling down. The result was a global slowdown and the possibility of a recession to appear.

It should be emphasised, however, that the Polish economy, despite the above-mentioned difficulties, has been growing dynamically compared to the EU countries. The expected economic growth in 2022 is 4.9% (source: Polish Central Statistical Office GUS).

According to the data of the Central Statistical Office (GUS), in period of January-November last year, the foreign trade turnover of goods amounted to PLN 1,474 billion in current prices in exports and PLN 1,556 billion in imports. The negative balance stood at PLN 82 billion (compared to a positive balance of PLN 5.5 billion in the corresponding period of 2021). Compared to last year's figures, exports increased by 22.7% and imports by 30.1%.

Poland maintained the largest share in total exports with developed countries - 87.3% (including EU 75.8%), and in imports - 61.9% (including EU 51.3%). In contrast, the smallest share was with Central and Eastern European countries, with 4.8% in total exports and 6.5% in imports. A negative balance was recorded with developing countries - it was PLN 375 billion, while a positive balance was achieved in trade with developed countries amounting to PLN 323 billion, including PLN 318 billion with EU countries.

Macroeconomic data (source: GUS, NBP)

	2021	2022 Forecast
GDP	6.8%	4.9%
Domestic demand	8.4%	5.5%
Overall consumption	5.9%	2.1%
Gross fixed capital formation	2.1%	4.6%
Average annual inflation	5.1%	14.1%
Reference rate (year-end)	1.75%	6.75%*
3-month WIBOR (year-end)	2.54%	7.02%*

*actual data

3

Organization

3.1 Shareholders and Share Capital

As of 31 December 2022, the share capital of KUKE was PLN 135.938.900 and was divided into 1.359. registered shares with the nominal value of PLN 100 each. The capital was paid up in full.

During the financial year, there was no change in the ownership structure and the number of shares.

The structure of the share capital compared to 31 December 2021 did not change and as at 31 December 2022 was as follows:

- The State Treasury represented by the Minister of Economic Development and Technology: 51.55% of the share capital and total number of votes at the General Meeting of Shareholders,
- Bank Gospodarstwa Krajowego: 48.45% of the share capital and total number of votes at the General Meeting of Shareholders.

3.2 Supervisory Board

As at 1 January 2022, the composition of the Supervisory Board of KUKE was as follows:

- Adam Barbasiewicz - Chairman of the Supervisory Board
- Piotr Kaflik
- Wioletta Krasoń
- Paweł Pietrzak
- Wojciech Rząsiecki
- Mariusz Sokołowski

On 15 June 2022, the Ordinary General Meeting of KUKE appointed the Supervisory Board of KUKE for a new term expiring on 31 December 2025 with the composition as follows. In view of the above, the Supervisory Board worked in the following composition:

- Adam Barbasiewicz - Chairman of the Supervisory Board (from 7 July 2022)
- Wioletta Krasoń - Vice Chairwoman of the Supervisory Board (from 7 July 2022)
- Piotr Kaflik
- Artur Pustelnik
- Wojciech Rząsiecki
- Mariusz Sokołowski

On 28 July 2022, The Extraordinary General Meeting of KUKE appointed Paweł Pietrzak as a member of the Supervisory Board.

On 1 December 2022, by resolution of the Extraordinary General Meeting of KUKE, Sylwia Ługowska-Bulak was appointed to the Company's Supervisory Board for a joint term of office.

At the end of the 2022 financial year, the Supervisory Board of KUKE was composed of:

- Adam Barbasiewicz - Chairman of the Supervisory Board
- Wioletta Krasoń - Vice Chairwoman of the Supervisory Board
- Piotr Kaflik
- Sylwia Ługowska-Bulak
- Paweł Pietrzak
- Artur Pustelnik
- Wojciech Rząsiecki
- Mariusz Sokołowski

In accordance with requirements of the Act of 11 May 2017 on Statutory Auditors, Auditing Firms and Public Supervision, which applies to KUKE as the insurer (the entity of public interest), the Audit Committee of the Supervisory Board of KUKE was appointed out of members of the Supervisory Board of KUKE, consisting of the following persons as of 1 January 2022:

- Wojciech Rząsiecki - Chairman
- Adam Barbasiewicz
- Mariusz Sokołowski

On 19.07.2022, The Supervisory Board of KUKE of the new term appointed on 15.06.2022 by the Ordinary General Meeting elected the Audit Committee of the Supervisory Board of KUKE from among its members, consisting of the following members:

- Wojciech Rząsiecki – Chairman
- Artur Pustelnik
- Mariusz Sokołowski

In the above composition, the Audit Committee of the Supervisory Board worked until the end of the 2022 financial year.

3.3 Management Board

For the period from 1 January 2022 to 4 February 2022, the Management Board of KUKE worked in the following composition:

- Janusz Władyczak - President of the Management Board
- Katarzyna Kowalska - Vice President of the Management Board
- Tomasz Ślagórski - Vice President of the Management Board
- Dorota Kleszczewska - Member of the Management Board

On 4 February 2022, the Extraordinary General Meeting dismissed Dorota Kleszczewska, Member of the Management Board of KUKE, from the composition of the Management Board.

The Ordinary General Meeting of KUKE held on 15 June 2022 appointed the Company's Management Board for a new term with the following composition:

- Janusz Władyczak - President of the Management Board
- Katarzyna Kowalska - Vice President of the Management Board

As of 24 June 2022, pursuant to a resolution of the Company's Extraordinary General Meeting, Jan Sarnowski joined the Management Board of KUKE, taking up the position of Board Member. On 30 June 2022, the Extraordinary General Meeting appointed Wiktor Grudzień to the Management Board of KUKE, entrusting him with the function of a Member of the Management Board.

To the end of 2022, the Management Board of KUKE worked in the following composition:

- Janusz Władyczak - President of the Management Board
- Katarzyna Kowalska – Vice President of the Management Board
- Jan Sarnowski - Member of the Management Board
- Wiktor Grudzień - Member of the Management Board

3.4 Employment and Intra-Organizational Changes

In 2022, changes were made to the Organisational Regulations of KUKE together with a change in the organisational structure.

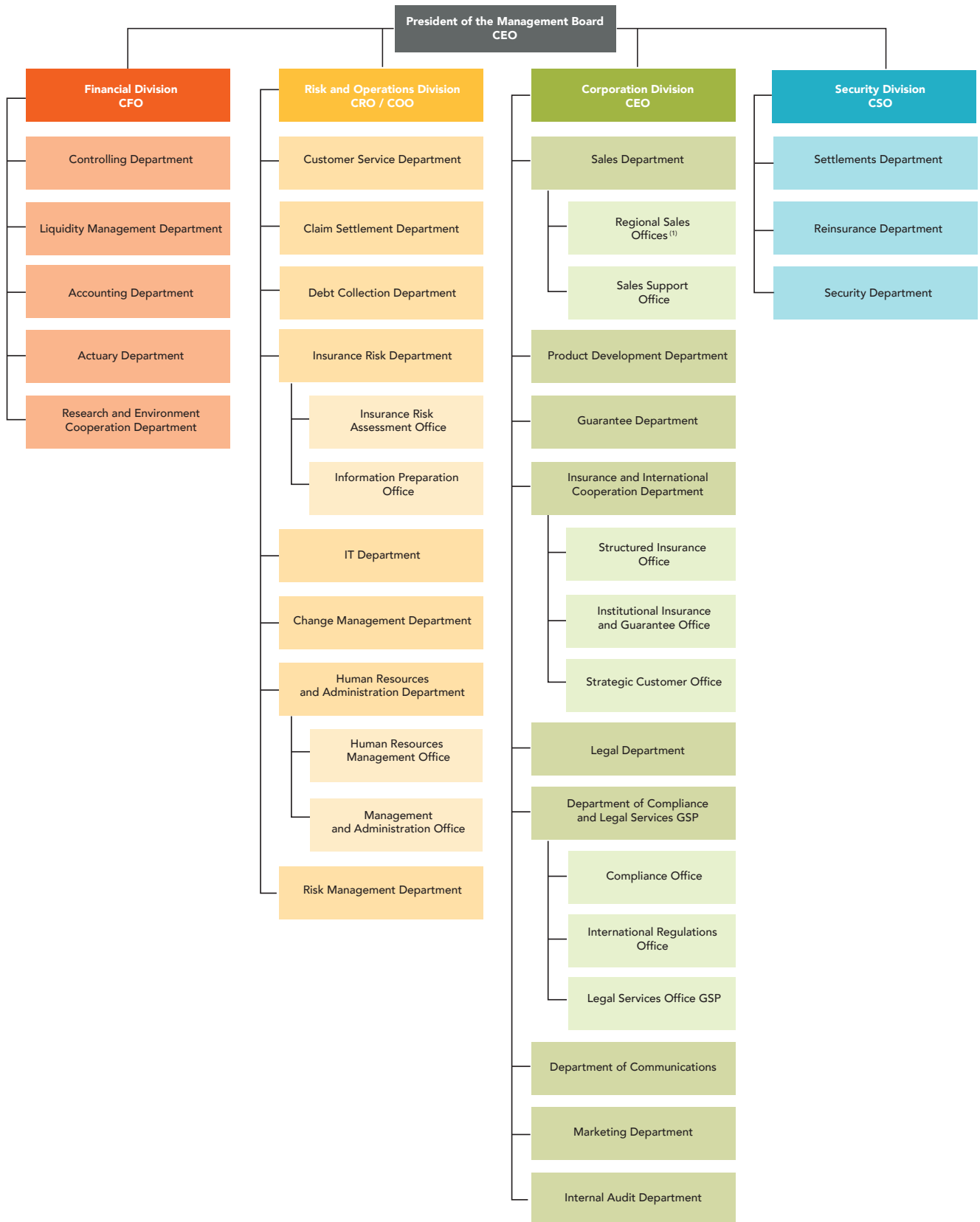
The following were reorganised:

- The Company's Finance Division, which has been split into the Finance Division and the Security Division,
- The Operations Division has been renamed to the Risk and Operations Division,
- Marketing and Customer Experience Department has been renamed to Marketing Department,
- new organisational units have been created:
 - Research and Environment Cooperation Department in the Finance Division,
 - Strategic Customer Office in the Department of Insurance and International Cooperation,
 - Office for International Regulation in the GSP Compliance and Legal Services Department.

The changes made to the organisational structure were aimed at increasing the efficiency of KUKE's operations.



KUKE's organizational structure as at 31.12.2022.





In June 2022, KUKÉ proceeded with an independent survey of employee engagement and satisfaction levels. This project was carried out by the independent research and certification body - Experience Institute. The aim of the survey was to find out what employees think about their work, examining the level of satisfaction with the work environment and the level of engagement. At the same time, this was the first edition of the satisfaction and engagement survey carried out by KUKÉ. The survey was realised on the basis of a questionnaire for certification under the Investor in Human Capital 2022 programme.

Based on the results of KUKÉ's assessment within the index (certification) areas of the „Investor in Human Capital“ programme, the Programme Committee has decided to award KUKÉ with the „Investor in Human Capital 2022“ distinction. This certificate is a special distinction that is 100% based on the power of employee voice - this accounts for the unique nature of the award.

3.5 Subsidiaries

Justification for KUKÉ's capital involvement in KUKÉ Finance

KUKÉ Finance, established under the articles of incorporation of 3 February 2014, is the only subsidiary of KUKÉ. KUKÉ Finance commenced its operating activities in November 2014.

As at 31 December 2022, the share capital of KUKÉ Finance was PLN 35,000,000 and was divided into 350,000 registered shares with the nominal value of PLN 100 each. KUKÉ is the sole shareholder of KUKÉ Finance.

4

Performance of KUKE in Specific Business Areas

4.1 Overall Performance

In 2022, KUKE provided insurance cover for turnover worth a total of PLN 145,693.97 million, i.e. 49.4% more than a year ago.

The value of insured export turnover increased year-on-year by 70.8%, amounting to PLN 52,822.16 million in 2022, of which commercial export insurance was PLN 25,277.26 million (volume increase of 43.1%), and export insurance backed (guaranteed) by the State Treasury totalled to PLN 10,157.11 million (volume increase of 80.1%). The value of insured domestic turnover closed at PLN 92,871.82 million, which represented a 39.4% increase compared to 2021.

The geographical structure of export turnover covered by insurance and insurance guarantees, both commercial and guaranteed by the State Treasury, was, as in 2021, dominated by Germany (21.7%). Next in line were receivables from counterparties in the Czech Republic (11.4%), Switzerland (6.0%), and the UK (5.1%).

In 2022, KUKE signed 2,649 new insurance agreements and insurance guarantee (bond) policies, 10.4% less than in 2021, including 2,203 related to commercial business (30.1% more than in 2021) and 446 related to business activity guaranteed by the State Treasury (64.7% less than in 2021). In addition, 1,779 policies from previous years were renewed (787 related to commercial business and 992 related to business guaranteed by the State Treasury), 17.4% more than in the previous year.

At the end of 2022 there were 5,659 active insurance agreements and bond policies, which was an increase by 5.3% compared to the previous year. 4,189 insurance agreements and bonds originated from the commercial segment of KUKE's insurance activities (16.7% more than in the year 2021), while 1,470 policies and bonds originated from the activities backed by the State Treasury (17.7% less than in 2021).

4.2 Activities of KUKE under the Act on Insurance and Reinsurance of 11 September 2015

4.2.1 Credit Insurance (Class 14 of chapter II)

Within the 14 class of insurance, in 2022, KUKE provided insurance coverage for short-term receivables with a total value of PLN 134,051.97 million (47.7% more than in 2021), including export receivables in the amount of PLN 42,665.04 million (a year-on-year increase of 68.8%) and domestic receivables in the amount of PLN 91,386.93 million (a year-on-year increase of 39.6%). In the geographical structure of insured export turnover, the highest share was accounted for by receivables due to KUKE clients from counterparties in Germany (26.3%), the Czech Republic (8.0%), and Switzerland (7.4%).

In 2022, 233 new insurance agreements were signed, i.e. 75.2% more than in 2021. In addition, 787 insurance policies concluded in previous years were renewed during the reporting period. Compared to 2021, the number of policies renewed in 2022 decreased by 4.0%. As at 31.12.2022, 1,087 policies were active, 9.2% more than in 2021.

Gross written premium related to insurance of short-term receivables under Class 14 totalled to PLN 151.40 million, compared to PLN 122.51 million in 2021 (increase by 23.6%).

In 2022, KUKE paid out 855 indemnities totalling PLN 24.58 million. Compared to the previous year, the value of indemnities paid out increased by 47.9%. 63.4% of the value of indemnities paid out in 2022 was related to unpaid liabilities by debtors from Poland. Remaining 36.6% of indemnities were paid out in connection with the default of international business partners, mainly the ones from Norway (6.1%), the United Kingdom (5.5%) and Germany (5.3%).

As a result of recourse proceedings carried out in 2022, KUKE acquired inflows in amount of PLN 6.28 million (45.3% more than in year 2021).

The balance of gross provisions for outstanding claims (excluding provisions for estimated recourses) as at 31.12.2022 was PLN 34.40 million, compared to PLN 19.16 million a year ago (increase by 79.6%). Due to the exceeding the threshold value of PLN 1 million of potential claims on Class 14 insurance policies and the high probability of payment of these claims, provisions were made for unexpired risks for extraordinary claims, which amounted to PLN 3.82 million on a gross basis as at 31.12.2022 (compared with PLN 1.64 million of such provisions a year ago).

4.2.2 Bonds – insurance guarantees (Class 15 of chapter II)

In 2022, a total of 1.970 bonds (insurance guarantees) were issued with value of PLN 1,042.78 million. Compared to 2021, the number of bonds issued increased by 26.3%, and the value of guaranteed amount increased by 34.7%. As at 31.12.2022, there were 3.102 active bonds, 19.5% more than a year before. KUKE's remuneration for bonds issued stood at PLN 29.69 million, what in comparison to 2021 was the increase by 31.4%.

In the reporting year, KUKE paid out 9 guaranteed amounts totalling PLN 5.43 million. Compared to 2021, this value grew by 270.0%. Furthermore in 2022, a total of PLN 3.98 million in receipts from recourse proceedings were obtained from bond payouts, compare to PLN 0.28 million of recourse receipts in 2021 (year-on-year increase by 1,319.8%).

Following the establishment of IBNR provisions for contingencies, the balance of gross unpaid claims provisions (excluding provisions for estimated recourse) as at 31.12.2022 amounted to PLN 34.83 million (against PLN 17.96 million of such provisions at the end of 2021).

4.3 Activities of KUKE under the Act on Export Insurance Backed by the State Treasury of 7 July 1994

Insurance against non-marketable risks

In 2022, in terms of insurance for export contracts executed within a credit facility running up to 2 years, 97 policies were signed, including 89 block policies, 1 individual policy, and 7 policies of GAP Ex and GAP Ex+. The number of insurance policies signed decreased year-on-year by 88.1%, while the number of policies renewed increased by 42.7% over the same period. At 31.12.2022, there were 895 active policies, 18.3% less than at 31.12.2021.

The total value of insured turnover came to PLN 3,158.52 million, and it was 30.9% lower than a year before. In the geographical structure of insurance, the highest share was accounted for by receivables due to Polish entrepreneurs from counterparties in Ukraine (25.8%), Kazakhstan (8.3%), and Belarus (8.1%). With regard to the short-term export receivables insurance KUKE GAP EX and KUKE GAP EX+, turnover is not reported.

Premiums written for the aforementioned insurances in 2022 amounted to PLN 27.09 million, 38.3% lower than in 2021.

The Company paid out 152 indemnities amounting to PLN 49.06 million, i.e. 722.9 % more than in 2021. The highest share according to the value of indemnities paid out was held by debtors from Ukraine (39.0%), Belarus (27.7%), and Russia (26.4%). As a result of ongoing recourse proceedings in 2022, KUKE obtained receipts of PLN 10.55 million (28.2% more than in 2021).

The unfavourable y/y changes in the aforementioned parameters were mainly due, in the case of block policies, to the ongoing armed conflict in Ukraine, as well as to the completed process that took place in the period from October 2020 to October 2021, the replacement of the portfolio of the Policy to the East product withdrawn from KUKE's offering with the Policy without Borders product, and, in the case of the GAP Ex and GAP Ex+ policies, the expiry at the end of March 2022 of the period indicated in the European Commission's Communication to offer this product under the COVID-19 pandemic aid programme for Polish entrepreneurs.

Insurance and bonds (insurance guarantees) - applicable to a credit period of 2 years and more

Under medium and long-term insurance in 2022, KUKE concluded 6 insurance agreements and issued 5 bonds (insurance guarantees) with a total value of PLN 3,098.00 million.

The insurance contracts concluded and the insurance guarantees /bonds issued related to:

- 5 credits intended to finance an investment consisting of the purchase of production lines for steel components for three new car models, an investment consisting of the purchase and installation of production lines, machinery, and equipment necessary for the production of parts for electric vehicles, an investment consisting of the purchase of two tugboats for the shipyard, an investment consisting of the expansion of the machinery park of the hot stamping and assembly department, as



well as an investment consisting of the construction of a chemical plant,

- 1 acquisition credit granted for the financing of a direct investment in Mexico consisting of the purchase and installation of a production line for manufacturing parts for electric vehicles,
- 3 insurance contracts concluded in the form of reinsurance under the Agreements governing mutual reinsurance obligations intended to finance the Polish part of an export contract for the construction of a car paint shop, the supply of an assembly line for an electric vehicle factory and the construction of a railway line,
- 1 insurance contract relating to 1 credit to a purchaser provided by the bank to an Angolan borrower for the turnkey construction of phase 3 of the construction and equipping of the Namibe University in Angola,
- 1 contract of insurance for direct investments abroad relating to the exploration and extraction of hydrocarbons in Ukraine.

The value of insurance cover provided in 2022 under the aforementioned insurance and investment guarantees was 290.6% higher than the one recorded in 2021. Premiums written for medium and long-term insurance and bonds/guarantee agreements amounted to PLN 275.37 million, which was 376.4% higher than in 2021. In the reporting year, the Company paid out 2 indemnities in the amount of PLN 8.95 million (against no

payments in 2021) and received PLN 15.27 million in income from recourses (against a negative balance of PLN -2.56 million from recourses recorded in the previous year).

Other insurance guarantees / bonds

In 2022, KUKE granted 338 bonds (insurance guarantees) with a total value of PLN 4,342.70 million, including 130 contract guarantees with a total value of PLN 717.18 million, 50 credit repayment guarantees with a total value of PLN 3,400.74 million and 158 bonds (insurance guarantees) for the payment of receivables related to letters of credit with a total value of PLN 224.78 million. Compared to 2021, the number of guarantees granted in 2022 decreased by -22.7%, with a 581.8% increase in their value.

The remuneration on account of issued bonds and from the extended validity periods of bonds issued in previous years came to PLN 52.23 million, and it was by 316.2% higher than the one recorded in 2021. In that year, KUKE paid out 23 amounts from the bonds/guarantees related to letters of credit worth PLN 15.60 million (against no such payments in 2021) and received no recourse income from bond/guarantee payments (against PLN 0.90 million in 2021).

Both the y/y decrease in the number of bonds issued and the y/y increase in the amount of payouts concerned the bonds (insurance guarantees) for the payment of receivables related to letters of credit and resulted from the consequence of Russia's aggression against Ukraine.

5

Sales and promotional activities

5.1 Export support system (SWE from Polish term: System Wsparcia Eksportu)

In 2021, KUKE introduced a new export support system (SWE from Polish term: System Wsparcia Eksportu), designed to provide Polish exporters and investors with a considerable leverage in international competition, and attract new capital and technologies to Poland.

The SWE includes various product solutions, which in 2022 were promoted at numerous conferences, workshops with banks and clients, as well as discussed in many press articles, in particular describing concluded transactions. Podcasts and video materials have also been produced and these can be found, among others, on the information channels of KUKE as well as the banks cooperating with KUKE in this area.

Out of all solutions available under the SWE, the greatest interest among financial institutions was in the guarantees of domestic credits intended to finance export-generating investments in Poland, which in 2022 - after signing the relevant framework agreements with KUKE - were introduced to the offer of the following banks:

- Santander Bank Polska S.A.
- ING Bank Śląski S.A.
- ING Bank, a Branch of ING-DiBa AG
- Bank Ochrony Środowiska S.A.
- Bank Gospodarstwa Krajowego
- Bank Polska Kasa Opieki S.A.

There was also a great deal of interest in payment guarantees, which were used as beneficiaries not only by banks, but also by factoring companies to secure their exposures related to either reverse factoring or factoring with recourse to the customer.

Also in 2022, the first insurance agreement securing the financ-

ing of a foreign investment by a Polish stock-listed company in Mexico was concluded.

The year 2022 was also a turning point in terms of KUKE's cooperation with other export credit agencies (ECAs), as evidenced by the largest reinsurance agreement ever entered into with the Danish EKF, which was mentioned in section 4.3 above.

As part of the Polish Envelope initiative, on 3 March 2022, for the first time in history, a strategic agreement was concluded between KUKE and Alstom, opening up new export opportunities for Polish companies that are part of the Alstom capital group. The signed agreement aims to support Alstom by facilitating the execution of contracts and obtaining financing for purchasers of rolling stock or train traffic control systems worldwide, all within an available limit of EUR 1 billion.

The agreement sets out principles of cooperation that strengthen the strategic participation of Polish industrial companies in export contracts realized by Alstom, financed by the banks and insured by KUKE.

In 2022, under another initiative that is part of the SWE, named Shop in Poland, which aims to help Polish exporters conquer new sales markets or increase exports by enabling them to participate in large foreign investment projects and facilitating the establishment of business relations with buyers of Polish products, technologies and services, IT solutions have been built, thanks to which a database of Polish export companies has been created, currently consisting of more than 500 records. This database is successively expanded.

Other important events related to cooperation with external partners also include the signing of an agreement with the Industrial Development Agency on jointly offering support instruments for exporters and an agreement with

Ethihad Credit Insurance (ECI) of the United Arab Emirates. The latter concerned the mutual reinsurance of export financing transactions, becoming the 17th such agreement linking KUKE with its counterparts worldwide. The ceremony took place in Dubai during a meeting of the Berne Union Prague Club Committee, which brings together export credit agencies from Central and Eastern Europe, the Middle East, Central Asia and Africa. Cooperation with other export support agencies is bringing notable results, so multi-day workshops were organised with two institutions that are among the most active in Europe: the Danish EKF and the Swiss SERV.

In December, the Company started cooperation with the Pomeranian Special Economic Zone, as well as with the Industrial Development Agency ARP and the PAIH, which aims to inform about the complementary offer of these institutions for entrepreneurs planning to invest and develop their businesses. At the same time, actions were undertaken to ensure that this initiative will be expanded to include further special economic zones in 2023.



5.2 Changes to short-term insurance products

New product for the Factor - KUKE Faktor

In 2022, work began on a new insurance of receivables for the factor. As part of this project, consultations took place with factors and representatives of the factoring market to study the customer's needs. On this basis, product and service assumptions were developed, including assumptions for the IT system and product documentation (General Terms and Conditions of Insurance, template with Detailed Terms and Conditions as well as sales and service forms). In 2023, work on implementing this product into the offering will be continued.

Policy without Borders

Because of the situation in Ukraine, amongst other things due to the declaration of a payment moratorium by the National Bank of Ukraine (NBU), KUKE in February 2022 cancelled credit limits for Ukrainian and Russian customers under the State Treasury-guaranteed insurance for short-term export receivables - Policy without Borders.

In June 2022, on the basis of a resolution of the KPUE (Export Insurance Policy Committee), insurance of receivables of Ukrainian customers/business counterparties under the Policy without Borders was reinstated, as well as of banks under the guarantee for letters of credit; the amount allocated for this purpose was PLN 500 million. The reopening of protection for the Ukrainian market applied only to sales of goods and services that were not subject to the NBU payment moratorium, i.e. those on the so-called 'critical import' lists, which allowed foreign currency payments to be made.

Despite the ongoing war in Ukraine, Polish entrepreneurs are still interested in continuing cooperation with Ukrainian partners, especially as the situation has changed significantly since July 2022 in the context of the announced moratorium, since the „critical import“ list for goods was abolished by decision of the NBU as of 9 July 2022. Furthermore, due to the significant scale of damage to infrastructure and production facilities, there is a growing need to increase imports of products to provide the necessary living conditions for the Ukrainian population. For logistics reasons, deliveries from Poland seem to be the obvious solution, which is why KUKE will continue the aforementioned insurance programme in 2023 with regard to providing protection for commercial transactions in respect of Ukrainian customers/business counterparties and banks (increasing the amount for this purpose to PLN 1 billion).

In addition, in the Policy without Borders strategic product, the Counterparty Country List has been modified four times in 2022 due to a change in the classification of countries by the Organisation for Economic Co-operation and Development (OECD).

Transport insurance re-insurance programme in connection with the armed conflict in Ukraine

In connection with the war in Ukraine, KUKÉ has undertaken work on the preparation of a reinsurance programme (within the scope of the GSP activity) for transport insurance. The recipients of the solution will be insurance companies offering various types of transport insurance on the Polish market as part of their standard insurance offer on the territory of Ukraine. In order to create the above-mentioned solution, an amendment to the Guaranteed Insurance Act is required in particular, which is why KUKÉ in 2022 has undertaken a number of related activities, including, amongst the others, a survey of carriers' needs, consultations with industry organisations and meetings with the Ukrainian party, in order to make the introduced solution comprehensive and fully responsive to the needs raised by all the aforementioned interested parties. Further work in this area is planned for 2023.

KUKÉ GAP Ex and GAP Ex+

The European Commission has decided not to extend the application of government guarantees in the case of insuring trade receivables in transactions with counterparties/contractors from the EU and selected OECD countries. As a result, on 1 April 2022, KUKÉ withdrew the State Treasury-guaranteed insurance for short-term export receivables of KUKÉ GAP Ex and GAP Ex+ from its offer, and all existing insurance contracts concluded before that date expired on 27 September 2022 at the latest.

Europolisa

Changes have been made to Europolisa's insurance for short-term receivables consisting of an increase in the maximum value of the credit limit, an extension of the list of counterparty countries to include 6 new countries, the development of a new premium tariff taking into account the new premium values for domestic and foreign counterparties.

5.3 Marketing and promotion

The high dynamics of changes in the Company's business environment in 2022 required flexibility in communication activities and a rapid response to key events, which potentially could have a negative impact on KUKÉ's image.

At the same time, strategic information and marketing initiatives were carried out with the aim of educating entrepreneurs about available instruments facilitating safe operations on domestic and foreign markets as well as promoting an innovative export support system (SWE).

Customer satisfaction survey

The annual customer satisfaction survey was conducted this time with the help of a specialised research company. In the form of telephone interviews, a total of 346 KUKÉ clients were surveyed, who use the most important products offered by the Company in both lines: commercial and instruments guaranteed by the State Treasury, which constituted a representative research sample. A very high NPS („net promoter score") result was obtained at a level of 54, indicating high customer satisfaction with KUKÉ's offerings and services as well as a willingness to recommend it to other entrepreneurs. In cooperation with the research company, a set of recommendations was developed regarding the Company's operations and the products offered.

5.4 Consequences of the war in Ukraine and reconstruction

The biggest challenge was the Russian aggression against Ukraine, as a result of which the Company stopped offering insurances in the Russian and Belarusian markets and temporarily stopped protecting coverage for Polish exporters in the Ukrainian market in response to the introduction of a payment moratorium. Open communication to customers and other interested parties presenting in various channels the Company's activities and their reasons (announcements on the website, in social media, webinars for customers, availability of Company representatives for traditional media) made it possible to maintain good relations with Polish exporters and effectively support them in the most demanding period of the highest uncertainty regarding the consequences of the war for Polish business present at the eastern neighbours.

Also associated with this was an information campaign on the promotional rate reduction in Policy without Borders, which aimed to encourage entrepreneurs operating in the three eastern markets to seek customers in other countries. An important event was the June conference at the Ministry of Development and Technology regarding the reintroduction of insurance to the Ukrainian market.

In the last months of 2022, more and more attention was focused on the reconstruction of Ukraine, which was widely discussed in the country and on international forums, and on the planned role of KUKE in this endeavour as well as the activities undertaken by the Company. This issue was one of the focal points of the agreement concluded with the Polish-Ukrainian Chamber of Commerce in Lublin. KUKE was also a substantive partner of campaigns organised by the media aimed at activating Polish businesses to participate in the reconstruction of Ukraine. In conducting communication related to the situation in that country, the Company co-operated during the year with the Ministry of Development and Technology and other PFR Group entities, including PAIH.

Promotion of the regular offer

Similarly to the previous year, one of the main threads of communication in various fields was the Export Support System (SWE), the solutions of which proved to be an excellent response to the worsening liquidity situation of enterprises and more difficult access to financing for current and investment



activities. Initiatives spreading the knowledge about KUKE's instruments strengthening the financial potential of exporters were organised by the Company for the benefit of banks (direct beneficiaries of KUKE's solutions), as well as to their clients (communication established in cooperation with the bank). For this purpose, it continued to conclude and expand agreements on cooperation and joint offering of solutions with leading domestic banks: BGK, BOŚ, Pekao, Polish, and German banks from the ING Group.

Conferences, congresses, webinars

In 2022, representatives of KUKE participated in conferences, economic congresses, and workshops for entrepreneurs, during which the Company cooperated with:

- Association of Polish Banks,
- BNP Paribas Bank Poland,
- institutions associated in the PFR Group, in particular PFR, PAIH, ARK, BGK,
- insurance brokers, e.g. by co-organising training and meetings with the most active of them,
- associations of entrepreneurs, e.g. Executive Club, Polish Association of Construction Industry Employers, Special Economic Zones.

The Company has also extended its patronage to other events dedicated to informing and educating Polish entrepreneurs regarding available financing and business security instruments, including amongst the others:

- European Economic Congress in Katowice, Poland,
- Trade meetings,
- Banking Horizons - Polish Bank Association,
- Congress of Family Businesses - Forbes,
- Economic Forum in Karpacz,
- 16th International Forum – „Polish-Ukrainian Business Days”,
- Trade meeting series - Reconstruction of Ukraine,
- Poland - Korea Business Council 2022.

KUKE in the media

According to Press Service Media Monitoring, nearly 4,000 mentions of KUKE appeared in the media, which is twice the number of publications about the Company's main competitor. More than 40 percent of the publications had positive overtones.

In 2022, KUKE continued its strategic cooperation with the daily newspaper Rzeczpospolita, maintaining its patronage of the firma.rp.pl website and the New Markets



section, where articles and analyses devoted to opportunities for international development of Polish companies are posted. KUKÉ was also featured in the pages of *Vademecum Eksportera* published by the journal. In the last quarter of the year, a digital campaign was conducted in the New Markets session, promoting the Shop in Poland solution.

The Company was also one of the main partners of the competition „Polish Company - International Champion“, organised by the consulting firm PwC and the daily newspaper *Puls Biznesu*.

Together with PFR TFI and PwC, Company has prepared a report on the investments of Polish companies in the world. KUKÉ remains one of the most active entities engaged in credit insurance in Poland in terms of activity in social media (Twitter, LinkedIn, Facebook).

5.5 Management of sustainable development issues

The Company has begun work to implement a systematic approach to managing issues of sustainable development (ESG).

With the help of an external consulting company, a review of the preparation for the sustainable development reporting that will become mandatory for the Company in the coming years was carried out. An audit of documents and indicators was carried out as well as a plan for the necessary actions was compiled. Internal communication on this topic was also carried out, reaching out to people in the organisation, who will collaborate with the Marketing Department in ESG reporting. As a signatory to the UN Global Compact, an international platform bringing together entities active in the field of corporate social responsibility, the Company prepared a relevant report summarising its activities.

The company is distinguished by its employees' high level of involvement in volunteering - approximately 25% of its employees participated in various actions during the year, devoting around 500 hours to this activity. Like in previous years, activities were related to health care, ecology, helping children and victims of the war in Ukraine. It is noteworthy to mention that the KUKÉ supports the St. Martin de Porres Centre in Fastovo near Kyiv, run by the Dominican Order, which helps the disadvantaged, especially children with disabilities, but also contributes to improving the life of the local community

During the projects carried out, we have worked for

782 hours

which is more than

4 months

of work done by one person

The projects involved

51 employees of KUKE Company
3 employees of KUKE Finance
and **37** guests (friends, family of employees)

111 female and male
volunteers

Activities mainly targeted two areas:

- health care
- ecology and environmental protection

The beneficiaries of volunteering are:

- refugees from Ukraine
- victims from the Kiev area
- children traumatised by war
- children with disabilities and their parents/guardians
- patients of the Children's Memorial Health Centre
- animals from the Warsaw Zoo

through economic activities and activating the entrepreneurship of the inhabitants of the affected areas. The Company supported the purchase of a new kiln for firing clay, enabling the production and sale of artistic items also offered at various events in Poland, providing funds for the aid centre. KUKE employees also joined in the distribution of handicrafts from Ukraine.

This year, the Company joined the PFR Group's „Active Volunteering” initiative, which promotes physical activity and at the same time provides fundraising to help those in need, such as:

- the Assembly of Care and Education Institutions „Wiosna” from Wołów,
- Children's Hospice in Łódź– Łupkowa,
- Orphanage in Włodawa.

6

Investment activities

In line with the 'Investment Activity Policy', in the scope of the financial instrument portfolio management rules and objectives, KUKÉ was guided by the following principles in 2022, in hierarchical order:

- observing the legal and statutory requirements,
- maintaining the maximum level of security of invested funds,
- maintaining liquidity to ensure the timely payment of commitments,
- ensuring the availability of the assets acquired,
- maximising the profitability of deposited funds.

As in previous years, the policy of diversifying the investment portfolio was maintained to maximize its profitability, while maintaining the principle of limited interest rate and credit risk at the same time.

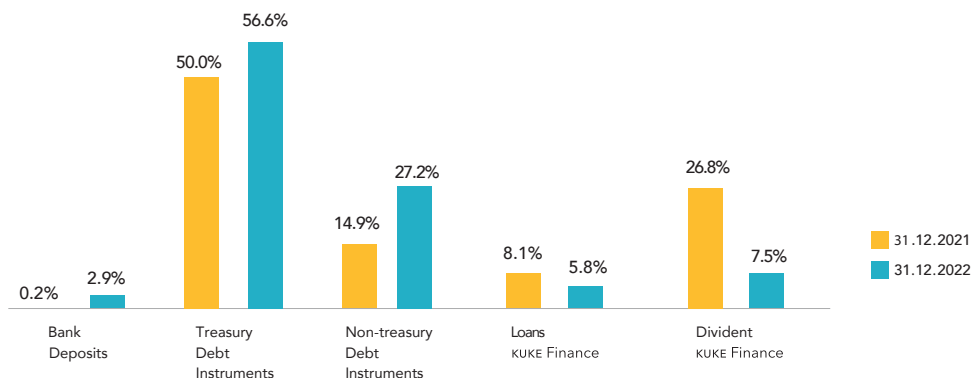
The armed conflict in Ukraine caused that throughout the entire 2022, portfolio management was focused on maintaining high liquidity of deposits. This is why only government bonds with a maturity of up to 5 years were purchased to the

portfolio. The share of this type of bonds in the total portfolio was 63.7% at the end of 2022.

The significant increase in inflation observed over the course of 2022 caused that the MPC took the decision 8 times to increase interest rates, which rose from the level of 1.75% to up to 6.75% (the main reference rate) at the end of the year. As a result of these decisions, a significant drop in the prices of fixed-rate bonds was observed, but despite the increase in their attractiveness (interest rate), fixed bonds remained outside the sphere of interest of KUKÉ. An exception was the purchase at the end of 2022 of PS0123 and OK0423 bonds, i.e. bonds with very short maturities.

Due to the observed decrease in liquidity of non-Treasury securities, a decision was taken to reduce the exposure of such instruments. As at 31.12.2022, the share of non-Treasury debt instruments (including BGK bonds guaranteed by the State Treasury) fell to the level of 21.6 per cent of the portfolio vs. 31.5 per cent at the end of 2021.

Summary of investment income by source of their origin.





Due to the adopted strategy focused on the short end of the profitability curve and the purchase of mainly floating-rate government bonds with a maturity of up to 5 years (the portfolio duration was 0.8), KUKE in 2022 avoided losses on its investment activity caused by a deep decline in fixed-rate bond prices during a period of rising interest rates. At the end of 2022, revenue from deposits reached the value of

PLN 22.81 million and significantly exceeded the planned values (PLN 6.64 million).

As at 31.12.2022, the value of KUKE's portfolio of deposits (excluding cash and own real properties and advances on these real properties) amounted to PLN 516.13 million.

Summary of investment income by source of their origin.

Źródło przychodu	2021 (in PLN millions)	structure %	2022 (in PLN millions)	structure %
Bank deposits	0.01	0.2%	0.66	2.9%
Treasury debt instruments	2.33	50.0%	12.90	56.6%
Non-treasury debt instruments	0.69	14.9%	6.21	27.2%
Loans to KUKE Finance S.A.	0.38	8.1%	1.32	5.8%
Shares of KUKE Finance S.A.	1.25	26.8%	1.71	7.5%
TOTAL	4.65	100%	22.81	100%

Differences in checksums are due to rounding

7

Risk management

Based on an analysis of the qualitative and quantitative risk relevance criteria as part of the ORSA process, the Risk Committee reviewed the catalogue of risks present in Q3 2022 in the Company. Compared to last year, the risk catalogue was updated. The risk of managing the area of the ICT environment and security was separated from operational risk. As part of its operations, the Company identifies the following risks:

- Actuarial risk:
 - Premium risk
 - Provision risk
 - Contract cancellation risk (risk of surrenders)
 - Insurance/underwriting risk
 - Catastrophic risk
- Market risk:
 - Interest rate risk
 - Foreign currency exchange risk
 - Stock price risk
- Business partner's credit risk:
 - Issuer default risk
 - Asset concentration risk
 - Counterparty credit risk in the reinsurance area
 - Credit risk of concentration
 - Spread risk
 - Risk of investments in subsidiaries
- Liquidity risk
- Operating risk:
 - operational risk
 - risks associated with the security of information and the ICT environment
- Reputation risk
- Competition risk
- Non-compliance risk
- Legal risk
- Business risk

As a result of the review of material risks, actuarial, market, operational and business partner's credit risks were considered significant. Compared to the previous ORSA review, the category of material (significant) risks did not change.

Risk significance was assessed on the basis of the following criteria:

- if Solvency Capital Requirement is calculated for a given risk, the risk is considered material (significant),
- if the estimated level of risk exceeds 5% of KUKÉ's funds, and the potential loss could occur not less often than once every 200 years, the risk is deemed considerable,
- if it is not possible to determine the level of risk or potential loss, the assessment of materiality (significance) is discretionary.





KUKE's Financial Results

8.1 Analysis of the Balance Sheet

KUKE's balance sheet total at 31.12.2022 amounted to PLN 889.11 million, and it was 49.5% higher than at 31.12.2021. (PLN 594.79 million).

Main items of KUKE's balance sheet

ASSETS	31.12.2021 PLN millions	share %	31.12.2022 PLN millions	share %	change 2022/2021 PLN millions	change 2022/2021 %
Intangible assets	3.33	0.6%	4.03	0.5%	0.70	20.9%
Deposits	415.69	69.9%	518.01	58.3%	102.31	24.6%
Receivables	96.23	16.2%	118.18	13.3%	21.95	22.8%
Other assets:	55.33	9.3%	220.80	24.8%	165.47	299.1%
including funds on a separate „National Interest“ Bank account	51.82	8.7%	217.06	24.4%	165.24	318.9%
Prepayments and accruals	24.20	4.1%	28.10	3.2%	3.90	16.1%
TOTAL ASSETS	594.79	100.0%	889.11	100.0%	294.33	49.5%

LIABILITIES	31.12.2021 PLN millions	share %	31.12.2022 PLN millions	share %	change 2022/2021 PLN millions	change 2022/2021 %
Equity	302.81	50.9%	360.07	50.9%	57.26	18.9%
Technical-insurance provisions (after taking into account reinsurers' share and estimated recourses)	142.65	24.0%	195.36	24.0%	52.71	37.0%
Other provisions	2.98	0.5%	4.15	0.5%	1.17	39.4%
Other liabilities and special funds:	122.16	20.5%	302.51	20.5%	180.35	147.6%
including funds on a separate „National Interest“ Bank account	51.82	8.7%	217.06	8.7%	165.24	318.9%
Accruals and deferred income	24.20	4.1%	27.02	4.1%	2.82	11.7%
TOTAL EQUITY AND LIABILITIES	594.79	100.0%	889.11	100.0%	294.33	49.5%

Differences in checksums are due to rounding

8.1.1 Assets

In the reporting year, there was an increase in intangible assets by PLN 0.70 million (0.5% of the balance sheet structure), from PLN 3.33 million in 2021 to PLN 4.03 million in 2022.

The highest (58.2 %) share in the balance sheet total of the KUKÉ was held by deposits, the value of which increased by PLN 102.31 million (24.6 %) compared to the balance as at 31.12.2021, including deposits in debt securities and other fixed-income securities by PLN 91.52 million, shares or stocks in subordinated entities by PLN 7.43 million, buildings, structures and co-operative ownership rights to premises by PLN 1.88 million.

As the scale of the Company's operations grew, the value of receivables increased. As at 31 December 2022, it was PLN 118.18 million (13.3% of assets) and was 22.8% higher than a year before (by PLN 21.95 million), of which:

- receivables related to direct insurance, as a result of an increase in the premium volume, increased by 21.0% (by PLN 12.91 million),
- reinsurance receivables by 30.5% (by PLN 7.45 million), as a result of an increase in reinsurance commission settlements.

As at 31 December 2022, the Company did not have any disputed receivables.

Other assets as at 31.12.2022 (PLN 220.80 million) showed a 299.1% increase compared to 31.12.2021. Such a change resulted from an increase from PLN 51.82 million (2021) to PLN 217.06 million (2022) in the balance of funds held in the „National Interest“ separate bank account, where settlements are made for the activities entrusted to the Company by the Act of 7 July 1994 on export insurance guaranteed by the State Treasury (increase y/y 318.9%). The aforementioned funds accounted for 98.3% of the amount of the other assets item.

8.1.2 Equity and liabilities

As at 31.12.2022, KUKÉ's equities totalled PLN 360.07 million and were 18.9% higher than a year before. The value of equities was increased by the current year's profit. The share of equities in the balance sheet sum was 40.5%, compared to 50.9% at the end of 2021.

The balance of technical-insurance provisions (after taking into account the share of reinsurers and estimated recourses) reached PLN 195.36 million, compared to PLN 142.65 million the year before (a 37.0% year-on-year increase), and accounted for 22.0% of the liability structure.

The highest value y/y increase in technical-insurance provisions was recorded for:

- The claim adjustment/equalization provision (as a result of the positive technical result of KUKÉ insurance in 2022) and amounted to PLN 23.03 million,
- provision for premiums and to cover unexpired risks (due to an increase in KUKÉ premiums written and the creation of provisions for unexpired risks for extraordinary losses for class 14 policies) and amounted to PLN 13.83 million
- provisions for unpaid indemnities and benefits (mainly due to the setting up of IBNR provisions for threats to class 15 insurance guarantees) and amounted to PLN 12.78 million.

The value of other liabilities and special funds (34.0% share of the balance sheet total) increased y-o-y by 147.6%, from PLN 122.16 million (2021) to PLN 302.51 million (2022).

In terms of amounts, the highest increase in the aforementioned item of liabilities was assigned to:

- liabilities related to funds accumulated in the „National Interest“ separated bank account, used for settlements related to KUKÉ activities based on the Act on Treasury Backed Export Insurance (year-on-year increase by PLN 165.24 million),
- reinsurance liabilities (year-on-year increase by PLN 11.40 million).

The value of overdue liabilities was PLN 0.23 million which accounts for 0.06% of the total liabilities). The Company did not have overdue liabilities towards the budget.

In the financial year of 2022, just like in previous years, KUKÉ did not use financing based on bank loans.



Ageing of overdue receivables

Overdue period	Amount (in PLN millions)	Share (%)
Receivables past due up to 3 months	3.95	85.10%
Receivables past due over 3 months to 6 months	0.06	1.30%
Receivables past due over 6 months to 12 months	0.05	1.10%
Receivables past due over 12 months	0.58	12.50%
TOTAL	4.64	100.00%

KUKE's Technical-insurance provisions

Technical insurance provisions (after taking into account reinsurers' share and estimated recourses)	31.12.2021 PLN millions	share %	31.12.2022 PLN millions	share %	change 2022/2021 PLN millions	change 2022/2021 %
Provision for premiums and unexpired risks	92.23	64.7%	106.06	54.3%	13.83	15.0%
Provisions for outstanding indemnities and benefits (after taking into account estimated recourses)	14.43	10.1%	27.21	13.9%	12.78	88.6%
Equalisation provision	29.34	20.6%	52.37	26.8%	23.03	78.5%
Provision for bonuses and discounts for the insured	6.64	4.7%	9.72	5.0%	3.08	46.3%
TOTAL ASSETS	142.65	100.0%	195.36	100.0%	52.71	37.0%

Differences in checksums are due to rounding

8.2 Analysis of the Technical Insurance Account and General Income Statement

Selected items of the technical account and the profit and loss account of KUKE

	performance I-XII 2021 PLN millions	performance I-XII 2022 PLN millions	change 2022/2021 PLN millions	change 2022/2021 %
Net premiums	69.12	86.86	17.74	25.7%
Gross premiums	145.12	181.09	35.97	24.8%
Net claims and benefits	-16.33	-30.15	-13.82	84.6%
Indemnities and benefits paid, net of reinsurance	-12.51	-17.37	-4.87	38.9%
Change in provisions for claims outstanding, net of reinsurance	-3.83	-12.78	-8.95	234.0%
Bonuses and discounts, net of reinsurance	-6.68	-8.11	-1.44	21.5%
Balance of other revenues and technical costs	2.31	2.09	-0.22	-9.6%
Cost of insurance activity	-19.73	-22.23	-2.50	12.7%
Acquisition costs	-23.77	-28.17	-4.39	18.5%
Administrative costs	-16.71	-19.78	-3.07	18.4%
Reinsurance commissions and share in reinsurers' profits	20.75	25.72	4.97	23.9%
Change in equalisation provision	-23.19	-23.03	0.16	-0.7%
TECHNICAL RESULT ON INSURANCE	5.49	5.41	-0.08	-1.4%
Balance of revenues and costs from investment activities	4.32	22.50	18.17	420.3%
Balance of other operating income and expenses	9.51	39.72	30.20	317.6%
Balance of revenues and costs from State Treasury backed operations	9.59	39.85	30.26	315.5%
Gross financial result	19.33	67.63	48.30	249.9%
Income tax	-1.55	-13.14	-11.59	747.5%
NET FINANCIAL RESULT	17.78	54.49	36.71	206.5%

For presentation purposes, items that have a negative impact on the result are shown with the '-' sign

Differences in checksums are due to rounding. YoY change based on whole numbers (in PLN).

In 2022 revenues from net earned premium (accounting for the change in provision for unexpired risk) were PLN 86.86 million, and they were 25.7% higher than in 2021 (PLN 69.12 million) and by 19.5% higher than planned. Gross written premium in the amount of PLN 181.09 million increased compared to 2021 by 24.8% (PLN 145.12 million) and accounted for 131.0% of the plan.

In class 14 of insurance, a 23.6% y-o-y increase in revenues in this scope was recorded, while in class 15 of insurance, a 31.4% y-o-y increase was recorded.

In the analysed period, net indemnities and benefits were

PLN 30.15 million compared to PLN 16.33 million in 2021 (y-o-y increase by 84.6%). Indemnities and benefits net of reinsurance increased from PLN 12.51 million in 2021 up to PLN 17.37 million in 2022 (y-o-y increase by 38.9%). The level of provisions for unpaid indemnities and benefits net of reinsurance, with estimated recourse accounted for, increased as for 31.12.2022 in relation to 31.12.2021 by PLN 12.78 million (mostly in connection with an increased risk of loss claim under the bond in class 15 and setting up to a risk provision of PLN 6.49 million net of reinsurance as at 31.12.2022), compared to an increase in this item in amount of PLN 3.83 million a year before. The plan for this

item, of net indemnities and benefits was achieved in 79.4% (PLN 37.98 million).

In 2022 the costs of insurance business were PLN 22.23 million compared to PLN 19.73 million recorded in 2021 (y-o-y increase by 12.7%). The increase in the acquisition costs (by PLN 4.39 million, 18.5%) and administrative costs (by PLN 3.07 million, 18.4%), was partially compensated by an increase in reinsurance commissions (by PLN 4.97 million, 23.9%). The plan of costs of the insurance business was achieved in 72.9%.

KUKE closed year 2022 with a positive balance on the technical account (before the change in the equalization provision) in the amount of PLN 28.44 million, 0.8% lower than a year before (28.68 million), including PLN 30.70 million in class 14 and PLN -2.26 million in class 15 of insurance. In accordance with the accounting principles of the insurers, as at 31 December 2022, KUKE set up an equalization provision in class 14 in the amount of PLN 23.03 million, to secure the increase in the claims ratio in the years to come, what finally decreased the technical result of KUKE for year 2022 to PLN 5.41 million. It was 0.08 million lower in relation to 2021 (1.4% year-on-year decrease) and 4.09 million higher than planned (408.0% realisation).

Net investment income (PLN 22.50 million in 2022) increased on the year-n-year basis by 420.3% (PLN 4.32 million in 2021). At the same time, the value of deposit income was 257.5% higher than planned (PLN 6.29 million).

The balance of other operating revenues and costs was PLN 39.72 million, it was 317.6% higher compared to 2021, and accounted for 678.1% of plan performance. The predominant contribution to the improvement in this parameter came from income and expenses related to KUKE's State Treasury-backed export insurance, the balance of which amounted to PLN 39.85 million in the period under review, compared with PLN 9.59 million in 2021 (a year-on-year increase of 315.5%) and against the PLN 5.58 million included in the plan (714.4% target performance).

In 2022, KUKE recorded a gross financial result of PLN 67.63 million, compared to PLN 19.33 million in the previous year. Following current and future income tax charged on the result in the amount of PLN 13.14 million, the net financial result was PLN 54.49 million. Compared to 2021, there was a 206.5% increase in net profit (PLN 17.78 million), with a 499.1% realisation of the plan (PLN 10.92 million).



8.3 Analysis of the Structure of Costs by Type

KUKE's key groups of costs by type

COSTS BY TYPE	performance	performance	change	change	change	change
	I-XII 2021	I-XII 2022	2022/2021	2022/2021	I-XII 2021	I-XII 2022
	PLN millions	PLN millions	PLN millions	%	%	%
Depreciation and low-value fixed assets	1.50	1.33	-0.16	-10.8%	3.2%	2.5%
Materials and energy	0.49	0.59	0.09	18.7%	1.1%	1.1%
Rent	3.91	4.29	0.38	9.6%	8.3%	8.2%
Communication services	0.60	0.44	-0.16	-27.2%	1.3%	0.8%
Third party services	3.67	4.59	0.92	25.2%	7.8%	8.8%
Advertising	2.04	2.19	0.15	7.3%	4.3%	4.2%
Business trips	0.10	0.38	0.29	296.5%	0.2%	0.7%
Remuneration with overheads	32.69	36.07	3.38	10.3%	69.5%	68.9%
Employee benefits and training	1.47	1.93	0.46	31.0%	3.1%	3.7%
Other costs	0.53	0.56	0.02	4.6%	1.1%	1.1%
TOTAL	47.00	52.37	3.60	8.3%	100.0%	100.0%

Differences in checksums are due to rounding

In 2022 KUKE's costs by type totalled PLN 52.37 million, which compared to 2021 was an increase by 11.4% (by PLN 5.37 million). The plan for costs by type was achieved in 89.3%.

In 2022, remuneration with overheads accounted for the highest share in KUKE's costs by type (69.5%), followed up by third party services (8.8%) and rent (8.2%) respectively. This structure is typical of financial institutions, and in the long run, it is subject to minor fluctuations only.

Compared to 2021, the highest increase in terms of amounts was recorded in 2022 for the following cost groups:

- remuneration with overheads - increase by PLN 3.38 million (10,3%), of which PLN 2.31 million (9.1%) more than in 2021 was allocated to staff salaries, employee bonuses, commissions and awards, mainly due to the growth of the Company's business.
- third-party services - an increase of PLN 0.92 million (25.2%), mainly including an increase in expenses for services related to the maintenance of KUKE's IT systems (y-o-y increase of PLN 0.69 million, i.e. 75.1%),

- employee benefits - an increase of PLN 0.46 million (31.0%), the main generator of which was the costs of KUKE's financing of employee and managerial training (an increase of PLN 0.28 million, i.e. 84.6%).

However, the highest growth rate in costs by type was recorded in the group of business trips (296.5% year-on-year increase), which is due to the effect of the low base of performance in 2021, in which a significant part of the expenses related to business trips did not materialise due to the epidemic restrictions still in force during that period.

At the same time, in other groups, thanks to the maintenance of budgetary discipline in the various departments of KUKE, cost performance remained at or close to the level recorded in 2021.

8.4 Analysis of Performance Indicators

Selected performance indicators

RATIO	DESCRIPTION	I-XII 2021	I-XII 2022
PROFITABILITY			
ROE	net profit/equity *	6.0%	16.4%
Return on insurance business	technical result/written premium net of reinsurance	7.0%	5.4%
Return based on gross premium	profit after tax/gross written premium	12.2%	30.1%
Return rate net of reinsurance	profit after tax/written premium net of reinsurance	22.5%	54.1%
CHANGE IN CLAIMS RATIO			
Gross	(gross indemnities and benefits paid +/- change in gross provisions)/ gross earned premium	27.4%	35.3%
Net	(indemnities and benefits paid net of reinsurance +/- change in provision net of reinsurance)/earned premium net of reinsurance	23.6%	34.7%
LEVEL OF OPERATING COSTS			
GROSS RATIOS			
Total activities, including::	costs of insurance activity**/gross written premium	27.9%	26.5%
acquisition costs	acquisition costs/gross written premium	16.4%	15.6%
administrative costs	administrative costs/gross written premium	11.5%	10.9%
RATIOS NET OF REINSURANCE			
Costs of insurance activity	costs of insurance activity*** /premium earned net of reinsurance	28.5%	25.6%

* average for beginning and end of year

** net of reinsurance commissions and reinsurers' share in profits.

*** including reinsurance commissions and reinsurers' share in profits.

In 2022, there was an increase in claims ratios both on a gross premium basis (35.3% against 27.4% in 2021) and on the claims ratio net of reinsurance (34.7% against 23.6% in 2021).

At the same time, KUKÉ's operating cost ratios improved during the year. The gross ratio of total business decreased from 27.9% in 2021 to 26.5% in the reporting period (with a 0.8 pp decrease in the acquisition costs ratio and a 0.6 pp decrease in the administrative costs ratio), and on net of reinsurance basis from 28.5% in 2021 to 25.6% in 2022. A significant improvement in the profitability ratio on a gross premium basis (from 12.2% in 2021 to 30.1% in 2022) and the profitability ratio on net of reinsurance basis (from 22.5% in 2021 to 54.1% in 2022) was recorded in 2022. The favourable change in

the measures discussed was ultimately reflected in an almost threefold increase in ROE ratio, which stood at 16.4% at the end of 2022 (compared to 6.0% the previous year).

As at 31 December 2022, the Company met all prudential standards required by law with regard to insurance activities.



8.5 Assessment of the current and projected situation of the KUKE

After significant increases in written premiums from commercial business activity in recent years, due to the complex economic situation (inflation, production cutbacks, cost reductions) in 2023, KUKE assumes a stabilisation of revenues in Class 14 (credit insurance) (6% y-o-y increase) and a reduction in remuneration in Class 15 (insurance guarantees) (18 y-o-y decrease). Total gross premium written is expected to be more than PLN 181.10 million, 3% higher than in 2022. The increase in written premiums in previous years will result in an increase in earned premiums in 2023 (by 7%), including a 3% increase in the receivables insurance line and a 40% increase in the insurance guarantees line.

For 2023, a decrease in companies' working capital is assumed, which will result in a deterioration of companies' liquidity, and thus a deterioration of the claim ratios of KUKE. The net claims ratio is forecast to be 51% in 2023. The underwriting expense ratio (insurance activity cost ratio) is planned to reach 37%.

A significant part of the increase in costs by type, both in the area of acquisition costs and administrative costs, is directly related to the growth of the KUKE policy portfolio, and also results from expenditure on new IT systems and is a consequence of inflation.

The determinant for achieving a net profit is also to maintain a positive balance on the State Treasury-guaranteed insurance business (PLN 3.88 million) and to achieve as high a return on deposits as possible (PLN 22.04 million balance from investment activities).

In 2023, KUKE plans to generate a net profit on the level of PLN 23.64 million.

Numerical data and qualitative information regarding the solvency of KUKE as at 31 December 2023 prepared according to the Solvency II regime will be disclosed within the timeframe resulting from the provisions of the Insurance and Reinsurance Act of 11 September 2015 in the Solvency and Financial Condition Report, which is subject to audit by an auditor authorised to audit financial statements.

Janusz Władyczak

President
of the Management Board

Katarzyna Kowalska

Vice-President
of the Management Board

Jan Sarnowski

Member
of the Management Board

Wiktor Grudzień

Member
of the Management Board

