



Annual Report

2020



KUKE
PFR Group

Finding
solutions



Contents

5	1 Introduction
6	2 KUKE's Business Environment
7	3 Organisation
7	3.1 Shareholders and Share Capital
7	3.2 Supervisory Board
8	3.3 Management Board
8	3.4 Employment and Internal Organisational Changes
8	3.5 Subsidiaries
9	4 Performance of KUKE in Specific Business Areas
9	4.1 Overall Performance
9	4.2 Activities of KUKE S.A. under the Act on Insurance and Reinsurance of 11 September 2015
9	4.2.1 Credit Insurance (Class 14, Division II)
10	4.2.2 Insurance Bonds (Class 15, Division II)
10	4.2.3 Reinsurance
11	4.3 Activities of KUKE under the Act on Export Insurance Backed by the State Treasury of 7 July 1994
12	5 New Insurance Solutions
12	5.1 KUKE GAP EX Ì GAP EX+
13	5.2 Policy Without Borders
13	5.3 Environmental Bonds
14	6 Investment Activities
16	7 Risk Management
17	8 Financial Results of KUKE
17	8.1 Analysis of the Balance Sheet
19	8.2 Analysis of the Technical Insurance Account and the General Profit and Loss Account
21	8.3 Analysis of performance indicators
22	8.4 Assessment of the effects of the Coronavirus pandemic on KUKE

Dear Sirs and Madams,



KUKE is proud to be celebrating its 30th anniversary this year, which means we have been ensuring the safety of the operations of Polish entrepreneurs almost since the very beginning of the political transitions. In line with our Statute, supporting exports is our priority, although the insurance of domestic commercial transactions has for

years constituted a key part of our activities. We have become one of the pivotal players offering surety bonds without which such dynamic development of our country's infrastructure would have been impossible. We do, however, feel obliged to emphasise just how exceptional this anniversary year is, which – becoming an inseparable part of today's challenges – will give Polish businesses unique advantages and possibilities. We recognise that in this day and age, when competition in the international trade of goods and services has dramatically increased, it is imperative that the range of optimal solutions made available to exporters is broadened. Hence, this year we have offered our new Export Support System comprising a set of over 20 instruments forming a unique environment on a European scale, thanks to which Polish companies can develop more effectively both in Poland and abroad and successfully compete for contracts in markets worldwide.

Export Credit Agencies (ECAs) to which KUKE belongs have definitely grown in significance since the outbreak of the pandemic, although an ever greater role had been placed on these institutions in supporting domestic exporters over the past years when scale of state interventionism and protectionism in trade was gradually growing. These agencies have, in fact, in many countries become a vital component of economic policies supporting leading industries. The countries belonging to the Organisation for Economic Co-Operation and Development (OECD) have also extended the mandates of their ECAs by drawing consequences from previous crises.

Some brought old ideas to new heights, others became more flexible in approaching risk, increasing the funds available to companies and guaranteeing access to liquidity. For instance, the global power wielded by Japan in 2020 has led to them increasing the value of aid officially offered to firms by 90 percent, up to the sum of 37 billion us dollars in 2020 compared to 2019. On the other hand, the total value of medium- and long-term export credits and other instruments to support trade within OECD countries has dropped by around 10 percent in 2020, which is evidently a consequence of the downturn in economic activity caused by the pandemic.

Exports in a country such as Poland is a fundamental factor determining the modernisation of its economy. Availing ourselves of KUKE's anniversary year mentioned at the beginning, we have – with the assistance of SpotData – carried out an analysis of Polish exports over the past 30 years. In 1992, the export of goods from Poland stood at 13.2 billion us dollars. Nowadays, we achieve such inflows in two weeks alone! The 2,372 percent growth by 2020 was generated nearly with the same level of employment in industry, which reflects the very scale of improvement in productivity. In relation to the GDP, the value of exports has risen from 15 percent in 1996 to 25 percent in 2003, and to 45 percent in 2019. We have transitioned from sizeable trade deficits in 2015 to surpluses, which has been continued to this day, with the exception of 2018.

Poland began its transition process as a country mainly selling raw materials and low processed goods. This was followed by the strengthening of the role of clothing and textiles, and then by a gradual shift towards machinery and transport equipment. Currently, the fastest growing segment is spare parts manufacturing, mainly from plastics, and the manufacture of other medium processed including chemical ones. Despite the fact that these parts are less technologically advanced, cheaper, and have less added value, there is more room for domestic companies in their production – the know-how and technologies of which are all locally derived. Specialisation in this segment also provides greater opportunities for development in conditions of an automobile revolution.

Last year, Poland was export leader across 41 industries among European Union states, generating high growth rates in this area. This was driven by the shift of production to our country by western companies who were looking for ways to economise after the financial crisis. The importance of the region is clearly growing in our exports, among others of Czechia, Romania, Slovakia, and Hungary, which follows from the regional integration of supply chains in the automotive industry as well as from expansion in industries such as food or packaging. On the other hand, distant and major markets like China, Turkey, and the United States are becoming increasingly relevant. Indeed, that is where we are selling more and more processed food and machine components.

According to the Polish Economic Institute, over the past 30 years companies have clearly increased their involvement in global value chains and, at present, almost 60 percent of Polish exports of goods and services results from the integration with the global production system. Very importantly, most of the exports (since 2012) and their growth (since 2003) are generated in over 50% by companies with Polish capital and not by entities owned by foreign multinationals.

Observing the growing importance of exports for the economic expansion of Poland, we have proposed the mentioned Export Support System that provides completely new solutions difficult to come by among the set of instruments of other European ECAs, along with significantly revised and modified tools that have been enhanced to cover a broader spectrum and are more readily available. KUKE's involvement

in exporter support is indeed revolutionary and starts from the initial stages of their development within the country. We readily grant both investment loans and working capital facilities that serve to expand the production capacity of exporters. Thanks to such products, companies can obtain greater financing from banks – after all, one of the main barriers to the growth of companies are obstacles in accessing credit facilities and the lack of appropriate security measures. Strengthening relationships with banks also helps to ensure this, which, in turn, leads to increasing the potential of banks to finance the development of the economy, particularly in this most desirable investment element. This also pertains to foreign banks that can transfer their contacts and experience in operating on markets which have, thus far, been difficult to win over. The new instruments will make it easier for Polish firms to cross borders with their investments and acquisitions, and this is a field where Polish enterprises still have a great deal to offer.

More effective support for exports is also underpinned by better coordination and cooperation with institutions operating in the field. We have recently intensified our contacts with ministries responsible for the economy and foreign policy, with other Polish Development Fund Group companies, first and foremost with the Polish Investment and Trade Agency, and with special economic zones as well. As KUKE, we have transitioned from providing passive support to its pro-active creation and such complex and comprehensive actions should swiftly yield the intended effects!



Janusz Władyczak

President of the Management Board of KUKE



Introduction

In 2020, **the revenues from the sale of insurance policies and bonds** from the commercial insurance segment of KUKE reached a historic level of 123.67 million zloty and were 24.5% higher than in 2019. This increase particularly concerned premiums from Class 14 (credit insurance), in the scope of which it amounted to 32.9%.



Similarly to 2019, record results in terms of the volume of premiums written in 2020 in the State Treasury backed insurance line were recorded for surety bonds (a 68.3% increase). A growth trend was also maintained in the case of short-term insurance, where the gross written premiums were 19.1% higher compared to 2019.

The total **value of turnover insured by KUKE and the granted surety bonds** came to **68.44 billion zloty**, 23.0% more than in 2019. The volume of short-term export and domestic receivables covered by insurance in 2020 in the amount of 66.31 billion zloty was 23.5% higher than in 2019, and the 1.52 billion zloty in surety bonds granted was 9.1% higher. The highest growth dynamics was reported in the field of commercial credit insurance (23.7%), with 62.84 billion zloty of insured turnover value.

In 2020, KUKE generated **net profits of 14.19 million zloty**, more than two times higher than in the previous year (6.24 million zloty). 2020 was also marked by an increase in the gross earned premiums (12.9% increase year-on-year) and a substantial drop in the net loss ratio of KUKE (down from 73% in 2019 to 37%, and also in Class 14 insurances down from 64% to 43%). The positive balance of income and expenditure from insurance guarantees backed by the State Treasury (8.39 million zloty), which is 25.7% higher than the previous year, also had a significant impact on the improvement of the Company's financial performance in 2020.

KUKE's Business Environment

The COVID-19 pandemic significantly changed the economic situation of each of the countries. The economic consequences of the observed restrictions in economic activities and the demand shock led to them also being reflected in the GDP data for 2020 which, according to preliminary estimates, indicate a drop of 2.8% in relation to the 4.5% growth in the previous year.

The main driver of GDP decline was the domestic demand, which in previous years had a positive impact, and a 3.7% decrease was reported. Household consumption and investment demand had a similarly negative impact.

The change in trends was also observed on the labour market where a decrease in the level of employment was reported both in the national economy (a drop of 1.8%) as well as in the enterprise sector (1.1% decrease). The registered unemployment rate also increased – a growth tendency was observed for the first time in April, which, at the end of 2020, stood at 6.2% (5.2% a year earlier). The year 2020 was still marked by an increase in the average wages and salaries (both in nominal and real terms) but this was weaker than in the preceding year. A similar dependency was observed in the case of average gross retirement and disability pensions. The prices of goods and services in 2020 increased y/y by 3.4%, which means a higher inflation rate than in 2019, when the inflation rate was 2.3%.

Preliminary trade balance data indicate a drop in the trade balance dynamics. The end of November was closed with a positive balance, at a higher value than the previous year.



The data shows a 1.5% increase in the value of exports compared to the same period last year. The trend concerned all the groups of countries; however, the strongest growth was observed in trade with the group of developing countries (10.3%). A clear 3.5% decrease in the value of imports was evident in trade with countries of Central and Eastern Europe (22.4%) and developed countries (4.8%). An increase of 6.1% compared to the same period in 2019 was observed only in the case of the group of developing countries.

Organisation

3.1 Shareholders and Share Capital

As at 31 December 2020, the share capital of KUKE amounted to 135,938,900 zloty and was split into 1,359,389 registered shares with a face value of 100 zloty each. The share capital was fully paid up.

There was a change during the financial year both in the ownership structure and in the number of shares in the Company.

On 10 April 2020, the Extraordinary General Meeting of Shareholders of KUKE under Resolution No. 3 increased the share capital of the Company from 110,702,900 zloty to 135,938,900 zloty, constituting an increase of 25,236,000 zloty, through the issue of 252,360 R series registered shares at a par value of 100 zloty each by way of a private subscription (pursuant to Article 431 § 2 point 1 of the Commercial Companies Code) addressed to Bank Gospodarstwa Krajowego, with complete exclusion of the pre-emptive rights of the current Shareholders.

On 17 June 2020, the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register – Register of Entrepreneurs, incorporated the amendment concerning the increase of the share capital of KUKE into its Statute.

As a result of the changes in the share capital of KUKE, the structure of the share capital was adjusted in relation to 31 December 2019 and, as at 31 December 2020, was as follows:

- The State Treasury represented by the President of the Council of Ministers – 51.55% of the share capital and the general number of votes at the General Meeting of Shareholders;
- Bank Gospodarstwa Krajowego – 48.45% of the share capital and the general number of votes at the General Meeting of Shareholders.

3.2 Supervisory Board

As at 1 January 2020, the composition of the Supervisory Board of KUKE was as follows:

- Adam Barbasiewicz – Chairman,
- Aneta Fałek – Vice Chairman of the Supervisory Board,
- Piotr Kaflik,
- Luiza Modzelewska,
- Paweł Pietrzak,
- Wojciech Rząsiecki,
- Mariusz Sokołowski.

In the course of the financial year ending 31 December 2020, the composition of the Supervisory Board of KUKE remained unchanged.

As provided for in the Act on Auditors, Audit Firms, and on Public Supervision of 11 May 2017 applicable to KUKE as an insurer (public interest entity), a KUKE Supervisory Board Audit Committee was established from among the Members of the Supervisory Board of KUKE in the following composition:

- Wojciech Rząsiecki – Chairman of the Supervisory Board
- Adam Barbasiewicz,
- Mariusz Sokołowski.

The composition of the Audit Committee in the 2020 financial year did not change.

3.3 Management Board

In the period from 1 January 2020 to 1 December 2020, 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.

On 1 December 2020, the Extraordinary General Meeting of Shareholders of KUKE appointed Dorota Kleszczewska to the Board for a joint term entrusting her with the function of Member of the Management Board of KUKE.

In light of the foregoing, as at 31 December 2020, the Management Board of the Company was composed of the following members:

- 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.

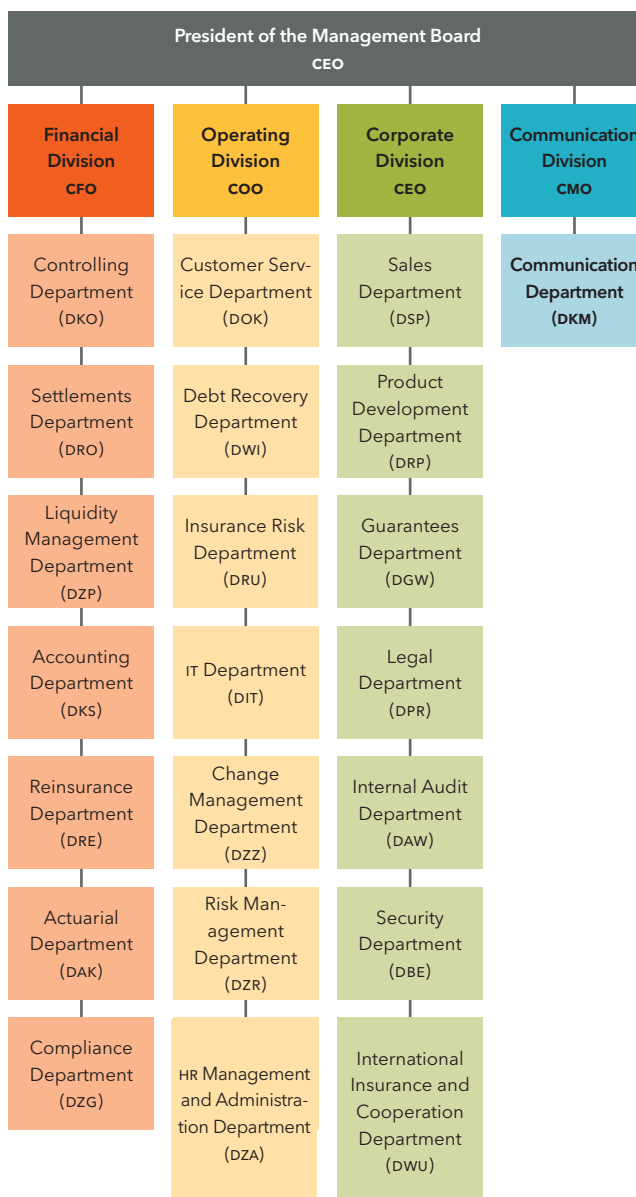
3.4 Employment and Internal Organisational Changes

Changes were implemented in the organisational structure of KUKE in December 2020.

The change in structure resulted from the Extraordinary General Meeting of Shareholders held on 1 December 2020, appointing Dorota Kleszczewska as Member of the Management Board, who was entrusted the function of Member of the Management Board exercising supervision over the communications and marketing field. Within the adaptation of the organisational structure to the extended composition of the Management Board of KUKE, a Communications Division was created along with Department of Communications under its authority.

The headcount under employment agreements at KUKE as at 31 December 2020 was 184 persons.

KUKE organizational structure



3.5 Subsidiaries

The only subsidiary of KUKE is KUKE Finance, established by its articles of incorporation on 3 February 2014. KUKE Finance began its operating activities in November 2014.

As at 31 December 2020, the share capital of KUKE Finance amounted to 35,000,000 zloty and was split into 350,000 registered shares with a face value of 100 zloty each. KUKE is the sole shareholder of KUKE Finance.

Performance of KUKE in Specific Business Areas

4.1 Overall Performance

In 2020, KUKE insured a total turnover of 68,440.49 million zloty, which is 23.0% more than the previous year.

The value of the insured export turnover increased year-on-year by 4.1%; in 2020 it stood at 22,485.90 million zloty, of which, in the scope of commercial export insurance 17,662.07 million zloty (a 1.2% increase in volume), and in the scope of State Treasury-backed export insurance and insurance guarantees 4,823.83 million zloty (a 16.1% increase in volume).

The value of short-term domestic credit insurance and granted insurance guarantees within the commercial activities of KUKE amounted to 45,954.60 million zloty, which was 35.0% more than in 2019.

The geographic structure of the export transactions covered by insurance and surety bonds – both commercial and State Treasury-backed – continued to be dominated by Germany just as in 2019 (19.6%). These were followed by receivables from counterparties from Czechia (5.9%), Ukraine (5.5%), and Switzerland (5.3%).

In 2020, KUKE signed 2,801 new insurance agreements and bonds, which is 33.6% more than in 2019, and 1,942 of them were related to commercial activities (33.1% more than in 2019), and 859 to activities backed by the State Treasury (34.9% more than in 2019). Moreover, 1,586 policies from previous years were renewed (669 related to commercial activities, and 917 related to State Treasury-backed activities), which is 5.9% more than the preceding year.

At the end of 2020, there were 5,053 active insurance policies and bonds, which was an increase of 22.1% compared to the prior year. A total of 3,151 policies and bonds came from the commercial insurance segment (29.6% more than in 2019), and 1,902 policies and bonds from business guaranteed by the State Treasury (11.4% more than in 2019).

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

4.2.1 Credit Insurance (Class 14, Division II)

In 2020, within insurance class 14, KUKE insured short-term export and domestic receivables of a total value equal to 62,838.76 billion zloty (23.7% more than in 2019).

In 2020, 314 new short-term export and domestic receivables insurance contracts were concluded, which is 45.4% more than in 2019. Furthermore, 699 policies concluded in previous years were renewed in the reporting period. Compared to 2019, the number of renewed policies has increased by 15.1%. As at 31 December 2020, there were 1,006 active policies, which is 24.8% more than in 2019.

The gross written premiums on short-term export and domestic receivables insurance came to 99.99 million zloty compared to 75.24 million zloty in 2019 (a 32.9% increase).

In 2020, KUKE paid out 736 indemnities totalling 27.05 million zloty. The value of indemnities paid in relation to 2019 declined by 29.3%. 72.4% of the value of indemnities paid in 2020 concerned liabilities unpaid by domestic business partners. The remaining 27.6% of indemnities were paid in relation



to unpaid receivables by foreign counterparties, among others from Germany (8.5%), Switzerland (3.1%), and Lithuania (2.1%).

As a result of the recourse proceedings carried out in 2020, KUKE acquired inflows of 5.66 million zloty (15.6% more than in 2019).

The balance of gross provisions for outstanding claims (excluding provisions for estimated recourses) as at 31 December 2020 stood at 20.71 million zloty compared to 21.85 million zloty the previous year (a drop of 5.2%).

4.2.2 Surety Bonds (Class 15, Division II)

In 2020, a total of 1,628 surety bonds worth 777.90 million zloty were issued. The number of bonds issued increased by 31.0% compared to 2019, and the value of the guaranteed amount by 12.1%. As at 31 December 2020, there were 2,145 active surety bonds, which is 32.0% more than in the preceding year.

The remuneration of KUKE for the bonds issued in 2020 came to 23.68 million zloty, which is a 1.6% decrease in relation to 2019.

KUKE paid out 4 guaranteed amounts totalling 0.28 million zloty in the reporting year. Compared to 2019, this value

decreased by 98.6% (19.10 million zloty less). Furthermore, in 2020, a total of 0.63 million zloty in receipts from recourse proceedings were obtained from bond payouts from previous years (compared to 1.50 million zloty in receipts from recourse proceedings in 2019).

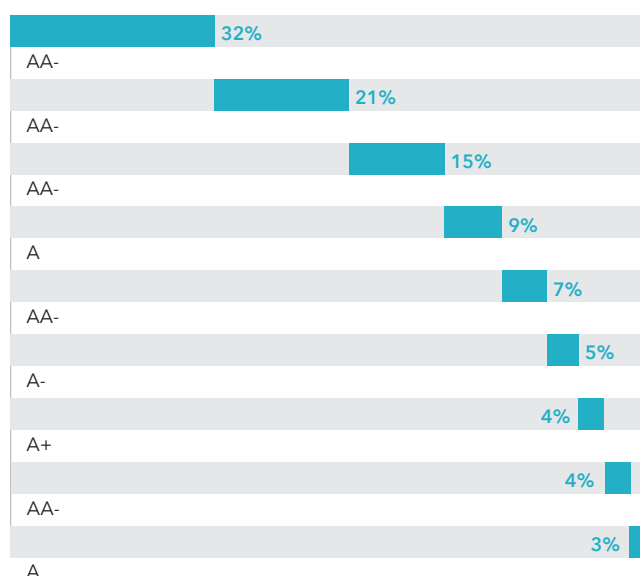
As at 31 December 2020, KUKE did not have any gross provisions for outstanding claims and payments related to the surety bonds issued (0.17 million zloty in 2019).

4.2.3 Reinsurance

KUKE applies passive reinsurance as an insurance risk management instrument in order to conserve capital and increase financial security, as well as to stabilise the loss ratio and limit the consequences of catastrophic damage. Reinsurance is also a source of additional underwriting capacity and risk retention capabilities, which translates into the possibility of concluding insurance agreements and bonds.

The risks underwritten by KUKE in 2020 were subject to reinsurance cover within the mandatory programme composed of proportional quota share reinsurance and nonproportional surplus reinsurance. Proportional reinsurance ensures 40% of the risk is ceded, and 60% of the reserved share of proportional agreements was additionally protected by nonproportional surplus reinsurance with a 3.50 million zloty priority and four layers with a total capacity of 72.00 million zloty. This means that every single gross risk up to the amount of 132.46 million zloty (credits) and 125.83 million zloty (bonds) was limited to a maximum 3.50 million zloty of KUKE's share.

The share of reinsurers participating in KUKE's reinsurance program in 2020 according to ratings



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

In 2020, a total 419 policies were signed in the scope of export contract insurance executed within a credit facility running up to 2 years, including 408 block policies (211 export contract insurance policies – non-marketable risk, and 197 short-term export receivables insurance policies: KUKE GAP Ex and GAP Ex+), as well as 11 individual policies. A total 917 policies were renewed this year. The number of policies signed increased year-on-year by 217.4%, the number of renewed policies remained on the same level as last year. As at 31 December 2020, there were 1,225 active policies, which is 24.2% more than on 31 December 2019.

The year-on-year increase in the number of signed policies and active policies was linked to the introduction of KUKE's new product in May 2020 – KUKE GAP Ex and GAP Ex+ and to the launch in October 2020 of sales of the modified State Treasury-guaranteed export contract insurance executed within a credit facility running up to 2 years. The transition process of the non-marketable insurance portfolio to the new GTCs consists of closing an active policy concluded subject to the GTCs applicable earlier and opening a new policy while preserving the continuity of the insurance.

The value of insured turnover in 2020 came to 3,475.62 million zloty, which constitutes a 20.0% increase in relation to 2019. In the geographical structure of insured turnover, the highest share belonged to receivables payable to Polish exporters from Ukraine (32.7%), Russia (27.0%) and Belarus (15.3%).

Turnover is not reported in the case of KUKE GAP Ex and GAP Ex+ insurance of short-term export receivables.

The written premium on the aforementioned export contract insurance within a credit facility running up to 2 years in 2020 stood at 31.51 million zloty and was 19.1% higher than in 2019.

KUKE concluded 7 agreements within medium- and long-term insurance in 2020, the insurance amount of which came to 609.84 million zloty, and 2 annexes to agreements from 2019, increasing the value of the insurance amount by 0.30 million zloty.

The concluded insurance agreements concerned 5 buyer credit facilities granted by banks to borrowers from Ukraine

and Belarus, as well as 1 credit facility for the delivery of goods to a counterparty from the Ivory Coast. Furthermore, 1 insurance agreement was concluded in the form of reinsurance and was earmarked to finance the Polish part of an export contract for the delivery of goods to Saudi Arabia.

The total value of insurance cover granted in 2020 in respect of the aforementioned insurance came to 610.14 million zloty and was 12.4% higher than that recorded in 2019.

The written premium on medium- and long-term insurance agreements in 2020 stood at 45.35 million zloty, which is 56.3% more than in 2019. This value comprised the income from premiums from insurance agreements concluded in 2020 in the amount of 52.28 million zloty, as well as the balance of premium revenue and refunds carried out in relation to the corrective invoices raised to the 2016 and 2019 agreements, totalling -6.93 million zloty.

In 2020, KUKE granted 433 surety bonds backed by the State Treasury with a total value of 738.07 million zloty. Compared to 2019, this was a 12.5% drop (in numbers) and a 6.0% rise (in value). By type, contractual guarantees had a 61.49% share (62 guarantees worth 453.86 million zloty), surety bonds for the payment of receivables from letters of credit had a 34.54% share (368 bonds worth 254.94 million zloty), and credit repayment guarantees had a 3.97% share (3 guarantees worth 29.27 million zloty).

The remuneration on account of granted surety bonds and from the extended validity periods of bonds issued in previous years came to 19.25 million zloty in 2020, which is 68.3% more than recorded in 2019.

In 2020, KUKE did not conclude insurance agreements of direct investments abroad. In this period, the written premium on the insurance mentioned above amounted to 0.11 million zloty and came from extending an insurance agreement concluded in 2019 for another one-year term.

In 2020, a total of 27 indemnities were paid out under State Treasury-backed insurance in the sum of 60.30 million zloty. Thus, there was a 35.0% and 88.6% growth in the value of the number of indemnities paid out in 2019.

As a result of the recourse proceedings concerning export insurance backed by the State Treasury, in 2020, KUKE obtained recourse with a total value of 14.40 million zloty (compared to 46.31 million zloty in 2019).

New Insurance Solutions



5.1 KUKE GAP EX and GAP EX+

Within the aid programme for Polish entrepreneurs related to the COVID-19 pandemic, KUKE introduced into its offering the insurance of short-term export receivables guaranteed by the State Treasury – KUKE GAP Ex and GAP Ex+. The solution provides support for Polish exporters and secures safe trading conditions with business partners from European Union countries (except Poland) and 9 OECD countries: United Kingdom, United States, Canada, Australia, Iceland, Japan, New Zealand, Norway, and Switzerland, which the European Commission recognised on 27 March 2020 as countries temporarily non-marketable.

The insurance is directed at Polish businesses from the SME segment and large firms established in or resident in the Republic of Poland, that:

- Have a trade receivables insurance agreement offered on commercial terms and conditions but need a higher limit for a counterparty from the countries mentioned above, which the current insurer cannot offer;
- Have lost their credit limit for business partners from the aforementioned countries or their insurance undertaking has refused to grant them one.

The terms and conditions of the above-mentioned insurance are in line with the Communication of the European Commission reintroducing the marketable risk countries listed above to the list of countries temporarily recognised as non-marketable until 30 June 2021. The trade credit concerning the insurance of receivables from counterparties from the above listed countries considered as temporarily non-marketable cannot exceed 180 days as of the day of the European Commission reintroducing the country to the list of marketable risk countries, which means that – based on the law as it currently stands – it may apply until 31 December 2021 at the most.



5.2 Policy Without Borders

In 2020, KUKE also introduced into its offering the 'Policy Without Borders' insurance of short-term export receivables guaranteed by the State Treasury. This new solution allows for the insurance of export sales to 160 countries (outside the European Union and to highly developed markets like USA, Canada, Japan or Australia). This new insurance has replaced the 'Policy for the East'.

The implementation of this modified product was designed particularly to:

- Respond to the existing market conditions, including the difficulties and constraints caused by COVID-19;
- Align the provisions of the GTC to the sales and handling processes implemented into the new IT system;
- Make the current solutions more flexible and meet customer demands and expectations.

5.3 Environmental Bonds

In 2020, KUKE introduced a surety bond package into its offering that was put in place to protect environmental integrity, namely:

- A surety bond constituting the collateral required under Article 48a of the Law on Waste of 14 December 2012;
- A surety bond constituting the collateral required under Article 125 of the Law on Waste of 14 December 2012;
- A surety bond constituting the collateral required under Article 187 of the Environmental Protection Law of 27 April 2001; and
- A surety bond constituting the collateral required under Article 20 of the Act on Transboundary Movements of Waste of 29 June 2007, and Article 6 of Regulation (EC) No. 1013/2006 of the European Parliament and of the Council of 14 June 2006 on Shipments of Waste.

Environmental bonds are intended for companies whose operations may give rise to adverse environmental effects. In order to meet the statutory legal requirements, they have to present relevant collateral to public administration bodies. The bonds are valid for a fixed maximum term of three years with the possibility of renewal for subsequent periods, whereby KUKE reassesses the associated risks. The remuneration for the bonds issued is non-repayable and paid in one sum before the issue of the bond.

Investment Activities

In line with the 'Investment Activity Policy', in the scope of the financial instrument portfolio management guidelines and objectives, KUKE was guided by the following principles in 2020, 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; and
- Maximising the profitability of deposited funds.

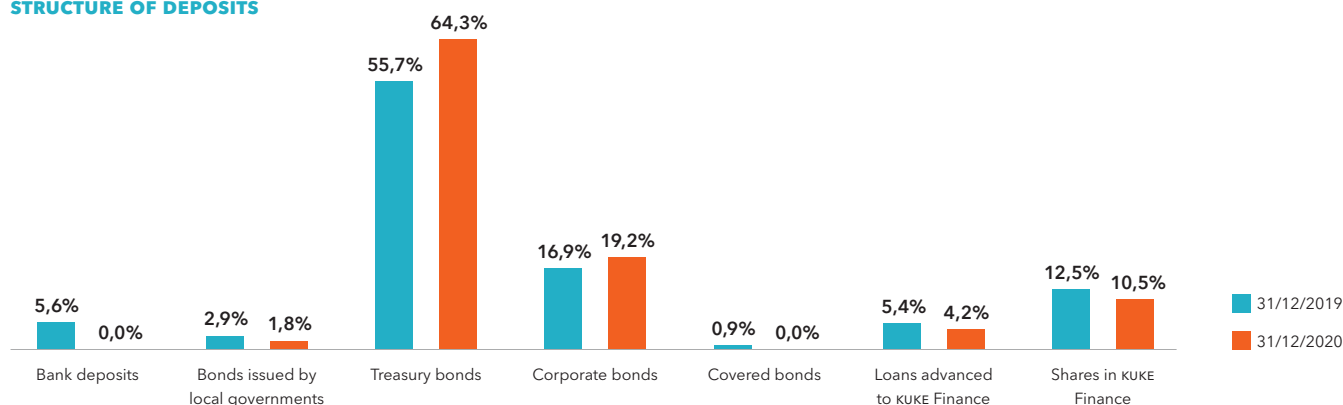
As in previous years, the investment portfolio diversification policy was maintained in order to maximise its overall profitability while retaining the principle of limited interest rate risk and credit risk. At the beginning of 2020, KUKE continued the policy that was begun in 2019 and was put in place to mitigate the liquidity risks of securities issued by corporations and local government authorities.

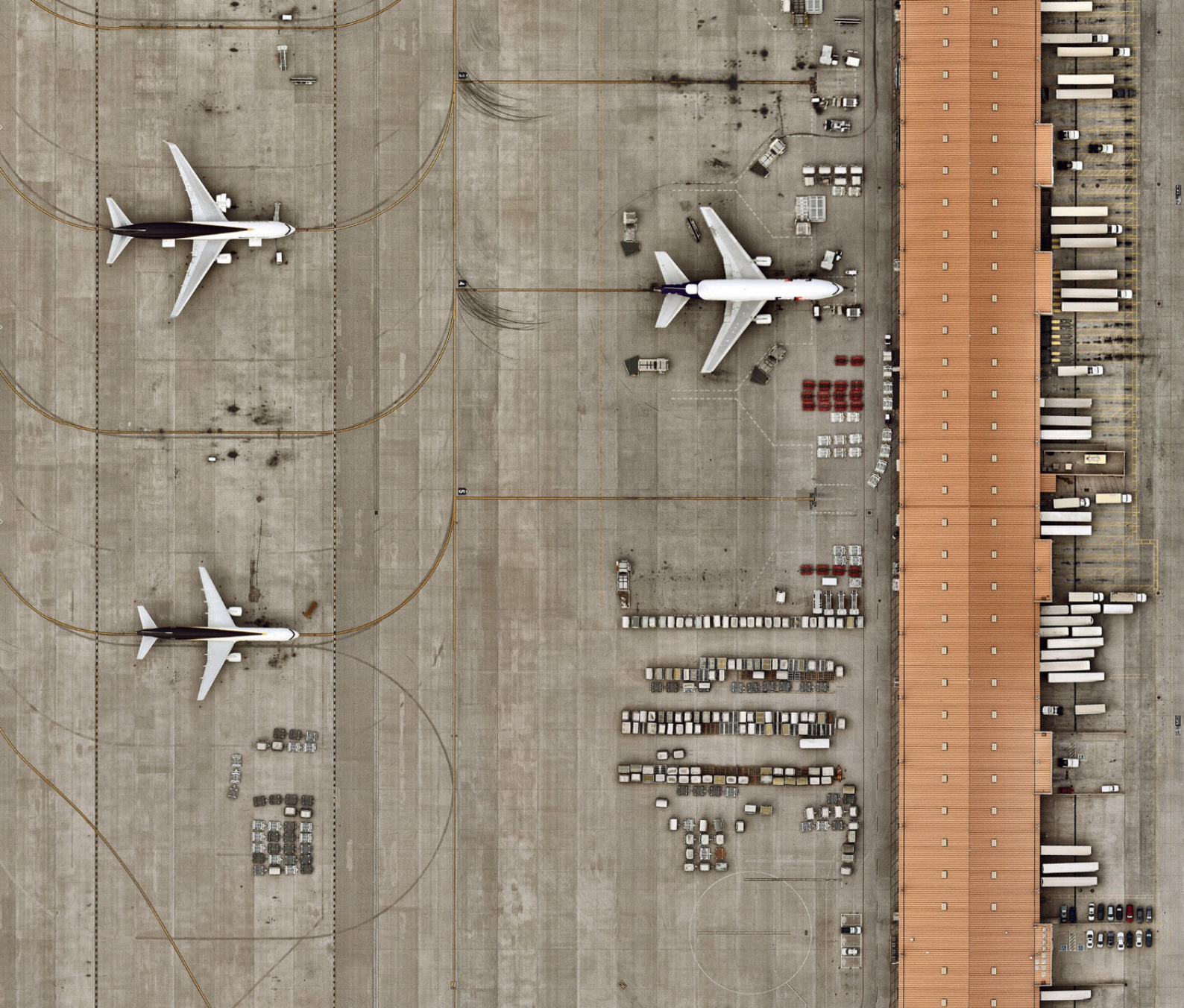
The corporate and municipal bond sales process was maintained, characterised by lower liquidity in favour of Treasury

bonds, which have a high market liquidity. The implementation of this strategy and the changes in the deposit portfolio structure have proved justified and have outpaced the price decreases and the limited liquidity of corporate assets observed in March 2020. The funds raised by KUKE's equity capital increase in 2020 by 50 million zloty were mainly invested in liquid Treasury bonds. However, due to the recorded cuts in interest rates and the drops in bond yields related to this, the decision was made to increase involvement in non-Treasury instruments in order to improve the profitability of the deposit portfolio. It was to this end that debt instruments of highly reliable issuers were purchased for the portfolio, at the same time offering a higher rate of return than in the case of instruments issued or guaranteed by the State Treasury. At the end of 2020, the share of non-Treasury debt instruments was maintained at a similar level and stood at 21.0% of the portfolio vs 20.7% at the end of 2019.

The value of KUKE's deposit portfolio (exclusive of cash) at the end of 2020 came to 358.47 million zloty.

STRUCTURE OF DEPOSITS





Data set comprising investment activity according to its sources

Source of revenue	2019 (in PLN millions)	% structure	2020 (in PLN millions)	% structure
Bank deposits	0,17	1,8	0,02	0,4
State Treasury debt instruments	3,43	35,2	3,66	62,5
Non-State-Treasury debt instruments	3,09	31,8	1,44	24,5
Loans advanced to KUKE Finance	0,51	5,2	0,43	7,4
Non-listed KF shares	2,53	26,0	0,24	4,1
Listed shares	0,00	0,0	0,07	1,2
Total	9,72	100,0	5,86	100,0

Differences in checksums result from rounding

In 2020, the Company achieved returns from its deposit portfolio amounting to 2.6% (without factoring in the profits from the KUKE Finance shares held).

Risk Management

A review of the catalogue of risks was carried out in the 4th quarter of 2020 within the ORSA process, as a result of which the following risks were identified:

- Actuarial risk
 - Premium risk
 - Reserve risk
 - Contract cancellation risk
 - Insurance/bond risk
 - Catastrophe risk
- Market risk
 - Interest rate risk
 - Foreign currency risk
 - Share price risk
- Counterparty credit risk
 - Counterparty default risk
 - Asset concentration risk
 - Reinsurance counterparty credit risk
 - Concentration credit risk
 - Spread risk
 - Investment in subsidiaries risk
- Liquidity risk
- Operational risk
- Reputation risk
- Competition risk
- Non-compliance risk
- Legal risk
- Business risk
- Model risk

The review of significant risks led to the identification of actuarial, market, operational, and counterparty credit risks as material. In relation to the previous ORSA, the catalogue of significant risks has not changed.

An assessment of the significance of risks was carried out based on the following criteria:

- If a solvency capital requirement is listed for a given risk, the risk is considered to be significant;
- If the estimated level of risk exceeds 5% of KUKE's own funds and a potential loss could occur not less frequently than once every 200 years, the risk is considered to be significant;
- If the level or risk or potential loss cannot be determined, the evaluation of the significance is discretionary.

The methods of management of specific risks that were identified in the operations of the Company have not changed in relation to the previous review of risks.



Financial Results of KUKE

8.1 Analysis of the Balance Sheet

The balance sheet total of KUKE as at 31 December 2020 amounted to 498.88 million zloty, which was 34.2% (127.21 million zloty) higher than as at 31 December 2019.

Main Items of the Balance Sheet

ASSETS	31/12/2019 PLN millions	Share %	31/12/2020 PLN millions	Share %	Change 2020/2019 PLN millions	Change 2020/2019 %
Intangible assets	1,04	0,3	3,20	0,6	2,16	207,7
Deposits	277,46	74,7	358,47	71,9	81,01	29,2
Receivables	66,45	17,9	78,48	15,7	12,03	18,1
Other assets:	12,61	3,4	39,21	7,9	26,60	210,9
- of which: funds on the separate "National Interest" bank account	8,59	2,3	22,82	4,6	14,23	165,7
Prepayments	14,10	3,8	19,52	3,9	5,41	38,4
Total assets	371,67	100,0	498,88	100,0	127,21	34,2

LIABILITIES	31/12/2019 PLN millions	Share %	31/12/2020 PLN millions	Share %	Change 2020/2019 PLN millions	Change 2020/2019 %
Equity	219,34	59,0	286,63	57,5	67,30	30,7
Technical insurance provisions (including the share of reinsurers and the estimated recourses)	74,34	20,0	102,53	20,6	28,20	37,9
Other reserves	2,95	0,8	3,53	0,7	0,58	19,6
Other liabilities and special-purpose funds:	56,71	15,3	83,16	16,7	26,45	46,6
- of which: funds on the separate "National Interest" bank account	8,59	2,3	22,82	4,6	14,23	165,7
Accruals	18,34	4,9	23,03	4,6	4,69	25,6
Total liabilities	371,67	100,0	498,88	100,0	127,21	34,2

Differences in checksums result from rounding.

Assets

The value of intangible assets increased in the reporting year by 2.16 million zloty (0.6% of the balance sheet structure), from 1.04 million zloty in 2019 to 3.20 million zloty in 2020. A significant change factor in the above mentioned asset items in the current period constituted expenditure for the development of the IT systems of KUKE.

Deposits had the highest (71.9%) share in the balance sheet total of KUKE. Compared with 31 December 2019, their value increased by 29.2%, reaching a level of 358.47 million zloty as at 31 December 2020. The y/y change in the value of deposits also resulted from the 25.24 million zloty increase in the Company's share capital.

The value of receivables is increasing with the growth of the scale of the Company's operations. As at 31 December 2020, it came to 78.48 million zloty (15.7% of the assets), which is 18.1% higher than the previous year (by 12.03 million zloty), of which:

- Direct insurance receivables (as a result of the greater volume of the premium) increased by 36.6% (by 13.64 million zloty);
- Receivables on account of reinsurance increased by 18.4%, (by 3.74 million zloty);
- Other receivables, due to a drop in the settlements related to the commission charged by KUKE for providing State Treasury-backed insurance, decreased by 60.5% (by 5.35 million zloty).

The Company did not have any receivables under litigation.

Other asset components as at 31 December 2020 (39.21 million zloty) reported a 210.9% increase compared to 31 December 2019. This change resulted mainly from the

increase from 8.59 million zloty (2019) to 22.82 million zloty (2020) of the funds held on the 'National Interest' dedicated bank account, where settlements concerning the activities entrusted to the Company under the Act on Export Insurance Backed by the State Treasury of 7 July 1994 are made (y/y increase of 165.7%). These amounts constituted 58.2% of the other asset components item.

Liabilities

As at the 31 December 2020, the equity of KUKE amounted to 286.63 million zloty and was 30.7% higher than the previous year. The increase in the above-mentioned liability item impacted above all the increase of share capital of the Company in 2020 (25.24 million zloty) and the current year profit (14.19 million zloty). The share of equity capital in the balance sheet total came to 57.5%.

The technical insurance provisions (after factoring in the share of reinsurers and the estimated recourses) reached a level of 102.53 million zloty compared to 74.34 million zloty reported a year earlier (a 37.9% y/y increase), constituting 20.6% of the liabilities.

The highest y/y growth in value terms of the technical insurance provisions concerned:

- The provisions for premiums and for unexpired risks (in view of the increase in the written premium), and came to 20.77 million zloty;
- The equalisation reserve (as a result of KUKE achieving a positive technical insurance result in 2020), and it stood at 6.15 million zloty.

KUKE technical insurance provisions

TECHNICAL INSURANCE PROVISIONS (including the share of reinsurers and the estimated recourses)	31/12/2019 PLN millions	Share %	31/12/2020 PLN millions	Share %	Change 2020/2019 PLN millions	Change 2020/2019 %
Provision for premiums and unexpired risk reserve	61,71	83,0	82,48	80,4	20,77	33,7
Provisions for unpaid claims and benefits (considering the estimated recourses)	9,15	12,3	10,60	10,3	1,45	15,8
Equalization reserve	0,00	0,0	6,15	6,0	6,15	n/d
Provisions for bonuses and discounts for the insured	3,48	4,7	3,31	3,2	-0,17	-4,9
Total	74,34	100,0	102,53	100,0	28,20	37,9

Differences in checksums result from rounding.

The value of the other liabilities and special funds (a 16.7% share in the balance) increased by 46.6% from 56.71 million zloty (2019) to 83.16 million zloty (2020). In amounts, the highest increase of the above-mentioned liabilities items was attributed to:

- The liabilities on account of the funds deposited in the separate 'National Interest' bank account used for settlements related to KUKE activities under the Act on Export Insurance Guaranteed by the State Treasury (a 14.23 million zloty y/y increase);

- The liabilities on account of reinsurance (a 10.85 million zloty y/y increase).

The value of overdue liabilities came to 0.12 million zloty (which constitutes 0.2% of the total liabilities). The Company did not have any overdue liabilities due to the budget.

In the 2020 financial year, similarly to previous years, KUKE did not use funding from bank credit facilities.

8.2 Analysis of the Technical Insurance Account and the General Profit and Loss Account

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

TECHNICAL ACCOUNT AND PROFIT AND LOSS ACCOUNT	Result Jan-Dec 2019 PLN millions	Result Jan-Dec 2020 PLN millions	Change 2020/2019 PLN millions	Change 2020/2019 %
Net premiums	41.46	47.62	6.16	14.8%
Gross premiums	99.31	123.67	24.36	24.5%
Claims and benefits, net	-30.12	-17.56	12.57	-41.7%
Bonuses and discounts on own participation	-2.42	-1.72	0.70	-29.0%
Balance of other technical revenues and costs	0.95	1.49	0.54	56.7%
Costs of insurance operations	-19.43	-20.05	-0.62	3.2%
Change of equalization reserve	0.00	-6.15	-6.15	n/A
Technical result on insurance	-9.56	3.64	13.20	n/A
Balance of revenues and costs of investment activities	9.53	5.59	-3.95	-41.4%
Balance of other operating revenues and costs	7.99	9.07	1.07	13.4%
Gross financial result	7.97	18.29	10.32	129.5%
Income tax	-1.73	-4.10	-2.37	126.9%
Net financial result	6.24	14.19	7.95	127.5%

Items with a negative impact on the result are preceded with the symbol "-".
Differences in checksums result from rounding. Y/y change is presented in full numbers (PLN).



In 2020, the revenues from net premiums amounted to 47.62 million zloty and were 14.8% (6.16 million zloty) higher than in 2019 and 1.4% lower than the planned value. The gross written premiums in the amount of 123.67 million zloty increased by 24.5% (24.36 million zloty) in relation to 2019, constituting 132.1% of the plan.

Compensations and benefits paid came to 16.11 million zloty in 2020 compared to 29.80 million zloty in 2019 (a 46.0% y/y decrease). The level of provisions for unpaid compensations and benefits paid, taking into account the estimated recourses, increased as at 31 December 2020 by 1.45 million zloty compared to the balance as at 31 December 2019 (given the uptick in this item amounting to 0.32 million zloty in the previous year). The total net compensations and benefits in the reporting period stood at PLN 17.56 million zloty and were 41.7% (12.57 million zloty) lower than in 2019. This amount also constituted 58.3% of the parameters included in the plan.

The general insurance expenses (administrative costs, acquisition costs, and reinsurance provisions decreasing them) amounted to 20.05 million zloty in 2020 compared to 19.43 million zloty recorded in 2019 (a 3.2% y/y increase) and in relation to the 25.07 million zloty detailed in the plan (80.0% of the execution).

This was the first time in the history of the Company that a positive technical result was obtained both in insurance class 14 (8.09 million zloty), and in insurance class 15 (1.69 million zloty). In line with the accounting principles for insurers, KUKE established an equalisation reserve at the end of the year, securing

against rising insurance loss ratios in future years, in the amount of 6.15 million zloty, which reduced the final total technical result of KUKE for 2020 to 3.64 million zloty. Despite this, it was as much as 13.20 million zloty higher (-9.56 million zloty) compared to 2019, and 12.49 million zloty higher (-8.85 million zloty) in relation to the plan.

The balance of investment operation income and expenses (5.59 million zloty) dropped y/y by 41.4% (taking into account in 2019 the 2.53 million zloty constituting unearned gains on deposits on account of the quarterly valuation of shares of KUKE Finance). The value of the deposits balance was 51.4% higher than planned (3.69 million zloty).

The balance of other operating revenues and costs stood at 9.07 million zloty and was as much as 13.4% higher than in 2019 and 6.8% higher than planned. The balance of revenues and costs related to providing export insurance backed by the State Treasury significantly contributed to the improvement of this parameter, which in the analysed period came to 8.39 million zloty compared to 6.67 million zloty in 2019 (a 25.7% y/y increase), also constituting 103.2% of the plan (8.13 million zloty).

In 2020, KUKE recorded a gross financial result of 18.29 million zloty compared to the 7.97 million zloty achieved in the preceding year. After the calculation of the current and deferred income tax which came to 4.10 million zloty, the net financial result stood at 14.19 million zloty. Compared to 2019, the Company net profit more than doubled (a 127.5% increase), constituting 526.7% of the execution of the plan (2.69 million zloty).

8.3 Analysis of Performance Indicators

Selected performance indicators

INDICATOR	DESCRIPTION	Jan-Dec 2019	Jan-Dec 2020
PROFITABILITY			
ROE	Net profit/equity*	2,9%	5,6%
Profitability of insurance operations	Technical result/written premiums on own participation	-17,7%	5,3%
Profitability based on gross premiums	Net profit/gross written premiums	6,3%	11,5%
Profitability based on own participation	Net profit/written premiums on own participation	11,6%	20,8%
LOSS RATIO			
Gross	(claims and benefits paid out, gross +/- change of provisions, gross)/ earned premiums	72,8%	29,3%
Net	(claims and benefits paid out on own participation +/- change of provisions for own participation)/premiums earned on own participation	72,7%	36,9%
COSTS OF OPERATIONS			
GROSS INDICATORS			
General operation, including:	Costs of insurance operations**/gross written premiums	30,9%	28,0%
Acquisition costs	Acquisition costs/gross written premiums	15,4%	15,7%
Administrative costs	Administrative costs/gross written premiums	15,5%	12,3%
EQUITY INDICATORS			
Costs of insurance operations	Costs of insurance operations*** /premiums earned on own participation	46,9%	42,1%

* Average for the beginning and end of year.

** Without reinsurance commissions and shares in the profits of reinsurers.

*** Including reinsurance commissions and shares in the profits of reinsurers.

The key performance indicators show an improvement in each of the analysed areas of management. Lower loss ratios, net of reinsurance (36.9% relative to 72.7% in 2019) and operating cost ratios, both on the level of gross operations (the general indicator in 2020 came to 28.0% vs 30.9% the year before), as well as operations, net of reinsurance (42.1% vs 46.9% in 2019), have translated into the overall improved profitability of KUKE. The profitability ratio based on the gross premium in 2020 stood at 11.5% compared to 6.3% a year earlier. A greater improvement

in profitability can also be observed in the deductible – this ratio stood at 20.8% compared to 11.6% in 2019. This welcome development of the discussed indicators was ultimately revealed in the two-fold increase in the return on equity (ROE) ratio, which stood at 5.6% relative to 2.9% the previous year.

As at 31 December 2020, the Company demonstrated compliance with all the legally required soundness standards applicable to the insurance industry.

8.4 Assessment of the Effects of the Coronavirus Pandemic on KUKE

On 11 March 2020, the World Health Organisation (WHO) declared a global pandemic of the Coronavirus causing COVID-19, thus confirming that the virus has spread globally and that its negative effects have gained momentum. In effect, since the first quarter of 2020, the economies of countries around the world are facing problems resulting from the social and economic restrictions imposed in succeeding countries.

Despite the biggest economic constraints in decades in Poland and across the world, the data concerning KUKE operations still do not reflect these disruptions of the economy. The Corporation has not been affected by the pandemic in terms of the revenues from premiums.

The value of the compensation paid out and the claims ratio are on much lower levels than a year earlier. This also results from the Government-led protection measures for businesses within the anti-crisis measures. There is a risk that the following months will bring about a deterioration of the situation in this respect. Despite the fact that KUKE is assuming an increase in the loss ratio of the commercial insurance portfolio in 2021, the signals from the national economy remain positive enough for the Corporation to assume that the loss ratio will not exceed the level from previous years, that is, 60%.

The cuts in key interest rates by the Monetary Policy Council resulting from the economic downturn caused by the COVID-19 pandemic will have a significant impact on the reduction of the investment operation revenues obtained by the Corporation in 2021.

Any estimation of the size of the potential impact of the pandemic, among others due to the shape of the epidemic curve or the behavioural changes taking place in society, is characterised by great uncertainty. The Company is monitoring the situation on an ongoing basis and analysing the impact of the pandemic on the loss ratio of the portfolio.

In the area of operational risk, the Company has implemented an emergency plan concerning maintaining the continuity of operations in an epidemiological crisis situation.

During the pandemic, the Company did not identify new threats impacting its activities and operations. The impact of the Company's operational activities on the results and operations of KUKE in the context of all the identified risks relating to the pandemic is monitored on an ongoing basis. All possible steps are being

taken to mitigate its negative effects for the Corporation and its Clients.

The above event, over the timeframe of this report, has not exerted any impact on the change in the structure of balance sheet items and the financial result.

Analysis of the impact of COVID-19 on the insurance portfolio of KUKE

As at 31 December 2020, the total exposure of KUKE on account of the active domestic and foreign receivables contracts has reached a level of 25.65 billion zloty, 16.57 billion zloty of which in domestic receivables insurance and 9.08 billion zloty in commercial export receivables insurance. KUKE's exposure was strongly diversified and was broken down into 81,101 active credit limits (of which 65,456 were credit limits for domestic risks and 15,645 for credit limits for export risks).

In the opinion of KUKE, the COVID-19 pandemic may exert the greatest impact on the economic situations of enterprises in the following sectors: HORECA, automotive, transport, services, light industry, papermaking industry, printing, and the non-specialised retail industry. The share of the mentioned industries in the portfolio of KUKE's commercial insurance constitutes 9.4% the commercial export insurance portfolio and 10.9% the domestic receivables insurance portfolio, respectively. The share of risks in the indicated sectors in terms of the number of active credit limits constitutes 13% for commercial export risks and 14% for domestic receivables insurance, respectively.

In the opinion of KUKE, the greatest impact of the COVID-19 pandemic on the macroeconomic situation of countries should be expected in relation to the markets of southern Europe (Italy, Spain, and Portugal), Great Britain, USA, and the largest South American countries (Brazil, Argentina, and Chile). The total exposure of KUKE measured by the sum of active credit limits constitutes 5% of the total exposure of KUKE arising from commercial export insurance and measured by the number of active credit limits totals - 2.8% of the number of limits.

Taking account of the above statistics, even assuming that, in the future, as a result of the COVID-19 epidemic, the loss ratio in the designated sectors and countries will increase, the impact of this increase on the quality of the insurance portfolio of KUKE will remain moderate, particularly that all the insurance risks are subject to constant monitoring and, should the level of risk increase, the credit limits are reduced or cancelled in order to limit the potential losses.



Potential impact of the COVID-19 pandemic on the liquidity and solvency of KUKI

Any estimation of the total extent of the potential impact of the pandemic, among others due to the shape of the epidemic curve or the behavioural changes taking place in society, is characterised by great uncertainty. Therefore, the Company has decided to analyse the potential impact of the COVID-19 pandemic on own funds in the medium-term time horizon, assuming extreme conditions. It is clear from the evaluation carried out that the equity held is at an adequate level and in the years 2021-2023 there will be no need to additionally strengthen the Company's capital despite a catastrophic scenario materialising. The SCR coverage ratio by eligible own funds throughout the projection period remains at an acceptable level, the above assumed risk appetite has been determined at a level of 150%.

The Company expects that it is resistant to possible financial turmoil caused by the pandemic. No significant increase in risk exposure has been observed in the relevant market risk modules. This is down to a conservative investment strategy being applied that assumes investing assets in safe instruments.

The Company's deposit portfolio includes instruments that can be liquidated within a short timeframe. In order to ensure liquidity, KUKI is maintaining a liquidity cushion in the form of money on accounts and short-term deposits. The Company is maintaining a minimum level of deposits and cash at a level of at least 2 million zloty (the value of these funds at the end of 2020 amounted to 13.37 million zloty). Due to the structure of the deposit portfolio and the applied limit system, the Company estimates that the impact of the pandemic on the liquidity risk is low.



Potential impact of the pandemic on the uncertainty about the valuation of technical insurance provisions

The impact of the pandemic as a risk factor and the uncertainty in relation to the valuation of the technical insurance provisions has been assessed to be moderate. The technical insurance provisions established as at 31 December 2020 concerned both the events that have occurred (loss provisions) as well as events that will come into existence in future reporting periods (provisions for premiums along with provisions for unexpired risk). In this context, the assumption was made that the impact of the pandemic has already been fully reflected in terms of the loss provisions. In the case of future events, an assumption has been made in relation to the expected loss ratio. The adopted value of this loss ratio is 60.0% both for the receivables insurance portfolio as well as for the bond portfolio. For the sake of comparison, as at 31 December 2020, the gross loss ratio for the receivables insurance portfolio came to 34.4%, and minus 2.3% for the bond portfolio. Having regard to the assumption relating to the amount of the expected loss ratio, the calculation carried out does not indicate that there is a need to create additional provisioning for unexpired risks.

Technical account for property and personal insurance (PLN thousand)

	2020-12-31	2019-12-31
Technical account for property and personal insurance	47 617	41 462
Premiums (1-2-3+4)	123 673	99 313
Gross written premiums	55 288	45 440
Reinsurers' share in written premiums	34 560	20 361
Movements in gross premium reserves and reserves for unexpired risks	13 791	7 951
Reinsurers' share in movements of premium reserves	6 883	4 749
Other technical income, net of reinsurance	17 557	30 124
Claims (1+2)	16 107	29 804
Claims paid, net of reinsurance	1 450	320
Movements in reserves for outstanding claims, net of reinsurance	1 717	2 418
Bonuses and rebates, net of reinsurance, including movements in reserves	20 050	19 430
Costs of insurance operations	19 406	15 339
Acquisition costs	15 184	15 388
Administrative costs	14 540	11 297
Reinsurance commissions and share in reinsurers' profits	5 390	3 797
Other technical costs, net of reinsurance	6 148	0
Movements in equalisation reserves	3 639	-9 557
Technical result for property and personal insurance		

Technical account for property and personal insurance (PLN thousand)

	2020-12-31	2019-12-31
Technical result of property and personal insurance or life insurance	3 639	-9 557
Investment income	5 824	7 237
Unrealised investment gains	238	2 529
Investment costs	476	232
Unrealised investment losses	0	0
Other operating income	24 499	21 532
Other operating costs	15 432	13 539
Operating profit (loss)	18 291	7 970
Gross profit (loss)	18 291	7 970
Income tax	4 098	1 730
Net profit (loss)	14 193	6 240

Assets (PLN thousand)

	2020-12-31	2019-12-31
Intangible assets	3 205	1 041
Investments	358 471	277 464
Investments in subsidiaries	52 519	49 808
Shares in subsidiaries	37 492	34 762
Loans to subsidiaries and debt securities issued by those undertakings	15 027	15 046
Other financial investments	305 952	227 656
Debt securities and other fixed income securities	305 935	211 980
Term deposits in credit institutions	17	15 676
Receivables	78 479	66 450
Direct insurance receivables	50 888	37 247
Reinsurance receivables	24 095	20 354
Other receivables	3 495	8 849
Other asset components	39 209	12 611
Tangible fixed assets components	2 676	3 059
Cash and cash equivalents	36 533	9 551
Prepayments and accruals	19 515	14 104
Deferred income tax assets	3 579	3 092
Deferred acquisition cost	14 961	10 057
Other prepayments and accruals	975	955
TOTAL ASSETS	498 879	371 670

Liabilities (PLN thousand)

	2020-12-31	2019-12-31
Equity (own funds)	286 634	219 339
Primary capital	135 939	110 703
Reserve capital	98 541	68 149
Revaluation reserves	4 689	974
Other reserves	33 273	33 273
Net profit (loss)	14 193	6 240
Technical insurance provisions	169 529	130 424
Premium reserve and unexpired risk reserve	137 158	102 599
Provisions for insurance expenses	20 709	22 017
Provisions for bonuses and rebates	5 513	5 809
Equalization provision	6 148	0
Reinsurers' share in technical provisions (negative figure)	64 652	52 636
Reinsurers' share in unearned premium reserve and unexpired risk reserve	54 679	40 888
Reinsurers' share in provision for outstanding claims	7 766	9 417
Reinsurers' share in provision for bonuses and rebates	2 207	2 331
Estimated salvages and subrogations (negative figure)	2 344	3 450
Estimated salvages and subrogations	3 944	5 835
Reinsurers' share in estimated salvages and subrogations	1 600	2 384
Other provisions	3 526	2 947
Employee benefit provisions	2 128	1 772
Deferred tax provisions	1 019	845
Other provisions	379	330
Other payables and special funds	83 159	56 708
Direct insurance payables	7 563	5 399
Amounts owed under reinsurance	46 546	35 697
Other liabilities	5 851	6 782
Special funds	23 199	8 828
Prepayments and accruals	23 027	18 339
TOTAL LIABILITIES	498 879	371 670

Cash Flow Statement (PLN thousand)

	2020-12-31	2019-12-31
Operating cash flows	48 713	8 713
Inflows	346 989	299 915
Inflows from direct insurance and reinsurance assumed	119 106	99 766
Inflows from gross premiums	106 892	88 989
Inflows from recourse, recoveries and refunds	6 285	6 395
Other inflows from direct insurance	5 929	4 382
Inflows from reinsurance ceded	28 667	40 448
Share of reinsurers in claims paid	13 223	27 387
Inflows from reinsurance commissions and share in reinsurers' profits	14 692	12 905
Other inflows from reinsurance ceded	753	156
Other operating inflows	199 215	159 701
Inflows from average adjuster operations	0	0
Sale of intangible assets and tangible fixed assets other than investments	60	184
Other operating inflows	199 155	159 517
Outflows	298 276	291 202
Outflows from direct insurance and reinsurance assumed	85 377	103 921
Gross premium refunds	27 137	57 396
Acquisition costs	27 314	19 880
Administrative outflows	22 190	20 006
Outflows on claim settlement and recovery of recourse	5 047	4 403
Other outlays under direct insurance and reinsurance assumed	3 689	2 235
Outflows on reinsurance ceded	49 514	42 892
Other operating outflows	163 385	144 389
Investment cash flows	-71 402	-10 159
Inflows	1 290 682	3 432 133
Outflows	1 362 084	3 442 292
Financial cash flows	49 671	-15
Net financial cash flows, total	26 981	-1 461
Cash and cash equivalents at the beginning of period	9 551	11 012
Cash and cash equivalents at the end of period (F±D), of which:	36 533	9 551
- not fully disposable	23 166	8 774

Solvency Parameters (PLN thousand)

	2020-12-31	2019-12-31
Ordinary share capital (gross of own shares)	135 939	110 903
Share premium account related to ordinary share capital	43 837	19 073
Reconciliation reserve	117 342	84 427
Amount equal to the value of net deferred tax assets	0	2 527
Total basic own funds after deductions	259 854	216 730
Total eligible own funds to meet the SCR	259 854	182 208
Total eligible own funds to meet the MCR	259 854	179 681
Solvency Capital Requirement - SCR	101 848	81 238
Minimum Capital Requirement - MCR	25 462	20 310
Ratio of eligible own funds to SCR	255%	224%
Ratio of eligible own funds to MCR	1 021%	885%

Solvency Capital Requirement (PLN thousand)

	2020-12-31	2019-12-31
Market risk	18 967	18 741
Counterparty default risk	3 325	2 035
Insurance risk	107 798	80 562
Diversification	-14 317	-13 113
Basic solvency capital requirements	115 774	88 224
Operational risk	2 673	2 219
Solvency capital requirement	101 848	81 238



